Pillar 3 Report
Annual Report
2021

Triodos Bank

Triodos Bank

Triodos Bank is a co-founder of the Global Alliance for
Banking on Values, a network of leading sustainable banks
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Annual Report 2021 - Pillar 3 disclosures

1. About the Pillar 3 Report

This Pillar 3 Report of Triodos Bank NV contains quantitative and qualitative information related to Triodos Bank as required in the Capital Requirements Regulation.

- The standardised approach is used to calculate the risk-weighted assets for credit risk.
- The scope is on consolidated level as per 31 December 2021.
- There are no differences between accounting and regulatory scopes of consolidation.
- The reporting currency is euro.
- The accounting standard is IFRS.
- The LEI-code of Triodos Bank NV is 724500PMK2A2M1SQQ228.
- Triodos Bank does not omit the disclosure of any required information for proprietary or confidentiality reasons.
- Some tables are not relevant for Triodos Bank and are therefore omitted.
- Small differences are possible due to rounding.

Triodos Bank NV has made these disclosures in accordance with prudential regulation, which is also an integral part of our internal policies and procedures. Our Pillar 3 Policy has been in place since 2015 and is annually reviewed to ensure permanent compliance of our pillar 3 disclosures with the Capital Requirements Regulation (Part Eight). Senior representatives and subject-matter experts from involved co-making departments are responsible for the disclosed information, subject to a formal sign-off process. The quality of the disclosures as presented in this report is guaranteed by following our verification actions and assessments, decisions of approval committees and related annual report processes. We believe that this report describes our overall risk profile accurately and comprehensively.

Driebergen-Rijsenburg, 16 March 2022

Executive Board,

Jeroen Rijpkema, CEO, Chair
André Haag, CFO
Carla van der Weerdt[1], CRO
Jacco Minnaar, CCO
Nico Kronemeijer, COO

[1] The current CRO, Carla van der Weerdt, is expected to require a recovery period of up to 12 months from the health impact of long COVID-19. Triodos Bank will seek a temporary statutory replacement for this role in the Executive Board. Pending the search and approval process for a temporary statutory replacement, André Haag (Chief Finance Officer) currently assumes the statutory oversight responsibility for the Risk function of Triodos Bank, similar to the period June to October 2021. Due to her absence she was not able to sign this Pillar 3 report.

Scope of application

EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

		a +b[1]	c	d	e	f	g
			Carrying values of items				
	Amounts 2021 (in EUR 1,000)	**Carrying values as reported in published financial statements**	**Subject to the credit risk framework**	**Subject to the CCR framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to own funds requirements or subject to deduction from own funds**
	Breakdown by asset classes according to the balance sheet in the published financial statements						
1	Cash and cash equivalents	4,277,589	4,277,589			445,511	
2	Loans and advances to banks	265,796	265,796			43,138	
3	Loans and advances to customers	10,167,798	10,167,798			1,314,083	
4	Debt securities at amortised cost	1,483,378	1,483,378			319,775	
5	Investment securities	39,976	39,976			20,106	
6	Intangible assets	48,304	14,220			1,406	34,084
7	Property and equipment	94,664	94,664			14,212	
8	Investment property	7,905	7,905				
9	Right-of-use assets	16,734	16,734			1,402	
10	Non-trading derivatives	19,650		19,650			
11	Deferred Tax Assets	13,617	6,436			283	7,181
12	Current tax receivable	1,730	1,730				
13	Other assets	54,365	54,365			1,643	
14	Non-current Assets Held for Sale	12,679	12,679				
	Total assets	**16,504,185**	**16,443,270**	**19,650**		**2,161,559**	**41,265**
	Breakdown by liability classes according to the balance sheet in the published financial statements						
1	Deposits from banks	1,608,306					1,608,306
2	Deposits from customers	13,285,072				1,905,377	13,285,072
3	Lease liabilities	17,425				1,432	17,425
4	Non-trading derivatives	6,947		6,947			
5	Deferred Tax Liabilities	6,318					6,318
6	Current tax liabilities	12,872				710	12,872
7	Other liabilities	55,724				3,252	55,724
8	Debt issued and other borrowed funds	255,615				6,818	255,615
9	Provisions	5,784				1,024	5,784
	Total liabilities	**15,254,063**		**6,947**		**1,918,613**	**15,247,116**

[1] Triodos Bank's scope of accounting consolidation is the same as its scope of regulatory consolidation.

EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
			Items subject to			
	Amounts 2021 (in EUR 1,000)	**Total**	**Credit risk framework**	**Securitisation framework**	**CCR framework**	**Market risk framework**
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**16,462,920**	**16,443,270**		**19,650**	**2,161,559**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**6,947**			**6,947**	**1,918,613**
3	**Total net amount under the scope of prudential consolidation**	**16,455,973**	**16,443,270**		**12,703**	**242,946**
4	**Off-balance-sheet amounts**	**2,185,169**	**2,185,169**			
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to consideration of provisions		-1,416			
8	Differences due to the use of credit risk mitigation techniques (CRMs)					
9	Differences due to credit conversion factors	-1,141,408	-1,141,408			
10	Differences due to Securitisation with risk transfer					
11	Other differences	99,654			99,654	
12	**Exposure amounts considered for regulatory purposes**	**17,599,388**	**17,485,615**		**112,357**	**242,946**

EU LI3 - Outline of the differences in the scopes of consolidation

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Triodos Bank NV	Full consolidation	X					Credit institution
Triodos Bank UK Ltd	Full consolidation	X					Credit institution
IMMA BVBA	Full consolidation	X					Other financial intermediary
Legal Owner Triodos Funds BV	Full consolidation	X					Other financial intermediary
Triodos Investment Management BV	Full consolidation	X					Investment firm
Triodos Finance BV	Full consolidation	X					Other financial intermediary
Sinopel 2019 BV	Full consolidation	X					Financial Vehicle Corporation
Stichting Triodos Beleggersgiro	Full consolidation	X					Other financial intermediary

2. Key metrics of risk-weighted exposure amounts

EU KM1 - Key metrics template

		a	b	c	d	e
	Amounts (in EUR 1,000)[1]	**31.12.2021**	**30.09.2021**	**30.06.2021**	**31.03.2021**	**31.12.2020**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	1,144,101		1,150,071		1,103,807
2	Tier 1 capital	1,144,101		1,150,071		1,103,807
3	Total capital	1,398,799		1,156,715		1,110,166
	Risk-weighted exposure amounts					
4	Total risk exposure amount	6,554,841		6,176,461		5,917,372
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17.45%		18.62%		18.65%
6	Tier 1 ratio (%)	17.45%		18.62%		18.65%
7	Total capital ratio (%)	21.34%		18.73%		18.76%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.50%		2.10%		2.10%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.40%		1.20%		1.20%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.90%		1.60%		1.60%
EU 7d	Total SREP own funds requirements (%)	10.50%		10.10%		10.10%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%		2.50%		2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.002%				
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement (%)	2.50%		2.50%		2.50%
EU 11a	Overall capital requirements (%)	13.00%		12.60%		12.60%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.55%		8.63%		8.66%
	Leverage ratio					
13	Total exposure measure	14,109,432		13,401,960		12,593,032
14	Leverage ratio (%)	8.11%		8.58%		8.77%

		a	b	c	d	e
	Amounts (in EUR 1,000)[1]	**31.12.2021**	**30.09.2021**	**30.06.2021**	**31.03.2021**	**31.12.2020**
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements (%)	3.48%		3.48%		
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)					
EU 14e	Overall leverage ratio requirements (%)	3.48%		3.48%		
	Liquidity Coverage Ratio (%) average from preceding 12 month					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	4,078,516		3,628,506		3,796,012
EU 16a	Cash outflows - Total weighted value	1,965,319		1,838,832		1,898,320
EU 16b	Cash inflows - Total weighted value	234,232		271,025		259,166
16	Total net cash outflows (adjusted value)	1,731,087		1,567,807		1,639,155
17	Liquidity coverage ratio (%)	235.87%		231.27%		231.58%
	Net Stable Funding Ratio					
18	Total available stable funding	14,050,381		13,272,392		11,284,117
19	Total required stable funding	9,098,248		8,798,215		7,946,024
20	NSFR ratio (%)	154.43%		150.85%		142.01%

[1] The Key metrics information of Triodos Bank is disclosed every six months.

*The standard 3% leverage ratio requirement became binding on 28 June 2021. Due to the temporary relief measures excluding certain central bank exposures from the leverage ratio, this 3% leverage ratio requirement was -as required by regulation- recalibrated in such a way that only the central bank exposures newly accumulated since the beginning of the pandemic effectively benefit from the leverage ratio relief. In other words, only the increase in Triodos Bank's central bank exposures since 31 December 2019 lead in practice to leverage ratio relief. This requirement maintains the level of resilience provided by the leverage ratio before the pandemic. This is a temporary adjustment until 31 March 2022.

3. Risk management and governance

Risk statement

The risk management and control framework provides reasonable assurance regarding the reliability of financial reporting and the fair presentation of financial statements.

Objective

The risk management objective of Triodos Bank is to maintain an environment that supports the bank in pursuing our mission and in realising our strategic objectives. This implies that a structural context is provided to effectively identify and manage the risks inherent in the bank's activities, proportionate to its size and complexity.

The Three Lines of Defence

The Three Lines of Defence (LoD) model is an industry-wide applied organisational risk concept that is integrated in the internal governance and organisation of Triodos Bank. The concept strengthens Triodos Bank's risk control by consistently assigning and embedding clearly defined risk management roles and responsibilities within the organisation. The rationale behind the three lines concept is that risk management can only be effective when it is embedded and exercised in all constituent parts of the bank. For the same reason that risks may, in principle, surface and manifest themselves anywhere within the bank, risk awareness is to be maintained at all levels throughout the bank. The Risk Management department is not solely responsible for the management of risks. All co-workers share responsibility for risk taking and risk management. The three lines concept offers an effective framework to identify and adequately address the risks that may jeopardise the realisation of the bank's strategic objectives in a timely way. This contributes to a sound risk culture is in line with Triodos Bank's mission and values.

The first line is primarily responsible for managing the risks it incurs in conducting business activities and operations within its span of control. The first line therefore has the 'ownership' of these risks. From a functional area perspective, the first line responsibilities are shared by the respective functional areas.

The second line consists of the Risk Management and Compliance functions. Both functions are present at local business unit level and at group level. Whereas the first line exercises 'risk ownership', the second line exercises 'risk control'. The second line supports and facilitates a sound risk management and control framework throughout the bank, oversees the control processes and controls in place at the first line to ensure proper design and effectiveness and actively engages with the first line to jointly enhance the functioning of the risk management and control framework of the bank.

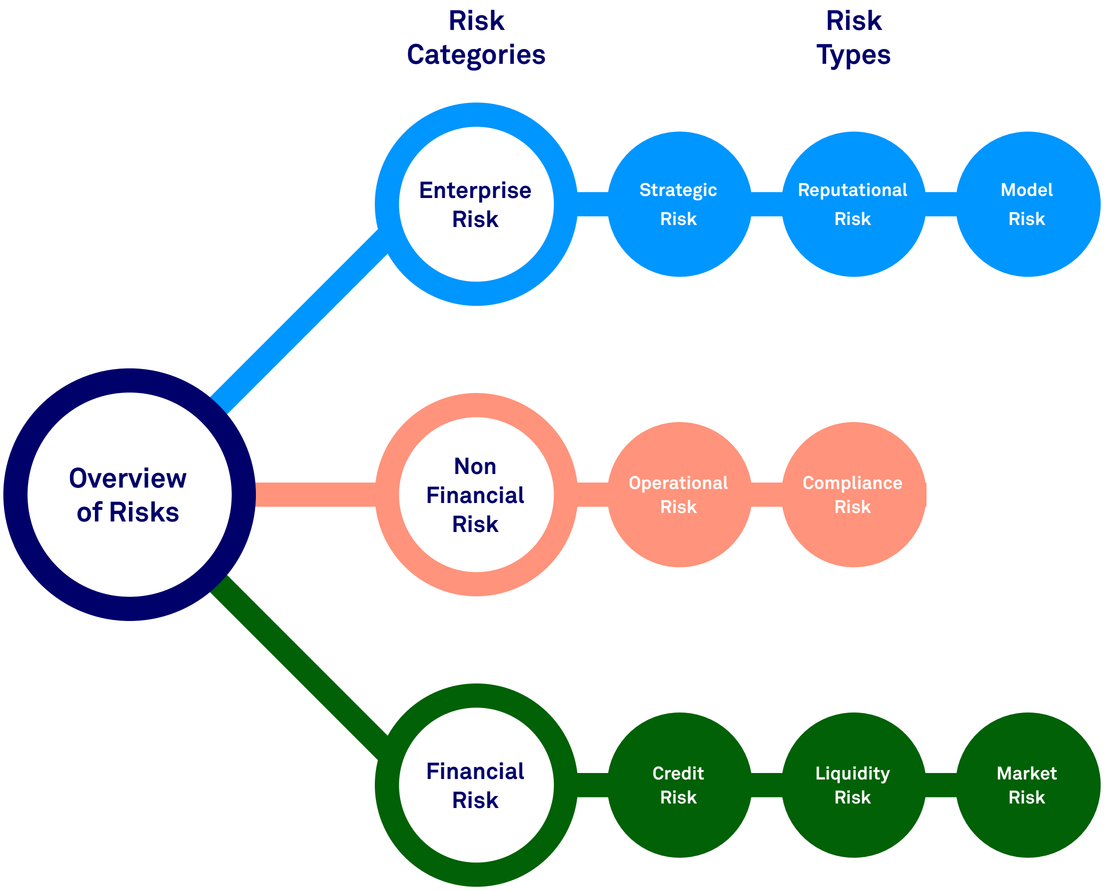
The third line consists of the Internal Audit function, which provides 'risk assurance' by providing risk-based independent and objective assurance, advice, and insight to the Executive Board, Audit and Risk Committee, senior management and managers at group and business unit level. This is done by a structured and balanced approach of evaluation, reporting and advising with regard to the corporate governance structure, internal control, compliance and risk management functions of the bank.

Risk organisation

The Risk Management and Compliance functions provide relevant independent information, analyses and expert judgement on risk exposures, and advise on whether proposals and risk decisions to be made by the Executive Board and business or support business units are consistent with the institution's risk appetite.

The Risk Management and Compliance functions recommend improvements to the risk management framework and monitor breaches of risk policies, procedures and limits.

The structure of the risk organisation meets banking industry standards and covers all identified relevant risks for Triodos Bank within three main risk categories: Enterprise Risk, Financial Risk and Non-financial Risk. Each risk category consists of a number of risk types (see diagram below).



The Executive Board (partly) delegated decision-making authority to the following risk committees at a central level:

- for Financial Risk, the Central Credit Committee has authority to take decisions on credit risks, both on an individual debtor level and on a credit portfolio level; the Asset and Liability Committee has authority to decide on market risks and liquidity risk;
- for Non-financial Risk, the Non-financial Risk Committee has authority to decide on operational and compliance risk matters. The Group Product Governance Committee has the authority to approve new products and review existing products. The Anti-Money Laundering and Countering Terrorist Financing Risk Committee oversees management of risks related to the regulatory and associated measures to combat money laundering and counter the financing of terrorism;
- for Enterprise Risk, the Enterprise Risk Committee has authority to decide on strategic, model and reputational risk issues.

Business units have local decision-making committees in place, such as a local Non-financial Risk Committee and a local Anti-Money Laundering and Countering Terrorist Financing Risk Committee. In addition, the business units that engage in local lending have a local Credit Committee in place. The processes and mandates for the local decision-making committees are captured in their respective charters.

The Supervisory Board's Audit and Risk Committee supervises the activities of the Executive Board with respect to the operation and adequacy of internal risk management and control systems. The group heads of Risk and the group director Compliance report directly to the Chief Risk Officer. The head of the Risk function (the CRO) and the head of the compliance function (the group director Compliance), have direct access to the Supervisory Board to raise concerns and escalate issues whenever required.

Enterprise risk

The Enterprise Risk discipline synthesises the risks of all risk areas and performs analyses to determine at a strategic level which circumstances and developments may potentially influence Triodos Bank's risk profile. Triodos Bank manages Enterprise Risk by means of specific tasks and related activities: performing strategic risk assessments, defining the risk appetite, assessing capital and liquidity requirements, and monitoring the risk profile through periodic Enterprise Risk Management (ERM) reporting.

Risk committee and the frequency of the meetings of the risk committee

The Audit and Risk Committee is a committee of the Supervisory Board, whose task it is to prepare the discussions and decision-making of the Supervisory Board on financial reporting, audit issues and risk management. The (entire) Supervisory Board remains responsible for decisions prepared by the Audit and Risk Committee. The Audit and Risk Committee consists of at least three members of the Supervisory Board, appointed by the Supervisory Board. Members of this Committee are Ernst -Jan Boers (Chair), Mike Nawas and Sebastien D'Hondt. The Audit and Risk Committee met seven times in 2021.

Risk information disclosure to the management body

A key objective of risk management reporting is to set the actual risk profile of Triodos Bank against its risk appetite, assess whether breaches have occurred or are expected and decide on actions that may need to be taken. Every risk discipline reports on a regular basis. These reports are discussed in corresponding risk committees and measures are taken whenever needed. On a quarterly basis, they are integrated in the ERM Report which provides insights into Triodos Bank's overall risk profile in relation to its risk appetite statement. The ERM report is discussed in the Enterprise Risk Committee and shared with the Audit and Risk Committee and Supervisory Board.

