Pillar 3 Report
Annual Report
2022

Triodos Bank

Annual report 2022
Pillar 3 disclosures

1. About the Pillar 3 report

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

- The scope is on consolidated level as per 31 December 2022.
- There are no differences between accounting and regulatory scopes of consolidation.
- The accounting standard is IFRS.
- The reporting currency is euro.
- 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.
- The LEI-code of Triodos Bank N.V. is 724500PMK2A2M1SQQ228.

To calculate the total risk-weighted assets the following approaches are used:

- for credit risk: the standardised approach;
- for operational risk: the basic indicator approach;
- for credit risk mitigation: the financial collateral simple method;
- for counterparty credit risk: the original exposure method;
- for market risk: the standardised approach;
- for credit valuation adjustment risk: the standardised approach;

Triodos Bank N.V. 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. 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, 15 March 2023

Triodos Bank Executive Board

Jeroen Rijpkema, Chair
Kees van Kalveen
Marjolein Landheer
Jacco Minnaar
Nico Kronemeijer

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 2022 (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	2,581,140	2,581,140			406,514	
2	Loans and advances to banks	332,493	332,493			33,710	
3	Loans and advances to customers	10,619,676	10,619,676			1,240,985	
4	Debt securities at amortised cost	1,689,780	1,689,780			390,582	
5	Investment securities	45,718	45,718			20,063	
6	Intangible assets	51,225	21,432			1,312	29,793
7	Property and equipment	88,691	88,691			13,129	
8	Investment property	6,739	6,739				
9	Right-of-use assets	13,327	13,327			1,184	
10	Non-trading derivatives	295,696		295,696			
11	Deferred Tax Assets	13,185	7,562			265	5,623
12	Current tax receivable	1,475	1,475				
13	Other assets	55,753	55,753			1,230	
14	Non-current Assets Held for Sale	5,582	5,582				
	Total assets	**15,800,480**	**15,469,368**	**295,696**		**2,108,974**	**35,416**
	Breakdown by liability classes according to the balance sheet in the published financial statements						
1	Deposits from banks	337,087					337,087
2	Deposits from customers	13,816,340				1,851,874	13,816,340
3	Lease liabilities	13,924				1,220	13,924
4	Non-trading derivatives	1,249		1,249			
5	Deferred Tax Liabilities	10,843					10,843
6	Current tax liabilities	12,213				714	12,213
7	Other liabilities	81,700				6,243	81,700
8	Provisions	7,845				378	7,845
9	Subordinated debt	259,884				6,475	259,884
	Total liabilities	**14,541,085**		**1,249**		**1,866,904**	**14,539,836**

[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 2022 (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)**	**15,765,064**	**15,469,368**		**295,696**	**2,108,974**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**1,249**			**1,249**	**1,866,904**
3	**Total net amount under the scope of prudential consolidation**	**15,763,815**	**15,469,368**		**294,447**	**242,070**
4	**Off-balance-sheet amounts**	**1,902,239**	**1,902,239**			
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	-1,298	-1,298			
8	Differences due to the use of credit risk mitigation techniques (CRMs)					
9	Differences due to credit conversion factors	-1,003,346	-1,003,346			
10	Differences due to Securitisation with risk transfer					
11	Other differences	258,428			258,428	
12	**Exposure amounts considered for regulatory purposes**	**16,919,839**	**16,366,963**		**552,875**	**242,070**

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
Sinopel 2019 BV	Full consolidation	X					Financial Vehicle Corporation

2. Key metrics of risk-weighted exposure amounts

EU KM1 - Key metrics template

		a	b	c	d	e
	Amounts (in EUR 1,000)[1]	**31.12.2022**	**30.09.2022**	**30.06.2022**	**31.03.2022**	**31.12.2021**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	1,164,626		1,176,165		1,144,101
2	Tier 1 capital	1,164,626		1,176,165		1,144,101
3	Total capital	1,419,394		1,430,912		1,398,799
	Risk-weighted exposure amounts					
4	Total risk exposure amount	6,750,422		6,680,812		6,554,841
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17.25%		17.61%		17.45%
6	Tier 1 ratio (%)	17.25%		17.61%		17.45%
7	Total capital ratio (%)	21.03%		21.42%		21.34%
	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 (%)	3.10%		2.50%		2.50%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.70%		1.40%		1.40%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.30%		1.90%		1.90%
EU 7d	Total SREP own funds requirements (%)	11.10%		10.50%		10.50%
	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 (%)	0.143%		0.002%		0.002%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement (%)	2.64%		2.50%		2.50%
EU 11a	Overall capital requirements (%)[2]	13.74%		13.00%		13.00%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.95%		9.71%		9.55%
	Leverage ratio					
13	Total exposure measure	16,919,839		18,122,604		14,109,432
14	Leverage ratio (%)	6.88%		6.49%		8.11%

		a	b	c	d	e
	Amounts (in EUR 1,000)[1]	**31.12.2022**	**30.09.2022**	**30.06.2022**	**31.03.2022**	**31.12.2021**
	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]	3.00%		3.00%		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 (%)	3.00%		3.00%		3.48%
	Liquidity Coverage Ratio (%) average from preceding 12 month					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	4,341,043		4,397,883		4,078,516
EU 16a	Cash outflows - Total weighted value	2,253,205		2,110,584		1,965,319
EU 16b	Cash inflows - Total weighted value	233,047		220,997		234,232
16	Total net cash outflows (adjusted value)	2,020,157		1,889,587		1,731,087
17	Liquidity coverage ratio (%)	215.49%		232.71%		235.87%
	Net Stable Funding Ratio					
18	Total available stable funding	12,793,634		14,235,347		14,050,381
19	Total required stable funding	8,423,275		9,280,149		9,098,248
20	NSFR ratio (%)	151.88%		153.40%		154.43%

[1] The Key metrics information of Triodos Bank is disclosed every six months.
[2] The key capital requirements can be expressed in Total Capital Requirements (TCR) and Overall Capital Requirements (OCR). The difference resides in addtional Pillar 2 Guidance, which adds an additional requirement for Triodos Bank of 0,2%.
[3] 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 maintained the level of resilience provided by the leverage ratio before the pandemic. This was 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 Model

The Three Lines 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 function is not solely responsible for the management of risk. 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 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, 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 oversight'. 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 regarding the corporate governance structure, internal control, compliance and risk management functions of the bank.

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.

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 functions 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 adopting the overall internal audit plan and the monitoring thereof.

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 into 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. As per the Corporate Governance Code the Executive Board evaluates the functioning of the internal control functions on an annual basis.

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

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 task of the Audit and Risk Committee 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 Sebastien D'Hondt (Chair), Danielle Melis and Susanne Hannestad. The Audit and Risk Committee met eight times in 2022. The Group Directors 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.

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 the 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 and managed as well as controlled by the Data and Reporting domain. This responsibility will be taken over by the new Data and Analytics department that reports directly to the COO.

The Director Digital & Technology is ultimately responsible for the IT architecture at Group level and the data management framework. The business units are responsible for the quality of the (local) data entry. 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

