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## About the Pillar 3 report

This is the Pillar 3 report of Triodos Bank NV on consolidated level as per 31st of December 2020.

The reporting currency is EURO.

The accounting standard is IFRS.

The LEI-code of Triodos Bank NV is 724500PMK2A2M1SQQ228.

This Pillar 3 Report contains the information as required in the Capital Requirement Regulation.

There are no differences between accounting and regulatory scopes of consolidation.

The standardised approach is used to calculate the risk weighted assets for credit risk.

Triodos Bank does not omit the disclosure of any required information for proprietary or confidentiality reasons.

Materiality boundaries are used in the geographical and sector reports, where only the largest countries and sectors are reported.

The 2019 Pillar 3 report was based on the Dutch GAAP accounting principles. In 2020, Triodos Bank changed its accounting principles to IFRS. The comparative figures have been adjusted accordingly throughout the Pillar 3 report. For further explanation see the 2019 Pro forma IFRS consolidated financial statements.

Small differences are possible due to rounding.

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Key prudential regulatory metrics

amounts in thousands of EUR	2020	2019
<b>Available capital (amounts)</b>		
Common Equity Tier 1 (CET1)	1.103.807	1.086.584
Tier 1	1.103.807	1.086.584
Tier 2	6.359	-
Total capital	1.110.166	1.086.584
<b>Risk-weighted assets (amounts)</b>		
Total risk-weighted assets (RWA)	5.917.372	6.087.187
<b>Risk-based capital ratio's as a percentage of RWA</b>		
Common Equity Tier 1 ratio	18,7%	17,9%
Tier 1 ratio	18,7%	17,9%
Total capital ratio	18,8%	17,9%
<b>Additional CET1 buffer requirements as a percentage op RWA</b>		
Capital conservation buffer requirement (2,5% from 2019)	2,5%	2,5%
Countercyclical buffer requirement	0,000495%	0,190448%
Total of bank CET1 specific buffer requirements	2,5%	2,7%
CET1 available to meet buffers (as a percentage of risk exposure)	13,0%	11,3%
<b>Leverage ratio</b>		
Total leverage ratio exposure measure	12.592.917	12.758.373
Leverage ratio (%)	8,8%	8,5%
<b>Liquidity Coverage Ratio</b>		
Total High Quality Liquid Assets	3.796.012	2.786.116
Total net cash outflow	1.639.155	1.186.149
Liquidity Coverage Ratio (%)	232%	235%
<b>Net Stable Funding Ratio</b>		
Total available stable funding	11.284.117	10.030.898
Total required stable funding	7.946.024	7.079.877
Net Stable Funding Ratio (%)	142%	142%

\* For comparative purposes regarding the adoption of IFRS, prior year amounts have been adjusted. For further explanation see the 2019 Pro forma IFRS consolidated financial statements.

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Risk management and governance

#### Risk statement

The risk management and control systems provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements.

#### Risk governance structure

##### Objective

The risk management objective of Triodos Bank is to create an environment that supports the bank in pursuing its mission and realizing its strategic objectives, by timely identifying and managing the risks the bank is or may be exposed to. From a risk management perspective, this implies that the structural context is provided to identify and manage the risks inherent to the bank's activities. The intent is to embed risk management in a practical and effective way that is proportionate with the size and complexity of Triodos Bank.

##### The Three Lines of Defense

The Three Lines of Defence model (LoD) is a prominent organizational risk concept that is integrated in the internal governance and organization of Triodos Bank. The concept strengthens Triodos Bank's risk control by consistently assigning and embedding clearly defined risk management roles and responsibilities across the bank. The fundamental 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 and consciousness is to be maintained at all levels throughout the bank. Only then can risks be timely identified and adequately responded to. As the management of risks is therefore not reserved to the 'risk management' role, the three lines concept offers an effective way of structuring and arming the organisation as a whole against all risks that may jeopardize the realization of the purpose and strategy of the bank. Contributing to a sound risk culture directed at embedding intended norms, attitude and behaviour related to risk awareness, risk-taking and risk management is a shared responsibility of all co-workers.

The first line takes risk and is primarily responsible for managing the risks it incurs in conducting its activities and operations within its span of control. The first line therefore has the '*ownership*' of these risks. From a functional area perspective, the first line responsibilities are shared by the respective areas (i.e. Business Banking, Retail Banking, Corporate Strategy, Corporate Communications, ICT, Operations, Human Resource Management, Legal, Finance, Group Treasury and Marketing).

The second line contains 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 LoD exercises '*risk control*'. In order to control and manage risks accordingly, 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 1st LoD to ensure proper design and effectiveness and actively engages with the 1st LoD to jointly enhance the functioning of the risk management and control framework of the bank.

The third line is 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 systematic, disciplined and balanced approach of evaluation, reporting and advising with regard to the corporate governance structure, internal control, compliance and risk management functions of the bank.

##### Risk organisation

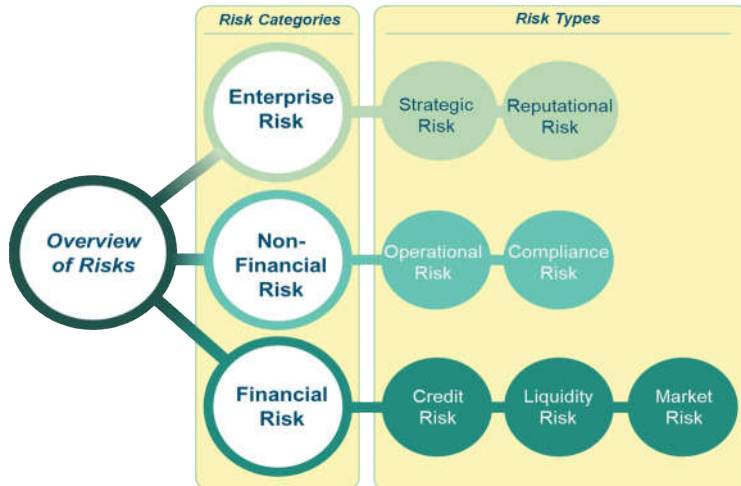
In view of Triodos Bank's size, the impact of all new regulations, and the increased attention of supervisory authorities, Triodos Bank has made an important step up in its risk control organisation during the past years. In line with the increased importance of compliance, the Director Compliance reports directly to the Chief Risk Officer. All second line activities and responsibilities are supervised by the Audit and Risk Committee of the Supervisory Board.

The Risk and Compliance functions provide relevant independent information, analyses and expert judgement on risk exposures, and advise on proposals and risk decisions to be made by the Executive Board and business or support units as to whether they are consistent with the institution's risk appetite. The Risk and Compliance functions recommend improvements to the risk management framework and options to remedy 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 Risks, Financial Risks and Non-Financial Risks. Each risk category consists of a limited number of risk types (see diagram below).

## Risk culture

The essence of Triodos Bank's mission and business model supports the mitigation of its risks. In addition, the risk management framework promotes that co-workers at all levels share the same risk perspective and appreciate the formal structures and policies 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, are important to such a culture. Risk conscious leadership is key in establishing and enhancing the risk attitude and behaviour. Leading by example and setting the tone at the top are preconditional requisites for the aspired risk culture.



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

- For Financial Risk, the Central Credit Committee has authority to take decisions on credit risks, both on an individual debtor level and on a credit portfolio level; the Asset & 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 and the Anti-Money Laundering and Counter-terrorist financing risk Committee oversees the regulatory and associated topics regarding anti-money laundering and counter-terrorist financing risk.
- For Enterprise Risk, the Enterprise Risk Committee has authority to decide on strategic and reputational risk topics.

Each committee is chaired by an Executive Board member except for the Group Product Governance Committee, which is chaired by the group Director of Retail Banking.

Business units have local decision-making committees such as a Local Non-Financial Risk Committee and a local Anti-Money Laundering and Counter-terrorist financing risk Committee in place. In addition, the business units that engage in local lending have a Local Credit Committee in place. The processes and mandates for the local decision-making committees are captured in their respective charters.

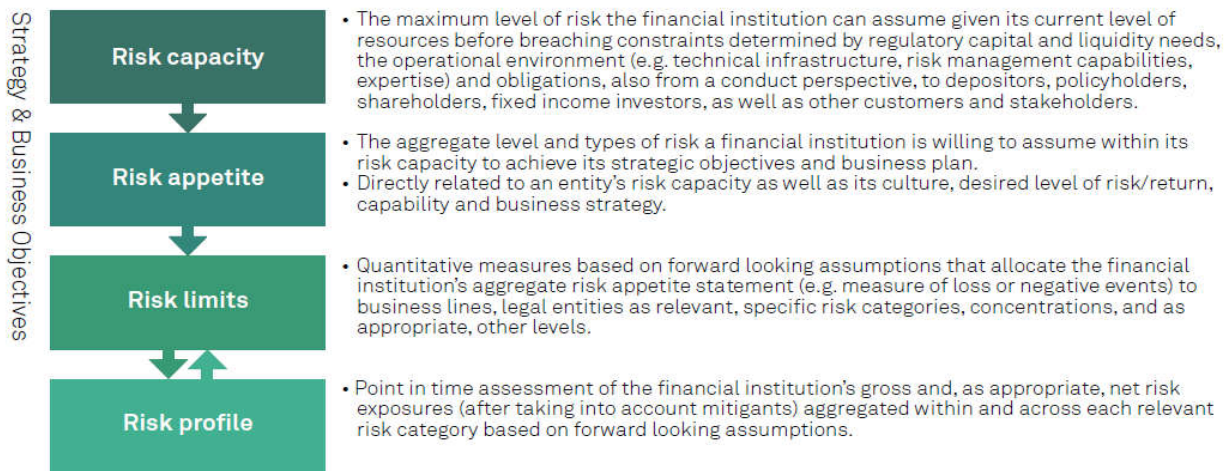
The Supervisory Board's Audit and Risk Committee supervises the activities of the Executive Board with respect to the operation and adequacy of internal risk management and control systems. The group heads of Risk and the group director Compliance report directly to the Chief Risk Officer. The head of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

### Enterprise risk

The Enterprise Risk discipline synthesises the risks of all risk areas and performs analyses to determine at a strategic level which larger trends can 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 reporting.

### Risk appetite

A risk appetite process is implemented across Triodos Bank to align 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 upon advice by the Audit and Risk Committee. The general concept of risk appetite and the link to the Strategy and Business objectives is illustrated below:



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

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

#### 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.

Being a mission-driven 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 (i) to attract and retain qualified employees with a strong affinity with Triodos Bank's mission and values; (ii) to maintain a sound risk governance structure, enabling the execution and control of the bank-related processes correctly; and (iii) to actively position Triodos Bank's identity, its positive impact (for the longer term) and connection to society.

#### 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 or financial risk. Triodos Bank has sub-divided this into operational and compliance risk. Monitoring these risks is particularly important to ensure 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. To manage this, financial risk is subdivided in three categories: credit risk, liquidity risk and market risk.

#### Declaration approved by the management body 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 entities under the direction and supervision of the financial management of Triodos Bank.

The Executive Board is responsible for the risk management function and compliance function. The risk management function works together with management to develop and execute risk policies and procedures involving identification, measurement, assessment, mitigation and monitoring of the financial and non-financial risks. The compliance function plays a key role in monitoring Triodos Bank's adherence to external rules and regulation and internal policies. The adequate functioning of the risk management and compliance function as part of the internal control system is frequently discussed with the Audit and Risk Committee. It is further supported by Triodos Bank's culture.

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

The risk management framework is an important building block in the internal control structure of the bank. Triodos Bank is working in a changing environment, which requires regular upgrades of its internal control structure and frameworks.

The risk management and control systems provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements.

The Executive Board report provides insight in the functioning of the internal controls, compliance and risk management systems.

### Scope and nature of risk disclosure and/or measurement systems.

The principal objective of the Enterprise Risk Management (ERM) report is to set the actual risk profile of Triodos Bank against its risk appetite, assess if key risk indicators have been breached and 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 Supervisory Board.

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

### Main features of risk disclosure and measurement systems.

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

The SRA contains an assessment of the strategic risk exposures that can ultimately affect shareholder value or the viability of the organization.

The external landscape changes, in particular the low interest rate environment, climate change, energy transition, regulatory requirements, the European political landscape and technological developments. Next to these areas more sudden and disruptive events may occur such as the COVID-19 pandemic. The challenges that arise from these changes will continuously influence Triodos Bank.

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

Strategic risks need to be carefully managed to realise integrated financial and mission-driven objectives. Sensitivities both at group and local level feed into scenarios, that are used to test Triodos Bank's capital, liquidity, profitability and operational stability during the year. Triodos Bank has identified the following strategic risks to be taken into account at group level:

- Economic risk: down-turn as a result of the COVID-19 pandemic, increasing volatility as a result of political uncertainty, decreasing business confidence which leads to lower investment levels, intervention of central banks to stimulate economic growth which may continue longer than expected with lower interest rates as a result;
- Climate risk: likelihoods associated with and responses to the impacts of climate change on the bank's assets and on the bank itself as well as on how societal constraints shape adaptation options;
- Political and social risk: political uncertainty in the countries we operate in and at EU level and public discontent which leads to more volatility;
- Technological risk: FinTechs create new fields of competition and raise customer expectations which challenge our relationship approach. Increasing cybercrime will force the organisation to spend more effort and investments on safeguarding systems;
- Legal risk: regulations like BRRD and CRR/CRD are still under development and can result in requirements that influence Triodos Bank's business model.