The basis for management and regulatory reporting is the data stored in the Enterprise Data Warehouse (EDW). This data is collected from Triodos Bank's business units. Periodically, data is extracted from the local source systems and sent to the

EDW. The EDW contains data marts prepared for specific user groups within the organisation, such as Risk Management, Finance and Marketing. EDW data is validated and checked for plausibility and consistency. Data Stewards at Head Office and in the entities use a process to register and solve data-quality issues. Based on the specification of specific user groups, EDW data is enriched with external data (e.g. Bloomberg data). EDW data is made available to users through reporting, analytics and dashboarding systems. The continuous development of data management is aligned with the Group's strategy.

The Director ICT is responsible for the IT architecture at group level and the Data Management Framework. The management team of the business units are responsible for the quality of the local data. At group level the Business Intelligence Competence Center (BICC) houses data analytic capabilities and is responsible for the maintenance of the EDW. Traditionally, Group Finance and Group Risk Management are key users of the EDW.

The number of directorships held by members of the management body

The members of the Executive Board and Supervisory Board disclose all relevant positions they have in so far as they are relevant to the performance of their duties as board member, including the formal directorships. The directorships are published on the company's website and reported in Triodos Bank's Annual Report.

Recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise

A recruitment policy is in place for the selection of Executive Board members and Supervisory Board members. The key areas of expertise of the SB members are reported in the Annual Report. Around the time of appointment of EB members, their key competencies are explained in the notes to the agenda of the General Meeting.

Diversity policy with regard of the members of the management body

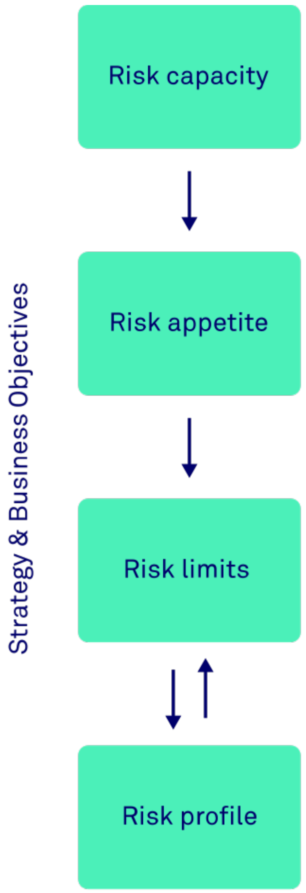
Triodos Bank strives to have a sound gender balance in every layer of the company. The profiles of EB and SB members deal with the aspects of diversity in the composition of the respective boards and state what specific objective is pursued by the boards in relation to diversity. In the selection of Supervisory Board members there will be a balance in nationality (preferably of countries in which Triodos Bank has an office), gender, age, experience and active or retired background. In particular, in respect of gender diversity, the Supervisory Board will pursue an objective that at least 30% of the seats be held by men and at least 30% of the seats be held by women. For the Executive Board (currently consisting of five members), the appointment of at least one male and one female is pursued. In line with the international character of Triodos Bank, the appointment of at least one non-Dutch national to the Executive Board is considered desirable, preferably from a country or countries where Triodos has an office or is developing activities.

Risk culture

Risk mitigation is an essential component of Triodos Bank's mission and business model. In addition, the risk management framework ensures co-workers at all levels have the same risk perspective and that formal structures and policies are addressed in a unified and congruent manner across the bank. Triodos Bank strives for a risk culture that is both robust and embedded. An environment of open communication and effective challenge, in which decision-making processes encourage a broad range of views and a constructive critical attitude, such that sound and informed decisions can be made, is important to such a culture. Risk-conscious leadership is key to establishing and enhancing the risk attitude and behaviour. Leading by example and setting the tone at the top are prerequisites for the aspired risk culture.

Risk appetite

Triodos Bank's risk appetite process aligns its risk profile with the willingness to take risk in delivering its business objectives. The Risk Appetite Statement is reviewed yearly and is endorsed by the Supervisory Board based on advice from the Audit and Risk Committee. Our risk appetite and the connection with the Strategy and Business objectives is illustrated below:



- The maximum level of risk the financial institution can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment (e.g. technical infrastructure, risk management capabilities, expertise) and obligations, also from a conduct perspective, to depositors, policyholders, shareholders, fixed income investors, as well as other customers and stakeholders.

- The aggregate level and types of risk a financial institution is willing to assume within its risk capacity to achieve its strategic objectives and business plan.
- Directly related to an entity's risk capacity as well as its culture, desired level of risk/return, capability and business strategy.

- Quantitative measures based on forward looking assumptions that allocate the financial institution's aggregate risk appetite statement (e.g. measure of loss or negative events) to business lines, legal entities as relevant, specific risk categories, concentrations, and as appropriate, other levels.

- Point in time assessment of the financial institution's gross and, as appropriate, net risk exposures (after taking into account mitigants) aggregated within and across each relevant risk category based on forward looking assumptions.

The risk appetite is based on three objectives that match Triodos Bank's corporate goals and ensure a sustainable banking model. These objectives are to: (1) protect identity and reputation, (2) maintain sound balance sheet relations, and (3) ensure stable profits.

Triodos Bank uses a set of indicators and limits to measure and assess the level of risk appetite and risk profile of the organisation. The risk limits, determined at group level, are translated into a localised limit structure for each business unit.

Declaration on the adequacy of the risk management arrangements

The Executive Board is responsible for designing, implementing and maintaining an adequate system for internal control over financial reporting. Financial reporting is the product of a structured process carried out by various functions and banking business units under the direction and supervision of the financial management of Triodos Bank.

The Executive Board is responsible for the risk management and compliance functions. The risk management function develops and executes risk policies and procedures involving identification, measurement, assessment, mitigation and monitoring of financial and non-financial risks. The compliance function plays a key role in monitoring Triodos Bank's adherence to external regulations and internal policies. The adequate functioning of the risk management and compliance function as part of the internal control system is supported by Triodos Bank's culture and supervised by the Audit and Risk Committee.

Triodos Bank's internal audit function provides independent and objective assurance of Triodos Bank's corporate governance, internal controls, compliance and risk management systems. The Executive Board, under the supervision of the Supervisory Board and its Audit and Risk Committee, is responsible for determining the overall internal audit work and for monitoring the integrity of these systems.

The risk management framework is an important building block in the internal control structure of the bank. Triodos Bank is working in a changing environment, which requires regular upgrades of its internal control structure and frameworks. The risk management and control framework cannot guarantee an absolute level of reliability but provides a solid level of assurance regarding the accuracy of financial reporting and the fair presentation of its financial statements.

The Executive Board report provides insight in the functioning of internal controls, compliance and risk management systems. Triodos Bank's risk management and control framework continues to evolve to support the business and to meet regulatory requirements.

Enterprise risk reporting

The principal objective of the ERM report is to set the actual risk profile of Triodos Bank against its risk appetite, to assess if key risk indicators have been breached and to determine what actions may need to be taken. In addition, the ERM report creates a single point of reference for all risk-related profiles and activities within Triodos Bank. The ERM report provides insights into specific risk themes and provides an integrated picture of risk at corporate level. This report is discussed in the Enterprise Risk Committee and shared with the Audit and Risk Committee and the Supervisory Board.

Every risk discipline reports monthly or on a quarterly basis. These reports are discussed in corresponding committees and measures are taken whenever needed. On a quarterly basis, they are integrated in the ERM report which provides insights into the Triodos Bank risk profile in relation to its risk appetite.

Reputational risk

Triodos Bank defines reputational risk as the risk arising from negative perception by customers, counterparties, shareholders or regulators, which can adversely affect the bank's ability to maintain existing, or establish new, (business) relationships and continued access to sources of funding.

As a values-based bank, Triodos Bank's reputation is vital to its ability to pursue its mission. As such, Triodos Bank's reputation is managed in a proactive manner, for the most part by 'doing things right' and 'doing right in line with Triodos Bank's mission'. Generally, proactively managing its reputation implies for Triodos Bank: (1) attracting and retaining qualified employees that have a strong affinity with Triodos Bank's mission and values; (2) maintaining a sound risk governance structure, that enables the correct execution and control of bank-related processes; and (3) actively positioning Triodos Bank's identity, its positive impact (for the longer term) and connection to society.

Model Risk

Model risk refers to the potential for negative consequences arising from the decisions made based on incorrect or misused model outputs and reports. It can result in financial loss, poor decision-making, and damage to the reputation of Triodos Bank.

Non-financial risk

Non-financial risk includes all the risks faced in Triodos Bank's regular activities and processes, that are not categorised as enterprise risk or financial risk. Triodos Bank has subdivided non-financial risk into operational risk and compliance risk. Monitoring these risks is particularly important to ensure that Triodos Bank can continue to offer quality financial services to its stakeholders.

Financial risk

Financial risk is an umbrella term for a variety of risk types associated with the balance sheet and financial performance of Triodos Bank. Financial risk is subdivided into three categories: credit risk, liquidity risk and market risk.

Strategic risk

Strategic risk relates to the risk of inadequate initial strategy selection, execution or modification over time and may impact the realisation of the organisation's purpose. Strategic Risk Assessments (SRA) are performed at Executive Board level for Triodos Bank as a whole and at business unit level for each business unit.

The SRA contains an assessment of the strategic risk exposures that can ultimately affect shareholder value or the viability of the organisation. The external landscape is changing. In particular, the low interest rate environment, climate change, energy transition, regulatory requirements, the European political landscape and technological developments are examples of relevant developments. Additionally, more sudden and disruptive events may occur such as the COVID-19 pandemic. The challenges that arise from these changes will continuously influence Triodos Bank.

Triodos Bank considers its banking model to have a modest risk profile. While on the one hand the bank's mission is to support the real economy and society with basic and straightforward banking products, the risk appetite reflects the recognition that the relatively fast-changing external environment requires us to adapt.

Strategic risks need to be carefully managed to protect and support the realisation of financial and mission-driven objectives. Sensitivities both at group and local level feed into scenarios, that are used to test Triodos Bank's capital, liquidity, profitability and operational stability during the year. Triodos Bank has identified the following developments, that drive the strategic risk profile at group level:

- Economic risk: persistent economic pressure as a result of the COVID-19 pandemic, increasing volatility as a result of political uncertainty, decreasing business confidence which leads to lower investment levels, intervention of central banks to stimulate economic growth, which may continue longer than expected and result in lower interest rates;
- Climate risk: likelihoods associated with and responses to the impacts of climate change on the bank's assets and on the bank itself as well as on how societal constraints shape adaptation options;
- Political and social risk: political uncertainty in the countries Triodos Bank operates in and at EU level and public discontent which leads to more volatility;
- Technological risk: FinTech companies create new fields of competition and raise customer expectations which challenge Triodos Bank's relationship approach.
- Regulatory risk: regulations like BRRD and CRR/CRD are continuously developing and may result in requirements that influence Triodos Bank's business model.

Climate change and environmental degradation are sources of structural change that affect the quality of life, economic activity as well as the financial system. Climate-related and environmental factors can be divided into two distinct categories.

- Physical: The physical environmental factors refer to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation (e.g. pollution, biodiversity loss and deforestation). The physical driver is categorised as 'acute' when it arises from extreme events (e.g. droughts, floods and storms) or 'chronic' when it arises from progressive shifts (e.g. sea-level rises and resource scarcity).
- Transitional: The transitional factors refer to the possible financial loss that may result, directly or indirectly, from the process of

adjustment towards a lower-carbon and more environmentally sustainable economy (e.g. due to a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences).

Given that sustainability considerations are a starting point within the bank's underwriting process, transition risks are minimal in the loan portfolio.

Regarding physical risk, the changes in climate leading to storms, floods and droughts may have an impact on the bank's asset base. Triodos Bank carries out annual stress tests which take extreme but plausible weather conditions into account.

Ultimately, Triodos Bank is of the opinion that, since climate and environmental related risks certainly are capable of severely affecting quality of life, the financing of unsustainable assets must be drastically decreased and minimised in all sectors of society.

Stress testing

Stress testing is part of Triodos Bank's risk management practice. It is of critical importance, in establishing a well-balanced forward-looking management view, to incorporate adverse developments and circumstances that the bank might be exposed to. Stress-testing exercises provide valuable insights into the exposure of the portfolio to risk events. Stress testing for capital at Triodos Bank is conducted at several levels: group-wide, at risk domain and at sector level. In addition, sensitivity tests are also carried out as part of the annual business banking sector analyses.

The firm-wide scenario stress test analysis process may be broken down into a sequence of phases, which translate defined stress scenarios into risk events and indicators that measure their associated risk levels. After determination of the impact and the aggregation of the results, the outcome is reported and discussed. Scenarios that are assessed are of a varied nature, including macro-economic stress and idiosyncratic stress (e.g. operational and reputational stress).

The selected stress test scenarios demonstrate that Triodos Bank is sensitive to a long-lasting, low interest environment. It shows that profitability would be under pressure in the coming years. This risk will be mitigated by focusing on higher yielding lending products, improving our commission income and further shaping our cost base to realise cost efficiencies in our core bank operations. Finally, Triodos Bank is sensitive to scenarios relating to reputational risk. To prevent such an event, it is essential to communicate our mission clearly and act accordingly.

Recovery

The Recovery Plan specifies measures that Triodos Bank can take to recover from a severe crisis. The aim of the Recovery Plan is to be prepared for a crisis and to identify and quantify the effectiveness of measures in different stress scenarios.

4. Capital Base and Capital Requirements

Regulation and Capital Requirements

The banking industry is highly regulated. Regulations play an important role in society to ensure banks operate safely. Triodos Bank pays constant attention to comply with all regulation.

Basel III is a worldwide standard for regulation, supervision and risk management of the banking sector, developed by the Basel Committee on Banking Supervision. Basel III has been transposed by the European Union into the Capital Requirements Regulation and the Capital Requirements Directive IV. The Capital Requirements Regulation is directly applicable and the Capital Requirements Directive IV was transposed into local law by each of the members of the European Union. As Triodos Bank is formally domiciled in the Netherlands, the Dutch implementation of the Capital Requirements Directive IV is applicable.

There is no difference in the scope of consolidation for accounting and for prudential reporting purposes. Except for transfer of own funds of Triodos Bank UK Ltd, there is not any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among Triodos Bank and its consolidated companies. All subsidiaries are included in the consolidation. Triodos Bank has not made use of a derogation option with regard to the application of prudential requirements on an individual basis.

Capital requirements

Triodos Bank calculates its internal capital adequacy requirements based on minimum requirements (pillar 1) and supplemented with additional capital charges (pillar 2), as described in the Capital Requirement Regulation.

The Total Capital Ratio increased by 2.5% from 18.8% at the year-end 2020 to 21.3% at the year-end 2021. This ratio is well above the minimum regulatory requirement. In October 2021, Triodos Bank issued a Green Subordinated Tier 2 bond in the amount of EUR 250 million to further strengthen and diversify its capital base. This green bond qualifies as Tier 2 capital in line with prudential regulations.

Minimum capital requirements (pillar 1)

The total minimum regulatory requirement consists of capital charges for credit risk, operational risk and market risk:

- Credit risk – Triodos Bank applies the standardised approach for calculating its minimum capital requirements for credit risk and the Financial Collateral Simple Method for credit risk mitigation. The risk-weighted asset calculations apply to all on-balance sheet exposures (including the loan book and the investment book), and off-balance sheet items (such as loan offers, not yet accepted) and derivatives exposures;
- Operational risk – Based on the size and limited complexity of the Triodos Bank organisation, the basic indicator approach (BIA) is used for calculating the capital requirement for operational risk, which equals 15% of the average over three years of Triodos Bank's gross income;
- Market risk – The capital charge for Triodos Bank's market risk is related to its exposure to FX risk. The requirement is calculated as the sum of the bank's overall net FX position, multiplied by 8%. Triodos Bank only accepts limited net FX positions in strategic investments and in its UK activities in GBP. However, when the regulatory threshold of 2% of the actual own funds is not exceeded, the capital charge for market risk is zero;
- Credit valuation adjustment risk – The capital charge for the counterparty risk of derivative

transactions that are not cleared through a qualified central counterparty.

Additional capital requirements

In order to determine its economic capital, Triodos Bank also calculates additional capital requirements. These consist of charges for risks or parts of risks that are not covered by pillar 1. This consists of items in the areas of credit risk, strategic risk, interest rate risk in the banking book (IRRBB), model risk and operational risk. The total capital requirement consists of the pillar 1 and 2 requirements and these combined buffer requirements.

Assessment of the adequacy of internal capital

The capital strategy of Triodos Bank is assessed in its Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP covers, for example, the measurement of risks requiring an adequate capital buffer, stress testing, capital contingency and the allocation of available capital to the different Triodos Bank business units. The ICAAP is subject to the SREP of DNB on a yearly basis.

The actual capital position is stressed regularly based on a number of stress scenarios. A capital contingency process is set up for Triodos Bank in case of a (potential) shortfall in available capital, which can be a threat to its solvency. For this purpose, the Recovery Plan contains measures for restoring its solvency by reducing risks and/or increasing capital and provides a specific governance structure for these stressed conditions.

Capital strategy

Triodos Bank aims for a sound and resilient capital base supporting our sustainable and conscious lending growth strategy.

The objective of Triodos Bank's capital strategy is to ensure its viability by:
- Maintaining sufficient capital to absorb current and future business losses, also in extreme situations (stress);
- Allocating sufficient capital to its business units; and
- Ensuring compliance with all applicable capital legislation and regulation at all times.

Triodos Bank's solvency comes from Common Equity Tier 1 (CET1) capital and Tier 2 capital.

Capital Allocation and Monitoring

Equity is allocated to banking business units in the yearly budget and planning process based on the forecasted return on risk-weighted assets, contribution to our mission and dynamic sector strategy. Triodos Bank works with a rolling three-year capital forecast.

The Asset and Liability Committee monitors Triodos Bank's capital position and advises the Executive Board on capital adequacy. The Asset and Liability Committee also assesses whether available capital is sufficient to support current and future bank activities on a monthly basis.

During 2021, available capital has been at sufficient levels at all times in line with external regulatory minimum requirements. A retained portion of the 2021 profit will be added to reserves in 2022.