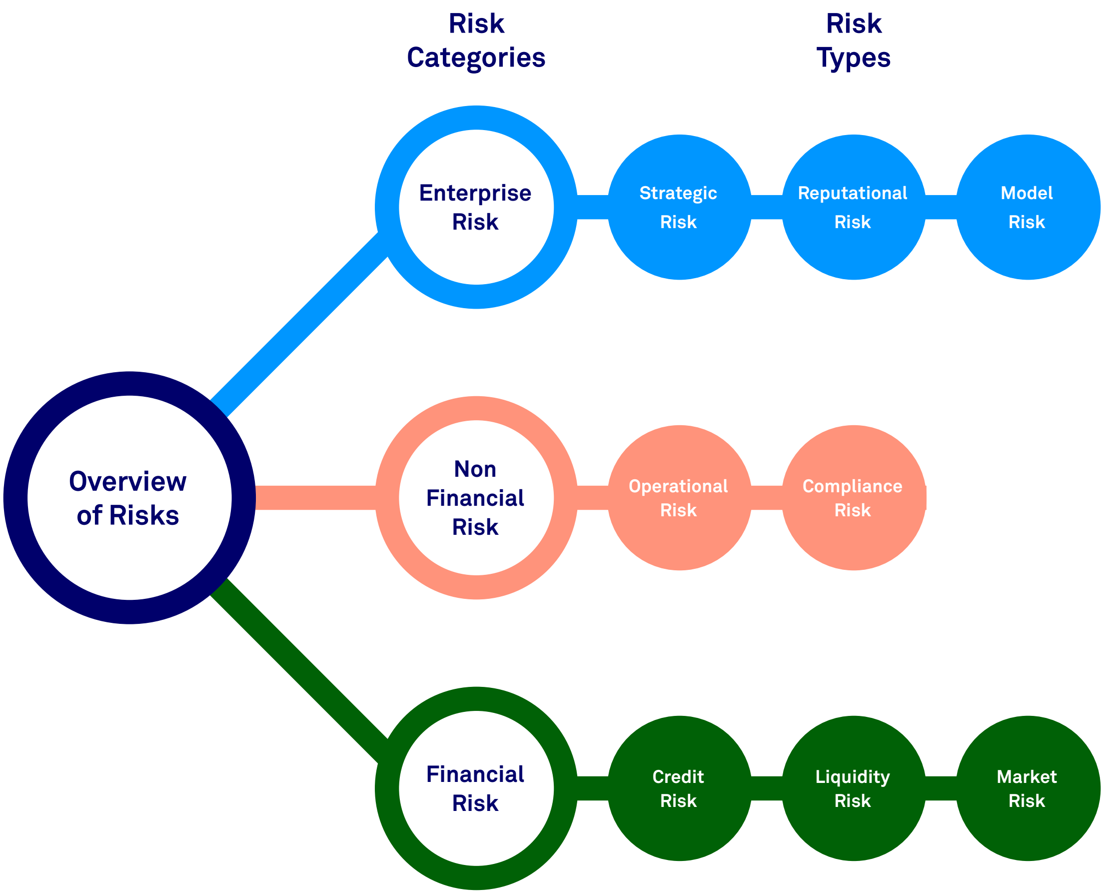
Triodos Bank strives to have a sound gender balance in every layer of the company. In the selection of Supervisory Board members there will be a balance in nationality (preferably of countries in which Triodos Bank has an office), gender, age, experience and active or retired background. In particular, in respect of gender diversity, the Supervisory Board will pursue an objective that at least 33% of the seats be held by men and at least 33% of the seats be held by women. The Supervisory Board strives for Executive Board composition where at least one third of its members are female. A broader representation of diversity in the widest sense is a further consideration. Given the geographic footprint of Triodos' activities, international experience at the Executive Board is desirable. This could be fulfilled by the appointment of non-Dutch nationals or internationally experienced Dutch nationals to the Executive Board, preferably from, or with experience in, a country or countries where the Company has an office or is developing activities.

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

- for enterprise risk, the Enterprise Risk Committee has authority to decide on strategic, model and reputational risk issues;
- 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 regulation and associated measures to combat money laundering and counter the financing of terrorism. The Regulatory Change Committee steers, monitors and takes decisions on regulatory change management to ensure a timely and traceable implementation of regulatory changes across Triodos Bank Group.

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.

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 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. Triodos Bank's risk appetite and the connection with the strategy and business objectives is illustrated below:

Strategy & Business Objectives

Risk capacity

- 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.

Risk appetite

- 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.

Risk limits

- 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.

Risk profile

- 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: (1) to protect identity and reputation, (2) to maintain sound balance sheet relations, and (3) to realise adequate financial returns.

Triodos Bank uses a defined set of key risk indicators and limits to test the actual risk profile of Triodos Bank against its risk appetite. Triodos Bank strives for an overall modest risk profile. The risk limits, determined at Group level, are cascaded for each business unit. Breaches of risk appetite limits are governed by a specific breach procedure.

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 on a regular and periodic basis depending on the characteristics of the respective risk types. These risk 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 the aggregated Triodos Bank risk profile in relation to its risk appetite.

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 and liquidity adequacy at Triodos Bank is conducted at several levels: Group-wide, by 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 in the Enterprise Risk Committee. Scenarios that are assessed are of a varied nature, including climate stress, macro-economic stress and idiosyncratic stress (e.g. operational and reputational stress).

Recovery

The Recovery Plan specifies measures that allow Triodos Bank to recover from possible severe circumstances. The aim of the Recovery Plan is to be prepared for such events and to act upon if there are any breaches forecasted and to identify and quantify the effectiveness of measures in different stress scenarios.

Strategic risk

Strategic risk may be described as the risk of a lack of achievement of the bank's overall objectives due to internal and/or external causes. Strategic risk can be broken down into three sub-categories:
- Direction risk: The risk that Triodos Bank does not select the optimal strategy given the status of, and outlook on, the external and internal environment.
- Execution risk: the risk that the selected strategy is not implemented and/or executed adequately as per planning, budget or other requirements.
- Modification risk: the risk that the selected strategy becomes obsolete due to changes in the external and/or internal environment.

The external landscape is subject to constant change and related uncertainty. In particular, geo-political circumstances, the interest rate environment, climate change, energy transition, regulatory requirements and technological progress are examples of relevant developments. Additionally, more sudden and disruptive events may occur such as the COVID-19 pandemic and the Ukraine-crisis. The challenges that arise from these changes continuously influence Triodos Bank. The strategy of Triodos Bank is therefore assessed from a strategic risk perspective to ensure timely adjustment if deemed necessary.

Environmental, social and governance Risks

Environmental, social and governance (ESG) risks refer to the non-financial risks stemming from the current or prospective impacts of ESG factors on the bank's counterparties, that may negatively affect the bank's financial performance. The ESG factors are described in the following paragraphs.

Environmental factors
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).

Social factors
Social factors are related to the rights, well-being and interests of people and communities, and include factors such as equality, health, inclusiveness, labour relations and workplace health and safety. In general, it concerns the bank's interaction with its social environment, i.e. the relationships with its larger stakeholder audience: clients, co-workers, regulators and relevant communities/markets in which it operates.

Three main sources from which social factors -and subsequent risks- may originate are distinguished:
• Environment: The continuous deterioration of environmental conditions implies heightened social risks, such as when climate-related physical change or water stress affect (deprived parts of) a geographical area and (already disadvantaged) populations. Environmental degradation can exacerbate migration and social and political unrest in the most affected regions, with potentially more devastating repercussions and contagion across the globe.
• Market and social sentiment: The ongoing evolution of collective value systems brings forth new social frameworks of reference. The social transformation towards a more inclusive, equitable society is an example of such an evolution.
• Policy actions: Policy actions can and have been taken in response to social movements (e.g. demanding equal pay or equal representation, in addition to workforce diversity). Such policy actions may constitute a risk for companies that are not prepared or willing to adapt.

Governance factors
Governance factors cover governance practices, including executive leadership, executive pay, audits, internal controls, board independence, shareholder rights, and the ways in which banks include environmental and social factors in their policies and procedures. Note that governance factors in the ESG context do not refer to the regular governance arrangements of the bank, but instead to governance factors that have an impact on or are impacted by the bank's counterparties or invested assets, including governance arrangements for the environmental and social factors in counterparty policies and procedures. Governance factors may be part of national legislations, such as corporate governance codes that aim at long-term sustainable value creation (rather than short-term benefits).

Management of ESG risks
Triodos Bank employs strict criteria to ensure the sustainability of products and services. It employs both positive criteria to ensure it is actively doing good and negative criteria for exclusion, to ensure it does not do any harm. The negative criteria exclude loans and investments in sectors or activities that are damaging to society and environment. The positive criteria identify leading businesses and encourage their contributions to a sustainable society.

Triodos Bank's strategy, credit granting process and product approval process are aligned with its sustainable and values-based mission. Triodos Bank assesses the impact, risk and return of its business decisions in line with its mission and Risk Appetite Statement. The Minimum Standards set out the absolute minimum requirements that Triodos Bank applies to its banking and investment activities. In its day-to-day decision-making Triodos Bank is guided by its Business Principles. All sustainability criteria referred to in this section can be found on the bank's website. Lending criteria and minimum standards are available on the website.

Because the sustainable and values-based mission is the starting point of its lending process, Triodos Bank's exposure to transition risks is considered minimal. Business banking lending is focused on financing enterprises that contribute to a low-carbon future. As a strategic target Triodos Bank has set itself the objective of reaching a net-zero emission level by 2035, underlining its commitment to contribute to a sustainable future.

As a result of climate change Triodos Bank's portfolio is exposed to physical climate risks. On an annual basis, Triodos Bank carries out climate risk stress tests, to assess the potential impact of extreme weather events, such as storms, floods and droughts, to its asset portfolio. Within the financial planning period a material impact of physical climate risk is considered to be unlikely.