The Corona crisis has affected the bank as well as the market environment it operates in. The bank is gradually adapting to new circumstances and establishing a workable 'new normal'. Developments are however surrounded by many uncertainties. Mitigating strategies are discussed and tailored to fit the situation at hand. In addition, the low interest rate environment and increasing regulatory requirements continue to affect the bank. The first has led to a decreased margin and consequently lower profitability than foreseen. The second one has led to the need for additional co-workers, system adaptation and processes in order to implement new regulatory requirements.

Climate risk contains two important elements:

- the risk that is related to the transition of "old" sources of energy to sustainable sources (transition risk), which can result in so called stranded assets. As an example: power plants using coal must be closed earlier than the precalculated end date,
- the risk that is related to the changes of the climate itself causing physical damage (physical risk). E.g. extreme weather conditions and the rise of sea level.

Given that sustainability considerations are a starting point within our lending processes, transition risks are minimal in our loan portfolio. Our lending is already contributing to a low-carbon future.

Regarding physical risk, the changes in climate leading to storms, floods and droughts may have an impact on our assets. We have not identified assets we consider to be especially vulnerable to these physical risks. In the longer term, impact on weather conditions (such as wind and solar resources) may affect renewable energy generation. However, there are no reliable predictions for this happening, and it is unlikely to affect our portfolio assets within the duration of our current portfolio.

Nevertheless, Triodos Bank carries out annual stress tests which take extreme but plausible situations into account. As part of determining the scenarios, Triodos evaluates whether extreme weather situations could impact the bank's resilience with a time horizon of three years.

Currently, we find that it is very unlikely to have material impact on this time horizon.

Finally, we are of the opinion that, since these risks certainly are capable of severely affecting society as a whole, on the longer term we must as a society and sector drastically decrease and minimise the financing of unsustainable assets.

### **Strategies and processes to manage risks**

Stress testing is part of Triodos Bank's risk management. 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 also provide valuable insights in the exposure of the portfolio towards risk events. Stress testing for capital at Triodos Bank is conducted at several levels: group-wide, at risk domain and at sector level. In addition, sensitivity tests are also carried out as part of the annual business banking sector analyses.

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

Given the selected scenarios, Triodos Bank is sensitive to a long lasting, low interest environment scenario. It shows that profitability would be under pressure in the coming years. This risk will be mitigated by a focus on cost efficiency, pricing and by diversification of income. Finally, Triodos Bank is sensitive to scenarios relating to reputation risk.

### **Strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants.**

The Recovery Plan specifies measures Triodos Bank can take in order to survive a severe crisis. The aim of a recovery plan is to be prepared for a crisis and therefore to lower the probability of the organisation defaulting. It also aims to identify and quantify the effectiveness of measures in different scenarios.

## **Governance**

### **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' Annual Report.

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

For both the selection of Executive Board members and Supervisory Board members a recruitment policy has been drafted. In the Annual Report, the key areas of expertise of the SB members are reported. Around the time of appointment of EB members, their key competencies are explained in the notes to the agenda of the General Meeting.

### **Diversity policy with regard of the members of the management body**

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

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

The Audit and Risk Committee is a committee of the Supervisory Board, whose task it is to prepare the discussions and decision making of the Supervisory Board on financial reporting, audit issues and risk management. The (entire) Supervisory Board remains responsible for its decisions even if they were prepared by the Audit & Risk Committee.

The Audit and Risk Committee consists of at least three members of the Supervisory Board. The members are appointed by the Supervisory Board from among their number.

Members of this Committee are Ernst-Jan Boers (Chair), Mike Nawas and Sebastien D'Hondt.

The Audit & Risk Committee met seven times in 2020.

### **Risk information disclosure to the management body**

The objective of Risk Management reports is to set the actual risk profile of Triodos Bank against its risk appetite, assess if key risk indicators have been breached or are expected to be breached and what actions may need to be taken. Every risk discipline reports on a monthly basis or on a quarterly basis. These reports are discussed in corresponding committees and measures are taken whenever needed. On a quarterly basis, they are integrated in the ERM Report which provides insights into the Triodos Bank risk profile in relation to its risk appetite. The ERM report is discussed in the Enterprise Risk Committee and shared with the Audit and Risk Committee and Supervisory Board.

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

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



## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Capital instruments main features

Triodos Bank has issued two capital instruments:

#### 1 Shares

#### 2 Subordinated liability

The main features are:

##### Ad 1. Shares

Issuer	Triodos Bank NV
Unique identifier	Not applicable. The shares have not been listed on any securities exchange
Governing law(s)	Dutch law
Regulatory treatment:	
Transitional CRR rules	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Solo and Consolidated
Instrument type	Ordinary shares
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 1,201.7 million capital and reserves before regulatory adjustments. For a specification see the "own funds" tab.
Nominal amount of instrument (currency in million)	The nominal amount per share is EUR 50. At reporting date 14,467,055 shares were issued and fully paid up so that the total nominal amount is EUR 723.4 million.
Issue price	The shares will be issued continuously. The issue price of shares will be determined daily by Triodos Bank on the basis of a fixed calculation model that calculates the actual net asset value of Triodos Bank (the NAV) divided by the number of issued shares (the NAV per share). The NAV is equal to the book value of the assets of Triodos Bank minus the book value of the liabilities of Triodos Bank. The issue price per share will be rounded to whole euros, whereby values of 0.5 euros or more are rounded
Redemption price	Not applicable.
Accounting classification	Shareholders equity
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.
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	not applicable
Subsequent call dates, if applicable	not applicable
Coupons / dividends	
Fixed or floating dividend/coupon	Floating dividend
Coupon rate and any related index	Part of the profit as reported in the adopted profit and loss account shall be used by the Executive Board to form or to add to the reserves to the extent that is deemed desirable by the Executive Board. Any remaining profit shall be distributed to the shareholders, unless the General Meeting decides otherwise. The General Meeting may at any time and for any reason decide to cancel dividends. The intention of the Statutory Directors is to have a stable dividend distribution per share.
Existence of a dividend stopper	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	Not applicable
If convertible, fully or partially	Not applicable
If convertible, conversion rate	Not applicable
If convertible, mandatory or optional conversion	Not applicable
If convertible, specify instrument type convertible into	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable
Write-down features	No
If write-down, write-down trigger(s)	Not applicable
If write-down, full or partial	Not applicable
If write-down, permanent or temporary	Not applicable
If temporary write-down, description of write-up mechanism	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The shares are immediate subordinated to the claims of depositors and the unsubordinated claims with respect to the repayment of borrowed money.
Non-compliant transitioned features	Not applicable
If yes, specify non-compliant features	Not applicable

**Ad 2. Subordinated liability**

Issuer	Triodos Bank UK Ltd.
Unique identifier	None
Governing law(s)	United Kingdom law
Regulatory treatment:	
Transitional CRR rules	Tier 2 eligible Capital
Post-transitional CRR rules	Tier 2 eligible Capital
Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Solo and Consolidated
Instrument type	Bond
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 6.4 million
Nominal amount of instrument (currency in million)	GBP 5.7 million
Issue price	100,0%
Redemption price	Not applicable.
Accounting classification	Liability – amortised cost
Original date of issuance	December 23, 2020
Perpetual or dated	Dated
Original maturity date	September 18, 2030
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	September 18, 2025
Subsequent call dates, if applicable	
Coupons / dividends	April 30, 2021
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	4,0%
Existence of a dividend stopper	Not applicable
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	Convertible
If convertible, conversion trigger(s)	Pre-emptive action to avoid insolvency
If convertible, fully or partially	Fully
If convertible, conversion rate	Not applicable
If convertible, mandatory or optional conversion	Mandatory
If convertible, specify instrument type convertible into	Shares
If convertible, specify issuer of instrument it converts into	Triodos Bank UK Ltd.
Write-down features	No
If write-down, write-down trigger(s)	Not applicable
If write-down, full or partial	Not applicable
If write-down, permanent or temporary	Not applicable
If temporary write-down, description of write-up mechanism	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Subordinated liability is immediate subordinated to the claims of depositors and the unsubordinated claims with respect to the repayment of borrowed money.
Non-compliant transitioned features	Not applicable
If yes, specify non-compliant features	Not applicable

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Own funds and capital ratios

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

in thousands of EUR	2020 Amount at disclosure date	2019 Amount at disclosure date
The tier 1 capital, tier 2 capital and total capital can be specified as follows:		
Capital instruments and the related share premium accounts of which: ordinary shares	924.164	918.714
Retained earnings <sup>1</sup>	240.159	205.743
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	37.342	37.621
Independently reviewed interim profits net of any foreseeable charge or dividend <sup>1</sup>		
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>1.201.665</b>	<b>1.162.078</b>
Additional value adjustments	-29.499	-3.990
Intangible assets (net of related tax liability)	-24.871	-35.502
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in CRR Article 38 (3) are met)	-7.488	-7.802
Direct and indirect holdings of own CET1 instruments (incl actual or contingent obligations to purchase own CET1 instruments)	-36.000	-28.200
Regulatory adjustments relating to unrealised gains and losses pursuant to CRR Articles 467 and 468	-	-
Of which: adjustment for unrealised gains on participating interests	-	-
Of which: adjustment for unrealised gains on property	-	-
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-97.858</b>	<b>-75.494</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>1.103.807</b>	<b>1.086.584</b>
<b>Additional Tier 1 (AT1) capital</b>		-
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>1.103.807</b>	<b>1.086.584</b>
Capital instruments and the related share premium accounts	6.359	-
<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>6.359</b>	-
<b>Tier 2 (T2) capital</b>	<b>6.359</b>	-

<b>Total capital (TC = T1 + T2)</b>	<b>1.110.166</b>	<b>1.086.584</b>
<b>Total risk weighted assets <sup>2</sup></b>	<b>5.917.372</b>	<b>6.087.187</b>
<b>Capital ratios and buffers</b>		
Common Equity Tier 1 (as a percentage of risk exposure amount)	18,7%	17,9%
Tier 1 (as a percentage of risk exposure amount)	18,7%	17,9%
Total capital (as a percentage of risk exposure amount)	18,8%	17,9%
Institution specific buffer requirement (CET1 requirement in accordance with CRR article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	2,5%	2,7%
of which: capital conservation buffer requirement	2,5%	2,5%
of which: countercyclical buffer requirement	0,000495%	0,190448%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13,0%	11,3%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold)	24.098	16.706
Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	7.376	8.296

<sup>1</sup> Retained earnings are only recognised in the Tier 1 capital after the formal decision of the share holder confirming the final profit or loss of the institution for the year.

<sup>2</sup> The lower risk weighted assets in 2020 compared to 2019 can be explained by the early adoption of the CRRII regulation regarding the revised SME supportfactor and the introduction of the Infrastructure supporting factor.

## Overview of Risk Weighted Assets

in thousands of EUR	Risk Weighted Assets		Minimum capital requirements
	Q4 2020	Q3 2020	Q4 2020
Credit risk (excluding Counterparty Credit Risk)	5.382.776	5.147.357	430.622
Of which the standardised approach	5.382.776	5.147.357	430.622
Counterparty Credit Risk	6.296	8.357	504
Of which CVA	1.295	2.206	104
Market risk	-	-	-
Operational risk	528.300	486.952	42.264
Of which the basic indicator approach	528.300	486.952	42.264
Amounts below the thresholds for deduction (subject to 250% risk weight)	18.440	33.150	1.475
<b>Total</b>	<b>5.917.372</b>	<b>5.642.666</b>	<b>473.390</b>

## Internal Capital Adequacy

### Assessment of the adequacy of internal capital

The capital strategy of Triodos Bank is captured 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 banking entities and business units. The ICAAP is subjected to the Supervisory Review and Evaluation Process (SREP) of the Dutch Central Bank on a yearly basis.

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

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Countercyclical buffer

The general credit risk exposure value is the exposure value after credit risk mitigation and after conversion factor for off balance exposures. This value relates to all exposure classes excluding central governments and central banks, regional governments and local authorities, public sector entities, multilateral development banks and institutions.