5. Own Funds and Risk-Weighted Exposure Amounts

The calculation of the Common Equity Tier 1 ratio and the total capital ratio is based on the reporting requirement under the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR).

Own Funds

EU CC1 - Composition of regulatory own funds

		a	b
	Amounts 2021 (in EUR 1,000)	**Amounts**	**Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation**
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	924,164	24+25
	of which: Triodos bank Certificates	924,164	
2	Retained earnings	254,606	30
3	Accumulated other comprehensive income (and other reserves)	42,149	26+27+28+29
EU-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend		
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,220,920**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-36	
8	Intangible assets (net of related tax liability) (negative amount)	-28,025	6 +19
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR met) (negative amount)	-7,181	11
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
15	Defined-benefit pension fund assets (negative amount)		
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-36,000	30

		a	b
	Amounts 2021 (in EUR 1,000)	**Amounts**	**Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation**
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)		
EU-20c	of which: securitisation positions (negative amount)		
EU-20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
22	Amount exceeding the 17,65% threshold (negative amount)		
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
25	of which: deferred tax assets arising from temporary differences		
EU-25a	Losses for the current financial year (negative amount)		
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a	Other regulatory adjustments	-5,577	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-76,819**	
29	**Common Equity Tier 1 (CET1) capital**	**1,144,101**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1		
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		

	Amounts 2021 (in EUR 1,000)	a Amounts	b Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
42a	Other regulatory adjustments to AT1 capital		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,144,101**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	247,930	22
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR		
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	6,769	22
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	**Tier 2 (T2) capital before regulatory adjustments**	**254,698**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		

	Amounts 2021 (in EUR 1,000)	a Amounts	b Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
56b	Other regulatory adjusments to T2 capital		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**	**254,698**	
59	**Total capital (TC = T1 + T2)**	**1,398,799**	
60	**Total Risk exposure amount**	**6,554,841**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	17.45%	
62	Tier 1	17.45%	
63	Total capital	21.34%	
64	Institution CET1 overall capital requirements	8.40%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.002%	
67	of which: systemic risk buffer requirement		
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement		
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.40%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	9.55%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	26,853	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	6,435	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	74,622	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			

	Amounts 2021 (in EUR 1,000)	a Amounts	b Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a + b	c
		Balance sheet as in published financial statements	**Reference**
	Amounts (in EUR 1,000)	**31.12.2021**	
	Assets - Breakdown by asset classes according to the balance sheet in the published financial statements		
1	Cash and cash equivalents	4,277,589	1
2	Loans and advances to banks	265,796	2
3	Loans and advances to customers	10,167,798	3
4	Debt securities at amortised cost	1,483,378	4
5	Investment securities	39,976	5
6	Intangible assets	48,304	6
7	Property and equipment	94,664	7
8	Investment property	7,905	8
9	Right-of-use assets	16,734	9
10	Non-trading derivatives	19,650	10
11	Deferred Tax Assets	13,617	11
12	Current tax receivable	1,730	12
13	Other assets	54,365	13
14	Non-current Assets Held for Sale	12,679	14
	Total assets	**16,504,185**	
	Equity - Breakdown by Equity classes according to the balance sheet in the published financial statements		
1	Deposits from banks	1,608,306	15
2	Deposits from customers	13,285,072	16
3	Lease liabilities	17,425	17
4	Non-trading derivatives	6,947	18
5	Deferred Tax Liabilities	6,318	19
6	Current tax liabilities	12,872	20
7	Other liabilities	55,724	21
8	Debt issued and other borrowed funds	255,615	22
9	Provisions	5,784	23
	Total liabilities	**15,254,063**	
	Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements		
1	Share Capital	723,353	24
2	Share premium reserve	200,811	25
3	Translation reserve	-4,482	26
4	Cost of hedging reserve	117	27
5	Fair value reserve	82	28
6	Other reserve	46,431	29
7	Retained earnings	233,051	30
8	Result for the period	50,759	31
	Total shareholders' equity	**1,250,122**	

Triodos Bank has issued two capital instruments:
1 Shares
2 Subordinated liability

1. Shares

EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		a
		Ad 1. Shares
1	Issuer	Triodos Bank NV
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NL0010407946
2a	Public or private placement	Public
3	Governing law(s) of the instrument	Dutch law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Depository Receipts for ordinary shares Triodos Bank NV
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 1,220.9 million capital and reserves before regulatory adjustments.
9	Nominal amount of instrument	The nominal amount per share is EUR 50. At reporting date 14,467,055 shares were issued and fully paid up so that the total nominal amount is EUR 723.4 milion.
EU-9a	Issue price	Trade in shares is suspended. Decision is made to pursue the listing of the shares (“DRs”) on a Multilateral Trading Facility
EU-9b	Redemption price	N/A
10	Accounting classification	Shareholders equity
11	Original date of issuance	Triodos Bank N.V. was founded as a public limited company under Dutch law by deed of 30 June 1980. The issuance of shares started from that date.
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	No
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating dividend
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary

		a
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The shares are immediately subordinate to the Subordinated liability.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the intrument (signposting)	

2.1 Subordinated liability

		a
		Ad 2. Subordinated liability
1	Issuer	Triodos Bank UK Ltd.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	None
2a	Public or private placement	Private
3	Governing law(s) of the instrument	United Kingdom law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 eligible Capital
5	Post-transitional CRR rules	Tier 2 eligible Capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Bond
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 6.8 million
9	Nominal amount of instrument	GBP 5.7 million
EU-9a	Issue price	100%
EU-9b	Redemption price	N/A

		a
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	December 23, 2020
12	Perpetual or dated	Dated
13	Original maturity date	September 18, 2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	September 18, 2025
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.0%
19	Existence of a dividend stopper	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	Pre-emptive action to avoid insolvency
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	Mandatory
28	If convertible, specify instrument type convertible into	Shares
29	If convertible, specify issuer of instrument it converts into	Triodos Bank UK Ltd.
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	Subordinated below depositors, HMRC and secured creditors
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Subordinated liability is immediately subordinated to the claims of depositors and the unsubordinated claims with respect to the repayment of borrowed money.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the intrument (signposting)	N/A

2.2 Subordinated liability

		a
		Ad 3. Subordinated liability
1	Issuer	Triodos Bank NV
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: XS2401175927
2a	Public or private placement	Public
3	Governing law(s) of the instrument	Dutch law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 eligible Capital
5	Post-transitional CRR rules	Tier 2 eligible Capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Bond
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 247.9 million
9	Nominal amount of instrument	EUR 250.0 million
EU-9a	Issue price	99.497%
EU-9b	Redemption price	100%
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	November 5, 2021
12	Perpetual or dated	Dated
13	Original maturity date	February 5, 2032
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	each calendar day falling in the period from (and including) 5 November 2026 to (and including) 5 February 2027
16	Subsequent call dates, if applicable	any Interest Payment Date after the first redemption period
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	2.25%
19	Existence of a dividend stopper	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	Pre-emptive action to avoid insolvency
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	Mandatory
28	If convertible, specify instrument type convertible into	CET1 instruments

		a
29	If convertible, specify issuer of instrument it converts into	Triodos Bank NV
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Pre-emptive action to avoid insolvency
32	If write-down, full or partial	Fully
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	The Notes will constitute unsecured and subordinated obligations of the Issuer and will rank pari passu and without preference among themselves
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Subordinated liability is immediately subordinated to the claims of depositors and the unsubordinated claims with respect to the repayment of borrowed money.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the intrument (signposting)	triodos-green-bond-issue_prospectus.pdf

Risk-Weighted Exposure Amounts

EU OV1 – Overview of total risk exposure amounts

		a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
	Amounts (in EUR 1,000)	**31.12.2021**	**31.12.2020**	**31.12.2021**
1	Credit risk (excluding CCR)	5,962,099	5,382,776	476,968
2	Of which the standardised approach	5,962,099	5,382,776	476,968
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple riskweighted approach			
5	Of which the Advanced IRB (A-IRB) approach			
6	Counterparty credit risk - CCR	11,054	6,296	884
7	Of which the standardised approach			
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	1,929	1,642	154
EU 8b	Of which credit valuation adjustment - CVA	3,409	1,295	273
9	Of which other CCR	5,716	3,359	457
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%/ deduction			
20	Position, foreign exchange and commodities risks (Market risk)			
21	Of which the standardised approach			
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	581,688	528,300	46,535
EU 23a	Of which basic indicator approach	581,688	528,300	46,535
EU 23b	Of which standardised approach			
EU 23c	Of which advanced measurement approach			
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**16,088**	**18,442**	**1,287**
29	**Total**	**6,554,841**	**5,917,372**	**524,387**

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6. Countercyclical Buffer

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e
		General credit exposures[1]		Relevant credit exposures – Market risk		
	Amounts 2021 (in EUR 1,000)	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book
010	**Breakdown by country:**					
020	Netherlands	5,120,699				
030	Spain	1,829,536				
040	Belgium	1,502,448				
050	United Kingdom	1,494,027				
060	Germany	682,320				
070	France	436,164				
080	Luxembourg	50,602				
090	Ireland	30,129				
100	United States of America	11,055				
110	Denmark	7,171				
120	Cape Verde	479				
130	Canada	223				
140	Singapore	220				
150	Chile	195				
160	Norway	158				
170	Italy	138				
180	Sweden	62				
190	Switzerland	21				
200	Austria	19				
210	Other Countries[2]	40				
210	**Total**	**11,165,706**				

[1] The general credit risk exposure value is the exposure value after credit risk mitigation and after conversion factor for off balance exposures.This entities, multilateral development banks and institutions.
[2] Countries with an Own Fund requirement of less than EUR 1.000 are included under Other Countries.

f	g	h	i	j	k	l	m
	Own fund requirements						
Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
5,120,699	184,015			184,015	2,300,188	39%	
1,829,536	77,456			77,456	968,200	16%	
1,502,448	69,930			69,930	874,125	15%	
1,494,027	73,575			73,575	919,688	16%	
682,320	34,704			34,704	433,800	7%	
436,164	25,498			25,498	318,725	5%	
50,602	1,709			1,709	21,363		0.5%
30,129	1,496			1,496	18,700		
11,055	884			884	11,050		
7,171	470			470	5,875		
479	21			21	263		
223	6			6	75		
220	6			6	75		
195	5			5	63		
158	10			10	125		1.0%
138	11			11	138		
62	5			5	63		
21	1			1	13		
19	1			1	13		
40	2			2	25		
11,165,706	**469,805**			**469,805**	**5,872,563**	**100%**	

s value relates to all exposure classes excluding central governments and central banks, regional governments and local authorities, public sector

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

	Amounts 2021 (in EUR 1,000)	a
1	Total risk exposure amount	6,554,841
2	Institution specific countercyclical capital buffer rate	0.002%
3	Institution specific countercyclical capital buffer requirement	121

7. Leverage ratio

The leverage ratio is a measure indicating the level of the Tier 1 Capital compared to the total exposure. Its aim is to assess the risk of excessive leverage of the institution.

Management of excessive leverage

The risk of excessive leverage is managed inclusively in Triodos Bank's Capital Management strategy and procedures. Triodos Bank aims for a sound capital base by avoiding high leverage risks.

Triodos Bank's risk appetite level related to the leverage ratio is set at 5%, which is significantly above all regulatory requirements. At year end, the relevant capital used to calculate the leverage ratio consists only of CET1 capital. Triodos Bank's capital base to calculate the leverage ratio is therefore not subject to refinancing risks. The leverage ratio is part of Triodos Bank's three-year budget. Compliance with Triodos Bank's risk appetite level is part of the budget requirements.

Factors that had an impact on the leverage ratio

Triodos Bank has participated in the TLTRO tender III.5 and tender III.7 which would normally decrease the leverage ratio. However, in 2020 the ECB published a new regulation so that amounts placed with central banks can be left out of the leverage ratio calculation. Triodos Bank benefits from this relief measure until end-March 2022.

The decrease in the leverage ratio in 2021 is a direct result of the capital strategy of Triodos Bank. In order to diversify the capital base, Triodos Bank issued a Green subordinated Tier 2 bond in 2021 with a nominal amount of EUR 250 million. The issuance of that inaugural Tier 2 bond, if used to finance loans, results in a decrease of the leverage ratio by 0.15 percent points. The leverage ratio is mainly impacted due to a loan portfolio growth while the Tier 1 capital increased only marginally in 2021. This reflects the capital strategy of Triodos Bank to improve the usage of its Tier 1 capital to further develop the sustainable loan portfolio.

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		a
	Amounts 2021 (in EUR 1,000)	**Applicable amount**
1	Total assets as per published financial statements	16,504,185
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-3,488,539
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	92,707
9	Adjustment for securities financing transactions (SFTs)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,042,345
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-36
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
12	Other adjustments	-41,230
13	**Total exposure measure**	**14,109,432**

EU LR2 - LRCom: Leverage ratio common disclosure

		a	b
		CRR leverage ratio exposures	
	Amounts (in EUR 1,000)	**31.12.2021**	**31.12.2020**
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	16,484,535	13,886,603
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	-41,265	-37,157
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**16,443,269**	**13,849,446**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)		
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach		

		a	b
		CRR leverage ratio exposures	
	Amounts (in EUR 1,000)	**31.12.2021**	**31.12.2020**
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions		
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b	Exposure determined under Original Exposure Method	112,357	8,224
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	**112,357**	**8,224**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	**Total securities financing transaction exposures**		
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	2,185,169	2,009,437
20	(Adjustments for conversion to credit equivalent amounts)	-1,142,824	-1,054,651
21	(General provisionsdeducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
22	**Off-balance sheet exposures**	**1,042,345**	**954,786**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)		
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		

	Amounts (in EUR 1,000)	a	b
		CRR leverage ratio exposures	
		31.12.2021	31.12.2020
	(Exposures excluded from the total exposure measure in accordance with point (n) of Article 429a(1) CRR)	-3,488,539	-2,219,423
EU-22k	**(Total exempted exposures)**	**-3,488,539**	**-2,219,423**
Capital and total exposure measure			
23	**Tier 1 capital**	**1,144,101**	**1,103,807**
24	**Total exposure measure**	**14,109,432**	**12,593,033**
Leverage ratio			
25	Leverage ratio	8.11%	8.77%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.11%	8.77%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6.50%	7.45%
26	Regulatory minimum leverage ratio requirement (%)	3.48%	3.48%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b	of which: to be made up of CET1 capital		
27	Leverage ratio buffer requirement (%)		
EU-27a	Overall leverage ratio requirement (%)	3.48%	3.48%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	N/A	N/A
Disclosure of mean values			
28	Meanof daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	14,109,432	12,593,032
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	17,597,971	14,812,456
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.11%	8.77%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.50%	7.45%

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a
	Amounts 2021 (in EUR 1,000)	**CRR leverage ratio exposures**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**12,995,996**
EU-2	Trading book exposures	
EU-3	**Banking book exposures, of which:**	**12,995,996**
EU-4	Covered bonds	11,905
EU-5	Exposures treated as sovereigns	3,249,802
EU-6	Exposures to regional governments, MDB, international organisations and PSE, **not** treated as sovereigns	157,443
EU-7	Institutions	205,566
EU-8	Secured by mortgages of immovable properties	5,419,531
EU-9	Retail exposures	360,183
EU-10	Corporates	3,084,544
EU-11	Exposures in default	186,109
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	320,913

8. Liquidity Risk

Triodos Bank only lends to and invests in sustainable enterprises in the real economy. Funds are attracted from depositors and shareholders. In 2021, Triodos issued a Green Subordinated Tier 2 bond (Tier 2 capital) with a nominal amount of EUR 250 million which diversifies the capital and funding base of the bank.

Triodos Bank does not invest in complex financial instruments with leverage features. The growth of the bank is primarily driven by steadily growing sustainable lending (asset side) and solid growth of funds entrusted (liability side). Triodos Bank is managing a sufficient liquidity buffer supporting a healthy and resilient liquidity coverage ratio (LCR). Triodos Bank does not act as correspondent bank which minimises liquidity shortages during the day.

As a mid-sized European bank with total funds entrusted of EUR 13,285 million per the end of December 2021, liquidity risk is an important risk for Triodos Bank. The Bank has intensively worked on the development of a solid liquidity framework always to have sufficient funds to meet sudden and (un)expected short-term liquidity needs. The high cash liquidity buffer in combination with a high-quality investment portfolio, reflects the low risk appetite for liquidity risk.

For its funding Triodos Bank mainly depends on funds entrusted from retail and business banking clients, consisting of current accounts, saving accounts and fixed-term accounts. Triodos Bank also issued a Green Subordinated Tier 2 bond with a nominal amount of EUR 250 million in 2021.

The liquidity portfolio increased in 2020 and in 2021 due to our participation in the Targeted Longer-Term Refinancing Operation (TLTRO) of the Euro system in anticipation of potential (temporary) higher credit demand from Triodos Bank's clients. Triodos Bank's policy is to hold a sound liquidity buffer. Liquidity is invested according to Triodos Bank's minimum standards on sustainability, in highly liquid assets and (short-term) cash loans which count as inflow in the Liquidity Coverage Ratio (LCR) 30 days before maturity if the risk-return is more favourable than having the liquidity placed with the central banks. Around one third of our liquidity is invested, mainly in bonds and to a small extent in cash loans. The rest is mainly at the current accounts of the national central banks of Triodos Bank's local business units and to some extent at sight with commercial banks to facilitate payment systems. Most bonds qualify as High-Quality Liquid Assets (HQLA) and are issued by central governments, regional governments and/or agencies in the Netherlands, Belgium, Spain, Germany and the UK without a solvency weight. There are small positions in some green bonds issued by banks and corporates for reasons of diversification.