The Executive Board, under the supervision of the Supervisory Board, is accountable for the management of environmental and climate-related risks as well as for setting and overseeing Triodos Bank's strategy in this respect. The approach to managing environmental and climate-related risks is assigned to the Enterprise Risk Committee. At board level, the Chief Risk Officer is primarily responsible for the management of environmental and climate-related risks. The Enterprise Risk Management department is responsible for the framework that governs environmental and climate-related risks and ensures alignment with relevant risk policies within the larger risk policy framework.

ESG considerations are shared at all levels of Triodos Bank and are an integral part of its management, including the evaluation of risks. ESG-related aspects are taken into account in all day-to-day business decisions whenever relevant. ESG-related risk factors all have their specific characteristics and are captured in the relevant policies and guidelines. Triodos Bank is currently in the process of combining these different policies and guidelines in one single overarching Group ESG framework to further improve the effectiveness of its risk management.

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.

Triodos Bank develops and uses internal models to quantify the risk for most risk types in the risk taxonomy. The models for credit, market, liquidity and strategic risk are the most widely used to measure the level of risk. Model outputs are used to support day-to-day decision-making and as input in management and regulatory reporting.

New models require approval before being implemented and used. Internal approval for the use (or continued use) of a model is obtained from the Model Approval & Review Committee (MARC). The Group Modelling and Valuationsdepartment develops models in close cooperation with the relevant business and risk experts.

Model Risk Management proposes and maintains standards for the model lifecycle and validation, and facilitates model risk identification and measurement and reports on model risk in line with the model risk management framework, which includes model validation standards and procedures. Model data, methodology, performance and implementation are checked according to these standards and reviewed against internal and regulatory requirements.

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 types: credit risk, liquidity risk and market risk.

More information about the various non-financial and financial risk types are presented later in this report.

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. The Capital Requirements Regulation is directly applicable and the Capital Requirements Directive 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 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 Requirements Regulation.

The total capital ratio decreased by 0.3% from 21.3% at the year-end 2021 to 21.0% at the year-end 2022. This ratio is well above the regulatory minimum 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 – A capital charge is applied for the counterparty risk of

derivative transactions that are not cleared through a qualified central counterparty. Triodos Bank applies the standardised method for calculating the capital requirements.

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 Supervisory Review and Evaluation Process (SREP) of DNB, which is conducted 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 the bank's solvency by reducing risks and/or increasing capital and provides a specific governance structure for managing such stressed situations.

Capital strategy

Triodos Bank aims for a sound and resilient capital base supporting our sustainable and targeted 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 own funds consists of Common Equity Tier 1 (CET1) capital and Tier 2 capital.

In 2021, Triodos Bank has issued the green subordinated Tier 2 bond for an amount of eur 250 million, which matures in 2032 with the option of Triodos Bank to repay early, starting in 2027. This results in refinancingsrisk, the possibility that Triodos Bank is not able or only at high costs to attract investors to invest in a newly issued Tier 2 bond that replaces the (early) matured one.

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 2022, available capital has been at sufficient levels at all times, in line with external regulatory minimum requirements. A retained portion of the 2022 profit will be added to reserves in 2023.

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 2022 (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	262,279	30
3	Accumulated other comprehensive income (and other reserves)	49,543	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**	**1,235,986**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-327	
8	Intangible assets (net of related tax liability) (negative amount)	-24,602	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)	-5,623	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)	-21,601	30

	Amounts 2022 (in EUR 1,000)	a Amounts	b 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	-19,207	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-71,360**	
29	**Common Equity Tier 1 (CET1) capital**	**1,164,626**	
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 2022 (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)**	**1,164,626**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	248,336	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	6,432	22
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	**Tier 2 (T2) capital before regulatory adjustments**	**254,768**	
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 2022 (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**	**254,768**	
59	**Total capital (TC = T1 + T2)**	**1,419,394**	
60	**Total Risk exposure amount**	**6,750,422**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	17.25%	
62	Tier 1	17.25%	
63	Total capital	21.03%	
64	Institution CET1 overall capital requirements[1]	8.84%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.143%	
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	1.70%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	8.95%	
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)	30,970	
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)	7,562	
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	76,338	
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 2022 (in EUR 1,000)	a	b
		Amounts	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)		

[1] The key capital requirements can be expressed in CET1 Total Capital Requirements and CET1 Overall Capital Requirements. The difference resides in addtional Pillar 2 Guidance, which adds an additional requirement for Triodos Bank of 0,2%.

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)[1]	**31.12.2022**	
	Assets - Breakdown by asset classes according to the balance sheet in the published financial statements		
1	Cash and cash equivalents	2,581,140	1
2	Loans and advances to banks	332,493	2
3	Loans and advances to customers	10,619,676	3
4	Debt securities at amortised cost	1,689,780	4
5	Investment securities	45,718	5
6	Intangible assets	51,225	6
7	Property and equipment	88,691	7
8	Investment property	6,739	8
9	Right-of-use assets	13,327	9
10	Non-trading derivatives	295,696	10
11	Deferred Tax Assets	13,185	11
12	Current tax receivable	1,475	12
13	Other assets	55,753	13
14	Non-current Assets Held for Sale	5,582	14
	Total assets	**15,800,480**	
	Equity - Breakdown by Equity classes according to the balance sheet in the published financial statements		
1	Deposits from banks	337,087	15
2	Deposits from customers	13,816,340	16
3	Lease liabilities	13,924	17
4	Non-trading derivatives	1,249	18
5	Deferred Tax Liabilities	10,843	19
6	Current tax liabilities	12,213	20
7	Other liabilities	81,700	21
8	Provisions	7,845	22
9	Subordinated debt	259,884	23
	Total liabilities	**14,541,085**	
	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	-4,426	26
4	Cost of hedging reserve	369	27
5	Fair value reserve	4,032	28
6	Other reserve	49,568	29
7	Retained earnings	240,724	30
8	Result for the period[2]	44,964	31

	a + b	c
	Balance sheet as in published financial statements	Reference
Amounts (in EUR 1,000)[1]	**31.12.2022**	
Total shareholders' equity	**1,259,395**	

[1] There are no differences between accounting and regulatory scopes of consolidation.
[2] The result for the period is after deduction of distributed interim divided.

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	Private
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 1,236 million capital and reserves before regulatory adjustments.
9	Nominal amount of instrument	The nominal amount per share is EUR 50. At reporting date 14,467,056 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, currently under construction.
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

		a
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
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		

		a
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 6.4 million
9	Nominal amount of instrument	GBP 5.7 million
EU-9a	Issue price	100%
EU-9b	Redemption price	N/A
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	23 December 2020
12	Perpetual or dated	Dated
13	Original maturity date	18 September 2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	18 September 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

		a
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 248.3 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)	N/A

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)	**31.12.2022**	**31.12.2021**	**31.12.2022**
1	Credit risk (excluding CCR)	6,090,324	5,962,099	487,226
2	Of which the standardised approach	6,090,324	5,962,099	487,226
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	21,134	11,054	1,691
7	Of which the standardised approach			
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	10,641	1,929	851
EU 8b	Of which credit valuation adjustment - CVA	4,414	3,409	353
9	Of which other CCR	6,079	5,716	486
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	638,964	581,688	51,117
EU 23a	Of which basic indicator approach	638,964	581,688	51,117
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)**	**18,905**	**16,088**	**1,512**
29	**Total**	**6,750,422**	**6,554,841**	**540,034**

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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 2022 (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	5,635,552				
030	Spain	1,873,902				
040	Belgium	1,542,489				
050	United Kingdom	1,372,902				
060	Germany	641,105				
070	France	358,639				
080	Ireland	25,689				
090	Luxembourg	22,350				
100	United States of America	16,127				
110	Denmark	5,793				
120	Cape Verde	452				
130	Singapore	214				
140	Canada	214				
150	Chile	187				
160	Norway	152				
170	Italy	138				
180	Sweden	61				
190	Switzerland	21				
200	Austria	22				
210	Other Countries[2]	39				
220	**Total**	**11,496,048**				