2020 in thousands of EUR	General credit exposure values	Own funds requirements	Own funds requirements weights	Countercyclical capital buffer rate
<b>Country:</b>				
Austria	18	1	0,0%	0,00%
Australia	5	-	0,0%	0,00%
Belgium	1.266.096	68.147	16,5%	0,00%
Switzerland	12	1	0,0%	0,00%
Chile	202	6	0,0%	0,00%
Germany	615.780	29.126	7,1%	0,00%
Denmark	7.112	463	0,1%	0,00%
Spain	1.642.577	72.838	17,7%	0,00%
France	447.642	26.661	6,5%	0,00%
United Kingdom	1.288.623	66.775	16,2%	0,00%
Greece	4	-	0,0%	0,00%
Ireland	37.158	1.821	0,4%	0,00%
Italy	138	11	0,0%	0,00%
Jordan	5	-	0,0%	0,00%
Luxembourg	8.274	782	0,2%	0,25%
The Netherlands	3.751.523	144.840	35,1%	0,00%
Norway	156	9	0,0%	1,00%
New Zealand	-	-	0,0%	0,00%
Sweden	62	5	0,0%	0,00%
United States	8.473	678	0,2%	0,00%
Other countries	24	1	0,0%	0,00%
<b>Total</b>	<b>9.073.884</b>	<b>412.165</b>	<b>100%</b>	<b>0,000495%</b>

2019 in thousands of EUR	General credit exposure values	Own funds requirements	Own funds requirements weights	Countercyclical capital buffer rate
<b>Country:</b>				
Austria	11	1	0,0%	0,00%
Australia	3	-	0,0%	0,00%
Belgium	1.516.457	75.668	17,3%	0,00%
Switzerland	16	1	0,0%	0,00%
Chile	209	6	0,0%	0,00%
Germany	553.904	33.259	7,6%	0,00%
Denmark	5.531	430	0,1%	1,00%
Spain	1.433.228	71.248	16,4%	0,00%
France	479.514	36.093	8,3%	0,25%
United Kingdom	1.253.038	70.295	16,1%	1,00%
Greece	6	-	0,0%	0,00%
Ireland	40.449	3.040	0,7%	1,00%
Italy	136	11	0,0%	0,00%
Jordan	6	-	0,0%	0,00%
Luxembourg	18.076	1.630	0,4%	0,00%
The Netherlands	3.272.194	143.730	32,9%	0,00%
Norway	103	8	0,0%	2,50%
New Zealand	-	-	0,0%	0,00%
Sweden	53	4	0,0%	2,50%
United States	13.168	1.053	0,2%	0,00%
Other countries	14	1	0,0%	0,00%
<b>Total</b>	<b>8.586.116</b>	<b>436.478</b>	<b>100%</b>	<b>0,190448%</b>

## Amount of institution-specific countercyclical capital buffer

in thousands of EUR	2020
Total risk exposure amount	5.917.372
Triodos Bank specific countercyclical capital buffer rate	0,000495%
Transitional provisions applicable percentage	100%
Triodos Bank specific countercyclical capital buffer requirement	29

in thousands of EUR	2019
Total risk exposure amount	6.087.187
Triodos Bank specific countercyclical capital buffer rate	0,190448%
Transitional provisions applicable percentage	100%
Triodos Bank specific countercyclical capital buffer requirement	11.593

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Leverage ratio

The Leverage ratio is a CRR/CRD IV 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. The Leverage ratio has been calculated according to the Leverage ratio Delegated Act, The fully loaded leverage ratio of Triodos Bank based on the Delegated Act.

### Summary reconciliation of accounting assets and leverage ratio exposures

in thousands of EUR	2020	2019
Total assets as per published financial statements	13.888.397	12.081.588
Adjustment for derivative financial instruments	6.429	7.655
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	954.671	718.475
Other adjustments <sup>1</sup>	-2.256.580	-49.345
<b>Leverage ratio total exposure measure</b>	<b>12.592.917</b>	<b>12.758.373</b>

<sup>1</sup> The increase of the other adjustments is mainly due to exclusion of eligible exposures to central banks in accordance with temporary legislation.



## Leverage ratio common disclosure

in thousands of EUR	2020	2019
<b>On Balance sheet items (excluding derivatives and securities financing transactions)</b>		
On Balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	13.886.602	12.072.866
Asset amounts deducted in determining Tier 1 capital	-37.157	-49.345
<b>Total on balance sheet exposure (excluding derivatives and securities financing transactions) (d)</b>	<b>13.849.445</b>	<b>12.023.521</b>
<b>Derivatives exposures</b>		
Replacement cost (mark to market-method)	1.976	9.656
Add-on amount for potential future exposure (mark to market-method)	6.248	6.721
<b>Total derivatives exposure (e)</b>	<b>8.224</b>	<b>16.377</b>
<b>Off balance sheet exposures</b>		
Off balance sheet exposures at gross notional amount	2.009.437	1.509.911
Adjustment for conversion to credit equivalent amounts	-1.054.766	-791.436
<b>Total off balance sheet exposure (f)</b>	<b>954.671</b>	<b>718.475</b>
<b>Excluded exposures</b>		
Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR	2.219.423	-
<b>Total excluded exposure (g)</b>	<b>2.219.423</b>	<b>-</b>
<b>Tier 1 capital (c)</b>	<b>1.103.807</b>	<b>1.086.584</b>
<b>Leverage ratio total exposure measure (h) (d+e+f-g)</b>	<b>12.592.917</b>	<b>12.758.373</b>
<b>Leverage ratio ultimo year (c/h)</b>	<b>8,8%</b>	<b>8,5%</b>
<b>Leverage ratio ultimo year (excluding the impact of any applicable temporary exemption of central bank reserves) (c/(h+g))</b>	<b>7,5%</b>	<b>8,5%</b>

## Split-up of on-balance sheet exposures (excluding derivatives and securities financing

in thousands of EUR	2020	2019
Total on balance sheet exposures (excluding derivatives and securities financing transactions), of which:	13.886.602	12.072.866
Trading book exposures	-	-
Banking book exposures, of which:	13.886.602	12.072.866
Covered bonds	11.178	11.843
Exposures treated as sovereigns	5.404.972	4.448.090
Exposures to regional governments, MDB, International organisations and PSE not treated as sovereigns	102.287	63.693
Institutions	221.008	369.699
Secured by mortgages of immovable properties	4.212.892	3.369.572
Retail exposures	445.539	450.694
Corporate	3.002.211	2.939.424
Exposures in default	160.613	97.487
Other exposures (eg equity, securisations and other non-credit obligation assets)	325.902	322.364

### Processes used to manage the risk of excessive leverage

The risk of excessive leverage is managed inclusively in our capital management policy and procedures. We aim for a strong capital base, avoiding high leverage risks.

Triodos risk appetite level related to the leverage ratio is set at 7%, which is significantly above all regulatory requirements.

The leverage ratio is part of our three-year budget. Compliance with our risk appetite level is part of the budget requirements.

### Factors that had an impact on the leverage ratio

Triodos has participated in the TLTRO tender III.5 which usually decreases the leverage ratio. However, in 2020 the ECB formulated new regulation so that amounts placed with central banks can be left out of the leverage ratio calculation.

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Liquidity management

#### Strategies and processes in the management of the liquidity risk

Triodos Bank only lends to and invests in sustainable enterprises in the real economy. Triodos Bank is not dependent on funding from the wholesale market. Funds are attracted from depositors and shareholders.

Triodos Bank does not invest in complex financial instruments. It has been this approach that enabled Triodos Bank to remain solid and stable in a time of market crisis but also to continue to grow steadily. The key factor to achieve this is to maintain healthy levels of liquidity. Triodos Bank has a large, good quality liquidity buffer resulting in solid liquidity and funding ratios. Triodos Bank does not act as correspondent bank which minimises liquidity needs during the day.

As a mid-sized European bank with total Funds Entrusted of EUR 11.747 million per the end of December 2020, liquidity risk is an important risk for Triodos Bank. The Bank has intensively worked on the development of a solid liquidity framework to have always 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 increased in 2020 due to the participation in the Targeted Longer-Term Refinancing Operation (TLTRO) of the Euro system to anticipate potential (temporary) higher credit demand from our clients. Our policy is to hold a sound liquidity buffer. Liquidity is invested within our minimum standards on sustainability, in highly liquid assets and (short-term) cash loans which count as inflow in the LCR 30 days before maturity, if the risk-return is more favourable than having the liquidity at the central banks. Around one third of the liquidity is invested, mainly in bonds and to a small extent in cash loans. The rest of the liquidity is mainly at the current account of the national central banks of our local entities and to some extent at sight with commercial banks to facilitate payments. The amount invested in (regional government) bonds (in Belgium and Germany) slightly increased due to favourable investment circumstances in Q2 2020. Most bonds qualify as high-quality liquid assets 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 diversification.

#### Structure and organisation of the liquidity risk management function and degree of centralisation of liquidity management

The daily liquidity management is currently executed at banking entity level as it is the business strategy of Triodos Bank to have this process close to the end-customer to provide detailed cash forecasts. On aggregated level, Group Treasury monitors the liquidity buffer versus the internal limits daily.

#### Liquidity risk 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 entities on a daily basis. Secondly, the detailed liquidity position, both in total and at banking entity level, is reported to the Chief Financial Officer and Chief Risk Officer 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.

#### Policies for hedging and mitigating the liquidity risk

The liquidity buffer is the source of funds in case of liquidity needs. The Cash and Liquidity Management Policy describes the requirements related to the liquidity placements, investments and investment portfolio, whereas the goal is to optimize the trade off between risk and return 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 the Dutch Central Bank 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 risk position of Triodos Bank in a 'stressed situation'. This includes liquidity stress indicators and trigger levels for management actions.

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

## Stress testing

The management of the liquidity position under 'normal' conditions is described in the Liquidity Risk Management Policy. 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.

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 BCBS/ EBA principles. An integrated overview of the group cash position and liquidity metrics is available on a daily and weekly basis.

## Liquidity risk statement

Triodos Bank transforms client funds entrusted to lending purposes that have a positive impact on society. Triodos Bank wants to meet the obligations to all clients at all time 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 11,747 million of which 79% are deposits insured by the Deposit Guarantee Scheme.

In 2020 Triodos Bank increased its collateral position at DNB to participate in the Targeted Long-Term Refinancing Operation of the Euro system. This collateral is mainly provided by the retained RMBS Sinopel and mobilized credit claims. The impact of potential collateral requirements from payment system purposes decreased significantly at Triodos Bank in 2020 due to the cancellation of some payment activities that required a high amount of collateral (collection of pension premiums). Other collateral needs mainly stem from market value changes in Interest Rate Swap positions (to manage the interest rate risks) and in FX forwards (because of hedging the currency risk of the UK subsidiary equity participation of Triodos Bank).

Interest Rate Swaps which are centrally cleared, increased the potential collateral needs as well during the year. At the end of 2020 total net amount of EUR 6.65 million cash collateral was posted.

The liquidity risk appetite as determined by the Executive Board (EB) 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 adequate organisational structure with three lines of defence ensures that a clear division of tasks, power and responsibility is in place together with an independent control, compliance, audit and risk management function.

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

A limit structure is in place to manage the inherent funding mismatch other than in exceptional circumstances. Triodos Bank follows the BSBC/EBA principles considering its sustainable profile, the very strong relationship with its customers, the granularity of the Funds Entrusted and its conservative and robust liquidity management framework that is integrated in the business processes.

Triodos Bank has a large, good quality liquidity buffer resulting in high Liquidity Coverage Ratios and Net Stable Funding Ratios. In all liquidity stress test scenarios Triodos Bank has sufficient liquidity to survive the total stress period.

The remaining low interest rate climate influences liquidity risk management at Triodos Bank. Triodos Bank needs to manage its liquidity buffer at an ever-increasing cost-of-carry. The trade-off between having sufficient liquidity versus the relative high costs of holding that liquidity is becoming more important.

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Liquidity coverage ratio

2020 in thousands of EUR	Total adjusted value			
	31.03.2020	30.06.2020	30.09.2020	31.12.2020
Liquidity buffer	2.953.128	3.242.068	3.776.225	3.796.012
Total net cash outflows	1.342.932	1.579.537	1.544.710	1.639.155
Liquidity coverage ratio (%)	220%	205%	244%	232%

2019 in thousands of EUR	Total adjusted value			
	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Liquidity buffer	2.755.072	2.832.100	2.643.903	2.786.116
Total net cash outflows	1.281.486	1.306.370	1.333.493	1.186.149
Liquidity coverage ratio (%)	215%	217%	198%	235%

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

The LCR of Triodos Bank has been relative stable during the past three years at an average of 216% and a standard deviation of 15%. The most remarkable change was at the end of September 2020, as the LCR jumped from 203% to 244% due to an increase in the amount of High-Quality Liquid Asset (HQLA) because of the participation in the Targeted Long-Term Refinancing Operation (TLTRO). As most of the collateral pledged at the Euro system (Retained RMBS and credit claims) is not counted as HQLA in the LCR definition, the participation in the TLTRO resulted in an increase of the liquidity, and because most of it is placed at the current account of the Euro system, the HQLA amount increased accordingly.

#### Explanations on the changes in the LCR over time

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

#### Explanations on the actual concentration of funding sources

The main funding source for Triodos Bank is Funds Entrusted, which consists of saving deposits (61%), current accounts (34%), and fixed term accounts (5%) from personal households (68%) and business clients (32%). The composition of the Funds Entrusted is fairly stable. Given the ample liquidity situation for many years, there has been no need for additional funding sources.

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

The liquidity buffer mainly consists of liquid assets with central banks (nearly two thirds at the end of 2020) and liquid investments in bonds (close to 30% of total liquidity). There is a small amount of liquidity at sight with commercial banks, mainly for payment services, and some investments (around 6% of total liquidity) are made in cash loans (<1-year maturity) with Dutch and German municipalities. Around 27% of the bond investments are in central government bonds and 61% 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 optimize risk-return. Due to market circumstances in the past years (dominated by the downward impact of central bank asset purchases on bond yields), the opportunities to re-invest maturing bonds are limited. Consequently, the percentage of liquidity at the current account at central banks has increased from about 40% early 2018 to slightly more than 60% at the end of 2020.

#### Derivative exposures and potential collateral calls

Triodos has only limited derivative positions (IRS and FX). Cash collateral requirements are limited but are taken into account when calculating the LCR.

**Currency mismatch in the LCR**

Our base and main currency is EUR. The UK Subsidiary has a base currency in GBP. Both the LCR on group and solo level are measured. TBUK Ltd has their own LCR target set by the 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 to be mentioned.