Liquidity risk management organisation

Triodos Bank has adopted the three lines of defence model as the basis for managing the risks within the organisation. The three lines of defence model is an internal control and risk management approach that helps the bank to strengthen, clarify and coordinate its essential governance, internal control and risk management roles and responsibilities. It helps to define clear responsibilities of business operations (first line), risk and compliance (second line) and the internal audit function (third line). For liquidity risk, the Treasury department is, as owner of liquidity risk, the first line of defence. The Group Risk department performs the second line of defence role and the Internal Audit department performs the third line of defence.

Daily liquidity management is currently executed at banking entity level. This reflects Triodos Bank's business strategy of keeping this process close to the client-related activities so as to be able to provide detailed cash forecasts. At the aggregated level, Group Treasury monitors the liquidity buffer versus the internal limits daily.

Triodos Bank has committees in place with the following roles:

- The Enterprise Risk Committee is the delegated body to taking decisions on strategic risk, business risk and reputation risk of Triodos Bank as a whole. Liquidity risk is a focus area within that. General roles and responsibilities are defined in the Enterprise Risk Committee charter.
- For managing liquidity risk, the Asset and Liability Committee serves as delegated body by the Executive Board to monitor and take decisions related to the management of liquidity risk positions of Triodos Bank to make sure that they are in line with the defined liquidity risk appetite. General roles and responsibilities are defined in the Asset and Liability Committee charter.

The management of the liquidity position under 'normal' conditions is described in the Liquidity Risk Management policy. Whenever circumstances require an exception to this policy, which is nevertheless prudent, the Chief Financial Officer (CFO) is authorised to approve this. No such exception may be authorised, however, if it would cause the bank to violate an applicable law or regulation. All authorised policy exceptions must be reported to the Asset and Liability Committee and must be affirmed by the Asset and Liability Committee.

Reporting and measurement systems

Triodos Bank monitors and reports its liquidity position at different levels and frequencies. Firstly, the total liquidity position is monitored by Group Treasury and the individual banking business units on a daily basis. Secondly, the detailed liquidity position is reported to the Chief Financial Officer (CFO) and Chief Risk Officer (CRO) on a weekly basis. Finally, every month the liquidity ratios are reported to the Asset and Liability Committee. The main liquidity ratios are part of the quarterly ERM report.

Liquidity risk management policy

The liquidity buffer is the source of funds in case of liquidity needs. The Cash and Liquidity Management policy describes the requirements related to liquidity placements, the investments and the investment portfolio, where the goal is to optimise the risk-return trade-off in a manner consistent with the mission and vision of Triodos Bank.

The Liquidity Risk Management policy describes the actions to manage the liquidity position of Triodos Bank.

The Internal Liquidity Adequacy Assessment Process (ILAAP) assesses Triodos Bank's liquidity adequacy and liquidity management during normal business activities and in times of stress. This process is performed at least once a year and the results are submitted to DNB as part of the Supervisory Review and Evaluation Process (SREP). The ILAAP Report is an internal document. The goal of this report is to properly evaluate the liquidity and funding risks and Triodos Bank's corresponding liquidity levels and the quality of the liquidity management.

Contingency funding plans

The Liquidity Contingency Plan and the Recovery Plan describe the main items that should be considered in managing the liquidity position of Triodos Bank in a 'stressed situation'. This includes liquidity stress indicators and trigger levels for management actions.

To increase the possibilities of recovery in periods of liquidity stress, Triodos Bank executed a retained securitisation transaction of Dutch mortgage loans (Sinopel 2019) and mobilised credit claims (loans to regional government entities) to the Euro system as collateral to be able to participate in monetary (liquidity providing) operations.

Stress testing

Triodos Bank manages the liquidity position to withstand a liquidity crisis without damaging the ongoing viability of its business. The potential but unlikely event of an upcoming liquidity crisis requires a set of early warning indicators and triggers, a set of potential early warning and recovery measures, and a dedicated organisation including a communication strategy to handle such a crisis. A list of potential early warning and recovery measures is included in the Recovery Plan. The other aspects mentioned are described in the Liquidity Contingency Plan.

The EB has delegated responsibility to the Asset and Liability Committee with regard to the overall management and procedure of liquidity stress testing. The liquidity stress testing within the framework of the mandate is delegated to Group Modelling and Valuations. Therefore, Group Modelling and Valuations has responsibility and accountability to the Asset and Liability Committee.

Triodos Bank conducts liquidity stress tests on a monthly basis.

Declaration
A robust framework is in place at Triodos Bank to identify, measure and manage liquidity risk in line with Basel Committee on Banking Supervision/ European Banking Authority principles. An integrated overview of the group cash position and liquidity metrics is available on a daily and weekly basis.

Liquidity Risk Statement

Triodos Bank transforms client funds entrusted to lending purposes that have a positive impact on society. Triodos Bank wants to meet the obligations to all clients at all times without incurring additional costs and/or resulting in reputational issues. Triodos Bank therefore has a low risk appetite for liquidity risk with limits regarding the size and quality of the liquidity buffer accordingly.

Triodos Bank ensures availability of a sufficient liquidity buffer of high credit quality and a stable funding base. The total amount of funds entrusted is EUR 13,285 million at year-end 2021 of which 79.4% are deposits insured by the Deposit Guarantee Scheme.

In 2021, Triodos Bank increased its collateral position at DNB in order to participate in a second Targeted Long-Term Refinancing Operation of the Euro system. This additional collateral contains of ECB eligible bonds. Other collateral needs mainly stem from market value changes in interest rate swap positions (to manage the interest rate risks) and in FX forwards (because of hedging the currency risk of the UK subsidiary equity participation of Triodos Bank), which are cash collateral requirements.

Interest rate swaps which are centrally cleared, increased the potential collateral needs as well during the year. At the end of 2021 a total net amount of EUR 25.8 million cash collateral was posted (2020: EUR 12.6 million) based on the combined variation and initial margin requirements. This cash collateral is posted as part of the ISDA agreement as mentioned above, eligible for the counterparty in case of default.

Debt securities and loans are used as collateral with the Dutch Central Bank for a possible debit balance and participation in open market operations of the European Central Bank. At the end of 2021, Triodos participates in two longer-term refinancing operations for an amount of EUR 1,550 million. In total an amount of EUR 1,749 million was placed as collateral with the Dutch Central Bank (2020: EUR 878 million).

The liquidity risk appetite as determined by the Executive Board and Enterprise Risk Committee (ERC) is reviewed and approved by the Supervisory Board. With this governance structure in place, the risk appetite regarding liquidity is well anchored within the senior management team of the bank. The three lines of defence organisational structure, with independent control, compliance, audit and risk management functions, ensures a clear division of tasks, power and responsibility is in place.

The liquidity contingency plan has been tested and reviewed thoroughly to achieve a solid crisis management structure in case a liquidity crisis at Triodos Bank emerges.

A limit structure is in place to manage the inherent funding mismatch other than in exceptional circumstances. Triodos Bank follows the Basel Committee on Banking Supervision (BCBS)/EBA principles considering its sustainable profile, the very strong relationship with its customers, the granularity of funds entrusted and its conservative and robust liquidity management framework that is integrated in the business processes.

Triodos Bank has a sufficient, good quality liquidity buffer resulting in a proper Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) above regulatory minimum requirements. In all liquidity stress-test scenarios (with the exception of reverse stress-test scenarios) Triodos Bank has sufficient liquidity to survive the total stress period.

The continuing low interest rate climate influences liquidity risk management at Triodos Bank. Triodos Bank needs to manage its liquidity buffer at an ever-increasing cost-of-carry. The trade-off between having sufficient liquidity and the relatively high costs of holding that liquidity is becoming more important and pressuring the bank's overall profitability.

Main drivers of LCR results and the evolution of the contribution of inputs to the LCR calculation

The LCR of Triodos Bank has been relatively stable during the past three years at an average of 216% and a standard deviation of 15%. The most notable change was at the end of September 2020, when the LCR increased from 203% to 244%. This was due to an increase in the amount of HQLA because of the participation in the TLTRO tenders.

Part of the collateral pledged at the Euro system since 2020 (retained residential mortgage-backed securities and credit claims) is not eligible as HQLA and is not included in the LCR definitions. The proceeds of the TLTRO are placed at the current account of the Euro system, which does qualify as HQLA. Therefore, our participation in the TLTRO has resulted in an increase of the amount of HQLA, which has a positive effect on the LCR since 2020.

Explanations on the changes in the LCR over time

Another, far more limited and one-off change in the LCR occurred in December 2019 due to an unexpectedly high volume of early redemptions on some large loans. Additionally, the LCR shows some volatility due to changes in the relevant inflow of liquidity for the LCR calculation if term deposits at other commercial banks mature (mainly in the UK) or the outstanding amounts in cash loans to municipalities mature (mainly in the Netherlands). These type of changes in the LCR are known beforehand and can be managed. A reclassification in outflow number in April 2020 resulted in an increase of outflow in one branch that was almost compensated by a decrease of outflow in other branches.

Explanations on the actual concentration of funding sources

The main funding source for Triodos Bank is Funds Entrusted, which consists of saving deposits (59%), current accounts (36%), and fixed-term accounts (5%) from personal households (67%) and business clients (33%). The composition of the Funds Entrusted is fairly stable.

High-level description of the composition of the institution’s liquidity buffer

The liquidity buffer mainly consists of liquid assets with central banks (more than two thirds at the end of 2021) and liquid investments in bonds (close to 25% of total liquidity). There is a small amount of liquidity at sight with commercial banks (1% of total liquidity), mainly for payment services, and some investments (around 1.1% of total liquidity) are made in cash loans (<1-year maturity) with Dutch and German municipalities. Around 24% of the bond investments are in central government bonds and 67% is invested in regional government and agency bonds. The other bond investments were made in green bonds of corporates and banks for diversification and to optimise risk-return. Due to market circumstances in the past years (dominated by the downward impact of central bank asset purchases on bond yields), the opportunities to re-invest maturing bonds are limited. Consequently, the percentage of liquidity at the current account at central banks has increased from about 40% early 2018 to more than 70% at the end of 2021.

Derivative exposures and potential collateral calls

Triodos Bank has derivative positions mainly as a result of outstanding interest rate swaps to steer our interest rate position and FX transactions hedging our GBP exposure. Cash collateral requirements are taken into account when calculating the LCR and in liquidity stress testing.

Currency mismatch in the LCR

Triodos Bank’s base and main currency is the euro. The UK Subsidiary has a base currency in GBP. Both the LCR on group and solo level are measured. TBUK Ltd has their own LCR target set by the Prudential Regulation Authority (PRA).

Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile
No other items.

Net Stable Funding Ratio

EU LIQ2: Net Stable Funding Ratio

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
	Amounts 2021 (in EUR 1,000)	No maturity	< 6 months	6 months to < 1yr	→ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	1,199,364			254,698	1,454,062
2	*Own funds*	1,199,364			254,698	1,454,062
3	*Other capital instruments*					
4	Retail deposits		9,709,881	160,957	223,180	9,525,719
5	*Stable deposits*		8,244,255	131,446	171,074	8,127,989
6	*Less stable deposits*		1,465,626	29,511	52,106	1,397,729
7	Wholesale funding:		3,014,496	26,296	1,746,025	3,005,498
8	*Operational deposits*					
9	*Other wholesale funding*		3,014,496	26,296	1,746,025	3,005,498
10	Interdependent liabilities					
11	Other liabilities:			117,567	6,318	65,102
12	*NSFR derivative liabilities*					
13	*All other liabilities and capital instruments not included in the above categories*			117,567	6,318	65,102
14	**Total available stable funding (ASF)**					**14,050,381**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					665,775
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		851,740	446,452	9,082,461	7,785,424
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*					
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		196,164	15,840	360,449	387,985
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		344,317	209,034	4,742,930	4,283,725

	Amounts 2021 (in EUR 1,000)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	→ 1yr	
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		109,068	7,894	239,612	235,511
22	*Performing residential mortgages, of which:*		289,669	165,985	3,812,491	2,915,203
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		289,669	165,985	3,812,491	2,915,203
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		21,590	55,592	166,591	198,511
25	Interdependent assets					
26	Other assets:		170,125	6,164	491,828	539,201
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				39,254	33,366
29	*NSFR derivative assets*		1,810			1,810
30	*NSFR derivative liabilities before deduction of variation margin posted*		7,585			379
31	*All other assets not included in the above categories*		160,731	6,164	452,574	503,646
32	Off-balance sheet items		460,012	66,282	1,658,875	107,847
33	**Total required stable funding (RSF)**					**9,098,248**
34	**Net Stable Funding Ratio (%)**					**154.43%**

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Liquidity Coverage Ratio

EU LIQ1 - Quantitative information of LCR

	Scope of consolidation: consolidated	a	b
	Amounts (in EUR 1,000)		Total unweighted
EU 1a	Quarter ending on (DD Month YYY)	31.12.2021	30.09.2021
EU 1b	Number of data points used in the calculation of averages	12	12
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61		
CASH - OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	9,563,773	9,264,364
3	Stable deposits	7,450,550	7,161,747
4	Less stable deposits	1,329,124	1,287,925
5	Unsecured wholesale funding	2,686,738	2,612,308
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	2,686,727	2,612,300
8	Unsecured debt	10	8
9	Secured wholesale funding		
10	Additional requirements	1,201,770	1,173,302
11	Outflows related to derivative exposures and other collateral requirements	27,926	23,501
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	1,173,844	1,149,801
14	Other contractual funding obligations	19,907	21,055
15	Other contingent funding obligations	797,496	776,879
16	TOTAL CASH OUTFLOWS		
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	305,871	337,765
19	Other cash inflows	9,073	10,920
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		
EU-19b	(Excess inflows from a related specialised credit institution)		
20	TOTAL CASH INFLOWS	314,944	348,685
EU-20a	Fully exempt inflows		
EU-20b	Inflows subject to 90% cap		
EU-20c	Inflows subject to 75% cap	314,944	348,685
TOTAL ADJUSTED VALUE			
21	LIQUIDITY BUFFER		
22	TOTAL NET CASH OUTFLOWS		
23	LIQUIDITY COVERAGE RATIO		

c	d	e	f	g	h
value (average)		Total weighted value (average)			
30.06.2021	31.03.2021	31.12.2021	30.09.2021	30.06.2021	31.03.2021
12	12	12	12	12	12
		4,078,516	3,902,281	3,628,506	3,482,460
8,902,707	8,753,343	533,948	513,327	486,392	476,420
6,743,619	6,555,335	372,527	358,087	337,181	327,767
1,241,024	1,233,085	161,421	155,240	149,211	148,653
2,543,254	2,551,034	1,112,549	1,097,727	1,087,449	1,101,580
2,543,246	2,551,026	1,112,539	1,097,719	1,087,441	1,101,572
8	8	10,504	8,153	8,153	8,153
1,139,215	1,118,135	188,403	172,736	141,759	125,341
18,839	16,353	27,926	23,501	18,839	16,353
1,120,376	1,101,782	160,477	149,235	122,920	108,988
23,320	24,407	19,907	21,055	23,320	24,407
722,147	691,293	110,512	99,335	99,912	101,053
		1,965,319	1,904,180	1,838,832	1,828,801
366,988	391,457		239,158	260,296	273,297
10,729	9,890	225,159	10,920	10,729	9,890
		9,073			
377,717	401,346	234,232	250,078	271,025	283,187
377,717	401,346	234,232	250,078	271,025	283,187
		4,078,516	3,902,281	3,628,506	3,482,460
		1,731,087	1,654,102	1,567,807	1,545,614
		235.87%	236.12%	231.27%	225.07%

Encumbered and unencumbered assets

Asset encumbrance

Assets can be differentiated between assets which are used to support funding or collateral needs (encumbered assets) and assets which are available for potential funding needs (unencumbered assets). All amounts presented are median values of the previous four quarters of the reporting period.

EU AE1 - Encumbered and unencumbered assets

	Amounts 2021 (in EUR 1,000)	**Carrying amount of encumbered assets**		**Fair value of encumbered assets**		**Carrying amount of unencumbered assets**		**Fair value of unencumbered assets**	
			of which notionally eligible EHQLA and HQLA		**of which notionally eligible EHQLA and HQLA**		**of which EHQLA and HQLA**		**of which EHQLA and HQLA**
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	1,824,911	795,059			13,839,802	4,264,505		
030	Equity instruments					29,288		29,288	
040	Debt securities	965,065	795,059	975,945	807,373	407,000	313,838	403,973	313,821
050	of which: covered bonds					11,719	11,719	11,762	11,762
060	of which: securitisations								
070	of which: issued by general governments	834,968	700,494	843,035	709,980	184,927	138,520	182,707	139,308
080	of which: issued by financial corporations	72,647	37,155	73,470	37,996	174,720	158,797	171,974	156,101
090	of which: issued by non-financial corporations	57,320	57,320	59,337	59,337	50,817	15,116	51,147	14,754
120	Other assets	839,044				13,433,352	3,965,373		

EU AE2 - Collateral received and own debt securities issued

	Amounts 2021 (in EUR 1,000)	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**				
140	Loans on demand				
150	Equity instruments				
160	Debt securities				
170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received				
240	**Own debt securities issued other than own covered bonds or securitisations**				
241	**Own covered bonds and asset-backed securities issued and not yet pledged**				
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	1,824,911	795,059		

EU AE3 - Sources of encumbrance

	Amounts 2021 (in EUR 1,000)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	**030**
010	**Carrying amount of selected financial liabilities**	1,552,988	1,640,568

9. Credit Risk

Credit Risk Management

Credit risk is the risk that a counterparty does not fulfil its financial obligations. Triodos Bank manages its Credit Risk at a client and at portfolio level. It operates within a pre-defined set of criteria for accepting credits. Credits are extended within the target markets and lending strategy in accordance with Triodos Bank's mission and expertise. Before accepting a credit facility, Triodos Bank assesses the customer's risk profile, cash flows, available collateral and the requested transaction, including an assessment of the integrity and reputation of the borrowers or counterparty. Compliance analysis with Triodos Bank's lending criteria is an integral part of each credit proposal.