[1] The general credit risk exposure value is the exposure value after credit risk mitigation and after conversion factor for off-balance sheet exposur
sector 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 (%)
5,635,552	203,009			203,009	2,537,613	42%	
1,873,902	81,716			81,716	1,021,450	17%	
1,542,489	72,752			72,752	909,400	15%	
1,372,902	67,192			67,192	839,900	14%	1.0%
641,105	31,518			31,518	393,975	7%	
358,639	20,489			20,489	256,113	4%	
25,689	1,311			1,311	16,388		
22,350	1,539			1,539	19,238		0.5%
16,127	1,290			1,290	16,125		
5,793	362			362	4,525		2.0%
452	20			20	250		
214	6			6	75		
214	6			6	75		
187	5			5	63		
152	9			9	113		2.0%
138	11			11	138		
61	5			5	63		1.0%
21	1			1	13		
22	1			1	13		
39	1			1	13		1.5%
11,496,048	**481,243**			**481,243**	**6,015,538**	**100%**	

es. This value relates to all exposure classes excluding central governments and central banks, regional governments and local authorities, public

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

	Amounts 2022 (in EUR 1,000)	a
1	Total risk exposure amount	6,750,422
2	Institution specific countercyclical capital buffer rate	0.143%
3	Institution specific countercyclical capital buffer requirement	9,638

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 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

In 2022, Triodos Bank repaid the participations in the TLTRO tender III.5 and tender III.7. This has a positive impact on the leverage ratio. However, compared to 2021 year-end figures, the repayment does not result in an improvement of the leverage ratio as at that time ECB regulation was in place that allowed banks to leave out amounts that are placed with central banks for the leverage ratio calculation.

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

		a
	Amounts 2022 (in EUR 1,000)	**Applicable amount**
1	Total assets as per published financial statements	15,800,480
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))	
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	257,180
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)	897,595
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	
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	-35,416
13	**Total exposure measure**	**16,919,839**

EU LR2 - LRCom: Leverage ratio common disclosure

		a	b
		CRR leverage ratio exposures	
	Amounts (in EUR 1,000)	**31.12.2022**	**31.12.2021**
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	15,504,784	16,484,535
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)	-35,416	-41,265
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**15,469,368**	**16,443,270**
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)	**31.12.2022**	**31.12.2021**
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	552,875	112,357
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**	**552,875**	**112,357**
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	1,902,239	2,185,169
20	(Adjustments for conversion to credit equivalent amounts)	-1,004,644	-1,142,824
21	(General provisionsdeducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
22	**Off-balance sheet exposures**	**897,595**	**1,042,345**
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)		

		a	b
		CRR leverage ratio exposures	
	Amounts (in EUR 1,000)	**31.12.2022**	**31.12.2021**
	(Exposures excluded from the total exposure measure in accordance with point (n) of Article 429a(1) CRR)		-3,488,539
EU-22k	**(Total exempted exposures)**		**-3,488,539**
Capital and total exposure measure			
23	**Tier 1 capital**	**1,164,626**	**1,144,101**
24	**Total exposure measure**	**16,919,839**	**14,109,432**
Leverage ratio			
25	Leverage ratio	6.88%	8.11%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.88%	8.11%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6.88%	6.50%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	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 (%)	3.00%	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)	16,919,839	14,109,432
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)	16,919,839	17,597,971
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)	6.88%	8.11%
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)	6.88%	6.50%

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

		a
	Amounts 2022 (in EUR 1,000)	**CRR leverage ratio exposures**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**15,504,784**
EU-2	Trading book exposures	
EU-3	**Banking book exposures, of which:**	**15,504,784**
EU-4	Covered bonds	
EU-5	Exposures treated as sovereigns	5,215,902
EU-6	Exposures to regional governments, MDB, international organisations and PSE, **not** treated as sovereigns	125,709
EU-7	Institutions	276,685
EU-8	Secured by mortgages of immovable properties	5,867,932
EU-9	Retail exposures	333,631
EU-10	Corporates	3,147,894
EU-11	Exposures in default	249,704
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	287,327

8. Liquidity risk

Triodos Bank only lends to and invests in sustainable enterprises in the real economy. Funds are attracted from depositors and shareholders supplemented with the issuance in 2021 of a green subordinated Tier 2 bond which diversified 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 changes of liquidity shortages during the day.

As a mid-sized European bank with total funds entrusted of EUR 13,816 million per the end of December 2022, 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.

The liquidity portfolio decreased in 2022 due to repayment of our participation in the targeted longer-term refinancing operation (TLTRO) of the euro system. 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. Around fouty percent of our liquidity is invested, mainly in bonds and to a small extent in cash loans. The rest is mainly placed 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

In the Three Lines Model, the Treasury department is, as owner of liquidity risk, the first line. Recently, also a second line risk management function has been established for liquidity and market risk.

Daily liquidity management is currently executed at banking entity level. This reflects Triodos Bank's business strategy of keeping this process close to 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 the following committees for managing liquidity risk:

- The Enterprise Risk Committee oversees liquidity risk as a focus area of financial risks.
- 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, 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 possibility of recovery in periods of liquidity stress, Triodos Bank executed an increase of the retained securitisation transaction of Dutch mortgage loans (Sinopel 2019) in 2022 and mobilised extra 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 on-going 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 Treasury. Group Modelling and Valuations manages the liquidity stress testing models.

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 uses funds entrusted for lending purposes that have a positive impact on society. Triodos Bank wants to meet its 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 13,816 million at year-end 2022, of which 76.2% are deposits insured by the deposit guarantee scheme.

In 2022, the undrawn credit lines granted by central banks increased from EUR 224 million ultimo 2021 to EUR 1,527 million ultimo 2022 because of the ending of the participation in the targeted long-term refinancing operation of the euro system in November and an additional amount of Sinopel 2019 Class A notes deposited at DNB. The remaining collateral needs 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 with LCH Clearnet. At the end of 2022 a total net amount of EUR 73 million cash collateral was posted for initial margin requirements. Due to the increase in interest rates in 2022 the variation margin resulted in cash collateral received of EUR 285 million at the end of 2022. Both the cash collateral received and placed are part of the clearing agreement.

Debt securities (including the Class A notes of Sinopel 2019) 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. In 2022, Triodos Bank repaid the participation in two TLTROs for an amount of EUR 1,550 million freeing up collateral. Still, in total an amount of EUR 2,373 million was placed as collateral with the Dutch Central Bank at year end (2021: EUR 1,749 million). This increase is mainly caused by the increase in Class A notes due to the restructuring of the RMBS transaction Sinopel 2019 which took place in November 2022.

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 Model organisational structure, with independent control, compliance, audit and risk management functions, ensures a clear division of tasks, power and responsibility is in place.

Periodically, the Liquidity Contingency Plan is 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 a proper 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 increased levels of interest rates in 2022 have a positive impact on the returns made on the liquidity buffer. This has influenced the trade-off between having sufficient liquidity versus the costs of holding that liquidity. In 2022, the liquidity buffer started to be a contributor to 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 220%. 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. The same effect, but reversed, took place when the participations in the TLTRO were repaid in 2022.

Explanations on the changes in the LCR over time

The LCR shows a relative steady development during the last three years. Althoug the participation in the first TLTRO in September 2020 resulted in an increase in the LCR because non-LCR-eligible collateral was used in this monetary operation. During the participation in this TLTRO the LCR was elevated. Triodos always monitored the LCR including and excluding the effect of the TLTRO participation. In November 2022, Triodos repaid the TLTRO, which resulted in a lower LCR.

Explanations on the actual concentration of funding sources

The main funding source for Triodos Bank is Funds Entrusted, which consists of saving deposits (57%), current accounts (39%), and fixed-term accounts (4%) from personal households (67%) and business clients (33%). The composition of the Funds Entrusted is stable.

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

The liquidity buffer mainly consists of liquid assets with central banks (55% at the end of 2022) and liquid investments in bonds (close to 37% of total liquidity). There is a small amount of liquidity at sight with commercial banks (3% of total liquidity), mainly for payment services, and some investments (around 1.6% of total liquidity) are made in cash loans (<1-year maturity) with Dutch and German municipalities. Around 21% of the bond investments are in central government bonds and 74% 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 the change in market interest rates in the UK and the eurozone, the opportunities to invest in bonds have grown. Consequently, the percentage of liquidity at current account as at central banks has decreased from about 66% at end-2021 to 58% at end-2022.