**Net stable funding ratio**

2020 in thousands of EUR	Unweighted value by residual maturity			Weighted value
	< 6 months	6 months to < 1 year	>= 1 year	
Available stable funding	11.173.467	1.051.908	1.643.640	11.284.117
Required stable funding	5.815.236	480.700	9.537.981	7.946.024
Net stable funding ratio				142%

2019 in thousands of EUR	Unweighted value by residual maturity			Weighted value
	< 6 months	6 months to < 1 year	>= 1 year	
Available stable funding	10.041.568	293.795	1.618.047	10.030.898
Required stable funding	4.904.899	536.081	8.115.669	7.079.877
Net stable funding ratio				142%

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Credit risk management

#### Credit risk management

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

In order to manage credit risk Triodos Bank developed an internal rating-based system, related to a probability of default. Furthermore, Triodos Bank has developed a loss given default model, allowing us to model the expected loss and the economic capital.

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

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

Triodos Bank measures and limits the following concentration risks in its lending activities:

- Obligor exposures
- Group exposures
- Top 20 exposures excluding (sub-)Government exposures
- Government exposures
- Sector exposures
- Non-Bank Financial Intermediation (Shadow banking) exposures
- Mortgage exposures
- Country exposures

Besides lending activities, Triodos Bank has established limits related to the investment portfolio:

- Maximum exposure on government and sub-governments
- Maximum exposure on supranational institutions
- Maximum exposure on banks and financial institutions

The limit setting is derived from the risk appetite framework and aims to keep concentration risk at an acceptable level.

#### Structure and organisation of the credit risk management and control function

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

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

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

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

Business units need, both after initial implementation and in case of changes to policies, to prove that requirements are met in local documentation, by showing in which local documents each requirement is written down. This evidence will be stored by HO ORM. Deviations from this policy should be approved via the MCCC or NFRC.

Via Risk Control Self Assessments (RCSA) key controls related to policies are defined, based on the standardized process as described in the Corporate Lending Handbook. The key controls contain a risk-based subset of the requirements and are part of the set of key controls. The first line is responsible to perform the key controls within its processes. On a regular interval, the key controls will be tested on their operational effectiveness by the first line within the regular ORM cycle.

On a local level an management information dashboard is in place to monitor the risks on a continuous basis.

Internal Audit performs audits on the lending activities on regular basis.

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Total And Average Net Amount Of Exposures

The tables below display the net carrying values at the end of the year per exposure class. Next to it the average net carrying value per the same exposure classes over the past 4 quarters is provided. This average net carrying value is based upon the last 4 quarter end observations in the year 2020 resp. 2019.

The net carrying values correspond to the original exposure (on and off-balance) pre-credit conversion factors corrected for allowances, impairments and provisions.

2020 in thousands of EUR	Net Value Of Exposures At The End Of The Year	Average Net Exposures Over The Period
<b>Exposure Class:</b>		
Central Governments or Central Banks	3.302.267	2.983.972
Regional Governments or Local Authorities	1.191.555	1.053.016
Public Sector Entities	246.178	250.809
Multilateral Developments Banks	51.170	31.609
Institutions	212.484	272.845
Corporates	4.305.705	4.195.937
Of Which: SMEs	3.179.799	3.159.140
Retail Exposures	775.199	726.174
Of Which: SMEs	402.676	399.179
Secured By Mortgages On Immovable Property	5.276.045	4.714.524
Of Which: SMEs	1.723.462	1.697.633
Exposures In Default	180.365	144.029
Items Associated With Particularly High Risk	78.013	85.676
Covered Bonds	11.178	11.510
Equity Exposures	24.578	20.902
Other Exposures	209.876	225.514
<b>Total (= Total Standardised Approach)</b>	<b>15.864.613</b>	<b>14.716.517</b>



2019 in thousands of EUR	Net Value Of Exposures At The End Of The Year	Average Net Exposures Over The Period
<b>Exposure Class:</b>		
Central Governments or Central Banks	2.663.720	2.473.705
Regional Governments or Local Authorities	914.429	879.202
Public Sector Entities	255.440	164.852
Multilateral Developments Banks	12.047	59.339
Institutions	331.950	427.091
Corporates	4.085.853	4.189.374
Of Which: SMEs	3.138.480	3.175.298
Retail Exposures	676.660	748.929
Of Which: SMEs	395.681	356.391
Secured By Mortgages On Immovable Property	4.153.004	3.652.013
Of Which: SMEs	1.671.803	1.605.626
Exposures In Default	107.693	109.863
Items Associated With Particularly High Risk	93.339	50.668
Covered Bonds	11.843	5.921
Equity Exposures	17.226	16.285
Other Exposures	226.416	196.085
<b>Total (= Total Standardised Approach)</b>	<b>13.549.620</b>	<b>12.973.327</b>

The net value of exposures is a sum of:

- Assets excluding intangible assets, excluding discount of subordinated liabilities (included under prepayments and accrued income) and after deducting discount of bonds (included under accruals and deferred income);
- Off-balance sheet items, consisting of contingent liabilities and irrevocable facilities;
- Derivatives, valued at the credit risk equivalent, which is based on the net replacement costs plus potential future credit exposures.

## Geographical Breakdown Of Exposures

The table below presents a breakdown of net carrying value of exposures and their totals by geographical areas and exposure classes under the SA approach.

<b>2020</b> <b>in thousands of EUR</b>	<b>Belgium</b>	<b>Germany</b>	<b>Spain</b>	<b>France</b>	<b>United Kingdom</b>	<b>The Netherlands</b>	<b>Other Countries</b>	<b>Total Standardised Approach</b>
Central Governments or Central Banks	312.794	183.657	290.631	41	483.155	2.031.989	-	3.302.267
Regional Governments or Local Authorities	153.129	365.307	348.235	18.700	-	306.184	-	1.191.555
Public Sector Entities	30.585	58.396	86.771	-	14.473	55.953	-	246.178
Multilateral Development Banks	-	-	-	-	-	-	51.170	51.170
Institutions	47.005	24.425	28.172	3.364	23.817	83.937	1.764	212.484
Corporates	1.039.545	408.718	766.348	414.177	511.774	1.116.063	49.080	4.305.705
Retail	124.767	12.326	151.567	12.131	98.381	374.257	1.770	775.199
Secured By Mortgages On Immovable Property	410.688	268.997	888.224	20.583	695.528	2.991.455	570	5.276.045
Exposures In Default	23.050	5.994	36.973	5.344	48.109	57.914	2.981	180.365
Items Associated With Particularly High Risk	30.987	-	100	39.600	3.175	-	4.151	78.013
Covered Bonds	-	-	-	-	11.178	-	-	11.178
Equity Exposures	581	10.050	-	140	-	912	12.895	24.578
Other Exposures	-	-	-	-	16.696	193.180	-	209.876
<b>Total (= Total Standardised Approach)</b>	<b>2.173.131</b>	<b>1.337.870</b>	<b>2.597.021</b>	<b>514.080</b>	<b>1.906.286</b>	<b>7.211.844</b>	<b>124.381</b>	<b>15.864.613</b>

<b>2019</b> <b>in thousands of EUR</b>	<b>Belgium</b>	<b>Germany</b>	<b>Spain</b>	<b>France</b>	<b>United Kingdom</b>	<b>The Netherlands</b>	<b>Other Countries</b>	<b>Total Standardised Approach</b>
Central Governments or Central Banks	399.630	100.700	326.680	358	358.312	1.478.040	-	2.663.720
Regional Governments or Local Authorities	105.128	178.531	307.552	791	-	322.427	-	914.429
Public Sector Entities	10.715	87.407	85.378	-	6.183	65.757	-	255.440
Multilateral Development Banks	-	-	-	-	-	-	12.047	12.047
Institutions	62.533	51.873	56.099	2.760	31.214	126.250	1.221	331.950
Corporates	1.063.943	347.616	536.335	465.082	528.421	1.068.527	75.929	4.085.853
Retail	145.357	11.477	123.047	14.097	97.975	282.313	2.394	676.660
Secured By Mortgages On Immovable Property	370.735	222.350	847.458	16.187	665.232	2.028.823	2.219	4.153.004
Exposures In Default	9.455	7.541	38.277	1.976	25.561	23.278	1.605	107.693
Items Associated With Particularly High Risk	25.948	-	100	59.120	3.434	-	4.737	93.339
Covered Bonds	-	-	-	-	11.843	-	-	11.843
Equity Exposures	543	50	-	140	-	862	15.631	17.226
Other Exposures	-	-	-	-	17.120	209.296	-	226.416
<b>Total (= Total Standardised Approach)</b>	<b>2.193.987</b>	<b>1.007.545</b>	<b>2.320.926</b>	<b>560.511</b>	<b>1.745.295</b>	<b>5.605.573</b>	<b>115.783</b>	<b>13.549.620</b>

## Concentration Of Exposures By Industry Or Counterparty Types

The table below presents a breakdown of net carrying value of exposures and their totals by industry and exposure class under the SA approach.

<b>2020</b> in thousands of EUR	<b>Banks and financial intermediation</b>	<b>Services</b>	<b>Healthcare and social work</b>	<b>Utilities</b>	<b>Public Administration</b>	<b>Private individuals</b>	<b>Real estate</b>	<b>Other sectors</b>	<b>Total</b>
Central Governments or Central Banks	2.955.376	-	-	-	346.891	-	-	-	3.302.267
Regional Governments or Local Authorities	-	7.718	300	-	884.246	-	16.368	282.923	1.191.555
Public Sector Entities	96.508	-	558	5.278	35.837	-	-	107.997	246.178
Multilateral Development Banks	51.170	-	-	-	-	-	-	-	51.170
Institutions	211.083	59	-	1.342	-	-	-	-	212.484
Corporates	21.457	387.550	364.596	1.815.881	-	158.551	657.394	900.276	4.305.705
Retail	8.021	34.087	91.352	29.766	-	303.421	37.887	270.665	775.199
Secured By Mortgages On Immovable Property	265.405	506.904	329.051	7.407	-	2.977.006	583.360	606.912	5.276.045
Exposures In Default	5.231	21.278	12.236	6.732	-	3.667	39.736	91.485	180.365
Items Associated With Particularly High Risk	7.725	1.000	-	-	-	-	64.150	5.138	78.013
Covered Bonds	11.178	-	-	-	-	-	-	-	11.178
Equity Exposures	23.868	210	-	-	-	-	-	500	24.578
Other Exposures	-	-	-	-	-	-	-	209.876	209.876
<b>Total (= Total Standardised Approach)</b>	<b>3.657.022</b>	<b>958.806</b>	<b>798.093</b>	<b>1.866.406</b>	<b>1.266.974</b>	<b>3.442.645</b>	<b>1.398.895</b>	<b>2.475.772</b>	<b>15.864.613</b>

<b>2019</b> in thousands of EUR	<b>Banks and financial inter- mediation</b>	<b>Services</b>	<b>Healthcare and social work</b>	<b>Utilities</b>	<b>Public Admini- stration</b>	<b>Private individuals</b>	<b>Real estate</b>	<b>Other sectors</b>	<b>Total</b>
Central Governments or Central Banks	2.269.282	-	-	-	394.082	-	-	356	2.663.720
Regional Governments or Local Authorities	-	8.120	306	-	568.047	-	17.544	320.412	914.429
Public Sector Entities	127.027	-	670	7.033	16.227	-	-	104.483	255.440
Multilateral Development Banks	12.047	-	-	-	-	-	-	-	12.047
Institutions	330.200	30	-	1.720	-	-	-	-	331.950
Corporates	34.808	393.308	320.772	1.753.121	-	173.459	605.960	804.425	4.085.853
Retail	8.751	33.919	86.495	34.168	-	216.253	41.141	255.933	676.660
Secured By Mortgages On Immovable Property	247.175	446.936	323.350	8.246	-	1.988.836	554.935	583.526	4.153.004
Exposures In Default	4.669	23.529	8.783	6.226	-	2.711	4.418	57.357	107.693
Items Associated With Particularly High Risk	8.536	-	-	-	-	-	72.684	12.119	93.339
Covered Bonds	11.843	-	-	-	-	-	-	-	11.843
Equity Exposures	17.226	-	-	-	-	-	-	-	17.226
Other Exposures	-	-	-	-	-	-	-	226.416	226.416
<b>Total (= Total Standardised Approach)</b>	<b>3.071.564</b>	<b>905.842</b>	<b>740.376</b>	<b>1.810.514</b>	<b>978.356</b>	<b>2.381.259</b>	<b>1.296.682</b>	<b>2.365.027</b>	<b>13.549.620</b>

## Maturity Of Exposures

The following tables provide an overview of the remaining maturity of the assets per exposure class. The columns "on demand" and "no stated maturity" include accrued interest and fees, doubtful debt provisions and balance sheet items with no, or unknown, maturity.