Triodos Bank developed an internal rating-based economic capital model, that estimates a counterparty's probability of default and the expected loss of a credit exposure.

Criteria and approach used for defining the credit risk management policy and for setting credit risk limits

A diversified credit risk portfolio is the result of assets spread over many debtors, sectors and geographies that are not inter- or intra-related. In order to manage concentration risks and face an economic downturn with confidence, Triodos Bank maintains a set of concentration limits. The limits are based on the bank's capital base and reflect the risk appetite.

Triodos Bank measures and limits the following concentration risks in its lending activities:
- Obligor exposures
- Group exposures
- Top 20 exposures excluding (sub-)Government exposures
- Government exposures
- Sector exposures
- Non-Bank Financial Intermediation (Shadow banking) exposures
- Mortgage exposures
- Country exposures

Besides lending activities, Triodos Bank has established limits related to the investment portfolio:
- Maximum exposure on government and sub-governments
- Maximum exposure on supranational institutions
- Maximum exposure on banks and financial institutions

Credit risk organisational structure

Each banking business unit has a credit risk team headed by a Head of Credit Risk. The teams comprise credit risk analysts and special asset managers. They have a functional reporting line to the Central Head of Credit Risk. At central level a dedicated team is in place with credit analysts, data analysts and special asset management specialists.

At local level, individual files have a second-line review and the portfolio is monitored and reviewed on a continuous basis. The larger files based on exposure and rating, are furthermore analysed at central level. The aggregated portfolio is also monitored at central level.

The resulting analysis is provided to the local and/or central credit committee for decision making on approvals for individual files, lending criteria for sectors and limits on sectors, countries or individual obligors.

Relationships between credit risk management, risk control, compliance and internal audit functions

Business units need to prove, both after initial implementation and in case of changes to policies, that requirements are met in local documentation, by showing in which local documents each requirement is written down. This evidence will be stored by Group ORM. Deviations from this policy should be approved via the Monthly Central Credit Committee or Non-financial Risk Committee.

Key controls related to policies are defined in our Risk Control Self Assessment (RCSA), based on the standardised process as described in the Corporate Lending Handbook. The key controls contain a risk-based subset of the requirements. The first line is responsible for enacting the key controls within its processes. On a regular interval, key controls are tested for operational effectiveness by the first line within the regular operational risk management cycle. At the local level, management information dashboards are in place to monitor the risks on a continuous basis. Internal Audit performs audits on the lending activities on a regular basis.

Concentration risk

Loans are provided to businesses and projects that contribute to achieving Triodos Bank's mission. Given that this involves a small number of sustainable sectors, a certain level of sector concentration is inherent to the loan portfolio. Concentration in the existing sectors is acceptable as Triodos Bank has considerable expertise in these sectors and actively invests in further increasing its knowledge.

Triodos Bank focuses primarily on the quality and diversification of its loan portfolio. Triodos Bank puts extra effort into identifying loans to front-runners with a track record in their fields; the entrepreneurs developing the sustainable industries of the future.

Sector concentrations
Triodos Bank is active in well-defined sectors where it has extensive expertise, and which are in line with its mission. It has set limits on sectors, based on Actual Own Funds, at group and banking entity level. Sector studies have shown relatively low correlations of risk drivers in sectors that Triodos Bank finances in multiple countries.

At group level, Triodos Bank divides the sector concentration limits in different levels. Specific limits for each sector per country are set by the Executive Board within these levels, taking into account the specific risks of each sector and country.

Larger sectors are strategic for Triodos Bank. These are well distributed across banking business units (and countries) and have an overall low risk profile that justifies a higher consolidated concentration. Sector analyses are performed on an annual basis and are presented to the Central Credit Committee to be able to respond swiftly to developments that may affect the risk profile of the portfolio. Central Credit Risk can request sector updates at shorter intervals if there is a change to a sector risk profile.

Sector limits are approved on the basis of thorough annual sector analyses demonstrating an in-depth knowledge of the sector and Triodos Bank's track record.

Country concentrations
Triodos Bank is a European bank, acting under the European Banking Directive since 1993, with banking business units in four countries (The Netherlands, Belgium, Spain and Germany), a subsidiary in the United Kingdom and additional exposures in, among others, France and Ireland.

Triodos Bank does not set any country limits for the countries it operates in as long as these countries have a credit rating of AA- or better. Specific limits are defined for countries with a credit rating of A+ or lower.

Obligor risk

An obligor is a single legal entity that commits to the terms and conditions of a loan agreement. The obligor is thoroughly analysed on meeting Triodos Bank's lending criteria and its capacity to repay a loan. The risk related to the obligor is that it fails to meet its contractual obligations. Obligors are rated through an internal rating methodology.

A thorough assessment of each obligor and the structure of their loan is made before any loan is provided. A review of approved credit is made once a year, as a minimum, to assess the evolution of the client's capacity to meet its obligations. The high quality of securities (collateral) against outstanding loans reduces credit risk. Examples of principal collateral: mortgage registrations for business or private properties, securities from public authorities, companies or private individuals, and rights of lien on receivables and/or contracts for projects.

Triodos Bank aims to finance specific projects and assets that are in line with its mission. When financing a project, the bank has a pledge on the underlying contracts. For the financing of objects, Triodos Bank will take a pledge or mortgage on the specific object. It applies haircuts, in all cases, on the market value. The level of this haircut will depend on the marketability of the asset in a negative scenario. This allows Triodos Bank to make a proper assessment of the overall risk of the loan and the value of the asset in case of a downturn. The value of the collateral is reviewed on a yearly basis. An external valuation by an expert is requested, at a minimum every three years, for large loans with a mortgage.

The Triodos Bank early-warning system helps identify problem loans early on, to allow for more available options and remedial measures. Once a loan is identified as being in default (i.e. unlikely to pay or overdue payments beyond 90 days), it is managed under a dedicated remedial process, with a focus on full recovery.

Group exposures

The risk related to a group is that if one obligor fails to meet its contractual obligations, so will the remaining obligors within the group. A group is defined as two or more obligors that are interrelated in such a way that they are considered as a single risk.

Each group obligor and the group as a whole are analysed on all aspects, from meeting Triodos Bank's lending criteria to their capacity to repay the loan.

Credit risk investment portfolio

Liquidity not invested in loans to customers is invested in deposits with banks (including central banks) or bonds. Triodos Bank's policy is to invest the liquidity in the countries where it has branches or subsidiaries. The bond portfolio of Triodos Bank comprises (local) government bonds (from countries where Triodos Bank has a branch or subsidiary) and investment-grade bonds issued by European supranational organisations (e.g. European Investment Bank), financial institutions and corporates.

There are no regulatory restrictions to exposures on governments. Triodos Bank sets limits based on the country risk.

There are also no regulatory restrictions to exposures on multilateral development banks where the institution has a credit risk weight of 0% for regulatory capital requirements. Triodos Bank has set limits to avoid concentration risk in these exposures.

Credit risk banks

Banks are selected on the basis of their creditworthiness and screened on their sustainability performance. Exceptions can occur, when the capacity of selected banks in a country is not considered sufficient to place Triodos Bank's liquidities given a specific maximum concentration per individual bank. In such cases, deposit maturity periods will not exceed three months. All counterparty limits for banks are set by either the Executive Board or the Central Credit Committee. Banking business units place excess liquidity with the country's central banks (minimum reserve requirements and deposit facility). There are no regulatory restrictions on exposures to central banks.

The Capital Requirements Regulation large exposures regime limits the maximum exposure to a bank at 25% of its Tier 1 capital plus (if available) Tier 2 with a maximum of one third of Tier 1 capital. To avoid the interbank exposure exceeding the regulatory maximum, Triodos Bank applies a maximum exposure below the limit defined by the large exposures regime. Limits are further adapted according to the external rating of the counterparty. Deposits on banks are limited to a maximum maturity of one year.

Credit Risk related to derivatives

Triodos Bank has exposure to credit risk resulting from outstanding foreign exchange (FX) contracts (spot, forward and swap transactions) with financial institutions and with funds managed by Triodos Investment Management. Triodos Bank services these funds by providing hedges for the FX risk of these funds' investments.

Triodos Bank has limited exposure to credit risk resulting from outstanding interest rate swaps (IRS). The IRS are all centrally cleared with the LCH Clearnet. Daily margining minimises the (potential) credit risks.

A limit is set per counterparty based on the expected amount of outstanding FX transactions and the corresponding expected exposure. This limit is subject to the overall counterparty limit Triodos Bank has per counterparty.

Any collateral needed for FX transactions is calculated and managed daily. In the liquidity stress tests, the amount of collateral needed for FX transactions is stressed to calculate the potential impact on Triodos Bank's liquidity position.

Credit Quality of Assets

Scope and definition of past-due and impaired

An obligor is in default if either one of the following events have occurred:

1. The obligor has a total Credit Obligation Past Due that has been material for at least 90 consecutive days or when at least one of the exposures of the obligor is currently reported as Forborne and the obligor has a total Credit Obligation Past Due that has been material for at least 30 consecutive days, or
2. The obligor is considered unlikely to pay ('UTP').

Past-due exposures not considered to be impaired

Not applicable

Methods used for determining general and specific credit risk adjustments

Business loans in the portfolio are periodically reviewed on an individual basis. Their frequency depends on the debtor's creditworthiness, the degree of market exposure and the market in which the debtor operates. Small business and private loans are reviewed at portfolio level, and on an individual basis when appropriate.

Each business unit has a credit risk team headed by a Head of Credit Risk. The teams comprise credit risk analysts and special asset managers. They have a functional reporting line to the Central Head of Credit Risk. At central level a dedicated team is in place with credit analysts, data analysts and special asset management specialists.

The credit committees discuss and, if necessary, take action with respect to overdue payments from debtors. If there is any doubt regarding the continuity of the debtor's core operations and/or a debtor fails to settle agreed interest and repayment instalments for a prolonged period, this debtor falls under the category of doubtful debtors and will be managed intensively.

Provisions for loan losses are taken for doubtful debtors at an individual level based on the difference between the total amount of the debtor's outstanding liability to Triodos Bank and the future expected cash flows, discounted at the original effective interest rate of the contract. These individual provisions include provisions for concessions or refinancing given to debtors who face financial difficulties. They are only granted to the debtor in question in order to overcome their difficulties in these exceptional circumstances. These are described as forbearance measures.

The credit risk in the loan portfolio is reported each month to the Central Credit Committee, and quarterly to the Audit and Risk Committee as part of the ERM report.

Own definition of restructured exposure

Not applicable

Credit Risk Mitigation

Any pledge or assignment of eligible collateral must be legally perfect, effective and enforceable in all relevant jurisdictions to classify as collateral. Mortgages, liens and other security interests in assets or rights (including guarantees etc.) have to be filed punctually, legally perfect, and effective and enforceable in a reasonable timeframe in all relevant jurisdictions. Valuation of real estate is done by an independent valuer and statistical methods are used for monitoring the value.

Any guarantor that is considered for credit risk mitigation purposes subjects Triodos Bank to certain risks. This means that:

- Guarantees may only be taken as a subsidiary support of the credit and should never be considered as replacing the borrower's independent ability to repay;
- Guarantees must be legally perfect, direct, explicit, irrevocable, and unconditional.

Main types of collateral to mitigate credit risk

Triodos Bank recognises the following types of collateral: mortgages, guarantees, and pledges and assignments (deposits, receivables, marketable securities). Other collateral may include:

- Inventory, livestock, plant and equipment;
- Business enterprise with no listed shares;
- Assignments of (life) insurance cash values;
- Agricultural charge and concessions to carry out a specific activity.

Main types of guarantor counterparty and their creditworthiness used for the purposes of reducing capital requirements

Main eligible guarantors are central governments, regional and local authorities and multilateral development banks.

Market or credit risk concentrations within the credit mitigation taken

Triodos Bank reports on a monthly basis the evolution of the portfolio's performance by largest obligors, sector and geography by exposure, by rating and by collateral value.

External Credit Assessment Institutions (ECAI) nominated by the institution

In addition to our check on minimum standards, external credit ratings – if available – are used to determine the credit worthiness of the counterparties of our investment portfolio, including banks and some corporates. External ratings are also used to calculate the minimum capital requirement for credit risk under the standardised approach. For this purpose, we use the ratings of Fitch and Moody's.

Exposure classes for which each ECAI is used

- Regional governments or local authorities;
- Public sector entities;
- Institutions;
- Corporates.

Offsetting financial assets and financial liabilities

Triodos Bank does not make use of any netting under master agreements for its financial instruments.

The International Swaps and Derivatives Association (ISDA) and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, Triodos Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Triodos Bank receives and gives collateral in the form of cash in respect of the derivatives held for risk management. This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The impact of potential collateral requirements is increasing at Triodos Bank. The amount pledged with central and commercial banks, for payment system purposes, increased in 2021 and is expected to increase with the further growth of Triodos Bank.

Collateral needs stemming from FX forwards increased in 2021 because of EUR/GBP exchange rate developments. At the end of 2021 total net amount of EUR 13.5 million cash collateral was posted (2020: EUR 7.1 million).

Interest rate swaps which are centrally cleared, increased the potential collateral needs as well during the year. At the end of 2021, a total net amount of EUR 25.8 million cash collateral was posted (2020: EUR 12.6 million). The cash collateral posted as part of the ISDA agreement, as mentioned above, is eligible for the counterparty in case of default.

Debt securities and loans are used as collateral with the Dutch Central Bank for a possible debit balance and participation in open market operations of the European Central Bank. At the end of 2021, Triodos Bank participated in two longer-term refinancing operations for an amount of EUR 1,550 million. A collateral value of EUR 1,749 million was placed with the Dutch Central Bank (2020: EUR 878 million).

Balance sheet netting

Balance sheet netting is not applied.

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Credit Risk Quality

EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
	Amounts 2021 (in EUR 1,000)	**On demand**	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
1	Loans and advances[1]	497,744	1,077,770	1,468,406	9,371,394		12,415,314
2	Debt securities		474,879	869,286	144,676		1,488,841
3	**Total**	**497,744**	**1,552,649**	**2,337,692**	**9,516,070**		**13,904,155**

[1] including loan commitments

EU CR2: Changes in the stock of non-performing loans and advances

		a
	Amounts 2021 (in EUR 1,000)	**Gross carrying amount**
010	**Initial stock of non-performing loans and advances**	**232,808**
020	Inflows to non-performing portfolios	100,650
030	Outflows from non-performing portfolios	-93,469
040	Outflows due to write-offs	-2,306
050	Outflow due to other situations	-91,163
060	**Final stock of non-performing loans and advances[1]**	**239,989**

[1] including non performing loan commitments

EU CR1: Performing and non-performing exposures and related provisions.

		a	b	c	d	e	
		Gross carrying amount/nominal amount					
		Performing exposures			**Non-performing exposures**		
	Amounts 2021 (in EUR 1,000)		**of which: stage 1**	**of which: stage 2**		**of which: stage 2**	**of v st**
005	Cash balances at central banks and other demand deposits	4,422,904	4,422,904				
010	Loans and advances	10,119,850	8,730,394	1,389,456	233,418		2
020	Central banks	50,000	50,000				
030	General governments	363,565	355,050	8,515	7		
040	Credit institutions	82,132	76,532	5,600			
050	Other financial corporations	390,695	362,947	27,749	17,209		
060	Non-financial corporations	5,435,635	4,335,282	1,100,354	202,586		2
070	Of which: SMEs	4,558,977	3,620,432	938,546	184,376		1
080	Households	3,797,822	3,550,583	247,239	13,616		
090	Debt Securities	1,488,851	1,483,388				
100	Central banks						
110	General governments	1,162,485	1,162,485				
120	Credit institutions	232,186	231,835				
130	Other financial corporations	5,612	500				
140	Non-financial corporations	88,568	88,568				
150	Off-balance sheet exposures	2,177,113	2,062,077	115,036	8,055		
160	Central banks						
170	General governments	2,469	2,469				
180	Credit institutions	5,000	5,000				
190	Other financial corporations	184,666	183,815	851	460		
200	Non-financial corporations	1,059,381	945,842	113,539	7,561		
210	Households	925,598	924,951	647	34		
220	**Total**	**18,208,718**	**16,698,763**	**1,504,492**	**241,473**		**2**

f	g	h	i	j	k	l	m	n	o
	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
	Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
which: age 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
	-2	-2							
233,418	-12,093	-8,675	-3,418	-36,886		-36,886		7,352,117	166,945
7	-63	-61	-1	-5		-5		45,819	
	-1	-1	-1					6,280	
17,209	-406	-402	-4	-306		-306		243,983	16,096
202,586	-11,228	-7,870	-3,358	-35,898		-35,898		3,305,988	138,524
184,376	-5,558	-3,097	-2,461	-29,475		-29,475		2,778,776	125,720
13,616	-395	-341	-54	-677		-677		3,750,047	12,326
	-9	-9						132,638	
								32,982	
	-2	-2						99,656	
	-7	-7							
8,055	-1,416	-1,124	-292					473,960	1,032
	-4	-4						28	
460	-685	-685						252	
7,561	-599	-320	-278					20,898	1,032
34	-129	-115	-13					452,782	
241,473	**-13,520**	**-9,810**	**-3,710**	**-36,886**		**-36,886**		**7,958,715**	**167,977**