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 British pounds 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 monitored. Triodos Bank UK Ltd has its 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

	Amounts 2022 (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	
Available stable funding (ASF) Items						
1	Capital items and instruments	1,214,431			254,768	1,469,199
2	*Own funds*	1,214,431			254,768	1,469,199
3	*Other capital instruments*					
4	Retail deposits		9,886,122	139,081	174,093	9,634,444
5	*Stable deposits*		8,637,724	115,644	136,856	8,452,556
6	*Less stable deposits*		1,248,398	23,437	37,237	1,181,889
7	Wholesale funding:		3,455,544	29,133	189,704	1,633,405
8	*Operational deposits*					
9	*Other wholesale funding*		3,455,544	29,133	189,704	1,633,405
10	Interdependent liabilities					
11	Other liabilities:		49,192	91,429	10,871	56,585
12	*NSFR derivative liabilities*					
13	*All other liabilities and capital instruments not included in the above categories*		49,192	91,429	10,871	56,585
14	**Total available stable funding (ASF)**					**12,793,634**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					8,920
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:		854,050	440,993	9,425,371	7,697,198
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*		206,015	34,116	358,065	395,724
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		324,423	191,577	4,393,120	3,957,974

	Amounts 2022 (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*		119,561	6,910	170,889	174,314
22	*Performing residential mortgages, of which:*		323,612	185,098	4,529,839	3,198,751
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		323,612	185,098	4,529,839	3,198,751
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*			30,201	144,346	144,749
25	Interdependent assets					
26	Other assets:		186,180	86,268	510,512	617,259
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				72,504	61,628
29	*NSFR derivative assets*		17,154			17,154
30	*NSFR derivative liabilities before deduction of variation margin posted*		1,217			61
31	*All other assets not included in the above categories*		167,808	86,268	438,008	538,415
32	Off-balance sheet items		818,218	108,701	975,320	99,898
33	**Total required stable funding (RSF)**					**8,423,275**
34	**Net Stable Funding Ratio (%)**					**151.88%**

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)	31.12.2022	30.09.2022
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:	10,179,702	10,138,234
3	Stable deposits	8,315,068	8,188,020
4	Less stable deposits	1,227,498	1,286,402
5	Unsecured wholesale funding	3,116,624	3,001,135
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	3,116,320	3,000,828
8	Unsecured debt	304	307
9	Secured wholesale funding		
10	Additional requirements	1,205,116	1,210,431
11	Outflows related to derivative exposures and other collateral requirements	81,369	62,524
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	1,123,748	1,147,907
14	Other contractual funding obligations	46,482	34,076
15	Other contingent funding obligations	943,557	969,594
16	TOTAL CASH OUTFLOWS		
CASH - INFLOWS			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	288,694	280,658
19	Other cash inflows	5,090	1,649
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	293,784	282,307
EU-20a	Fully exempt inflows		
EU-20b	Inflows subject to 90% cap		
EU-20c	Inflows subject to 75% cap	293,784	282,307
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)			
30.06.2022	31.03.2022	31.12.2022	30.09.2022	30.06.2022	31.03.2022
12	12	12	12	12	12
		4,341,043	4,425,001	4,397,883	4,282,754
10,030,337	9,834,290	567,955	568,617	564,325	552,307
7,984,522	7,730,778	415,753	409,401	399,226	386,539
1,343,399	1,357,572	152,202	159,216	165,099	165,768
2,901,116	2,798,127	1,282,002	1,230,246	1,188,492	1,153,115
2,900,810	2,797,831	1,281,698	1,229,939	1,188,185	1,152,819
307	296	304	307	307	296
1,209,592	1,209,838	242,242	224,895	202,602	198,187
44,999	35,735	81,369	62,524	44,999	35,735
1,164,592	1,174,103	160,873	162,371	157,603	162,452
26,433	24,452	28,440	20,672	18,547	22,222
942,471	874,461	132,565	139,022	136,618	123,120
		2,253,205	2,183,451	2,110,584	2,048,951
282,435	295,758	227,957	217,694	215,205	218,949
5,792	8,290	5,090	1,649	5,792	8,290
288,227	304,048	233,047	219,343	220,997	227,240
288,227	304,048	233,047	219,343	220,997	227,240
		4,341,043	4,425,001	4,397,883	4,282,754
		2,020,157	1,964,109	1,889,587	1,821,711
		215.49%	225.83%	232.71%	235.26%

Encumbered and unencumbered assets

Asset encumbrance

Assets can be differentiated between assets which are used for collateral requirements (encumbered assets) and assets which are unencumbered. The encumbered assets mainly consist of cash and bonds (amongst which the class A notes from the Sinopel 2019 retained securitisation transaction). The main source of encumbered assets in 2022 was the participation in the TLTRO-III operations of the ECB for which collateral with a market value and after the applicable haircuts of EUR 1.55 billion was required untill the early repayment date in November 2022. The remaining amount of encumbered assets is related to collateral needs stemming from payment and clearing systems for which at the end of 2022 a total amount of encumbered assets of EUR 145 million was required. All amounts presented are median values of the previous four quarters of the reporting period.

EU AE1 - Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	Amounts 2022 (in EUR 1,000)		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**	1,876,208	936,184			15,081,387	4,368,472		
030	Equity instruments					35,238		35,238	
040	Debt securities	1,097,180	936,184	1,067,949	909,558	632,393	590,047	598,829	559,318
050	of which: covered bonds					5,823	5,823	5,808	5,808
060	of which: securitisations								
070	of which: issued by general governments	973,935	825,777	953,073	804,859	396,164	383,398	382,740	370,240
080	of which: issued by financial corporations	68,848	58,499	66,909	56,732	219,116	207,725	210,093	198,798
090	of which: issued by non-financial corporations	50,306	50,306	46,532	46,532	30,105	3,532	28,983	3,473
120	Other assets	776,375				14,413,299	3,778,425		

EU AE2 - Collateral received and own debt securities issued

	Amounts 2022 (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**	1,876,208	936,184		

EU AE3 - Sources of encumbrance

	Amounts 2022 (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**	1,526,249	1,692,720

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 client and 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. Analysis of compliance with Triodos Bank's lending criteria is an integral part of each credit proposal.

Triodos Bank has 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 risk 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
- Nonbank 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 Group Head of Credit Risk at Head Office. At Group level a dedicated team is in place with credit analysts, data analysts and special asset management specialists.

At local and group level, individual files have a second-line review and the portfolio is monitored and reviewed on a continuous basis. The aggregated portfolio is monitored at Group 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. Evidence of the implementation is derived from the key controls. 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. Periodically, within the regular operational risk management cycle, key controls will be tested for their operational effectiveness by the first line. 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, actively invests in further increasing its knowledge and actively diversifies through geographies.

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 sectors, 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. Furthermore, RWAs are assigned to the different sectors and countries, with regard to these risks, the impact they generates and the return on capital they provides.

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. Group 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 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 include: 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 primarily invest the liquidity in the countries where it has branches or subsidiaries. The bond portfolio of Triodos Bank comprises of (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 only occur when in a country no banks meet our minimum sustainability standards. 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 private mortgages

Private Mortgages are treated as a sector and form an integral part of the impact strategy of the bank. Interest rate differentiation on the mortgages based on energy labels incentivize lower energy consumption. In general, mortgage products are highly standardized and regulated. This is the case in the three countries we offer this product. The amounts in the portfolio are usually small and the portfolio is often well diversified (e.g. in terms of geography, source of repayment or maturity). This mitigates credit risk to a large degree which is evidenced by low defaults. Triodos Bank limits the overall exposure to mortgages as a percentage of the balance sheet to have a balanced mix between business loans and mortgages to private individuals.

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 serviced these funds by providing hedges for the FX risk of these funds' investments.

Triodos Bank does not enter into new FX deals with Triodos Investment Funds because of new regulation and current derivative contracts will not be renewed after maturity.

Triodos Bank has limited exposure to credit risk resulting from outstanding interest rate swaps (IRS). The IRS are all centrally cleared with 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, 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.

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 Enterprise Risk Management report.

In addition to our check on minimum standards, external credit ratings – if available – are used to determine the creditworthiness 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.

Allowance for expected credit losses

Triodos Bank uses three stages to classify the expected credit loss (ECL) for financial instruments. The ECL for stages 1 and 2 is determined by the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) per exposure, which are determined with the use of a model that includes several drivers. These drivers can be client-specific or based on macro-economic scenarios.

- Stage 1 includes the financial instruments that have (close to) similar credit risk since origination. For this category ECL is determined based on the PD, LGD, and EAD over the 12 months after balance sheet date.
- Stage 2 includes the financial instruments which have had a significant increase in credit risk since origination. The ECL for stage 2 is determined based on the PD, LGD, and EAD over the entire lifetime of the financial instrument.
- Stage 3 includes the financial instruments which are in default. The ECL for this stage is also determined over the entire lifetime, considering default-specific scenarios.

