

Triodos  Bank

Annual Report 2012

Triodos Bank's Annual Report is also available online. Visit the 2012 Online Annual Report for more detailed information, including interviews, summaries of our activity in different countries in Europe and further afield, comprehensive co-worker and environmental reports, and much more.

www.triodos.com/reports



Important data for Triodos Bank's shareholders
and depository receipt holders.

Annual general meeting of shareholders	17 May 2013
Ex-dividend date	23 May 2013
Dividend payment date	24 May 2013

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Triodos Bank N.V.

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Key figures in EUR

Amounts in millions of EUR	2012	2011	2010	2009	2008
Financial					
Equity	565	451	362	318	204
Number of depository receipt holders	26,876	21,638	16,991	14,778	11,797
Funds entrusted	4,594	3,731	3,039	2,585	2,077
Number of accounts	454,927	363,086	278,289	228,030	169,517
Loans	3,285	2,838	2,128	1,661	1,270
Number	24,082	21,900	17,283	14,438	9,381
Balance sheet total	5,291	4,291	3,495	2,985	2,363
Funds under management*	2,754	2,495	2,122	1,876	1,378
Total assets under management	8,045	6,786	5,617	4,861	3,741
Total income	151.6	128.7	102.7	88.3	73.7
Operating expenses	-100.1	-89.9	-78.0	-70.4	-55.5
Value adjustments to receivables	-20.9	-15.8	-9.8	-5.0	-3.2
Value adjustments to participating interests	0.2	-0.1	-0.1	-0.4	-1.0
Operating result before taxation	30.8	22.9	14.8	12.5	14.0
Taxation on operating result	-8.2	-5.6	-3.3	-2.9	-3.9
Net profit	22.6	17.3	11.5	9.6	10.1
(Core) tier 1 ratio	15.9%	14.0%	13.8%	15.3%	11.6%
Solvency (BIS ratio)	16.0%	14.4%	14.7%	16.5%	13.0%
Operating expenses/total income	66%	70%	76%	80%	75%
Return on equity in %	4.5%	4.3%	3.4%	4.1%	5.0%
Per share (in EUR)					
Net asset value at year end	75	74	73	72	70
Net profit**	3.37	3.18	2.45	3.00	3.51
Dividend	1.95	1.95	1.95	1.95	1.95

	2012	2011	2010	2009	2008
Social					
Number of co-workers at year end***	788	720	636	577	477
Co-worker turnover	10%	9%	11%	10%	14%
Women as percentage of management team	42%	37%	35%	27%	29%
Training costs per co-worker in EUR	1,731	2,020	1,897	1,318	1,240
Ratio between the highest and the lowest salary****	9.4	9.8	8.5	8.5	7.7
Environment					
Emission of CO ₂ (1,000 kg)	2,986	2,885	2,800	2,604	2,097
CO ₂ compensation	100%	100%	100%	100%	100%

* Including funds under management with affiliated parties that have not been included in the consolidation.

** The figure of net profit per share is calculated on the average number of issued shares in circulation during the financial year.

*** Concerns all co-workers employed by Triodos Bank N.V., excluding co-workers employed by the joint venture Triodos MeesPierson.

**** The increase in 2011 is due to a new, lower scale position undertaken by a young co-worker. Lower scale positions are paid at just above market rates.

Key figures in pounds

Amounts in millions of pounds#	2012	2011	2010	2009	2008
Financial					
Equity	461	377	312	283	194
Number of depository receipt holders	26,876	21,638	16,991	14,778	11,797
Funds entrusted	3,749	3,116	2,615	2,295	1,978
Number of accounts	454,927	363,086	278,289	228,030	169,517
Loans	2,681	2,370	1,831	1,475	1,210
Number	24,082	21,900	17,283	14,438	9,381
Balance sheet total	4,318	3,584	3,008	2,652	2,251
Funds under management*	2,247	2,084	1,827	1,665	1,312
Total assets under management	6,565	5,668	4,835	4,317	3,563
Total income	123.7	107.5	88.4	78.4	70.2
Operating expenses	-81.7	-75.1	-67.1	-62.5	-52.9
Value adjustments to receivables	-17.1	-13.2	-8.5	-4.4	-3.1
Value adjustments to participating interests	0.2	-0.1	-0.1	-0.4	-0.9
Operating result before taxation	25.1	19.1	12.7	11.1	13.3
Taxation on operating result	-6.7	-4.6	-2.8	-2.6	-3.6
Net profit	18.4	14.5	9.9	8.5	9.7
(Core) tier 1 ratio	15.9%	14.0%	13.8%	15.3%	11.6%
Solvency (BIS ratio)	16.0%	14.4%	14.7%	16.5%	13.0%
Operating expenses/total income	66%	70%	76%	80%	75%
Return on equity in %	4.5%	4.3%	3.4%	4.1%	5.0%
Per share (in GBP)					
Net asset value at year end	61	62	63	64	67
Net profit**	2.75	2.66	2.11	2.66	3.34
Dividend	1.59	1.63	1.68	1.73	1.86