2020 in thousands of EUR	On Demand	<= 1 Year	> 1 Year <= 5 Years	> 5 Years	No Stated Maturity	Total
<b>Exposure Class:</b>						
Central Governments or Central Banks	-	3.020.247	274.696	6.828	-	3.301.771
Regional Governments or Local Authorities	-	342.658	583.359	254.744	-	1.180.761
Public Sector Entities	-	52.146	121.047	72.985	-	246.178
Multilateral Developments Banks	-	4.971	34.250	11.949	-	51.170
Institutions	-	165.740	38.480	2.346	-	206.566
Corporates	5.029	215.763	667.889	2.580.631	-	3.469.312
Retail	3.933	29.362	102.499	396.143	-	531.937
Secured By Mortgages On Immovable Property	2.587	45.107	184.023	4.155.495	-	4.387.212
Exposures In Default	9.859	25.264	20.828	117.000	-	172.951
Items Associated With Particularly High Risk	-	-	-	-	55.709	55.709
Covered Bonds	-	-	-	11.178	-	11.178
Equity Exposures	-	-	-	-	24.578	24.578
Other Exposures	-	-	-	-	209.876	209.876
<b>Total</b>	<b>21.408</b>	<b>3.901.258</b>	<b>2.027.071</b>	<b>7.609.299</b>	<b>290.163</b>	<b>13.849.199</b>

<b>2019</b> <b>in thousands of EUR</b>	<b>On Demand</b>	<b>&lt;= 1 Year</b>	<b>&gt; 1 Year &lt;= 5 Years</b>	<b>&gt; 5 Years</b>	<b>No Stated Maturity</b>	<b>Total</b>
<b>Exposure Class:</b>						
Central Governments or Central Banks	1.146	2.334.061	304.950	23.276	-	2.663.433
Regional Governments or Local Authorities	-	292.927	350.642	259.741	-	903.310
Public Sector Entities	-	62.932	106.912	85.596	-	255.440
Multilateral Developments Banks	-	12.047	-	-	-	12.047
Institutions	-	237.476	85.537	1.498	-	324.511
Corporates	2.935	298.891	554.797	2.567.709	-	3.424.332
Retail	5.144	46.507	64.712	385.827	-	502.190
Secured By Mortgages On Immovable Property	1.912	53.026	171.928	3.313.562	-	3.540.428
Exposures In Default	6.945	11.130	13.639	71.840	-	103.554
Items Associated With Particularly High Risk	-	-	-	-	39.263	39.263
Covered Bonds	-	-	11.843	-	-	11.843
Equity Exposures	-	-	-	-	17.226	17.226
Other Exposures	-	-	-	-	226.416	226.416
<b>Total</b>	<b>18.082</b>	<b>3.348.997</b>	<b>1.664.960</b>	<b>6.709.049</b>	<b>282.905</b>	<b>12.023.993</b>

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Credit quality of exposures by exposure class

Defaulted exposures are exposures that Triodos Bank expects will not be fully repaid, in accordance with the original loan contract, or loans overdue in excess of 90 days. Provisions for loan losses are taken for doubtful debtors based on the difference between the total amount of the debtor's outstanding liability to Triodos Bank and future expected cash flows, discounted at the original effective interest rate of the contract.

2020 in thousands of EUR	Gross carrying values of		Specific credit risk adjustment c	General credit risk adjustment d	Accumulated write-offs e	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures a	Non-defaulted exposures b					
<b>Exposure class:</b>							
Central governments or central banks	-	3.302.267	-	-	-	-	3.302.267
Regional governments or local authorities	-	1.191.624	69	-	-	(29)	1.191.555
Public sector entities	-	246.232	54	-	-	(36)	246.178
Multilateral developments banks	-	51.170	-	-	-	-	51.170
Institutions	3.916	212.490	6	-	-	(4)	216.400
Corporates	163.076	4.321.285	41.269	-	3.270	(18.027)	4.443.092
Of which: SMEs	150.727	3.192.217	36.161	-	2.820	(14.931)	3.306.783
Retail exposures	46.319	777.864	9.961	-	1.017	(4.827)	814.222
Of which: SMEs	39.603	404.983	8.545	-	865	(3.587)	436.041
Secured by mortgages on immovable property	-	5.278.648	2.603	-	-	(938)	5.276.045
Of which: SMEs	-	1.724.641	1.179	-	-	(780)	1.723.462
Exposures in default	213.311	-	32.985	-	4.287	(10.221)	180.326
Items associated with particularly high risk	39	78.088	75	-	-	(50)	78.052
Covered Bonds	-	11.182	4	-	-	(3)	11.178
Equity exposures	-	24.579	1	-	-	-	24.578
Other exposures	-	209.876	-	-	-	-	209.876
<b>Total (= Total standardised approach)</b>	<b>213.350</b>	<b>15.705.305</b>	<b>54.042</b>	<b>-</b>	<b>4.287</b>	<b>(23.915)</b>	<b>15.864.613</b>
Of which: Loans	201.148	9.027.004	50.970	-	4.287	(22.359)	9.177.182
Of which: debt securities	-	1.317.362	61	-	-	(29)	1.317.301
Of which: Off-balance sheet exposures	7.578	2.001.859	2.247	-	-	(1.552)	2.007.190

2019 in thousands of EUR	Gross carrying values of		Specific credit risk adjustment c	General credit risk adjustment d	Accumulated write-offs e	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures a	Non-defaulted exposures b					
<b>Exposure class:</b>							
Central governments or central banks	-	2.663.720	-	-	-	-	2.663.720
Regional governments or local authorities	-	915.069	640	-	-	28	914.429
Public sector entities	-	255.565	125	-	-	6	255.440
Multilateral developments banks	-	12.051	4	-	-	-	12.047
Institutions	3.916	331.994	44	-	-	2	335.866
Corporates	96.349	4.090.366	24.342	-	5.399	(1.618)	4.162.373
Of which: SMEs	72.928	3.140.590	17.119	-	4.144	(1.705)	3.196.399
Retail exposures	34.321	677.343	7.747	-	1.821	(760)	703.917
Of which: SMEs	29.018	395.971	6.262	-	1.562	(665)	418.727
Secured by mortgages on immovable property	-	4.153.842	838	-	1.917	(819)	4.153.004
Of which: SMEs	-	1.671.803	-	-	1.514	(657)	1.671.803
Exposures in default	134.586	-	26.893	-	9.137	(3.440)	107.693
Items associated with particularly high risk	-	94.076	737	-	-	33	93.339
Covered Bonds	-	11.846	3	-	-	-	11.843
Equity exposures	-	17.231	5	-	-	-	17.226
Other exposures	-	226.482	66	-	-	3	226.416
<b>Total (= Total standardised approach)</b>	<b>134.586</b>	<b>13.449.585</b>	<b>34.551</b>	<b>-</b>	<b>9.137</b>	<b>(3.125)</b>	<b>13.549.620</b>
Of which: Loans	128.649	8.137.235	33.779	-	9.137	(2.929)	8.232.105
Of which: debt securities	-	1.034.364	34	-	-	(3)	1.034.330
Of which: Off-balance sheet exposures	4.185	1.505.760	695	-	-	(193)	1.509.250

## Ageing of past-due exposures

The table below gives an insight in the aging of the Business and Consumer exposures and includes both the performing and nonperforming portfolio. The table is broken down into type of instruments (Loans and Debt Securities). The values displayed are the on balance sheet gross carrying values before impairment, provisions and before write offs, as write offs take place after the provisioning process.

<b>2020</b> in thousands of EUR	<b>=&lt; 30 days</b>	<b>&gt; 30 days =&lt; 60 days</b>	<b>&gt; 60 days =&lt; 90 days</b>	<b>&gt; 90 days =&lt; 180 days</b>	<b>&gt; 180 days =&lt; 1 year</b>	<b>&gt; 1 year</b>
Loans	44.146	5.676	20	1.985	4.330	42.768
Debt securities	-	-	-	-	-	-
<b>Total exposures</b>	<b>44.146</b>	<b>5.676</b>	<b>20</b>	<b>1.985</b>	<b>4.330</b>	<b>42.768</b>

<b>2019</b> in thousands of EUR	<b>=&lt; 30 days</b>	<b>&gt; 30 days =&lt; 60 days</b>	<b>&gt; 60 days =&lt; 90 days</b>	<b>&gt; 90 days =&lt; 180 days</b>	<b>&gt; 180 days =&lt; 1 year</b>	<b>&gt; 1 year</b>
Loans	28.371	3.430	476	6.877	9.586	31.650
Debt securities	-	-	-	-	-	-
<b>Total exposures</b>	<b>28.371</b>	<b>3.430</b>	<b>476</b>	<b>6.877</b>	<b>9.586</b>	<b>31.650</b>



## Non-performing and forborne exposures

A forborne exposure is an exposure where a concession is given towards a debtor facing or about to face difficulties in meeting its financial commitments, that would not have been granted had the debtor not been in financial difficulties.

2020 in thousands of EUR	Total performing and non-performing exposures	Of which: performing but past due > 30 days and	Gross carrying amount Of which: non-performing				Accumulated impairment and provisions and negative fair value					Collaterals and financial		
			Of which: performing forborne	Total non- performing	Of which: defaulted	Of which: impaired	Of which: forborne	On performing exposures	Of which: forborne	On non- performing exposures	Of which: forborne	On non- performing exposures	Of which: forborne exposures	
Debt securities	1.317.362	-	-	-	-	-	-	61	-	-	-	-	-	-
Loans and advances	9.228.152	4.121	34.672	227.068	201.148	127.912	130.228	18.211	114	32.759	13.849	162.418	38.729	
Off-balance-sheet exposures	2.009.437	-	984	7.578	7.578	2.187	1.173	2.247	8	0	248	1.063	-	

2019 in thousands of EUR	Total performing and non-performing exposures	Of which: performing but past due > 30 days and	Gross carrying amount Of which: non-performing				Accumulated impairment and provisions and negative fair value					Collaterals and financial		
			Of which: performing forborne	Total non- performing	Of which: defaulted	Of which: impaired	Of which: forborne	On performing exposures	Of which: forborne	On non- performing exposures	Of which: forborne	On non- performing exposures	Of which: forborne exposures	
Debt securities	1.034.364	-	-	-	-	-	-	34	-	-	-	-	-	-
Loans and advances	8.265.884	1.382	44.680	164.364	128.649	98.875	103.252	5.475	-	28.304	14.773	112.252	104.622	
Off-balance-sheet exposures	1.509.945	-	1.913	5.192	4.185	-	1.994	-	-	696	-	57	-	

## Changes in the general and specific credit risk adjustments for loans and advances

2020 in thousands of EUR	Accumulated credit risk adjustment
<b>Opening balance</b>	<b>33.779</b>
Increases due to origination and acquisition	3.665
Net remeasurement of allowance for expected credit losses	8.890
Impact of allowance for expected credit losses change during the year	-
Decreases due to derecognition	(506)
Changes due to change in credit risk (net)	10.366
Changes due to modifications without derecognition (net)	7
Changes due to update in the institution's methodology for estimation (net)	(57)
Decrease in allowance account due to write-offs	(4.287)
Other adjustments	(887)
<b>Closing balance</b>	<b>50.970</b>
Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	-
Amounts written-off directly to the statement of profit or loss	291

2019 in thousands of EUR	Accumulated credit risk adjustment
<b>Opening balance</b>	<b>39.287</b>
Increases due to origination and acquisition	1.533
Net remeasurement of allowance for expected credit losses	708
Impact of allowance for expected credit losses change during the year	-
Decreases due to derecognition	(6.923)
Changes due to change in credit risk (net)	8.212
Changes due to modifications without derecognition (net)	34
Changes due to update in the institution's methodology for estimation (net)	-
Decrease in allowance account due to write-offs	(9.137)
Other adjustments	65
<b>Closing balance</b>	<b>33.779</b>
Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	(219)
Amounts written-off directly to the statement of profit or loss	563

## Changes in defaulted loans and advances

Defaulted and impaired loans are loans that Triodos Bank expects will not be fully repaid, in accordance with the original loan contract, and that are impaired. Provisions for loan losses are taken for these loans based on the difference between the total amount of the debtor's outstanding liability to Triodos Bank and future expected cash flows, discounted at the original effective interest rate of the contract.

<b>2020</b> in thousands of EUR	<b>Gross carrying value defaulted exposures</b>
<b>Opening balance</b>	<b>128.649</b>
Loans and debt securities that have defaulted or impaired since last reporting period	111.616
Returned to non-defaulted status	-28.882
Amounts written off	-4.287
Other changes	-5.948
<b>Closing balance</b>	<b>201.148</b>

<b>2019</b> in thousands of EUR	<b>Gross carrying value defaulted exposures</b>
<b>Opening balance</b>	<b>136.617</b>
Loans and debt securities that have defaulted or impaired since last reporting period	35.512
Returned to non-defaulted status	-27.688
Amounts written off	-9.137
Other changes	-6.655
<b>Closing balance</b>	<b>128.649</b>

## Credit quality of exposures by geography

The table below represents the geographical breakdown of credit risk outstandings for loans and positions.

2020 in thousands of EUR	Gross carrying values of		Specific credit risk adjustment c	General credit risk adjustment d	Accumulated write-offs e	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures a	Non-defaulted exposures b					
Belgium	28.081	2.153.399	8.349	-	302	(3.546)	2.173.131
Germany	7.727	1.333.324	3.181	-	-	(993)	1.337.870
France	7.002	509.116	2.038	-	-	(884)	514.080
The Netherlands	66.296	7.155.904	10.356	-	1.454	(4.145)	7.211.844
Spain	51.788	2.570.157	24.924	-	2.210	(11.004)	2.597.021
United Kingdom	49.395	1.861.741	4.850	-	294	(3.343)	1.906.286
Other countries	3.061	121.664	344	-	28	-	124.381
<b>Total</b>	<b>213.350</b>	<b>15.705.305</b>	<b>54.042</b>	<b>-</b>	<b>4.288</b>	<b>-23.915</b>	<b>15.864.613</b>

2019 in thousands of EUR	Gross carrying values of		Specific credit risk adjustment c	General credit risk adjustment d	Accumulated write-offs e	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures a	Non-defaulted exposures b					
Belgium	12.816	2.185.555	4.384	-	636	(987)	2.193.987
Germany	8.782	1.000.222	1.459	-	4.864	(311)	1.007.545
France	2.733	558.659	881	-	-	(210)	560.511
The Netherlands	30.518	5.584.099	9.044	-	431	1.500	5.605.573
Spain	50.750	2.284.235	14.059	-	3.204	(3.027)	2.320.926
United Kingdom	27.337	1.719.909	1.951	-	-	(98)	1.745.295
Other countries	1.650	116.906	2.773	-	2	8	115.783
<b>Total</b>	<b>134.586</b>	<b>13.449.585</b>	<b>34.551</b>	<b>-</b>	<b>9.137</b>	<b>-3.125</b>	<b>13.549.620</b>

## Credit quality of exposures by industry or counterparty type

The table below represents the economic sector breakdown of credit risk outstandings for loans and positions that have been classified as non-performing loans.