The ECL provision represents an estimate of the expected credit loss over the current portfolio. The future development of the underlying parameters can influence this estimate positively (or negatively) leading to a decrease (or increase) of expected credit losses in future periods. If economic growth is expected to develop positively in future periods, fewer defaults are expected. This will have a positive effect on the ECL and result in lower ECL provision for stage 1 and 2.

Newly originated financial instruments are initially included in stage 1. Changes in ratings of clients may trigger re-classification in different stages. When a rating declines significantly, the loan is transferred from stage 1 to stage 2. If the decline persists and the loan goes into default, it is moved into stage 3. In case the default is cured and the credit rating goes up, the loan can be transferred back to stage 2 or stage 1 after a probation period.

When the drivers of the PD and LGD are changed, the ECL amounts per financial instrument are recalculated. This is captured in the net remeasurement of allowance for expected credit losses. The net remeasurement can be broken down into multiple parameters that influence the PD and LGD:

1. Remeasurement in calculated ECL of individual loans which have transferred between stage 1 and stage 2.
2. Changes in forward-looking macro-economic scenarios.
3. Changes in individual loan or advance behaviour such as changes in rating not triggering stage transfer or loan amount due to repayment.

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 and be legally perfect in order to effectively enforce the collateral 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 an 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 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 2022 and is expected to increase with the further growth of Triodos Bank.

Collateral needs stemming from FX forwards decreased in 2022 because of EUR/GBP exchange rate developments. At the end of 2022, a total net amount of EUR 6.7 million cash collateral was posted (2021: EUR 13.5 million).

Interest rate swaps are centrally cleared with LCH Clearnet. At the end of 2022, a total net amount of EUR 73 million cash collateral was posted for initial margin requirements. Due to the increase in interest rates in 2022 the variation margin resulted in cash collateral received of EUR 285 million at the end of 2022. Both the cash collateral received and placed are part of the clearing agreement..

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 2022, a collateral value of EUR 2,373 million was deposited with the Dutch Central Bank (2021: EUR 1,749 million).

Balance sheet netting

Balance sheet netting is not applied.

Credit risk quality

EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
	Amounts 2022 (in EUR 1,000)	**On demand**	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
1	Loans and advances[1]	821,622	894,916	1,546,439	9,644,095		12,907,072
2	Debt securities		417,346	1,124,396	148,228		1,689,970
3	**Total**	**821,622**	**1,312,262**	**2,670,835**	**9,792,323**		**14,597,042**

[1] including 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 expos	
	Amounts 2022 (in EUR 1,000)		of which: stage 1	of which: stage 2		of which: stage 2
005	Cash balances at central banks and other demand deposits	2,767,423	2,767,423			
010	Loans and advances	10,795,146	9,195,629	1,599,517	312,189	
020	Central banks	50,000	50,000			
030	General governments	274,239	259,593	14,646		
040	Credit institutions	96,588	96,588			
050	Other financial corporations	448,936	354,049	94,887	17,564	
060	Non-financial corporations	5,340,043	4,073,127	1,266,915	278,705	
070	Of which: SMEs	4,306,085	3,361,534	944,551	247,329	
080	Households	4,585,341	4,362,271	223,069	15,920	
090	Debt Securities	1,690,000	1,689,810			
100	Central banks					
110	General governments	1,338,256	1,338,256			
120	Credit institutions	278,750	278,560			
130	Other financial corporations	501	501			
140	Non-financial corporations	72,494	72,494			
150	Off-balance sheet exposures	1,890,737	1,402,326	488,410	11,503	
160	Central banks					
170	General governments	3,040	2,851	189.21		
180	Credit institutions	9	9			
190	Other financial corporations	147,997	97,997	50,000		
200	Non-financial corporations	930,183	493,801	436,382	11,431	
210	Households	809,506	807,668	1,839	71	
220	**Total**	**17,143,306**	**15,055,189**	**2,087,928**	**323,691**	

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	
…sures	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
of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
	-2	-2							
312,189	-12,008	-6,316	-5,692	-39,208		-39,208	- 62.64	7,874,219	235,779
	-41	-39	-2					14,646	
								303	
17,564	-65	-59	-6	-884		-884		3,000	16,681
278,705	-10,741	-5,281	-5,460	-37,597		-37,597	- 62.64	3,313,310	205,351
247,329	-7,044	-3,649	-3,395	-32,747		-32,747		2,825,229	182,799
15,920	-1,161	-937	-225	-728		-728		4,542,960	13,747
	-30	-30						151,680	
								21,291	
								130,389	
	-30	-30							
11,503	-1,298	-686	-612					528,370	1,061
	-2	-2							
	-330	-129	- 201.21						
11,431	-770	-375	-395					21,495	1,061
71	-195	-179	-16					506,874	
323,691	**-13,337**	**-7,033**	**-6,304**	**-39,208**		**-39,208**	**- 62.64**	**8,554,269**	**236,839**

EU CR5 – standardised approach

	Amounts 2022 (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	3,537,075						
2	Regional government or local authorities	1,123,071				25,863		
3	Public sector entities	266,912				100,401		93
4	Multilateral development banks	176,655						
5	International organisations	137,334						
6	Institutions	72,504				177,085		27,106
7	Corporates					14,053		62,630
8	Retail exposures							
9	Exposures secured by mortgages on immovable property						4,904,075	1,081,764
10	Exposures in default							
11	Exposures associated with particularly high risk							
12	Covered bonds							
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**	**5,313,552**				**317,403**	**4,904,075**	**1,171,594**

h	i	j	k	l	m	n	o	p	q
Risk weight								Total	Of which unrated
70%	75%	100%	150%	250%	370%	1250%	Others		
				7,562				3,544,637	3,544,637
								1,148,934	1,114,986
								367,407	363,315
								176,655	176,655
								137,334	137,334
								276,696	82,233
		3,450,199						3,526,882	3,381,348
	443,658							443,658	443,658
		251,241						6,237,080	6,237,080
		174,094	79,197					253,291	253,291
			19,500					19,500	19,500
		832.40					9,437	10,269	10,269
		35,991						35,991	35,991
		188,625						188,625	188,625
	443,658	**4,100,983**	**98,697**	**7,562**			**9,437**	**16,366,960**	**15,988,922**

EU CQ1: Credit quality of forborne exposures

		a	b
		Gross carrying amount/ Nominal amount of e	
	Amounts 2022 (in EUR 1,000)	Performing forborne	Non-performing forborne
005	Cash balances at central banks and other demand deposits		
010	Loans and advances	142,801	189,657
020	Central banks		
030	General governments		
040	Credit institutions		
050	Other financial corporations	4,685	15,630
060	Non-financial corporations	130,250	171,522
070	Households	7,865	2,504
080	Debt Securities		
090	Loan commitments given	766	7,428
100	**Total**	**143,567**	**197,085**

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				
189,657	189,657	-728	-20,075	256,889	148,995
15,630	15,630			15,630	15,630
171,522	171,522	-717	-20,036	231,126	130,910
2,504	2,504	-11	-38	10,133	2,454
7,428	7,428	-7	-1,755		
197,085	**197,085**	**-734**	**-21,830**	**256,889**	**148,995**

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

		a	b	c	d	e
		Gross carrying amount / Nominal amount				
		Performing exposures			Non-performing exposures	
	Amounts 2022 (in EUR 1,000)		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	2,767,423	2,767,423			
010	Loans and advances	10,795,146	10,782,690	12,456	312,189	263,243
020	Central banks	50,000	50,000			
030	General governments	274,239	274,239			
040	Credit institutions	96,588	96,588			
050	Other financial corporations	448,936	448,936		17,564	17,564
060	Non-financial corporations	5,340,043	5,334,937	5,105	278,705	236,788
070	Of which SMEs	4,306,085	4,301,378	4,707	247,329	208,439
080	Households	4,585,341	4,577,990	7,351	15,920	8,891
090	Debt Securities	1,690,000	1,690,000			
100	Central banks					
110	General governments	1,338,256	1,338,256			
120	Credit institutions	278,750	278,750			
130	Other financial corporations	501	501			
140	Non-financial corporations	72,494	72,494			
150	Off-balance sheet exposures	1,890,737			11,503	
160	Central banks					
170	General governments	3,040				
180	Credit institutions	9				
190	Other financial corporations	147,997				
200	Non-financial corporations	930,183			11,431	
210	Households	809,506			71	
220	**Total**	**17,143,306**	**15,240,113**	**12,456**	**323,691**	**263,243**