	2012	2011	2010	2009	2008
Social					
Number of co-workers at year end***	788	720	636	577	477
Co-worker turnover	10%	9%	11%	10%	14%
Women as percentage of management team	42%	37%	35%	27%	29%
Training costs per co-worker in pounds	1,413	1,687	1,633	1,171	1,176
Ratio between the highest and the lowest salary ****	9.4	9.8	8.5	8.5	7.7
Environment					
Emission of CO ₂ (1,000 kg)	2,986	2,885	2,800	2,604	2,097
CO ₂ compensation	100%	100%	100%	100%	100%

Converted to pounds sterling at the mid-market exchange rate applying at each year end.

* Including funds under management with affiliated parties that have not been included in the consolidation.

** The figure of net profit per share is calculated on the average number of issued shares in circulation during the financial year.

*** Concerns all co-workers employed by Triodos Bank N.V., excluding co-workers employed by the joint venture Triodos MeesPierson.

**** The increase in 2011 is due to a new, lower scale position undertaken by a young co-worker. Lower scale positions are paid at just above market rates.

Key figures in US-dollars

Amounts in millions of US-dollars#	2012	2011	2010	2009	2008
Financial					
Equity	746	584	484	458	284
Number of depository receipt holders	26,876	21,638	16,991	14,778	11,797
Funds entrusted	6,061	4,827	4,060	3,723	2,890
Number of accounts	454,927	363,086	278,289	228,030	169,517
Loans	4,335	3,672	2,843	2,393	1,768
Number	24,082	21,900	17,283	14,438	9,381
Balance sheet total	6,981	5,552	4,670	4,301	3,289
Funds under management*	3,633	3,228	2,835	2,701	1,918
Total assets under management	10,614	8,780	7,505	7,002	5,207
Total income	200.0	166.5	137.3	127.3	102.6
Operating expenses	-132.1	-116.3	-104.2	-101.4	-77.3
Value adjustments to receivables	-27.6	-20.4	-13.2	-7.2	-4.4
Value adjustments to participating interests	0.3	-0.1	-0.2	-0.7	-1.4
Operating result before taxation	40.6	29.7	19.7	18.0	19.5
Taxation on operating result	-10.8	-7.2	-4.4	-4.2	-5.4
Net profit	29.8	22.5	15.3	13.8	14.1
(Core) tier 1 ratio	15.9%	14.0%	13.8%	15.3%	11.6%
Solvency (BIS ratio)	16.0%	14.4%	14.7%	16.5%	13.0%
Operating expenses/total income	66%	70%	76%	80%	75%
Return on equity in %	4.5%	4.3%	3.4%	4.1%	5.0%
Per share (in USD)					
Net asset value at year end	99	96	98	104	97
Net profit**	4.45	4.11	3.27	4.32	4.88
Dividend	2.57	2.52	2.61	2.81	2.71

	2012	2011	2010	2009	2008
Social					
Number of co-workers at year end***	788	720	636	577	477
Co-worker turnover	10%	9%	11%	10%	14%
Women as percentage of management team	42%	37%	35%	27%	29%
Training costs per co-worker in dollars	2,284	2,614	2,535	1,899	1,719
Ratio between the highest and the lowest salary****	9.4	9.8	8.5	8.5	7.7
Environment					
Emission of CO ₂ (1,000 kg)	2,986	2,885	2,800	2,604	2,097
CO ₂ compensation	100%	100%	100%	100%	100%

Converted to US-dollars at the mid-market exchange rate applying at each year end.