2020 in thousands of EUR	Gross carrying values of		Specific credit risk adjustment c	General credit risk adjustment d	Accumulated write-offs e	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures a	Non-defaulted exposures b					
Banks and financial intermediation	5.324	3.901.121	6	-	-	(4)	3.906.439
Basic materials	706	82.583	1.996	-	-	(304)	81.293
Building materials	3.545	16.759	37	-	-	(26)	20.267
Consumer products (non-food)	531	1.725	69	-	-	(14)	2.187
Retail	7.091	33.745	1.376	-	-	(1.266)	39.460
Services	25.642	937.959	4.720	-	371	(2.955)	958.881
Healthcare and social work	16.269	787.806	4.851	-	1.801	(687)	799.224
Agriculture and fishing	24.473	137.566	2.854	-	810	(1.052)	159.185
Media	1.564	153.889	534	-	27	(343)	154.919
Utilities	8.797	1.861.678	5.381	-	-	(2.820)	1.865.094
Public Administration	-	1.266.926	54	-	-	(35)	1.266.872
Private individuals	3.764	3.440.413	8.029	-	238	(5.236)	3.436.148
Leisure and tourism	27.810	181.387	5.672	-	315	(548)	203.525
Transport and logistics	860	30.079	333	-	-	(285)	30.606
Real estate	42.533	1.295.712	5.408	-	-	(3.262)	1.332.837
Food and beverages	12.493	128.456	5.689	-	654	(2.068)	135.260
Other sectors	31.948	1.447.501	7.032	-	72	(3.008)	1.472.417
<b>Total</b>	<b>213.350</b>	<b>15.705.305</b>	<b>54.042</b>	<b>-</b>	<b>4.288</b>	<b>-23.915</b>	<b>15.864.613</b>

2019 in thousands of EUR	Gross carrying values of		Specific credit risk adjustment c	General credit risk adjustment d	Accumulated write-offs e	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures a	Non-defaulted exposures b					
Banks and financial intermediation	4.690	3.320.218	516	-	-	-	3.324.392
Basic materials	831	97.262	703	-	-	14	97.390
Building materials	3.402	15.111	1.657	-	-	-	16.856
Consumer products (non-food)	277	1.836	55	-	17	(46)	2.058
Retail	901	34.858	103	-	64	4	35.656
Services	26.367	882.890	3.417	-	109	(1.196)	905.840
Healthcare and social work	14.310	732.148	6.081	-	805	(86)	740.377
Agriculture and fishing	20.699	151.273	2.738	-	1.200	(625)	169.234
Media	1.445	111.467	265	-	261	27	112.647
Utilities	7.532	1.804.181	2.427	-	-	(189)	1.809.286
Public Administration	-	976.676	-	-	-	-	976.676
Private individuals	2.884	2.379.889	2.056	-	-	(11)	2.380.717
Leisure and tourism	23.663	180.110	5.437	-	6	301	198.336
Transport and logistics	705	38.593	56	-	30	-	39.242
Real estate	5.645	1.292.825	1.786	-	3	403	1.296.684
Food and beverages	11.431	102.406	3.099	-	5.902	(1.218)	110.738
Other sectors	9.804	1.327.842	4.155	-	740	(503)	1.333.491
<b>Total</b>	<b>134.586</b>	<b>13.449.585</b>	<b>34.551</b>	<b>-</b>	<b>9.137</b>	<b>-3.125</b>	<b>13.549.620</b>

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Credit risk mitigation

#### Balance sheet netting

Balance sheet netting is not applied.

#### Policies and processes for eligible collateral evaluation and management

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 timely, legally perfect, and effective and enforceable in a reasonable timeframe in all relevant jurisdictions.

Valuation of real estate is done by an independent valuer and statistical methods are used for monitoring the value.

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

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

#### Main types of collateral to mitigate credit risk

Triodos Bank recognizes the following types of collateral: Mortgages, guarantees, Pledges & Assignments (deposits, receivables, marketable securities) and other collateral: Inventory, livestock, plant & 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.

## Credit Risk Mitigation techniques – Overview

Credit risk mitigation relates to received collaterals (guarantees and pledged funds entrusted). As a result, the credit risk shifts from the exposure class of the direct counterparty to the exposure class of the collateral provider. This results in the fully adjusted exposure value for each exposure class.

The table below shows Triodos bank carrying amount of loans and debt securities. Exposures are presented as secured if there is a physical collateral, financial collateral or financial guarantee that covers the exposure partly or completely. Exposure with more than one collateral are allocated starting with the collateral type with the best quality.

<b>2020</b> in thousands of EUR	<b>Exposures unsecured – carrying amount</b>	<b>Exposures secured – Carrying amount</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by financial guarantees</b>	<b>Exposures secured by credit derivatives</b>
Total loans	2.836.291	6.340.891	5.648.302	692.589	-
Total debt securities	1.195.656	121.645	-	121.645	-
<b>Total exposures</b>	<b>4.031.947</b>	<b>6.462.536</b>	<b>5.648.302</b>	<b>814.234</b>	<b>-</b>
Of which: defaulted	27.637	140.751	134.161	6.590	-

<b>2019</b> in thousands of EUR	<b>Exposures unsecured – carrying amount</b>	<b>Exposures secured – Carrying amount</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by financial guarantees</b>	<b>Exposures secured by credit derivatives</b>
Total loans	1.652.588	6.579.517	6.007.369	572.148	-
Total debt securities	867.120	167.210	-	167.210	-
<b>Total exposures</b>	<b>2.519.708</b>	<b>6.746.727</b>	<b>6.007.369</b>	<b>739.358</b>	<b>-</b>
Of which: defaulted	17.671	82.816	80.209	2.607	-



## Standardised approach – Credit risk exposure and credit risk mitigation effects

The table below shows how credit risk mitigation (CRM) is distributed over the exposure classes. Triodos' exposure value is shown before and after credit risk mitigation. There are two principal methods for reducing or mitigating Credit Risk: i) by reduction of Credit Risk through the acceptance of pledged financial assets as collateral or ii) mitigation or shifting of credit risks to a lower risk weighting group by accepting guarantees from unrelated third parties. Triodos Bank uses both methods to take CRM effects into account, based on the Credit Risk Standardised Approach.

The table below illustrates the effect of all CRM techniques applied in accordance with the Part Three, Title II, Chapter 4 of Regulation (EU) 575/2013 on the standardised approach capital requirements' calculations. Risk weights depend on the exposure class and the credit rating of the direct counterparty or the collateral provider. Risk weighted exposure amount (RWA) density provides a synthetic metric on riskiness of each portfolio.

The risk-weighted value is calculated by multiplying the fully adjusted exposure value with the risk weight and the conversion factor. The Capital Requirement Regulation (CRR) state the definition of the exposure classes, the conversion factors and the risk weights.

2020 in thousands of EUR	Exposures before		Exposures post		RWAs and RWA density	
	On-balance- sheet amount	Off-balance- sheet amount	On-balance- sheet amount	Off-balance- sheet amount	RWAs	RWA density
<b>Exposure class:</b>						
Central governments or central banks	3.301.771	496	3.766.717	23.987	-	0,0%
Regional governments or local authorities	1.180.761	10.794	1.477.219	10.384	7.040	0,5%
Public sector entities	246.178	-	212.152	-	13.497	6,4%
Multilateral development banks	51.170	-	51.170	-	-	0,0%
Institutions	206.566	29	221.008	7	55.202	25,0%
Corporates	3.469.312	834.058	3.002.097	356.512	2.634.213	78,4%
Retail exposures	531.937	243.262	445.539	115.402	370.169	66,0%
Secured by mortgages on immovable property	4.387.212	888.833	4.212.892	437.191	1.762.294	37,9%
Exposures in default	172.951	7.414	160.613	2.453	200.748	123,1%
Items associated with particularly high risk	55.709	22.304	54.161	7.668	92.744	150,0%
Covered Bonds	11.178	-	11.178	-	1.118	10,0%
Equity exposures	24.578	-	24.578	-	24.578	100,0%
Other exposures	209.876	-	209.876	-	221.173	105,4%
<b>Total</b>	<b>13.849.199</b>	<b>2.007.190</b>	<b>13.849.199</b>	<b>953.604</b>	<b>5.382.776</b>	<b>36,4%</b>

2019 in thousands of EUR	Exposures before		Exposures post		RWAs and RWA density	
	On-balance- sheet amount	Off-balance- sheet amount	On-balance- sheet amount	Off-balance- sheet amount	RWAs	RWA density
<b>Exposure class:</b>						
Central governments or central banks	2.663.433	287	3.052.552	22.215	-	0,0%
Regional governments or local authorities	903.310	11.119	1.231.787	14.139	3.880	0,3%
Public sector entities	255.440	-	215.396	-	14.542	6,8%
Multilateral development banks	12.047	-	12.047	-	-	0,0%
Institutions	324.511	24	369.688	12	91.822	24,8%
Corporates	3.424.332	652.559	2.939.297	280.273	3.177.521	98,7%
Retail exposures	502.190	174.470	450.694	81.586	345.052	64,8%
Secured by mortgages on immovable property	3.540.428	612.576	3.369.572	302.662	1.488.999	40,5%
Exposures in default	103.554	4.139	97.487	2.008	110.088	110,6%
Items associated with particularly high risk	39.263	54.076	29.976	15.305	67.922	150,0%
Covered Bonds	11.843	-	11.843	-	1.184	10,0%
Equity exposures	17.226	-	17.226	-	17.226	100,0%
Other exposures	226.416	-	226.416	-	237.246	104,8%
<b>Total</b>	<b>12.023.993</b>	<b>1.509.250</b>	<b>12.023.981</b>	<b>718.200</b>	<b>5.555.482</b>	<b>43,6%</b>

## Standardised approach

The table below presents the breakdown, post conversion factor and post risk mitigation techniques, of exposures under the Standardised approach by exposure class and risk weight (corresponding to the

2020 in thousands of EUR	0%	10%	20%	35%	Risk weight		100%	150%	250%	Deducted	Total	Of which: unrated
					50%	75%						
<b>Exposure class:</b>												
Central governments or central banks	3.790.704	-	-	-	-	-	-	-	-	-	3.790.704	3.790.706
Regional governments or local authorities	1.452.401	-	35.202	-	-	-	-	-	-	-	1.487.603	1.482.413
Public sector entities	145.067	-	66.985	-	-	-	100	-	-	-	212.152	201.434
Multilateral development banks	51.170	-	-	-	-	-	-	-	-	-	51.170	51.170
Institutions	-	-	180.170	-	40.375	-	470	-	-	-	221.015	190.112
Corporates	-	-	13.096	-	26.750	-	3.309.529	9.234	-	-	3.358.609	3.357.881
Retail exposures	-	-	-	-	-	560.941	-	-	-	-	560.941	560.941
Secured by mortgages on immovable property	-	-	-	3.396.630	1.007.204	-	246.249	-	-	-	4.650.083	4.650.084
Exposures in default	-	-	-	-	-	-	87.700	75.366	-	-	163.066	163.065
Items associated with particularly high risk	-	-	-	-	-	-	-	61.829	-	-	61.829	61.829
Covered Bonds	-	11.178	-	-	-	-	-	-	-	-	11.178	10.172
Equity exposures	-	-	-	-	-	-	24.578	-	-	-	24.578	24.578
Other exposures	17	-	-	-	-	-	202.729	-	7.129	37.157	209.875	209.875
<b>Total</b>	<b>5.439.359</b>	<b>11.178</b>	<b>295.453</b>	<b>3.396.630</b>	<b>1.074.329</b>	<b>560.941</b>	<b>3.871.355</b>	<b>146.429</b>	<b>7.129</b>	<b>37.404</b>	<b>14.802.803</b>	<b>14.754.260</b>
<b>2019</b> in thousands of EUR					Risk weight						Total	Of which: unrated
					50%	75%						
<b>Exposure class:</b>												
Central governments or central banks	3.074.767	-	-	-	-	-	-	-	-	-	3.074.767	3.074.767
Regional governments or local authorities	1.226.524	-	19.402	-	-	-	-	-	-	-	1.245.926	1.245.768
Public sector entities	172.785	-	22.544	-	20.067	-	-	-	-	-	215.396	202.719
Multilateral development banks	12.047	-	-	-	-	-	-	-	-	-	12.047	12.047
Institutions	-	-	310.875	-	58.381	-	444	-	-	-	369.700	285.980
Corporates	-	-	16.972	-	11.230	-	3.191.368	-	-	-	3.219.570	3.219.523
Retail exposures	-	-	-	-	-	532.280	-	-	-	-	532.280	532.279
Secured by mortgages on immovable property	-	-	-	2.547.949	922.239	-	202.046	-	-	-	3.672.234	3.672.235
Exposures in default	-	-	-	-	-	-	78.311	21.184	-	-	99.495	99.496
Items associated with particularly high risk	-	-	-	-	-	-	-	45.281	-	-	45.281	45.281
Covered Bonds	-	11.843	-	-	-	-	-	-	-	-	11.843	10.659
Equity exposures	-	-	-	-	-	-	17.226	-	-	-	17.226	17.226
Other exposures	1.615	-	-	-	-	-	216.505	-	8.296	49.344	226.416	226.416
<b>Total</b>	<b>4.487.738</b>	<b>11.843</b>	<b>369.793</b>	<b>2.547.949</b>	<b>1.011.917</b>	<b>532.280</b>	<b>3.705.900</b>	<b>66.465</b>	<b>8.296</b>	<b>49.344</b>	<b>12.742.181</b>	<b>12.644.396</b>

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### External credit assessment institutions (ECAI)

#### Names of the external credit assessment institutions 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 and banks, and for a few corporates. External ratings are also used for calculating the minimum capital requirement for credit risk under the standardised approach. For this purpose, we use the ratings of Fitch and Moody's.