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
4,909	5,121	10,118	20,682	4,868	3,246	312,189
						17,564
2,697	4,296	8,924	18,559	4,868	2,572	278,705
2,697	4,232	7,185	17,334	4,868	2,572	247,329
2,212	825	1,194	2,123		674	15,920
						11,503
						11,431
						71
4,909	**5,121**	**10,118**	**20,682**	**4,868**	**3,246**	**323,691**

EU CQ7: Collateral obtained by taking possession and execution processes

		a	b
		Collateral obtained by taking possession accumulated	
	Amounts 2022 (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	14,377	-2,889
030	Residential immovable property		
040	Commercial Immovable property	14,377	-2,889
050	Movable property (auto, shipping, etc.)		
060	Equity and debt instruments		
070	Other		
080	**Total**	**14,377**	**-2,889**

Credit risk mitigation

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

		a	b
	Amounts 2022 (in EUR 1,000)	Exposures before CCF and before CRM	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures
1	Central governments or central banks	2,982,524	1,037
2	Regional government or local authorities	1,001,491	964
3	Public sector entities	308,570	
4	Multilateral development banks	125,747	
5	International organisations	137,334	
6	Institutions	269,580	9
7	Corporates	3,576,036	888,350
8	Retail	419,055	242,023
9	Secured by mortgages on immovable property	6,124,043	752,366
10	Exposures in default	273,005	11,087
11	Exposures associated with particularly high risk	17,094	5,105
12	Covered bonds		
13	Institutions and corporates with a short-term credit assessment		
14	Collective investment undertakings	10,269	
15	Equity	35,991	
16	Other items	188,628	
17	**TOTAL**	**15,469,368**	**1,900,942**

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 (%)
3,517,712	26,926	18,905	1%
1,148,386	548	5,173	
366,757	649	20,127	5%
171,422	5,233		
137,334			
276,685	11	48,970	18%
3,147,894	378,988	2,808,427	80%
333,631	110,027	286,173	65%
5,867,932	369,148	2,346,133	38%
249,704	3,587	292,890	116%
17,023	2,477	29,251	150%
10,269		9,658	94%
35,991		35,991	100%
188,628		188,628	100%
15,469,368	**897,595**	**6,090,324**	**37%**

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

	Amounts 2022 (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]	4,290,958	8,616,114	7,999,911	616,203	
2	Debt securities	1,538,290	151,680		151,680	
3	**Total**	**5,829,248**	**8,767,794**	**7,999,911**	**767,883**	
4	Of which non-performing exposures	46,913	235,779	217,247	18,531	
EU-5	Of which defaulted	46,913	235,779	217,247	18,531	

[1] including loan commitments

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.

Counterparty credit risk

EU CCR1 – Analysis of CCR exposure by approach

		a	b
	Amounts 2022 (in EUR 1,000)	**Replacement cost (RC)**	**Potential future exposure (PFE)**
EU1	EU - Original Exposure Method (for derivatives)[1]	5,445	9,446
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	20,848	20,848	20,848	6,079
	1.4				
	1.4				
		20,848	20,848	20,848	6,079

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

	Amounts 2022 (in EUR 1,000)				
		a	b	c	d
	Exposure classes	0%	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	-	532,028	-	-
7	Corporates	-	-	-	-
8	Retail	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-
10	Other items	-	-	-	-
11	**Total exposure value**	**-**	**532,028**	**-**	**-**

Risk weight							
e	f	g	h	i	j	k	l
20%	50%	70%	75%	100%	150%	Others	Total exposure value
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	**-**
18,215	393	-	-	-	-	-	**550,636**
-	-	-	-	2,239	-	-	**2,239**
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	**-**
18,215	**393**	**-**	**-**	**2,239**	**-**	**-**	**552,875**

EU CCR5 – Composition of collateral for CCR exposures

		a	b	c
	Amounts 2022 (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	284,865		72,504
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**	**284,865**		**72,504**

d	e	f	g	h
	Collateral used in SFTs			
osted collateral	Fair value of collateral received		Fair value of posted collateral	
Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
6,720				
6,720				

EU CCR6 – Credit derivatives exposures

	Amounts 2022 (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 2022 (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	20,848	4,414
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**Total transactions subject to own funds requirements for CVA risk**	**20,848**	**4,414**

EU CCR8 – Exposures to CCPs

		a	b
	Amounts 2022 (in EUR 1,000)	**Exposure value**	**RWEA**
1	**Exposures to QCCPs (total)**		10,641
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	532,028	10,641
3	(i) OTC derivatives	532,028	10,641
4	(ii) Exchange-traded derivatives		
5	(iii) SFTs		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin	72,504	
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 2022, Triodos increased its retained residential mortgage-backed securities (RMBS) transaction called Sinopel 2019 B.V. (Sinopel) in order to further increase the liquidity contingency potential. 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.; they have reaffirmed their ratings in 2022 for the increase of notes issued under the Sinopel transaction.

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 class A notes of the retained securitisation are deposited as collateral with the Dutch Central bank. The collateral value of the class A notes deposited as collateral is EUR 1,346.5 million (2021: EUR 568.8 million) reflecting the restructuring of the Sinopel 2019 transaction in 2022.

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

		a	b	c	d	e
		Institution acts as originator				
		Traditional				Synt
		STS		Non-STS		
	Amounts 2022 (in EUR 1,000)		of which SRT		of which SRT	
1	**Total exposures**	**1,650,190**				
2	Retail (total)	1,650,190				
3	residential mortgage	1,650,190				
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			
hetic	Sub-total	Traditional			Sub-total	Traditional			Sub-total
of which SRT		STS	Non-STS	Synthetic		STS	Non-STS	Synthetic	
	1,650,190								
	1,650,190								
	1,650,190								

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 2022 (in EUR 1,000)		**Of which exposures in default**	
1	Total exposures	1,650,190	65	
2	Retail (total)	1,650,190	65	
3	residential mortgage	1,650,190	65	
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 British pounds.

Triodos Bank aims to avoid net currency positions, with the possible exception of those arising from strategic investments. The currency risk of the UK subsidiary equity participation was hedged during 2022. The position also contains the currency derivatives of Triodos Investment Funds which are nearly fully hedged.
There is a trade-off between FX-risk-hedging and capital-ratio-hedging. If the FX risk of the participation is hedged, the effect will be that the capital ratio will change as result of FX rate changes. And if the FX risk is not hedged, the effect will be that the value of our capital will change, however the capital ratio will remain stable.

The FX position is monitored at least monthly 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 2022 (in EUR 1,000)	**RWEAs**
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	0
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	**Securitisation (specific risk)**	**-**
9	**Total**	**0**

EU PV1: Prudent valuation adjustments (PVA)

		a	b	c
	Amounts 2022 (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				
Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
				327		

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 related to the non-financial risk profile and mitigating measures. When it comes to the non-financial risk appetite the EB remains the final decision-making body. This committee meets both locally and at a Group level on a monthly basis. In 2022, appetite levels of the non-financial 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 qualitative implementation of ORM.

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 2022, control testing and key control management measures were extended to support the monitoring of the deposit guarantee scheme 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.

The In-Control Statement framework describes the methodology and process to achieve this objective. Next to the ability to demonstrate control, the bank recognises and appreciates the inherent value that comes with performing the control assessments and processes underlying the actual in-control statement, such as the conversation on how to further improve on controlling risks of relevant processes and value chains. The In Control Statement (ICS) methodology adopted by Triodos Bank originates from the COSO framework; the most widely adopted control framework. The COSO control components, as embodied in the 'key responsibilities' of each role description, form the basis for the control assessment(s) within Triodos Bank. Depending on the role, specific control components may be more emphasised than other components. The control components: 'risk assessment' (risk identification) and 'control-activities' (risk mitigation) play a predominant role in the control framework of the bank.

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 ORM 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. Triodos Investment Management investment funds operate worldwide. 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 its vulnerabilities to, amongst others, Fraud.