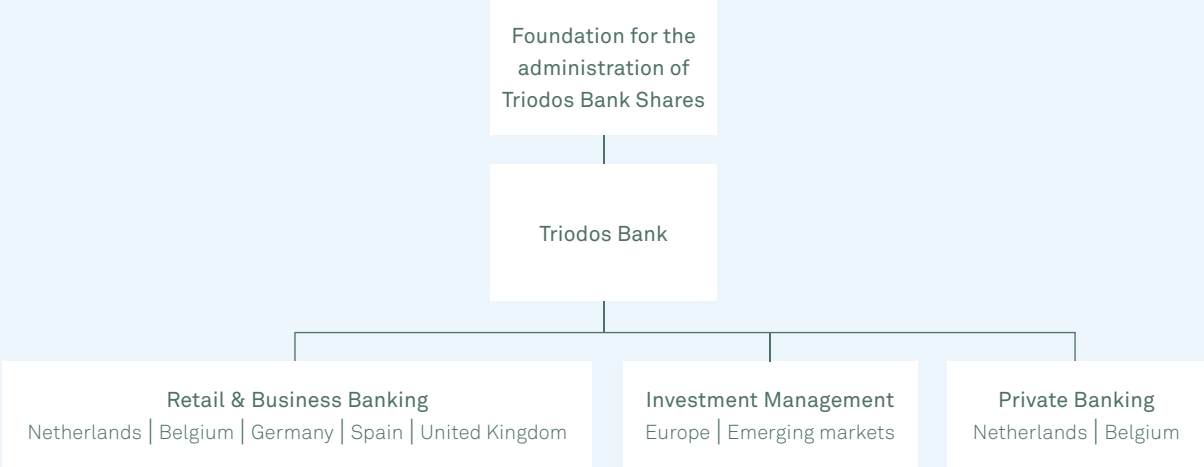
* Including funds under management with affiliated parties that have not been included in the consolidation.

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Triodos Group structure 2012



Retail Banking

Through our European branch network, our goal is to offer our customers a credible set of services including savings, payments, lending and investments.

Business Banking

We lend money only to organisations working to bring about positive and lasting change. With our lendings, we focus on three key areas:

- Nature & Environment
- Culture & Welfare
- Social Business

Impact Investing

takes place through investment funds or investment institutions bearing the Triodos name.

The 19 active funds are grouped in business lines based on the themes they invest in:

- Energy & Climate
- Emerging Markets
- Real Estate
- Arts & Culture
- Sustainable food & Agriculture
- Socially Responsible Investment (SRI)

Private Banking

offers a broad range of financial and non-financial services to wealthier people, foundations, associations and religious institutions.

Sustainable asset management is the core service and includes both Triodos Investment funds and private asset management.

Sustainable banking

Triodos Bank finances companies, institutions and projects that add cultural value and benefit people and the environment, with the support of depositors and investors who want to encourage socially responsible business and a sustainable society.

Triodos Bank's mission is

- to help create a society that promotes people's quality of life and that has human dignity at its core,
- to enable individuals, institutions and businesses to use money more consciously in ways that benefit people and the environment, and promote sustainable development,
- to offer customers sustainable financial products and high quality service.

Ambition

Triodos Bank wants to promote human dignity, environmental conservation and a focus on people's quality of life in general. Key to this is a genuinely responsible approach to business, transparency and using money more consciously. Triodos Bank puts sustainable banking into practice. First and foremost, this means offering products and services that directly promote sustainability. Money plays a leading role in this because using money consciously means investing in a sustainable economy. This in turn helps to create a society that enjoys a better quality of life.

Market and core activities

Triodos Bank aims to achieve its mission as a sustainable bank in three ways.

As a relationship bank

Triodos Bank's service is built on deepening and developing long-term relationships with its customers. This singular focus on relationships is shared across the organisation, while how they are developed differs as the organisation benefits from unity within the diversity of its branches and geographies. It fosters these relationships through various channels, including offices where customers

meet co-workers face-to-face, by post, over the phone and increasingly via the internet.

Triodos Bank's aim is to create a broad customer base that's closely connected to it – a combination of private and corporate customers who have made a conscious decision to bank with Triodos. Exactly how this happens also differs in each country; its services have developed in different ways in each of the countries where it works, depending in part on the stage of development of the branches and offices in question.

As a sustainable service provider

Bank customers not only want sustainable products and services, but also competitive prices and a professional service. Triodos Bank believes that these key customer values cannot be seen in isolation. So it tries to offer a collective package of banking services to promote sustainable development. And it does so, in the context of meaningful, transparent relationships with its customers.

Triodos Bank commitment to meaningful relationships as a key strategic objective, leads to the development of innovative products which directly reflect the mission and values at the core of its work. Product development takes place in all countries. In Spain, as in other branches, a savings account allows customers to amplify the conscious use of their money by choosing to donate a percentage or all their interest to a non-governmental organisation.

Triodos Bank's UK-based Corporate Finance business established itself as a leader in the emerging social investment market by raising two groundbreaking Social Impact Bonds to finance contracts aimed at ending homelessness and reducing unemployment. While in The Netherlands, in 2012, the branch launched the world's first mobile banking app to connect savers with the sustainable projects they finance.