EU CR5 – standardised approach

	Amounts 2021 (in EUR 1,000)	a	b	c	d	e	f	g
	Exposure classes		**2%**	**4%**	**10%**	**20%**	**35%**	**50%**
1	Central governments or central banks	5,248,240						
2	Regional government or local authorities	1,143,913				39,152		
3	Public sector entities	225,269				100,031		20,081
4	Multilateral development banks	115,975						
5	International organisations	34,071						
6	Institutions	39,254				138,809		27,082
7	Corporates					9,557		76,743
8	Retail exposures							
9	Exposures secured by mortgages on immovable property						4,453,562	1,106,098
10	Exposures in default							
11	Exposures associated with particularly high risk							
12	Covered bonds				11,905			
13	Institutions and corporates with a short-term credit assessment							
14	Unit or shares in collective investment undertakings							
15	Equity							
16	Other items							
17	**TOTAL**	**6,806,724**			**11,905**	**287,549**	**4,453,562**	**1,230,005**

h	i	j	k	l	m	n	o	p	q
Risk weight								Total	Of which unrated
70%	75%	100%	150%	250%	370%	1250%	Others		
				6,435				5,254,675	5,254,675
								1,183,065	1,140,952
		100						345,482	325,382
								115,975	115,975
								34,071	34,071
		425						205,570	45,406
		3,419,410						3,505,711	3,379,384
	485,898							485,898	485,898
		310,757						5,870,417	5,870,417
		87,138	101,370					188,508	188,508
			46,093					46,093	46,093
								11,905	
							9,398	9,398	9,398
		31,627						31,627	31,627
		197,220						197,220	197,220
	485,898	**4,046,677**	**147,463**	**6,435**			**9,398**	**17,485,615**	**17,125,006**

EU CQ1: Credit quality of forborne exposures

		a	b
		Gross carrying amount/ Nominal amount of e	
	Amounts 2021 (in EUR 1,000)	Performing forborne	Non-performing forborne
005	Cash balances at central banks and other demand deposits		
010	Loans and advances	154,936	141,453
020	Central banks		
030	General governments		
040	Credit institutions		
050	Other financial corporations	1,687	16,365
060	Non-financial corporations	129,638	120,857
070	Households	23,610	4,231
080	Debt Securities		
090	Loan commitments given	2,735	4,602
100	**Total**	**157,671**	**146,054**

c	d	e	f	g	h
exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
Of which defaulted	Of which impaired				
141,453	141,453	-956	-16,131	248,089	110,177
16,365	16,365		-200	17,582	15,914
120,857	120,857	-948	-15,873	203,187	90,157
4,231	4,231	-7	-57	27,320	4,106
4,602	4,602	-4	-1,535		
146,054	**146,054**	**-960**	**-17,665**	**248,089**	**110,177**

EU CQ3: Credit quality of performing and non-performing exposures by past due days

	Amounts 2021 (in EUR 1,000)	a	b	c	d	e
		Gross carrying amount / Nominal amount				
		Performing exposures			Non-performing exposures	
			Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days
005	Cash balances at central banks and other demand deposits	4,422,904	4,422,904			
010	Loans and advances	10,119,850	10,114,712	5,138	233,418	187,210
020	Central banks	50,000	50,000			
030	General governments	363,565	363,565		7	
040	Credit institutions	82,132	82,132			
050	Other financial corporations	390,695	390,695		17,209	16,750
060	Non-financial corporations	5,435,635	5,434,704	931	202,586	162,109
070	Of which SMEs	4,558,977	4,558,084	893	184,376	148,196
080	Households	3,797,822	3,793,615	4,206	13,616	8,351
090	Debt Securities	1,488,851	1,488,851			
100	Central banks					
110	General governments	1,162,485	1,162,485			
120	Credit institutions	232,186	232,186			
130	Other financial corporations	5,612	5,612			
140	Non-financial corporations	88,568	88,568			
150	Off-balance sheet exposures	2,177,113			8,055	
160	Central banks					
170	General governments	2,469				
180	Credit institutions	5,000				
190	Other financial corporations	184,666			460	
200	Non-financial corporations	1,059,381			7,561	
210	Households	925,598			34	
220	**Total**	**18,208,718**	**16,026,467**	**5,138**	**241,473**	**187,210**

f	g	h	i	j	k	l
Past due > 90 days <= 180 days	**Past due > 180 days < =1 year**	**Past due > 1 year <= 2 years**	**Past due > 2 year <= 5 years**	**Past due > 5 year <= 7 years**	**Past due > 7 years**	**Of which defaulted**
4,205	5,548	13,736	16,170	3,293	3,255	233,418
				7.21		7
		458	1			17,209
3,489	4,108	13,023	14,001	3,285	2,571	202,586
3,489	4,002	10,095	12,739	3,285	2,571	184,376
716	1,440	255	2,169		684	13,616
						8,055
						460
						7,561
						34
4,205	**5,548**	**13,736**	**16,170**	**3,293**	**3,255**	**241,473**

EU CQ4: Quality of non-performing exposures by geography

		a	b	c	d	e	f	g
		Gross carrying/ Nominal amount[1]				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
	Amounts 2021 (in EUR 1,000)			of which: defaulted				
010	**On balance sheet exposures**	**11,842,118**	**233,418**	**233,418**	**11,836,655**	**-48,989**		
020	*Netherlands*	4,794,599	66,179	66,179	4,794,599	-10,223		
030	*Spain*	2,176,500	51,824	51,824	2,176,500	-20,226		
040	*Belgium*	1,696,200	31,688	31,688	1,696,200	-5,957		
050	*United Kingdom*	1,494,424	59,131	59,131	1,494,424	-7,278		
060	*Germany*	961,963	12,906	12,906	961,963	-2,751		
070	*France*	520,731	9,851	9,851	520,731	-2,405		
080	*Other countries*[2]	197,701	1,839	1,839	192,238	-149		
090	**Off balance sheet exposures**	**2,185,169**	**8,055**	**8,055**			**1,416**	
100	*Netherlands*	1,265,063	6,137	6,137			170	
110	*Spain*	309,157	770	770			548	
120	*Belgium*	184,991	189	189			70	
130	*United Kingdom*	184,085	524	524			341	
140	*Germany*	174,389	290	290			175	
150	*France*	33,189	132	132			8	
160	*Other countries*	34,295	13	13			104	
170	**Total**	**14,027,287**	**241,473**	**241,473**	**11,836,655**	**-48,989**	**1,416**	

[1] Excluding Cash balances at central banks and other demand deposits
[2] All countries with an exposure under 1% of the total amount are combined under Other countries

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

		a	b	c	d	e	f
		Gross carrying amount					Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
	Amounts 2021 (in EUR 1,000)			of which: defaulted		Accumulated impairment	
010	Agriculture, forestry and fishing	156,284	20,878	20,878	156,284	-5,130	
020	Mining and quarrying						
030	Manufacturing	167,675	2,378	2,378	167,675	-1,416	
040	Electricity, gas, steam and air conditioning supply	1,355,872	8,483	8,483	1,355,872	-7,360	
050	Water supply	18,832	1,796	1,796	18,832	-87	
060	Construction	251,526	7,373	7,373	251,526	-3,189	
070	Wholesale and retail trade	117,719	11,214	11,214	117,719	-4,457	
080	Transport and storage	12,343	2,203	2,203	12,343	-551	
090	Accommodation and food service activities	145,913	22,665	22,665	145,913	-3,888	
100	Information and communication	205,478	2,055	2,055	205,478	-775	
110	Real estate activities	1,190,648	25,139	25,139	1,190,648	-4,241	
120	Financial and insurance actvities						
130	Professional, scientific and technical activities	271,693	7,346	7,346	271,693	-2,339	
140	Administrative and support service activities	85,790	1,500	1,500	85,790	-953	
150	Public administration and defense, compulsory social security						
160	Education	312,302	3,540	3,540	312,302	-887	
170	Human health services and social work activities	942,812	33,990	33,990	942,812	-5,187	
180	Arts, entertainment and recreation	179,347	34,119	34,119	179,347	-4,382	
190	Other services	223,986	17,905	17,905	223,986	-2,283	
200	**Total**	**5,638,221**	**202,586**	**202,586**	**5,638,221**	**-47,125**	

EU CQ7: Collateral obtained by taking possession and execution processes

		a	b
		Collateral obtained by taking possession accumulated	
	Amounts 2021 (in EUR 1,000)	**Value at initial recognition**	**Accumulated negative changes**
010	Property Plant and Equipment (PP&E)		
020	Other than Property Plant and Equipment	17,769	-3,321
030	Residential immovable property		
040	Commercial Immovable property	17,769	-3,321
050	Movable property (auto, shipping, etc.)		
060	Equity and debt instruments		
070	Other		
080	**Total**	**17,769**	**-3,321**

Credit Risk Mitigation

EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

	Amounts 2021 (in EUR 1,000)	Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances[1]	4,443,716	7,971,598	7,380,512	591,086	
2	Debt securities	1,356,203	132,638		132,638	
3	**Total**	**5,799,919**	**8,104,236**	**7,380,512**	**723,724**	
4	Of which non-performing exposures	36,156	166,945	158,401	8,544	
EU-5	Of which defaulted	36,156	166,945	158,401	8,544	

[1] including loan commitments

EU CR4 – standardised approach – Credit risk exposure and CRM effects

	Amounts 2021 (in EUR 1,000)	a	b
		Exposures before CCF and before CRM	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures
1	Central governments or central banks	4,696,005	703
2	Regional government or local authorities	971,432	2,919
3	Public sector entities	331,586	
4	Multilateral development banks	86,250	
5	International organisations	34,071	
6	Institutions	200,784	7
7	Corporates	3,568,489	960,661
8	Retail	436,480	268,521
9	Secured by mortgages on immovable property	5,630,958	929,550
10	Exposures in default	195,637	7,915
11	Exposures associated with particularly high risk	41,429	13,477
12	Covered bonds	11,905	
13	Institutions and corporates with a short-term credit assessment		
14	Collective investment undertakings	9,398	
15	Equity	31,627	
16	Other items	197,220	
17	**TOTAL**	**16,443,270**	**2,183,753**

c	d	e	f
Exposures post CCF and post CRM		RWAs and RWAs density	
On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
5,220,791	33,885	16,088	
1,181,441	1,624	7,830	1%
343,560	1,922	30,147	9%
115,921	55		
34,071			
205,566	3	41,728	20%
3,084,544	421,167	2,774,880	79%
360,183	125,715	311,116	64%
5,419,531	450,886	2,236,210	38%
186,109	2,399	239,193	127%
41,404	4,689	69,139	150%
11,905		1,191	10%
9,398		5,730	61%
31,627		31,627	100%
197,220		197,220	100%
16,443,270	**1,042,345**	**5,962,099**	**34%**

10. Counterparty Credit Risk

Methodology used to assign internal capital and credit limits for counterparty credit exposures

Triodos Bank applies the original exposure method to assign capital for counterparty credit exposures. Triodos Bank has a Concentration Limit policy to assign credit limits for counterparty credit exposures, which is based on differences between activities (such as loan business and liquidity management) and where limits are related to counterparty types, counterparty credit ratings and Tier 1 capital.

Policies related to guarantees and other credit risk mitigants

Triodos Bank centrally clears interest rate derivates via LCH Clearnet, which takes away any counterparty credit risk. Market value differences are covered by cash collateral.

Policies with respect to wrong-way risk

Triodos Bank entered into FX deals with Triodos Investment Funds and these deals are hedged by deals with a few banks. Wrong-way risk is the risk that the exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The FX deals with the Triodos Investment Funds do not cause wrong-way risk as these FX deals hedge the FX risk of the underlying assets of the Investment Funds. Triodos Bank doesn't enter into new FX deals with Triodos Investment Funds because of new regulation, current derivative contracts will not be renewed after maturity. In addition, the wrong-way risk of transactions with banks is mitigated by only using banks with a sufficient credit rating and by having collateral agreements in place.

There is therefore no need to provide additional collateral if Triodos Bank's credit rating is downgraded.

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Counterparty credit risk

EU CCR1 – Analysis of CCR exposure by approach

		a	b
	Amounts 2021 (in EUR 1,000)	**Replacement cost (RC)**	**Potential future exposure (PFE)**
EU1	EU - Original Exposure Method (for derivatives)[1]	1,727	9,636
EU2	EU - Simplified SA-CCR (for derivatives)		
1	SA-CCR (for derivatives)		
2	IMM (for derivatives and SFTs)		
2a	*Of which securities financing transactions netting sets*		
2b	*Of which derivatives and long settlement transactions netting sets*		
2c	*Of which from contractual cross-product netting sets*		
3	Financial collateral simple method (for SFTs)		
4	Financial collateral comprehensive method (for SFTs)		
5	VaR for SFTs		
6	**Total**		

[1] Non CCP exposures

c	d	e	f	g	h
EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
	1.4	15,914	15,914	15,914	5,715
	1.4				
	1.4				
		15,914	15,914	15,914	5,715

EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

	Amounts 2021 (in EUR 1,000)				
		a	b	c	d
	Exposure classes		**2%**	**4%**	**10%**
1	Central governments or central banks				
2	Regional government or local authorities				
3	Public sector entities				
4	Multilateral development banks				
5	International organisations				
6	Institutions		96,443		
7	Corporates				
8	Retail				
9	Institutions and corporates with a short-term credit assessment				
10	Other items				
11	**Total exposure value**		**96,443**		

Risk weight							
e	f	g	h	i	j	k	l
20%	50%	70%	75%	100%	150%	Others	Total exposure value
12,408	545						**109,396**
				2,962			**2,962**
12,408	**545**			**2,962**			**112,357**

EU CCR5 – Composition of collateral for CCR exposures

		a	b	c
	Amounts 2021 (in EUR 1,000)	**Collateral used in derivative transactions**		
		Fair value of collateral received		**Fair value of po**
	Collateral type	**Segregated**	**Unsegregated**	**Segregated**
1	Cash – domestic currency	13,459		39,254
2	Cash – other currencies			
3	Domestic sovereign debt			
4	Other sovereign debt			
5	Government agency debt			
6	Corporate bonds			
7	Equity securities			
8	Other collateral			
9	**Total**	**13,459**		**39,254**

d	e	f	g	h
	Collateral used in SFTs			
sted collateral	Fair value of collateral received		Fair value of posted collateral	
Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
13,460				
13,460				

EU CCR6 – Credit derivatives exposures

Amounts 2021 (in EUR 1,000)		a Protection bought	b Protection sold
Notionals			
1	Single-name credit default swaps		
2	Index credit default swaps		
3	Total return swaps		
4	Credit options		
5	Other credit derivatives		
6	**Total notionals**		
Fair values			
7	Positive fair value (asset)		
8	Negative fair value (liability)		

EEU CCR2 – Transactions subject to own funds requirements for CVA risk

	Amounts 2021 (in EUR 1,000)	a Exposure value	b RWEA
1	Total transactions subject to the Advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method	15,914	3,409
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**Total transactions subject to own funds requirements for CVA risk**	**15,914**	**3,409**

EU CCR8 – Exposures to CCPs

		a	b
	Amounts 2021 (in EUR 1,000)	**Exposure value**	**RWEA**
1	**Exposures to QCCPs (total)**		1,929
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	96,443	1,929
3	(i) OTC derivatives	96,443	1,929
4	(ii) Exchange-traded derivatives		
5	(iii) SFTs		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin	39,254	
8	Non-segregated initial margin		
9	Prefunded default fund contributions		
10	Unfunded default fund contributions		
11	**Exposures to non-QCCPs (total)**		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) SFTs		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions		

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11. Securitisation

Securitisation activities

In 2019, Triodos executed its first retained residential mortgage-backed securities (RMBS) transaction called Sinopel 2019 B.V. (Sinopel). A securitisation is a transaction where a pool of assets is sold to a special purpose vehicle (SPV). The special purpose vehicle issues notes with different tranches to finance the purchase price of the assets. Sinopel 2019 adheres to the simple transparent and standardised (STS) securitisation framework.

The type of risk exposed in securitisation positions

With Sinopel Triodos Bank structured a retained RMBS whereby Triodos Bank is the sole buyer of the issued notes and as such has not transferred any credit risk. Through the retained RMBS, Triodos Bank strengthens its financial resilience and gains additional access to (central bank) liquidity by pledging the notes as collateral with DNB. The Sinopel RMBS is collateralised by Dutch residential mortgage loans. The structure is fully compliant with the EU's STS regulation. DBRS Ratings Limited and S&P Global Ratings Europe were external credit assessment institutions (ECAIs) for notes issued by Sinopel 2019 B.V.

Approach to calculating risk-weighted exposure amounts related to securitisation positions

As there is no risk transfer with the Sinopel transaction, the securitisation exposures (notes) are not risk-weighted separately. The securitised assets (mortgage loans) are taken into account as if they were not securitised. Triodos Bank consolidates Sinopel in its annual accounts.

Securitisation special purpose entities originated by Triodos

Apart from the Sinopel transaction Triodos Bank is not active as originator, investor or sponsor of securitisation exposures. As a result, Triodos Bank does not hold any re-securitisation positions and does not provide securitisation-related services to any other SPV.

The notes of the securitisation are pledged as collateral. The collateral value of the financial assets pledged is EUR 568.8 million (2020 638.7 million).

EU-SEC1 - Securitisation exposures in the non-trading book

		a	b	c	d	e
		Institution acts as originator				
		Traditional				Syn
		STS		Non-STS		
	Amounts 2021 (in EUR 1,000)		of which SRT		of which SRT	
1	**Total exposures**	**642,688**				
2	Retail (total)	642,688				
3	residential mortgage	642,688				
4	credit card					
5	other retail exposures					
6	re-securitisation					
7	Wholesale (total)					
8	loans to corporates					
9	commercial mortgage					
10	lease and receivables					
11	other wholesale					
12	re-securitisation					

f	g	h	i	j	k	l	m	n	o
		Institution acts as sponsor				Institution acts as investor			
nthetic	Sub-total	Traditional			Sub-total	Traditional			Sub-total
of which SRT		STS	Non-STS	Synthetic		STS	Non-STS	Synthetic	
	642,688								
	642,688								
	642,688								

EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		**Total amount of specific credit risk adjustments made during the period**
	Amounts 2021 (in EUR 1,000)		**Of which exposures in default**	
1	Total exposures	642,688	186	
2	Retail (total)	642,688	186	
3	residential mortgage	642,688	186	
4	credit card			
5	other retail exposures			
6	re-securitisation			
7	Wholesale (total)			
8	loans to corporates			
9	commercial mortgage			
10	lease and receivables			
11	other wholesale			
12	re-securitisation			

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12. Market Risk

Market risk is the risk of losses in on- and off-balance positions arising from movements in market prices. For Triodos Bank this means changes in interest rates and FX rates in particular. Interest rate risk is present in the banking book. FX risk is the current or prospective risk to earnings and capital that arises from adverse movements in FX rates. Triodos Bank's base currency is the euro. The base currency of the UK subsidiary of Triodos Bank is GBP.