#### The exposure classes for which ECAI's are used

Regional governments or local authorities  
Public sector entities  
Institutions  
Corporates

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Counterparty credit risk

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

Triodos Bank applies the Standardized Approach to assign internal 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 derivatives via LCH Clearnet, which takes away any counterparty credit risk and whereas market value differences are covered by cash collateral.

#### Policies with respect to Wrong-Way risk

Triodos Bank enters 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. 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.

### Analysis of counterparty credit risk exposure by approach

2020 in thousands of EUR	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWAs
Market to market	1.976	6.248	8.224	5.001
Of which derivatives and long settlement transactions			8.224	5.001
<b>Total</b>	<b>1.976</b>	<b>6.248</b>	<b>8.224</b>	<b>5.001</b>

2019 in thousands of EUR	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWAs
Market to market	9.656	6.721	16.377	10.446
Of which derivatives and long settlement transactions			16.377	10.446
<b>Total</b>	<b>9.656</b>	<b>6.721</b>	<b>16.377</b>	<b>10.446</b>

## Credit valuation adjustment (CVA) capital charge

2020 in thousands of EUR	Exposure value	RWAs
All portfolios subject to the standardised method	4.940	1.295
<b>Total subject to the CVA capital charge</b>	<b>4.940</b>	<b>1.295</b>

2019 in thousands of EUR	Exposure value	RWAs
All portfolios subject to the standardised method	13.089	3.326
<b>Total subject to the CVA capital charge</b>	<b>13.089</b>	<b>3.326</b>

## Impact of netting and collateral held on exposure values

2020 in thousands of EUR	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	4.940	–	4.940	–	4.940
<b>Total exposures</b>	<b>4.940</b>	<b>–</b>	<b>4.940</b>	<b>–</b>	<b>4.940</b>

2019 in thousands of EU	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	13.089	–	13.089	–	13.089
<b>Total exposures</b>	<b>13.089</b>	<b>–</b>	<b>13.089</b>	<b>–</b>	<b>13.089</b>

## Standardised approach - Counterparty credit risk exposures by regulatory portfolio and risk

2020 in thousands of EUR	Risk weight							Total	Of which unrated
	0%	20%	50%	75%	100%	150%	Others		
Central governments or central banks	-	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Institutions	-	927	4.963	-	-	-	-	5.889	-
Corporates	-	-	-	-	2.334	-	-	2.334	2.334
Retail	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>927</b>	<b>4.963</b>	-	<b>2.334</b>	-	-	<b>8.224</b>	<b>2.334</b>

2019 in thousands of EUR	Risk weight							Total	Of which unrated
	0%	20%	50%	75%	100%	150%	Others		
Central governments or central banks	-	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Institutions	-	7.414	-	-	-	-	-	7.414	-
Corporates	-	-	-	-	8.963	-	-	8.963	8.963
Retail	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>7.414</b>	-	-	<b>8.963</b>	-	-	<b>16.377</b>	<b>8.963</b>

## Triodos Bank – Annual Report 2020 – Pillar 3 disclosures

### Encumbered and unencumbered assets

All amounts presented are median values of the previous four quarters of the reporting period

Assets can be differentiated between assets which are used to support funding or collateral needs (encumbered assets) and assets which are available for potential funding needs (unencumbered assets).

2020 in thousands of EUR (Median values)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
<b>Assets</b>	<b>987.957</b>		<b>12.219.506</b>	
Loans	655		2.774.308	
Equity instruments			14.376	14.376
Debt securities	143.145	145.538	1.170.622	1.187.287
Of which: covered bonds				
Of which: asset-backed securities				
Of which: issued by general governments	120.657	122.489	897.128	913.225
Of which: issued by financial corporations	22.452	23.040	197.285	198.533
Of which: issued by non-financial corporations			105.621	108.036
Loans and advances other than loans on demand	845.630		7.906.832	
Other assets			289.339	



2019 in thousands of EUR (Median values)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
<b>Assets</b>	<b>557.059</b>		<b>11.094.178</b>	
Loans	927		2.317.641	
Equity instruments			22.171	22.171
Debt securities	82.228	86.199	986.735	1.008.368
Of which: covered bonds				
Of which: asset-backed securities				
Of which: issued by general governments	82.228	86.199	617.624	634.595
Of which: issued by financial corporations			283.200	285.277
Of which: issued by non-financial corporations			99.776	102.517
Loans and advances other than loans on demand	473.904		7.362.902	
Other assets			327.263	

Equity instruments relate to balance sheet items shares and participating interests.

Debt securities relate to balance sheet items government paper and interest-bearing securities.

Carrying amounts are balance sheet amounts including premium on investments, discount on investments and accrued interest.

## Collateral received

All amounts presented are median values of the previous four quarters of the reporting period

2020 in thousands of EUR	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
<b>Collateral received by the reporting institution</b>	<b>0</b>	<b>0</b>
Loans on demand	0	0
Equity instruments		
Debt securities	0	0
Loans and advances other than loans on demand		
Other collateral received	0	0
<b>Own debt securities issued other than own covered bonds or asset- bucket securities</b>	<b>0</b>	<b>0</b>
<b>Own covered bonds and asset-bucket securities issued and not yet pledged</b>	<b>0</b>	<b>0</b>
<b>Total assets, collateral received and own debt securities issued</b>	<b>0</b>	<b>0</b>

In 2020 and 2019 Triodos Bank did not hold any collateral received.

## Sources of encumbrance

All amounts presented are median values of the previous four quarters of the reporting period

2020 in thousands of EUR	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Derivatives	-	-
Deposits	375.000	394.983
Loan commitments received	473.164	520.090
Other sources of encumbrance	46.787	47.009
<b>Total sources of encumbrance</b>	<b>894.951</b>	<b>962.082</b>

2019 in thousands of EUR	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Derivatives	-	-
Loan commitments received	454.733	477.241
Other sources of encumbrance	78.906	81.974
<b>Total sources of encumbrance</b>	<b>533.639</b>	<b>559.215</b>

### Securitisation

#### Securitisation activities

In 2019, Triodos executed its first retained residential mortgage backed securitisation (RMBS) transaction called Sinopel 2019 B.V. (“Sinopel”). A securitisation is a transaction where a pool of assets is sold to a special purpose vehicle. 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 is the sole buyer of the issued notes and as such has not transferred any credit risk. Through the retained RMBS, Triodos strengthens its financial resilience and gains additional access to (central bank) liquidity by pledging the notes as collateral with the Dutch Central Bank. The Sinopel RMBS is collateralised by Dutch residential mortgages loans. The structure is fully compliant with the new Simple Transparent Standardised EU regulation. For notes issued by Sinopel 2019 B.V., the following ECAIs were involved: DBRS Ratings Limited and S&P Global Ratings

#### Approach to calculate 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 consolidates Sinopel in its

#### Securitisation special purpose entities originated by Triodos

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

## Securitisation exposures in the non-trading book

Triodos Bank N.V. holds only Traditional Simple, Transparent and Standardised (STS) securitisations. These securitisations on mortgages only do not cause a Significant Risk Transfer (SRT).

2020 in thousands of EUR	STS	Traditional		Institution acts as originator		Sub-total	of which SRT
		of which SRT	Non-STS	Synthetic	of which SRT		
<b>Total exposures</b>	<b>719.498</b>	-	-	-	-	<b>719.498</b>	-
Retail (total)	719.498	-	-	-	-	719.498	-
residential mortgage	719.498	-	-	-	-	719.498	-
credit card	-	-	-	-	-	-	-
other retail exposures	-	-	-	-	-	-	-
re-securitisation	-	-	-	-	-	-	-
Wholesale (total)	-	-	-	-	-	-	-
loans to corporates	-	-	-	-	-	-	-
commercial mortgage	-	-	-	-	-	-	-
lease and receivables	-	-	-	-	-	-	-
other wholesale	-	-	-	-	-	-	-
re-securitisation	-	-	-	-	-	-	-

2019 in thousands of EUR	STS	Traditional		Institution acts as originator		Sub-total	of which SRT
		of which SRT	Non-STS	Synthetic	of which SRT		
<b>Total exposures</b>	<b>794.092</b>	-	-	-	-	<b>794.092</b>	-
Retail (total)	794.092	-	-	-	-	794.092	-
residential mortgage	794.092	-	-	-	-	794.092	-
credit card	-	-	-	-	-	-	-
other retail exposures	-	-	-	-	-	-	-
re-securitisation	-	-	-	-	-	-	-
Wholesale (total)	-	-	-	-	-	-	-
loans to corporates	-	-	-	-	-	-	-
commercial mortgage	-	-	-	-	-	-	-
lease and receivables	-	-	-	-	-	-	-
other wholesale	-	-	-	-	-	-	-
re-securitisation	-	-	-	-	-	-	-

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### Market risk

#### Market risk management

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 foreign exchange rates in particular. Triodos Bank does not have a trading book, but interest rate risk is present in the banking book.

Foreign exchange risk is the current or prospective risk to earnings and capital that arises from adverse movements in foreign exchange rates. Triodos Bank's base currency is the euro. The Triodos Bank aims to avoid net currency positions with the exception of those arising from strategic investments. The forward positions in foreign currencies are used for hedging the currency. The foreign exchange position is monitored on a daily basis and discussed in the Asset and Liability Committee on a monthly basis. Limits are agreed by the ALCo.

The following table shows Triodos Bank's foreign currency position in thousands of EUR as at 31 December.

2020	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	1.792.659	1.585.255	-	201.100	6.304	-
USD	13.995	434	4.908	4.908	13.561	-
NOK	95	-	-	-	95	-
AUD	1	-	-	-	1	-
SEK	52	-	-	-	52	-
INR	-	-	9.191	9.191	-	-
IDR	-	-	-	-	-	-
CNY	-	-	-	-	-	-
<b>Total</b>	<b>1.806.802</b>	<b>1.585.689</b>	<b>14.099</b>	<b>215.199</b>	<b>20.013</b>	<b>-</b>

Net open foreign currency position (total of net positions debit and credit): 30,982

2019	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	1.577.785	1.372.842	-	192.519	12.424	-
USD	20.083	1.676	9.708	9.708	18.407	-
NOK	101	-	-	-	101	-
AUD	1	-	-	-	1	-
SEK	49	-	-	-	49	-
INR	-	-	38.786	38.786	-	-
IDR	-	-	6.172	6.172	-	-
CNY	-	-	3.309	3.309	-	-
<b>Total</b>	<b>1.598.019</b>	<b>1.374.518</b>	<b>57.975</b>	<b>250.494</b>	<b>30.982</b>	<b>-</b>

Net open foreign currency position (total of net positions debit and credit): 19,616

### **Market risk structure and organisation**

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

### **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 amount of collateral needed. 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

### Operational risk

#### Risk management objectives and policies

Operational risks relate to losses 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 consists of identifying, managing and monitoring the risks within several subcategories including Information Security, Business Continuity, Tax risk and Financial reporting risk.

- Information security: Cyber threats are still high across the financial sector. Triodos Bank performs periodic cyber threat assessments to determine its strategy to limit these risks. The information security management system includes the Dutch Central Bank (DNB)'s framework for Information Security which is based on COBIT. In order to detect and respond to cybersecurity events a Security Operations Centre (SOC) is in place within Triodos Bank. Business Units follow both the central security plan but also have their own responsibility when setting up awareness training specific to local needs as strong security awareness among co-workers is also an essential part of security.
- 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 materialize. BCM provides a framework for building organizational resilience with the capability of an effective preparation and response 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 minimize 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 regulations and guidelines on BCM.
- Tax risk; Triodos Bank is subject to international tax risks due to its operations in several West-European countries. The local tax risks are managed by the respective local Triodos Bank business units, in close cooperation on tax matters supported by the tax department at group level.
- Financial reporting risk: Triodos Bank is subject to financial reporting risk which is mainly related to estimates and assumptions applied as further disclosed in the financial statements. Triodos Bank is continuously working on improving its reporting. Projects and improvement programs have been set up to ensure effective and efficient usage and analysis of data in order to support its decision processes.