The number of Internal fraud incidents 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 extra fraud monitoring controls over the past years. More specifically, the number of (generic) rules to recognise social engineering attacks has increased significantly in the last years. In addition, there also have been adjustments at the product level to mitigate fraud risk. For instance, the default online payment limits have been decreased and the duration after a limit adjustment was deliberately lengthened. Moreover, the information on our secure banking webpage has been updated, further expanded, made more easily available and better explained in short videos. And lastly, we invested more in warning our customers even more specifically about fraud attacks.

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 Triodos Bank policy and practice on financial crime 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 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 MT Compliance chaired 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 Heads of Compliance from all entities form the MT Compliance. The Group Director Compliance reports to the Chief Risk Officer. An escalation line to the Chair of the Audit and Risk Committee 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 by countering 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 legislation 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 2022 Triodos finalised its last remedial actions and is awaiting formal closure by DNB.

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. The 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 detailed guidance. Regarding the management oversight, DNB concluded that the management body is not sufficiently involved in overseeing the compliance function.

Based on both findings a remediation plan was prepared at the beginning of 2021 and progress with the remediation of the findings is largely on track.

In October 2022 Stichting Certificaathouders Triodos Bank filed with the Enterprise Chamber in Amsterdam a request for an inquiry into the policy and affairs of Triodos Bank. Triodos Bank asked the Enterprise Chamber to reject the request in December 2022. At the point of finalising this Annual Report, the decision by the Enterprise Chamber will probably be announced. Some individual DR holders have decided to pursue legal actions leading to court cases. We refer to the Annual Accounts for more information about this. 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 2022 (in EUR 1,000)	Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	305,099	341,931	375,312	51,117	638,964
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 Bank 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 profit or loss 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 (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 strategic risks is a renewed period of low interest rates. Although interest rates have increased significantly during 2022, there is a possibility that central banks will have to decrease policy rates in the coming years, with a negative impact on Triodos Bank's interest margin.

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 change in interest rate environment and the maturity of the portfolio, prepayments decreased during the last year. 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 is using 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 resolve 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 or loss statement. As a consequence, hedge ineffectiveness is automatically reflected in the profit or loss.

Explanation of the significance of the IRRBB measures and significant variations

Economic value of equity at risk (EVE at risk) slightly increased in 2022. The increasing market rates caused a large shift in expected repricing of the savings rates lowering the duration of the savings accounts and increasing the economic value at risk. The growing mortgage portfolio also caused an increase. These effects were partly offset by hedging with interest derivatives. All in all, EVE at risk, as measured under a parallel up scenario, increased from 7.7% to 9.2%.

Net interest income increased in 2022 due to the rising rate environment. This also lead to a higher net interest income at risk as the higher income could be lost when rates decrease. The change in net interest income at risk under the parallel-down scenario increased from 1.2% to 10.6%.

Changes in net interest income are measured with the following assumptions:

- The upward and downward scenarios reflect a parallel shock of 200 basis points for EUR and 250 basis points for GBP curves.
- 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 2.1 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 one- and two-year horizon. One-year net interest income at risk increased from 1.2% to 10.6% in 2022, and two-year net interest income at risk increased from 4.4% to 18.2%. Both indicators show their worst-case outcome in a scenario where interest rates are shocked parallel downwards.

Supervisory outlier test
In 2022, the supervisory outlier test increased from 8.7% to 10.8%. The increase is mainly caused by a shorter duration of the savings accounts and the growing mortgage portfolio, these effects are partly offset by additional hedging using interest rate derivatives. The supervisory outlier test worst-case outcome is measured in the parallel up scenario where rate increase 200 basis points for the EUR and 250 basis points for GBP rates.

EVE at risk
EVE-at-Risk increased from 7.7% to 9.2% in 2022. As with the supervisory outlier test, the parallel-up scenario is the worst-case scenario for EVE at risk.

Duration of equity
Duration of equity increased from 3.2 to 5.0 years over the course of 2022. The developments resembled that of EVE at risk since the underlying drivers are similar to those for the supervisory outlier test and EVE at risk, although a difference is that duration of equity is calculated under the assumption of a parallel shift in interest rates based on 100bps.

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	31.12.2022	31.12.2021	31.12.2022	31.12.2021
1 Parallel up	-9,2%	-7,7%	10,7%	20.4%
2 Parallel down	11,7%	1,7%	-10,6%	-1.2%
3 Steepener	-5,3%	-7,7%		
4 Flattener	4,0%	4,6%		
5 Short rates up	0,7%	4,4%		
6 Short rates down	-0,6%	-2,1%		

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.A.M. Melis (Chair), K.M. Flügel (as from 11 October 2022) and M.E. Nawas are members of this Committee.

The Remuneration Committee had eight formal meetings in accordance with the corporate calendar in 2022.

In 2022, Triodos Bank received external advice on the remuneration from four external consultants. The first consultant is a global consulting firm performing benchmarking on remuneration. The second consultant is a law firm with specialisation in remuneration for financial institutions. The third consultant is an HR analytics firm specialising in conducting gender pay gap analyses. The last consultant is an independent consultant on remuneration and corporate governance.

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;
- All Managing Directors and core management team members as determined on Group level including control functions;
- 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:
- Award fair and relatively modest remuneration in form of fixed pay for all co-workers based on the principle that the bank's results are the joint accomplishment of all co-workers.
- 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 the long term.
- Triodos Bank may provide individual tokens of appreciation. These are 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 subject to specific criteria 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. More information on the conditions regarding granting of tokens of appreciation can be found in the extract of the International Nomination and Remuneration Policy as available on the website. In 2022, 3% of the average number of co-workers employed during 2022 received an individual Token of Appreciation. The total cost for individual Tokens of Appreciation concerned 0.13% of the total fixed remuneration of all co-workers.
- 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 2022.
- Triodos Bank provides local pension plans. Each country has a Collective Pension policy for all its co-workers if that is appropriate for the local circumstances. If there's no local policy, individual arrangements are made in the context of the labour contract. Under no circumstances are pension rights used to award specific achievements.
- Severance payments are in line with the principles of the International Remuneration and Nomination policy and should provide for entitled compensation the termination of the employment contract and should never reward failure or misconduct. Severance payments to members of the Executive Board do not exceed one year's salary, in line with the Dutch Financial Supervision Act and the EBA guidelines on sound remuneration. Severance payments to other co-workers do not exceed one year's salary unless local legislation requires otherwise.

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 2022, no material changes were made in the International Remuneration and Nomination policy. The changes that were made included:
- updating reference to newest versions of external core regulations;

- clarification that promotions can be considered an exceptional circumstance for which deviation from the maximum salary increase of 15% is allowed, subject to a clear approval process;
- 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 for ALM and Modelling and (2) provisions regarding Triodos Bank UK Ltd. to align with local job titels.

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. Triodos Bank may provide modest variable remuneration in recognition of exceptional contributions by co-workers on a discretionary basis, so-called token of appreciation.

EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
	Amounts 2022 (in EUR 1,000)		**MB Supervisory function**	**MB Management function**	**Other senior management**	**Other identified staff**
1	Fixed remuneration	Number of identified staff	5	5	9	60
2		**Total fixed remuneration**	**182**	**1,630**	**1,902**	**8,513**
3		Of which: cash-based[1]	182	1,334	1,621	7,407
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]		295	281	1,107
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff			1	12
10		**Total variable remuneration**[3]				**213**
11		Of which: cash-based				213
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)**		**182**	**1,630**	**1,903**	**8,727**

[1] This concerns fixed salary expenses and other fixed allowances
[2] This concerns pension contributions, pension allowance for salary above EUR 114.866 and private use company car
[3] This concerns Welcome payments, 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)

	Amounts 2022 (in EUR 1,000)	a MB Supervisory function	b MB Management function	c Other senior management	d 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				
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff				4
7	Severance payments awarded during the financial year - Total amount				180,016
8	Of which paid during the financial year				28,181
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				82,448

EU REM3 - Deferred remuneration

	Amounts 2022 (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 2022 (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 2022 (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	5	5	10	
3	Of which: other senior management				
4	Of which: other identified staff				
5	**Total remuneration of identified staff**	**182**	**1,630**	**1,812**	
6	Of which: variable remuneration[1]				
7	Of which: fixed remuneration[2]	182	1,630	1,812	

[1] This concerns Welcome payments, Tokens of Appreciation and severance payments awarded during year
[2] This concerns fixed salary expenses, pension contributions, pension allowance for salary above EUR 114.866 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
					79
5	3	1			
22	2	14	21		
4,184	**1,029**	**2,629**	**2,788**		
58		146	9		
4,125	1,029	2,483	2,778		