Triodos Bank aims to avoid net currency positions with the exception of those arising from strategic investments. The forward positions in foreign currencies are used for hedging the currency risk of the UK subsidiary equity participation. The position also contains the currency derivatives of Triodos Investment Funds which are nearly fully hedged.

The FX position is monitored at least on a monthly basis and discussed in the Asset and Liability Committee. Limits are agreed by the Asset and Liability Committee.

Market risk structure and organisation

Triodos Bank has exposure to credit risk resulting from outstanding FX contracts (spot, forward and swap transactions) with financial institutions and with funds managed by Triodos Investment Management. Triodos Bank services these funds by providing hedges for the FX risk of these funds' investments.

Triodos Bank has limited exposure to credit risk resulting from outstanding IRS. The IRS are all centrally cleared with the LCH Clearnet. The daily margining minimises the (potential) credit risks.

A limit is set per counterparty based on the expected amount of outstanding FX transactions and the corresponding expected exposure. This limit is subject to the overall counterparty limit Triodos Bank has per counterparty.

Market risk measurement systems

Any collateral needed for FX transactions is calculated and managed daily. In the liquidity stress tests, the amount of collateral needed for FX transactions is stressed in order to calculate the potential impact on Triodos Bank's liquidity position.

EU MR1 - Market risk under the standardised approach

		a
	Amounts 2021 (in EUR 1,000)	**RWEAs**
	Outright products	
1	Interest rate risk (general and specific)	
2	Equity risk (general and specific)	
3	Foreign exchange risk	
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	
8	**Securitisation (specific risk)**	
9	**Total**	

EU PV1: Prudent valuation adjustments (PVA)

		a	b	c
	Amounts 2021 (in EUR 1,000)	**Risk category**		
	Category level AVA	**Equity**	**Interest Rates**	**Foreign exchange**
1	Market price uncertainty			
2	Not applicable			
3	Close-out cost			
4	Concentrated positions			
5	Early termination			
6	Model risk			
7	Operational risk			
8	Not applicable			
9	Not applicable			
10	Future administrative costs			
11	Not applicable			
12	**Total Additional Valuation Adjustments (AVAs)**			

d	e	EU e1	EU e2	f	g	h
		Category level AVA - Valuation uncertainty		Total category level post-diversification		
Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
				36		

13. Operational Risk

Operational risks relate to losses that Triodos Bank could incur as a result of inadequate or failing internal processes, systems, human behaviour or external events. Triodos Bank limits these risks with clear policies, procedures and controls for all business processes.

Operational Risk Management (ORM) consists of identifying, managing and monitoring the risks within several subcategories including information security, business continuity, tax risk and financial reporting risk.

Activities to manage risks related to these subjects are, from a second line perspective, executed under the responsibility of the Chief Risk Officer (CRO) in line with the ORM Framework. At Triodos Bank Head Office, the Group Head of ORM reports to the CRO. The Group Risk Management function is mirrored locally in each business unit. At business unit level, the Local Head of ORM reports hierarchically to the Local Head of Risk and functionally to the Group Head of ORM. The Local Head of Risk reports hierarchically to the Managing Director and functionally to the Chief Risk Officer.

The Non-financial Risk Committee is a group-level decision-making risk committee delegated by the Executive Board to take decisions on the non-financial risk appetite and other non-financial risk aspects (including compliance). This committee meets both locally and at a group level on a monthly basis. In 2021, the non-financial risk appetite key risk indicators were reviewed, updated and cascaded to the business units.

The ORM Framework follows the principles set out by the Bank for International Settlements in Sound Practices for the Management and Supervision of Operational Risk, which provides guidelines for the qualitatieve implementation of ORM.

The ORM policy framework includes:

- ORM Framework which describes guiding principles for the management of operational risk within Triodos Bank.
- The Non-Financial Scenario Analysis policy describes the methodology of the ORM instrument 'Scenario Analysis' within Triodos Bank.
- The Risk and Control Self-Assessment (RCSA) policy formalises and explains the definition and positioning of the RCSA methodology within Triodos Bank.
- The Key Control Management policy formalises positioning of key controls and the management of these key controls within Triodos Bank. This includes the identification of key controls, and the testing, reviewing and evaluation of their effectiveness.
- The Non-financial Risk Acceptance and Waiver policy describes the process of waiving policy implementations as well as the process of accepting risks for which it has been decided that it is not feasible to avoid, transfer or mitigate the risk to a low residual risk.
- The Operational Risk Event Management policy describes how risk events are managed, captured and reported within Triodos Bank.
- The Action Tracking policy describes action tracking as an ORM instrument that aims to mitigate identified risks within Triodos Bank.

The ORM Framework uses several tools and technologies to identify, measure and monitor risks and monitors the level of control on an operational, tactical and strategic level. In 2021, control testing and key control management measures were extended to support the monitoring of the Deposit Guarantee Scheme (DGS) related control objectives. The ORM department performs analyses on a continuous basis according to a risk event management process and maintains strong reporting and communication lines between local Operational Risk departments and Group ORM.

Information security

Cyber threats are considered to be at a high level in the financial sector. Triodos Bank performs periodic cyber threat assessments and risk self-assessments to determine the adequacy of its information security strategy and to further strengthen its security controls. The information security management system is set up in line with the European Banking Authority (EBA) Guidelines on ICT and security risk management. A security operations centre (SOC) detects and responds to cyber security events. The roll-out of a security awareness and behaviour programme in all business units supports co-worker security awareness. Triodos Bank performs the periodic threat intelligence based ethical red teaming (TIBER) test as part of ICT and security management. The IT Risk management process is fully aligned with the operational risk management framework. Key controls are defined and tested accordingly.

Business continuity management

Business continuity management (BCM) is the management process that identifies potential threats to business processes of Triodos Bank and the impact on business operations if those threats materialise. BCM provides a framework for building organisational resilience by developing an effective preparation and response capability that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities in case identified threats occur. The purpose of BCM is to ensure that Triodos Bank's critical processes can be maintained or recovered in a timely way after a disruption or incident, to minimise negative personal, operational, financial, legal and/or reputational impact. Within the Risk Management Framework, the governance of the BCM process is described in the Group BCM policy. The policy is written in line with the applicable regulations and guidelines.

Tax risk

Triodos Bank is subject to international tax risks due to its operations in a number of West-European countries. The local tax risks are managed by the respective local Triodos Bank business units, in close cooperation with the tax department at group level. In addition, Triodos Investment Management operates world-wide with her investment funds. All tax risk-related issues are handled by a dedicated tax department in close cooperation with Group Tax.

Fraud risk

Fraud risk is a common risk in the financial sector. Triodos Bank performs a yearly Systematic Integrity Risk Analysis (SIRA) to assess it vulnerabilities to, amongst others, Fraud. Internal Fraud within Triodos is relatively low compared to the sector. Controls like internal training and awareness are in place and Triodos has pre- and in-employment procedures resulting in a low risk culture in relation to fraud. The number of incidents has been limited in the last years and the impact minimal. External Fraud is much more common as it is with peers in the sector. Triodos has implemented a number of Fraud Monitoring controls over the past years. In 2021 a major step was taken by implementing the stop payment functionality in Triodos Bank the Netherlands branch. The impact of Fraud on the annual results is limited. Within Triodos a central KYC and Financial Crime domain has been set-up with a Group Director to functionally steer the Fraud risk at Group level.

Financial reporting risk

Triodos Bank is subject to financial reporting risk which relates to interpretation of regulations, data quality; and estimations and assumptions applied as disclosed in the financial statements. Triodos Bank is continuously improving its reporting and the risk and control frameworks surrounding the reporting processes. Projects and improvement programmes have been set up to ensure effective and efficient usage and analysis of data in order to support its decision-making processes.

Compliance risk

Triodos Bank defines compliance risk as the risk of legal or regulatory sanctions, material financial loss or loss to reputation that Triodos Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory standards, and codes of conduct applicable to its banking activities. Internal policies, procedures and awareness activities are in place to guarantee that co-workers in all functions comply with relevant laws and regulations.

The Compliance function independently monitors and challenges the extent to which Triodos Bank complies with laws, regulations and internal policies, with an emphasis on customer due diligence, anti-money laundering, treating customers fairly, preventing and managing conflicts of interest, data protection and the integrity of co-workers.

Triodos Bank has a Group compliance team which is led by the Group Director Compliance, who is also the Group Data Protection officer. Compliance officers and Data Protection officers are appointed in every banking business unit with a functional line to the Central Compliance department. The Director of Compliance reports to the CRO and has an escalation line to the Chair of the Audit and Risk Committee, that supports the independence of the Compliance function.

Triodos Bank aims to serve the interests of all stakeholders by actively fulfilling its role as a gatekeeper in the financial system and to counter money laundering and terrorism financing. The bank applies various procedures and measures in this respect.

In 2018, De Nederlandsche Bank (DNB) conducted a thematic, sector-wide survey among Dutch banks, focusing on the measures that the banks have taken to prevent money laundering and terrorism financing. Following this survey, DNB concluded that Triodos Bank is required to implement enhanced measures concerning customer due diligence and monitoring of customer transactions. On 6 March 2019, DNB imposed a formal instruction (aanwijzing) on Triodos Bank N.V. to remedy shortcomings in compliance with provisions of the anti-money laundering and countering the financing of terrorism laws and with financial supervision laws. Triodos Bank accepted this instruction and implemented mitigating measures. Following the formal instruction Triodos Bank received an administrative penalty on 14 December 2020 that was paid without delay.

In 2020, DNB performed an on-site inspection regarding the Compliance function. The first purpose was to obtain assurance that the Compliance function is sufficiently empowered to provide independent advice to and assume a challenging role to the first line and management. Second purpose was to assess whether the management body has an adequate role in overseeing the implementation of a documented Compliance framework. Regarding the first purpose DNB recognised the improvements that were made but concluded that the functioning of the Compliance function is not in all aspects sufficiently effective and that the existing improvement plan needs more detail. Regarding the management oversight, DNB concluded that the management body is not sufficiently involved in overseeing the Compliance function. Based on these findings a remediation plan was prepared at the beginning of 2021 and progress with the remediation of the findings is on track.

Triodos Bank was not involved in any other material legal proceedings or any other further sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, data protection or product liability.

Approach for the assessment of minimum own fund requirements

Triodos Bank applies the basic indicator approach to calculate minimum capital requirements for operational risk.

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

Banking activities		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
	Amounts 2021 (in EUR 1,000)	**Year-3**	**Year-2**	**Last year**		
1	Banking activities subject to basic indicator approach (BIA)	283,771	305,099	341,830	46,535	581,688
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	*Subject to TSA:*					
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

14. Interest Rate Risk

Interest Rate Risk in the Banking Book (IRRBB) is inherent in regular customer-related banking activities, due to the fact that short-term funding is invested in long-term loans. Triodos Bank uses mainly retail funding to finance clients and projects which aim to improve society and the environment. In addition, the bank has issued a Green Subordinated Tier 2 bond in 2021 to diversify its capital and funding base. Triodos Bank defines IRRBB as the risk that changes in prevailing interest rates will adversely affect the market value of assets versus that of liabilities and/or income versus expenses.

Triodos Bank identifies the following three main sources of IRRBB:
- Gap risk: the risk of adverse consequences due to differences in timing of the impact of interest rate changes on the value and interest of assets and liabilities, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by tenor (non-parallel risk).
- Basis risk: the risk of adverse consequences from changes in the difference between two or more rates for different financial instruments with the same interest maturity but with different benchmark rates on which the pricing is based.
- Option risk: the risk that changes in market interest rates prompt changes in the value or maturity of financial instruments, due to explicit or implicit optionality embedded in the bank's products.

Interest rate risk is managed in a four-stage risk control cycle. In this cycle, first the relevant definitions, indicators, measurement methods, and analysis for IRRBB are set. Next, the limits for the main IRRBB indicators are specified in the risk appetite statement. The third stage defines the roles and responsibilities for IRRBB management, model governance, and escalation procedures and exceptions. Lastly, the risks are monitored, reported and mitigated if necessary.

The local balance sheet development in the individual banking business units is an important driver for how the interest rate risk position develops. Each banking business unit sets up a budget for the next three years and updates it on a quarterly basis with a forecast. The budgets are consolidated and compliance with the risk appetite is checked. Hedging is applied to keep the risk position within the risk appetite and regulatory limits. Adherence to the budget means that asset and liability management is predictable and therefore the fulfilment of the budget is closely monitored.

Interest rate risk management and mitigation strategies

Triodos Banks manages its interest rate risk position in three ways.
- Firstly, Triodos Bank is able to steer the volume and interest rate terms of new assets and the interest rate of its liabilities to a limited extent to maintain the interest rate risk exposure within limits. However, changes in client rates and terms will not be made to the extent that they would materially impair Triodos Bank's customer service, market position, profitability, capital adequacy and reasonable customer expectations.
- Secondly, the amount and duration of the marketable investments in the liquidity buffer can be adjusted.
- Finally, Triodos Bank uses interest rate swaps (IRS) to maintain the bank's IRRBB exposure within the limits, if the first two methods are not effective enough. The consequent positions are taken into account in all the IRRBB calculations, subject to hedge accounting to avoid P&L volatility.

Monitoring and decision-making related to the management of the IRRBB is delegated to the Asset and Liability Committee (ALCo). Additionally, the Model and Assumptions Review Committee Committee (MARC) approves material changes to IRRBB models and changes to important model assumptions. Finally, the ALCo decides on approval of and monitors adherence to the group-wide pricing framework for retail and business banking products.

One of Triodos Bank's main strategic risks is the low interest rate environment. Although there is upward pressure due to increasing inflation, relatively low interest rates are likely to continue for some time, with a negative impact on Triodos Bank's return. As rates on the assets are decreasing, and the rates on the liabilities have hit the psychological floor of zero percent, the margin is being compressed. The threshold for negative rates on savings and current accounts has been lowered in several market segments over the last year. At the same time, fees on savings accounts were introduced and/or increased to be able to deal with the margin compression.

Main measures

Triodos Bank uses various indicators to measure interest rate risk. The interest rate risk position is monitored by the ALCo on a monthly basis and reported quarterly to the Executive Board. The main IRRBB indicators used are earnings at risk (also referred to as net interest income (NII) at risk), economic value of equity at risk, modified duration of equity, and gap analysis. Below follows a brief description:

- Net interest income at risk: a short-term indicator which shows the effect of an interest rate shock on Triodos Bank's net interest income over a one year and two-year horizon.
- Economic value of equity at risk: a long-term indicator which represents the change of the economic value of equity (EVE) in the event of an interest rate shock. EVE is defined as the net present value of the future cash flows of all assets netted with the net present value of the future cash flows of liabilities.
- Supervisory outlier test: this is the economic value of equity at risk relative to either CET1 or Actual Own Funds for several interest rate shocks as specified in the EBA Guidelines on IRRBB.
- Modified duration of equity: an indicator that expresses the sensitivity of the EVE in the event of parallel interest rate changes.
- Gap analysis: this provides a quick and intuitive sense of how Triodos Bank is positioned by comparing the values of the assets and liabilities that roll over – or reprice – at various time periods in the future. While a gap analysis is a good measure of repricing risk, it is not able to measure interest rate risk stemming from option risk and basis risk. Therefore, Triodos Bank monitors the sensitivity of economic value of the banking book items to interest rate changes for different parts of the yield curve, by calculation of key rate durations.
- Option risk arises from caps and/or floors on floating interest rates and as a result of client and bank behaviour, i.e. due to prepayments on loans and mortgages, withdrawal of funds entrusted, and the discretion to change the interest rate on savings and current accounts. Both embedded options and behavioural characteristics are considered in the IRRBB measures.

Due to the continued growth of the mortgage portfolio, Triodos Bank continues to work on improving the data and modelling of off-balance commitments. Fixed rate commitments in particular (often present in new mortgages to be paid out) add to the interest rate position of the Bank.

Triodos Bank runs a variety of interest rate scenarios to assess its level of interest rate risk. The scenarios are expressed as shocks to the market rate curve. These shocks can vary from parallel shocks to non-parallel shocks, downward to upward shocks, and instant to gradual shocks. Part of the shocks are prescribed by regulatory guidelines whereas other shocks are developed internally. The interest rate scenarios are regularly reviewed and approved in the ALCo.

Modelling and parametric assumptions

The model used for calculating IRRBB measures complies with the EBA guidelines. The balance sheet in Triodos Bank's model develops according to the budget/forecasts for earnings calculations and uses a run-off profile for the EVE calculations. In modelling of IRRBB, client behaviour is complex as it depends on many factors and, as a result, IRRBB models in general build on many assumptions. A brief description of relevant assumptions used in Triodos Bank's IRRBB modelling follows.

First, behavioural models are used to assess the interest rate risk in savings and current accounts. The interest rate risk stemming from these products is difficult to quantify since these accounts typically have variable interest rates and no fixed maturity. The objective of the models is to forecast the future outflow of the non-maturing deposits and their sensitivities to market conditions based on historical data, taking into consideration the statistical significance of that data. The model combines the relationship between client interest rates and market interest rates and outflow predictions.