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 operational risk framework. At Triodos Bank HO, the Group Head of Operational Risk reports to the CRO. The Group Risk Management function is mirrored locally in each of the BUs as much as possible, taking into account the level of proportionality. At BU level, the Local Head of Operational Risk reports hierarchically to the Local Head of Risk and functionally to the Group Head of Operational Risk. The Local Head of Risk reports hierarchically to the Managing Director and functionally to the Chief Risk Officer.

The Non-Financial Risk Committee, a decision-making risk committee at Group level with delegated decision-making power by the Executive board to take decisions on the non-financial risk appetite and other non-financial risks aspects (including Compliance), meets both locally and at a group level on a monthly basis. During 2020 the non-financial risk appetite KRI's were reviewed, updated and cascaded to the BU's.

The Operational Risk Framework follows the principles mentioned in the Sound Practices for the Management and Supervision of Operational Risk. These sound practices provide guidelines for the qualitative implementation of operational risk management and are advised by the Bank of International Settlements. The Operational Risk policy framework includes:

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



The Operational Risk 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. During 2020 control testing and key control management was extended to also support the monitoring DGS related control objectives. The Operational Risk Management department performs analyses on a continuous basis due to a risk event management process and strong reporting and communication lines between the Local Operational Risk departments and Group Operational Risk Management.

During the year 2020 there was one material loss of EUR 752k which caused a first level breach of a key risk indicator (the indicator for a Single Operational Loss (SOL)).

#### **Approach for the assessment of minimum own fund requirements**

Triodos Bank applies the Basic Indicator Approach to calculate minimum capital requirements for operational risk.

### Interest rate risk

#### Overall risk management and mitigation strategies for Interest Rate Risk

Interest rate risk is generated by normal customer related banking activities. Triodos Bank uses retail funding to finance clients and projects which aim to improve society and the environment. In addition, the bank maintains solid capital and liquidity buffers to support its resilience.

The level of 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 Interest Rate Risk in the Banking Book (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 development at the individual banking entities determines an important part of the risk development. Each banking entity sets up a budget for the next three years and updates it quarterly with a forecast. The budgets are consolidated and compliance with the risk appetite is checked. Adherence to the budget means that asset and liability management is predictable and therefore the fulfilment of the budget is closely monitored.

Triodos Banks manages its interest rate risk position in three ways.

- Firstly, Triodos Bank is to a limited extent able to steer the volume and interest rate terms of new assets and the interest rate of its liabilities in order 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 Swap (IRS) contracts 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 and subject to hedge accounting to avoid volatility in the P&L.

The ALCo is delegated by the Executive Board to monitor and take decisions related to the management of the IRRBB.

Additionally, the ALCo 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 our main strategic risks is the low interest rate environment. With the economy hit hard by the global pandemic and a long recovery ahead of us, low interest rates are likely to continue for some time, with a negative impact on Triodos Bank's return. As rates on the assets are decreasing, and the rates on the liabilities have hit the psychological floor of zero percent, the margin is being compressed. Negative rates on savings and current accounts of clients with a balance over EUR 100.000, as well as fees on savings accounts were introduced to be able to deal with the margin compression.

#### Definition, measurement, mitigation and control of Interest Rate Risk in the Banking Book (IRRBB)

Triodos Bank doesn't have a trading book, but interest rate risk is present in the banking book.

Triodos Bank defines interest rate risk in the banking book (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 which result from changes in the difference between two or more rates for different instruments with the same interest maturity but 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 instruments, due to explicit or implicit optionality embedded in the bank's products.

#### Main measures

Triodos Bank uses various indicators to measure interest rate risk. The interest rate risk position is monitored by the ALCo monthly and reported quarterly to the Executive Board. The main IRRBB indicators used are Net Interest Income 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 (which is the net present value of the future cash flows of all assets netted with the net present value of the future cash flows of the liabilities) in the event of an interest rate shock.
- Modified Duration of Equity: an indicator that expresses the sensitivity of the Economic Value of Equity in the event of parallel interest rate changes.
- Gap analysis: allows to get a quick and intuitive sense of how Triodos 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 is typically present in the form of 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 growth of the mortgage portfolio, Triodos has also worked (and continues working) on improving the data on off-balance commitments. Especially fixed rate commitments (which are 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. 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.

### **Key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income**

The model used for calculating IRRBB measures complies with the EBA guidelines. The balance sheet in our model develops according to the budget/forecasts for earnings calculations and uses a runoff profile for the EVE calculations. In the 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 below.

First of all, 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 used is to forecast the future outflow of the non-maturing deposits and their sensitivities to market conditions based on historical data, taking into consideration the statistical significance of that data. The model combines the relationship between client interest rates and market interest rates and outflow predictions.

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

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 considered as well.

The EVE measures, Duration of Equity and Outlier Criterion measures are determined using risk free discounting and commercial margin and other spread components are excluded from the cash flow calculations.

### **Explanation of the risk measures significant variations of those risk measures**

The one-year Net Interest Income at Risk increased from 2.5% at the end of 2019 to 2.8% at the end of 2020. This is the impact of a ramped parallel 2% downward scenario, a floor based on expert judgement is applied to the market rates.

Duration of equity increased from 0.3 years to 3.3 years in 2020. This increase was mainly caused by the growing mortgage portfolio and the inclusion of interest rate sensitivity of embedded options in the duration of equity measure. These two effects were partly offset with a higher savings duration caused by the continuing low interest rate environment.

The Economic Value of Equity (EVE) at Risk increased from 4.1% at the end of 2019 to 15.0% at the end of 2020. The sharp increase is partly due to the introduction of risk-free discounting, and partly due to the growing mortgage portfolio. When using the same methodology as last year, the current value would be 9.4%. The worst-case scenario from the perspective of EVE at Risk occurs under a parallel upward shock of the yield curve. The supervisory outlier test (SOT) increased from 12.9% at the end of 2019 to 17.2% at the end of 2020. All EVE measures including the SOT are now calculated using risk-free discounting, only the duration of equity is still calculated using product specific spread components. The new methodologies impact the numbers significantly, together with the introduction of the new methodologies the process was started to gradually reduce the interest rate risk, this process will be finalized in the first quarter of 2021.

Regarding the EUR portfolio, the duration of equity increased from 0.4 years at the end of 2019 to 2.81 years at the end of 2020. The one-year Euro Net interest Income at Risk, at 2020 year-end, increased slightly from 2.6% to 3.1%, compared to the end of 2019. The EUR EVE at Risk increased from 4.7% at the end of 2019 to 16.3% at the end of 2020.

Duration of equity of the Pound Sterling (GBP) portfolio increased from 0.4 years at the end of 2019 to 5.2 years at the end of 2020. The one-year GBP Net Interest Income at Risk decreased from 3.2% at the end of 2019 to 0.9% at the end of 2020. The GBP EVE at Risk increased from 5.5% at the end of 2019 to 9.7% at the end of 2019.

## Economic Value of Equity at Risk

	2020			2019		
	EUR	GBP	Total	EUR	GBP	Total
Scenario 1 - Parallel up	-16%	-10%	-15%	-3%	-5%	-3%
Scenario 2 - Parallel down	1%	10%	1%	-2%	13%	0%
Scenario 3 - Steepener	-9%	-4%	-8%	-5%	-1%	-4%
Scenario 4 - Flattener	5%	7%	3%	2%	4%	1%
Scenario 5 - Short rate up	3%	-2%	1%	4%	-2%	1%
Scenario 6 - Short rate down	0%	5%	1%	-2%	5%	-1%

## Net Interest Income at Risk

	2020			2019		
	EUR	GBP	Total	EUR	GBP	Total
Parallel Down - 1 Year	-3%	-1%	-3%	-3%	-3%	-3%
Parallel Down - 2 Year	-6%	-3%	-6%	-5%	-4%	-5%
Parallel up - 1 Year	20%	3%	17%	23%	9%	20%
Parallel up - 2 Year	37%	8%	32%	38%	12%	33%

### Remuneration

#### Information relating to the bodies that oversee remuneration

The Supervisory Board installed a Remuneration Committee, to be appointed by the Supervisory Board from its own members. The (entire) Supervisory Board remains responsible for its decisions even if they were prepared by the Remuneration Committees.

The Remuneration Committee shall be 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 shall take into account the long-term interests of the shareholders, the investors and other stakeholders of the Company.

Members of this Committee are Fieke van der Lecq (Chair), Aart de Geus and Dineke Oldenhof.

The number of meetings held by the Remuneration Committee in 2020 was 6.

In 2020 no advice had been sought by external consultants concerning remuneration.

The International Remuneration & Nomination Policy of Triodos Bank is applicable to all Business Units of Triodos Bank Group and in all countries where Triodos Bank is operating.

Triodos Bank Group is the economic and organisational unity, under central control, constituted by a primary group consisting of Triodos Bank N.V. and all legal entities in which Triodos Bank N.V. owns more than 50% of the economic rights, and a secondary group consisting of all legal entities in which the primary group has effective management control, as well as the Triodos Investment funds incorporated in the Netherlands and Luxembourg.

Within Triodos Bank the identified staff are:

- all members of the Executive Board and Supervisory Board;
- all Managing Directors and core Management Team members;
- all Group Directors, the Senior Advisor Corporate Strategy and the Chief Economist;
- Group Heads of Operational Risk Management, Credit Risk, Enterprise Risk and ALM Risk & Modelling;
- Local Heads of Risk, Compliance, ICT, Operations, Business Banking, Retail Banking and Finance;
- Co-workers that are within the 0,3% of the number of staff, rounded up to the next integer, who have been awarded the highest total remuneration in the preceding financial year.

#### Design and structure of the remuneration system

The International Remuneration & Nomination policy is based on the principle of human dignity and aims to enhance social coherence within the organisation. The policy incorporates the Dutch Central Bank 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 GRI standards for sustainability reporting. In our view, remuneration enables co-workers to earn a decent living and to contribute to the organisation and society at large. Triodos Bank believes in the intrinsic motivation of its co-workers to contribute to our mission and to work according to our 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.

A revised International Remuneration & Nomination policy was approved by the Supervisory Board on 10 December 2020.

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 & Nomination Policy.

#### Key elements of Triodos Bank's International Remuneration & Nomination Policy are:

- Triodos Bank does not offer bonus or share option schemes to members of the Executive Board, the Supervisory Board, the Board of SAAT or co-workers. Financial incentives are not considered an appropriate way to motivate and reward co-workers in a values-based bank. In addition, sustainability is by its very nature the result of a combined effort by team members aimed at both the short and long term.
- Triodos Bank may provide additional individual tokens of appreciation. These are very limited and decided discretionally. They are restricted to a maximum one month's salary with a maximum of EUR 10,000 gross a year. These contributions are for extraordinary achievements and are at the discretion of management after consultation with Human Resources. Tokens of Appreciations are not based on pre-set targets and are always offered retrospectively. The tokens of appreciation are subject to claw-back arrangements. Members of the Executive Board are excluded from these awards.
- An annual, collective token of appreciation can be paid for the overall achievements and contribution of all co-workers. This very modest amount, 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 2020.

- Severance payments should be in line with the principles of the International Remuneration & Nomination policy and should never reward failure or misconduct. Severance payments could be necessary to avoid conflicts that could be harmful to Triodos Bank. Severance payments to members of the Executive Board and members of senior management do not exceed one year's salary.

More details on the Triodos Bank International Remuneration & Nomination Policy are available on the [www.triodos.com](https://www.triodos.com/governance#corporate-governance) (<https://www.triodos.com/governance#corporate-governance>).

The International Remuneration & Nomination Policy will be reviewed on an annual basis. The Group Director Human Resources will assess 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 will monitor the legal developments and notify HR of any changes in regulation related to remuneration that need to be included in this Policy.

Human Resources will present the reviewed Policy to the Executive Board, after joint consultation of the independent control functions. The Executive Board will present the reviewed Policy to the Remuneration Committee. The Remuneration Committee will present the reviewed Policy to the Supervisory Board for decision making.

In 2020 no material changes were made in the International Remuneration & Nomination Policy.

Appointment, dismissal, remuneration and appraisals of co-workers in a local control function cannot be decided by the local manager to whom the local control function reports alone. The Group Control Functions must approve the appointment and dismissal and give input to the appraisal of the control functions. The Group Control Functions are informed about the remuneration of the Local Control Functions. In the exceptional case the Group Control Function does not agree with the local manager, the Group Control Function can overrule the decision of the local manager.

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

In 2020 the role of the Group Director Risk is taken over by the Chief Risk Officer, member of the Executive Board. Remuneration of the members of the Executive Board is the responsibility of the Supervisory Board.

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

#### 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.

For tokens of appreciation: see the second bullet of "Key elements of Triodos Bank's International Remuneration & Nomination Policy".

### Remuneration of identified staff in 2020

	Identified staff in senior management positions, incl EB	All other Identified staff
Number of co-workers	13	50
<b>Remuneration</b>		
Total fix remuneration	3	6
Total variable remuneration	-	2
of which in cash	-	2
of which in shares or share-based instruments	-	-
of which in other instruments	-	-
Total amount deferred remuneration	-	-
Welcome payments		
Number of beneficiaries	-	-
Total amount	-	-
Severance payments <sup>1</sup>		
Number of beneficiaries	2	1
Total amount granted	520	68
Maximum individual amount granted	320	68

<sup>1</sup> Severance payments include payments in case of leave, e.g. to facilitate a proper handover

There is no outstanding deferred remuneration.

No one is being remunerated EUR 1 million or more.