Triodos Bank

Statement by Sabijn Timmers, CRO Triodos Bank, at public ECON-hearing on the banking package, European Parliament, Brussels, 25 April 2017

Thank you chairman, and thanks to the ECON committee for inviting me.

Triodos Bank is a bank with a different perspective, both in size and mission.

We are a European bank, active in 6 countries, including investment management.

Our balance sheet total adds up to 13.5 billion euro assets under management, and we serve over 600,000 clients.

We use the savings money of our clients mainly to invest in sustainable SMEs, green mortgages and renewable energy.

Our CET1 ratio is 19.8% and has historically been around 20%; during the last 10 years it was never below 13.8%.

Our mission is to deliver positive impact and use the transformational power of money to help create an economy that is social, smart and sustainable.

Triodos Bank welcomes the Commission's proposals especially with respect to issues that matter a lot to society: the supporting factors for infrastructure that serves a public need and for SMEs.

We also appreciate the attention to proportionality.

First, as to the risk management of sustainable infrastructure, we've been sharing our approach with the Services to express our support.

Our way of assessing, following and controlling the risk of this special kind of exposure is very much in line with the proposal.

The main difference is that we add social and environmental impact considerations as additional conditions.

By applying stricter assessment criteria as proposed, I can justify the reduction of the risk weight.

Second, the SME clients of Triodos Bank are part of the real economy, and by nature we are very close to our clients. This is why our SMEs are less sensitive to all kinds of global shocks.

We've observed that entrepreneurs that take good care of their people and our planet, also take good care of the longer term profitability of their business, confirmed by our low historic losses of around 30 bps.

This observation indeed justifies the reduction of the risk weight for our portfolio, and also the introduction of a new 85% supporting factor for the larger SME's.

In order to ensure that SME lending is actually done in a sound and sustainable manner, you could think of criteria similar to what has been done for infrastructure, but applied to the special situation of SMEs.

Finally, regarding proportionality, I'd like to underline that proportionality can never be applied at the expense of prudence!

All banks, big or small, must meet standards regarding solvency, leverage, concentration, sound liquidity management, corporate governance, and recovery & resolution plans.

I know Madame Nouy wrote to Mr Giegold in 2015 that she and her staff at the ECB are aware of the need for proportionality, and it would be helpful if this was made explicit in our dialogue with the supervisor.

Because we believe that a diverse banking landscape is a way to avoid systemic risk.

That means we have to accept that we are organised differently, and have different challenges, compared to big banks.

Apart from this supervisory dialogue, a dialogue between the supervisors themselves could improve the situation of all banks.

We're sometimes confronted with different ways of implementation in the six countries where we operate with branches, as we now see in AnaCredit.

Another aspect of proportionality is competition between IRB banks and Standardised banks.

I observe a disadvantage for smaller banks reporting under the standardised approach compared to the IRB banks, even when they apply sound risk management approaches.

For example, for a straightforward mortgage portfolio, I apply a risk weight of 35%, which is much more than what I hear IRB banks are applying, and while my losses in the mortgage portfolio are very low.

You could consider whether sound risk management could be recognised in the standardised approach to ensure a level playing field.

To conclude, we believe that small, social and sustainable banking can be both competitive and prudentially sound, if:

- supervisors clearly communicate how they effectively apply the rules of proportionality;

- and if specialised, sound risk management is recognised in targeted supporting factors.

I look forward to your questions.

About Triodos Bank
Founded in 1980, Triodos Bank has become a reference point for sustainable banking globally. Triodos Bank is an independent bank that promotes sustainable and transparent banking. It does not see any conflict between a focus on people and the planet and a good financial return. Instead it believes that they reinforce each other in the long-term.
Triodos Bank has branches in the Netherlands, Belgium, the UK, Spain, Germany and an agency in France. It is a global authority in the field of microfinance in developing countries, Central Asia and Eastern Europe.
Triodos Bank co-founded the Global Alliance for Banking on Values, a network of 36 sustainable banks. Together these banks want to grow sustainable banking and its impact substantially.
Triodos Bank N.V. has a full banking licence and is registered with The Nederlandsche Bank N.V. (the Dutch central bank) and The Netherlands Authority for the Financial Markets.
Most recent company information is available on Triodos Bank's website: www.triodos.com

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