Secondly, prepayments on loans and mortgages affect interest rate risk on the asset side of the balance sheet and depend on customer behaviour as well. Due to the low interest rate environment and the maturity of the portfolio, prepayments increased during the last years. Therefore, behavioural assumptions are present in the risk model and the level of prepayments is included in the measurement of IRRBB. Currently, a constant prepayment rate is used, consistent with the forecast made by the banking business units. Triodos Bank uses sensitivity analyses to measure the correlation between interest rate levels and prepayment behaviour.

Thirdly, some of Triodos Bank's loans and mortgages contain caps and floors to prevent interest rates increasing or decreasing below a certain level. This affects the level of IRRBB in these products and both are taken into account in the economic value and earnings analysis. The economic value of the pipeline, which contains loans with a set interest rate which are committed but not yet remitted, is also considered.

The EVE measures, duration of equity and outlier criterion measures are determined using risk-free discounting and commercial margins. Other spread components are excluded from the cash flow calculations.

Interest rate risk is hedged through the purchase of interest rate swaps. On a monthly basis, an assessment is made of the need to hedge based on the current interest rate risk position, the forecasted position and market circumstances.

Triodos Bank applies macro hedge accounting to its interest rate hedges to solve the accounting asymmetry between the portfolio of hedged items (loans and mortgages) measured at amortised cost, and the interest rate derivatives measured at fair value through the profit and loss statement. As a consequence, hedge ineffectiveness is automatically reflected in the P&L.

Explanation of the significance of the IRRBB measures and significant variations

Economic value of equity at risk declined in 2021. Triodos Bank hedged its position with interest rate derivatives, and a recalibration of the prepayment parameter led to slightly higher prepayment speeds. On the other hand, continuing growth in the mortgage portfolio, and a decline in duration of savings accounts due to somewhat higher yield curves increased Triodos Bank's vulnerability to rate rises at the long end of the curve. All in all, EVE at risk decreased from 15.0% (in a parallel up scenario) to 7.7% (under a steepener scenario).

Net interest income at risk decreased in 2021 as well, from 2.8% to 1.2%. The scenarios were updated in 2021, reflecting the latest interest rate outlook. This means the scenario became less severe at the short end of the curve and more severe at the long end. A negative shock at the short end of the curve immediately impacts Triodos Bank's interest income due to the interest paid on cash positions.

Changes in net interest income, as disclosed in template EUR IRRBB1 are measured with the following assumptions:

- The upward scenario reflects a parallel up shock of 200 basis points, and the downward

scenario the expected interest rate movement in a depression scenario.
- Both shocks are applied gradually over a period of 12 months.
- The magnitude of the downward scenario is updated frequently and based on the latest interest rate outlook.
- In both scenarios no floors are applied to the market interest rates.
- The net interest income sensitivity is measured over a period of 12 months.
- Projected future volumes of the different balance sheet items are used in the calculations.

The average repricing maturity assigned to non-maturity deposits is 2.7 years, and the longest assigned repricing maturity assigned is equal to 7 years.

Below follows a short summary of the main developments in the main interest rate risk indicators.

Net interest income at risk
Net interest income at risk is measured with a 1- and 2-year horizon. Net interest income at risk decreased from 2.8% to 1.2% in 2021, and 2-year net interest income at risk from 5.6% to 4.4%. Both indicators show their worst-case outcome in a scenario where the economy moves into recession and interest rates decrease. The scenarios were updated in 2021, reflecting the latest interest rate outlook. This means the scenario became less severe at the short end of the curve and more severe at the long end. A negative shock at the short end of the curve immediately impacts Triodos Bank's interest income due to the interest paid on cash positions.

Supervisory outlier test
In 2021 the supervisory outlier test decreased from 17.2% to 8.7%. The decrease came mainly from purchases of interest rate swaps during the year. In addition, a recalibration of the prepayment parameters led to slightly higher prepayment speeds and lowered the position further. On the other hand, the continuing growth in mortgages in 2021, from 2.7 billion euro to 3.6 billion euro was the main factor putting upward pressure on this indicator. A decrease in the duration of savings accounts, due to higher market interest rates, created upward pressure as well. The supervisory outlier test worst-case outcome is measured in the 'steepener' scenario where short rates decline and long rates increase.

EVE-at-Risk
EVE-at-Risk decreased during the first half of the year and slowly started rising again in the second half. The drivers behind the development of the supervisory outlier test and EVE-at-Risk are similar, i.e., upward pressure due to continued mortgages production and a decrease in duration of savings, and downward pressure due to the purchase of interest rate swaps and higher prepayment speeds. All in all, EVE-at-Risk decreased from 15% to 7.7% in 2021. As with the supervisory outlier test, the steepener scenario is the worst-case scenario for EVE-at-Risk.

Duration of equity
Duration of equity decreased from 6.3 to 3.2 years over the course of 2021. The developments resembled to that of EVE-at-Risk, i.e., a decline in the first half of the year, and a slow increase in the second half. The underlying drivers are similar to those for the supervisory outlier test and EVE-at-Risk, although one difference is that duration of equity is calculated under the assumption of a parallel shift of the interest rates.

Interest Rate Risk in the Banking Book

EU IRRBB1 - Interest rate risks of non-trading book activities

	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income	
Supervisory shock scenarios	31.12.2021	31.12.2020	31.12.2021	31.12.2020
1 Parallel up	-7.7%	-15.0%	20.4%	17.3%
2 Parallel down	1.7%	1.2%	-1.2%	-2.8%
3 Steepener	-7.7%	-8.1%		
4 Flattener	4.6%	2.8%		
5 Short rates up	4.4%	0.8%		
6 Short rates down	-2.1%	0.6%		

15. Remuneration

The Supervisory Board installed a Remuneration Committee, appointed by the Supervisory Board from its own members. The (entire) Supervisory Board remains responsible for decisions prepared by the Remuneration Committee.

The Remuneration Committee is responsible for advising and preparing the discussions and decision-making of the Supervisory Board with respect to remuneration. In preparing such decisions the Remuneration Committee takes into account the long-term interests of the shareholders, the investors and other stakeholders of the Company.

D.H. Oldenhof (Chair), D.A.M. Melis and M.E. Nawas are members of this Committee.

The Remuneration Committee held six meetings in 2021.

In 2021 no advice had been sought by external consultants concerning remuneration.

The International Remuneration and Nomination policy of Triodos Bank is applicable to all operating units of Triodos Bank Group and in all countries where Triodos Bank is operating. Triodos Bank Group operating units are Triodos Bank Belgium, Triodos Bank Germany, Triodos Bank Nederland, Triodos Bank Spain, Triodos Bank UK Ltd. Triodos Investment Management B.V., Head Office and Triodos Regenerative Money Centre.

Within Triodos Bank the identified staff are:
- All members of the Executive Board and Supervisory Board;
- All Group Directors including control functions, the Senior Advisor Corporate Strategy, Strategy Advisor and the Chief Economist;
- All Managing Directors and Core management team members as determined on group level including control functions;
- Group Heads of Operational Risk Management, Credit Risk, Enterprise Risk and Asset and Liability Management and Modelling;
- Group Heads of Tax, Controlling and Legal;
- Co-workers whose total remuneration in the preceding financial year places them among the highest paid 0.3% (rounded up) of the staff population;
- Members with voting rights in (credit) risk committees;
- Co-workers with product initiation or product approval rights.

Design and structure of the remuneration system

The International Remuneration and Nomination policy is based on the principle of human dignity and aims to enhance social coherence within the organisation. The policy aligns with DNB's Regulation on Sound Remuneration Policies, European Banking Authority (EBA) Guidelines on sound remuneration policies, EBA Guidelines on remuneration of sales staff, the EU Sustainability Financial Disclosure Regulation (SFDR) and Global Reporting Initiative (GRI) standards for sustainability reporting. In Triodos Bank's view, remuneration enables co-workers to earn a decent living enabling them to contribute to the organisation and society at large. Triodos Bank believes in the intrinsic motivation of its co-workers to contribute to Triodos Bank's mission and to work according to Triodos Bank's corporate values. The richness of the contribution of each co-worker cannot be translated into a linear, financial incentive.

Triodos Bank operates in the financial sector. Therefore, its remuneration practice needs to be within the scope of what is expected in the financial sector to allow for a healthy inflow and outflow of co-workers. At the same time, Triodos Bank maintains a relatively low ratio between the lower and higher level of salaries paid. Variable components are modest and discretionary and are not an incentive to favour the co-workers' or the bank's own interest to the detriment of the Triodos Bank's customers. This all contributes to a strong sense of being jointly responsible for realising the mission of Triodos Bank.

The remuneration paid to the members of the Executive Board is set by the Supervisory Board upon advice of the Remuneration Committee. The remuneration policy for the Executive Board is in accordance with the International Remuneration and Nomination policy.

Key elements of Triodos Bank's International Remuneration and Nomination policy are:
- Triodos Bank does not offer bonus or share option schemes to members of the Executive Board, the Supervisory Board, the Board of Stichting Administratiekantoor Aandelen Triodos Bank (SAAT) or co-workers. Financial incentives are not considered an appropriate way to motivate and reward co-workers in a values-based bank. In addition, sustainability is by its very nature the result of a combined effort by team members aimed at both the short and long term.
- Triodos Bank may provide individual tokens of appreciation. These are very limited and decided discretionally. They are restricted to a maximum of one month's salary with a maximum of EUR 10,000 gross a year. These contributions are for extraordinary achievements and are at the discretion of management after consultation with Human Resources. Tokens of appreciation are not based on pre-set targets and are always offered post factum. The Tokens of Appreciation are subject to claw-back regulations. Members of the Executive Board are excluded from these awards.
- An annual, collective token of appreciation can be paid for the overall achievements and contribution of all co-workers. This modest amount, with a maximum of EUR 500 gross per person, is the same for all co-workers, whether they work full time or part time, and awarded pro-rata for those not in service throughout the whole year. Members of the Executive Board do not receive this award. No collective end-of-year token of appreciation was awarded for 2021.
- Severance payments are in line with the principles of the International Remuneration and Nomination policy and never reward failure or misconduct. Severance payments to members of the Executive Board and members of senior management do not exceed one year's salary, in line with the Dutch Central Bank and the EBA guidelines on sound remuneration.

More details on the Triodos Bank International Remuneration and Nomination policy are available on www.triodos.com.

The International Remuneration and Nomination policy is reviewed on an annual basis. The Group Director Human Resources assesses the policy in view of the values of Triodos Bank and the relevant regulations in the countries where Triodos Bank operates. On group level, the Legal Department monitors the legal developments and notifies HR of any changes in regulation related to remuneration that need to be included in this policy. Human Resources presents the reviewed policy to the Executive Board, after joint consultation of the internal control functions. The Executive Board presents the reviewed policy to the Remuneration Committee. The Remuneration Committee presents the reviewed policy to the Supervisory Board for decision making. The execution of this policy is audited by Internal Audit on an annual basis.

In 2021, no material changes were made in the International Remuneration and Nomination policy. The changes that were made resulted in a higher granularity of the information:
- The use of 'second line' or 'third line' terminology instead of 'internal control functions';
- Change of descriptions with respect to regulations on remuneration that impact the International Nomination and Remuneration policy and include ISS proxy guidelines and Eumedion alerts in all remuneration guidelines and practices ;
- The role of compliance has become more explicit in the policy regarding claw-back provisions on tokens of appreciation to align with internal process;
- Modification of the information on severance payments towards co-workers and senior management, since the same principles apply to both groups;
- Alignment of additional provisions for defined roles and positions on nomination, dismissal, remuneration and appraisal with organisational changes for (1) the (functional) reporting lines of Finance, Controlling and Tax according to the changed internal governance structure, (2) other changed / new roles within the organisation, (3) changed names of defined roles, and (4) provisions regarding Triodos Bank UK Ltd. to align with the local remuneration policy.

None of the changes has an impact on the existing remuneration framework. The revised International Remuneration and Nomination policy was approved by the Supervisory Board on 12 November 2021.

Appointment, dismissal, remuneration and appraisals of co-workers in a local control function cannot be solely decided by the local manager to whom the local control function reports. Appointment, dismissal, remuneration of co-workers in a local control function is a joint responsibility of the local manager and the Group control function head. The Group control function head gives input on the appraisal of the local control functions.

Nomination and dismissal of the Group Director Compliance and Group Director Internal Audit is decided by the Executive Board and by the Supervisory Board, based on advice of the Audit and Risk Committee. Remuneration of these functions is decided by the Executive Board, after consultation of the Group Director HR and the Remuneration Committee. The Supervisory Board is informed via the Remuneration Committee. Remuneration of the members of the Executive Board is the responsibility of the Supervisory Board, prepared by the Remuneration Committee.

Remuneration of the Head of Internal Audit in the UK is decided by the UK Board, after consultation with the Group Director Internal Audit and the Managing Director.

Risks

The International Remuneration and Nomination policy aims to encourage business practice aligning with the financial and sustainability risk appetite of Triodos. As elaborated in the Sustainability Risk policy and Financial Risk Management policy, the management of financial and sustainability risks is integrated across all levels of the business and periodically reassessed. In line with the mission, creating sustainable impact by addressing the intrinsic motivation of our co-workers, Triodos Bank chooses not to have bonuses (such as variable remuneration based on predetermined financial or achievements) as these can enhance a culture of taking unjustified risk. This policy only recognises fixed salaries and limited variable remuneration on a discretionary basis. There can be special circumstances that justify granting a so-called Token of Appreciation to (a) co-worker(s) in hindsight. These Tokens of Appreciation are very limited and modest, to emphasise the non-risk related nature of this remuneration element.

To comply with the Regulation on sound remuneration policies, Triodos Bank explicitly states that its policy does not negatively influence the ability of Triodos Bank to maintain a sound capital base. The policy is also designed to avoid conflicts of interest between individual co-workers and Triodos Bank and its customers. It describes transparent governance with respect to nomination, dismissal, remuneration and appraisal of co-workers.

Variable remuneration

Triodos Bank chooses not to have variable remuneration based on predetermined financial targets or achievements, as these can enhance a culture of taking inappropriate risks.

EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
	Amounts 2021 (in EUR 1,000)		**MB Supervisory function**	**MB Management function**	**Other senior management**	**Other identified staff**
1	Fixed remuneration	Number of identified staff	7	7	8	62
2		**Total fixed remuneration**	**179**	**1,370**	**1,737**	**8,658**
3		Of which: cash-based[1]	179	1,131	1,506	7,564
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms[2]		239	231	1,095
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff		1	1	13
10		**Total variable remuneration**[3]		**264**		**49**
11		Of which: cash-based		264		49
12		Of which: deferred				
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	**Total remuneration (2 + 10)**		**179**	**1,634**	**1,737**	**8,707**

[1] This concerns fixed salary expenses
[2] This concerns pension contributions, pension allowance for salary above EUR 112.189 and private use company car
[3] This concerns Tokens of Appreciation and severance payments awarded during year

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
	Amounts 2021 (in EUR 1,000)	**MB Supervisory function**	**MB Management function**	**Other senior management**	**Other identified staff**
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff				
2	Guaranteed variable remuneration awards -Total amount				
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff		1	1	
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount		320	200	
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff		1		
7	Severance payments awarded during the financial year - Total amount		264		
8	Of which paid during the financial year		264		
9	Of which deferred				
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
11	Of which highest payment that has been awarded to a single person		264		

EU REM3 - Deferred remuneration

	Amounts 2021 (in EUR 1,000)	a	b	c
	Deferred and retained remuneration[1]	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years
1	MB Supervisory function			
2	Cash-based			
3	Shares or equivalent ownership interests			
4	Share-linked instruments or equivalent non-cash instruments			
5	Other instruments			
6	Other forms			
7	MB Management function			
8	Cash-based			
9	Shares or equivalent ownership interests			
10	Share-linked instruments or equivalent non-cash instruments			
11	Other instruments			
12	Other forms			
13	Other senior management			
14	Cash-based			
15	Shares or equivalent ownership interests			
16	Share-linked instruments or equivalent non-cash instruments			
17	Other instruments			
18	Other forms			
19	Other identified staff			
20	Cash-based			
21	Shares or equivalent ownership interests			
22	Share-linked instruments or equivalent non-cash instruments			
23	Other instruments			
24	Other forms			
25	**Total amount**			

[1] Mandatory table not applicable for Triodos Bank

d	e	f	EU - g	EU - h
Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods

EU REM4 - Remuneration of 1 million EUR or more per year

		a
	Amounts 2021 (in EUR)[1]	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	
2	1 500 000 to below 2 000 000	
3	2 000 000 to below 2 500 000	
4	2 500 000 to below 3 000 000	
5	3 000 000 to below 3 500 000	
6	3 500 000 to below 4 000 000	
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	
11	7 000 000 to below 8 000 000	

[1] Mandatory table not applicable for Triodos Bank

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		Management body remuneration			
	Amounts 2021 (in EUR 1,000)	MB Supervisory function	MB Management function	Total MB	Investment banking
1	**Total number of identified staff**				
2	Of which: members of the MB	7	7	14	
3	Of which: other senior management				
4	Of which: other identified staff				
5	**Total remuneration of identified staff**	**179**	**1,634**	**1,813**	
6	Of which: variable remuneration[1]		264	264	
7	Of which: fixed remuneration[2]	179	1,370	1,549	

[1] This concerns Tokens of Appreciation and severance payments awarded during year
[2] This concerns fixed salary expenses, pension contributions, pension allowance for salary above EUR 112.189 and private use company car

e	f	g	h	i	j
Business areas					
Retail banking	**Asset management**	**Corporate functions**	**Independent internal control functions**	**All other**	**Total**
					84
5	2	1			
25	4	14	20		
4,510	**1,110**	**2,433**	**2,391**		
7		30	12		
4,503	1,110	2,403	2,379		

Triodos Bank