The Netherlands are also home to various funds, which enable investors to invest in sectors such as sustainable energy, arts and culture and inclusive financial sectors in emerging markets. Some of these funds benefit from innovative tax breaks designed to encourage investment in the sectors they serve.

As a reference point

Triodos Bank wants to stimulate public debate on issues such as quality of life, corporate social responsibility and sustainable banking. It also wants to use over 30 years' experience to encourage society to promote more sustainable development.

The implications of this public debate extend well beyond the activities of Triodos Bank itself. Triodos Bank's vision and approach has led to international recognition. Its participation in the public debate, often through high impact events that it hosts and participates in, means people can see what Triodos Bank stands for and hear its opinions about important social trends. Triodos Bank's identity is crucial in this respect, strengthening the Triodos Bank brand and reputation.

Executive Board report

Balancing act

We live in a time when each one of us can make a difference to our economy and society. To create one that is more sustainable, human and innovative. Triodos Bank is part of a growing movement building a sustainable future and better quality of life. It is part of an economy it wants to transform, by promoting the conscious use of money so that people are aware of the vital impact of their savings, investments and the choices they make about how they manage their finances.

Yet, despite increasing impact and influence, we remain a relatively small player, particularly in the banking sector. However, scale is not the only thing that matters. Indeed, small players can make a difference when they are part of a growing and dynamic movement in society. So how did we make a difference in a year that continued to be dominated by macro-economic troubles? And how do the acute financial ills of Europe, in particular, affect Triodos Bank and our stakeholders?

Striking the right balance, in an unpredictable world, has been central to developments in 2012. Supranational bodies like the European Union, national economies and their leaders, businesses and banks, and many individuals they serve have struggled to cope with a seemingly perpetual economic downturn.

At a European level, the oversupply of money to maintain the economy has led to imbalances. Quantitative easing, pumping money into the economy in an effort to stimulate lending, has had limited impact. Plenty of money has circulated in some parts of Europe for example, including injections from governments and deposits from savers looking for safe places for their money despite relatively low interest rates. But there have not been sufficient opportunities to lend it on to businesses, or banks have been reluctant or unable to do so. At the same time some countries, particularly in Southern Europe, have wrestled with austerity measures conditional on extensive loans.

For the pessimistic this pain has, at times, threatened the European project itself. But, Triodos Bank firmly believes that the characteristics of the European Union, including its diversity, open markets and free exchange of ideas, are exactly the things that should safeguard its long-term future. And indeed, the shared values that underpin Europe, such as solidarity and cultural diversity, represent many of the same characteristics that make Triodos Bank work effectively.

Unity in diversity

In practice, for Triodos Bank, this approach means if we are active in a country we want to be deeply connected with our core sectors within the real economy there. We are a European bank with growing branches operating in, and collaborating across, five different countries and cultures. The sustainable foundations for our work benefit from this diversity. It is evident both in the different geographical country offices – in The Netherlands, Belgium, the UK, Spain and Germany – and in the different sectors we work in within these markets. And, at the end of 2012, Triodos Bank further strengthened its diversity by setting up a representative office in France.

All offices are responsible for raising capital in their country, as we have done once again in 2012. This capital is crucial because it allows us to lend more to sustainable enterprises pioneering a greener, fairer economy. We also aim to raise enough deposits to meet our lending needs in those countries because there is a need for a transformational process to a more sustainable economy in every country where we work.

Building closely connected and self-sustaining country offices means we can check that our model is sustainable, relevant and works in each location. The countries in which we operate faced various challenges during the year. And our branches collectively, and individually, coped well with them. Triodos Bank's connection to the real economy and deep, direct relationships with its customers, has led to growth of more than 20% in the balance

sheet, raising more than EUR 96 million in new capital and attracting almost 82,000 new customers during the year. Since the banking crisis began in 2008, Triodos Bank has more than doubled in size.

These numbers are just one part of the Triodos Bank story for customers who see a robust, transparent, bank with a straight-forward savings and loans business at its core. As a result these stakeholders – whether depositors, borrowers or investors – are confident that we will manage their finances effectively.

They see us establish meaningful relationships in the sustainable sectors where we operate. From a bank perspective, we know the enterprises we lend to and invest in personally, allowing us to manage risk effectively. This approach, and the geographical and sectoral diversity it is built on, has enabled Triodos Bank to develop a robust and resilient model.

A robust business case

There is empirical evidence that this approach works not just for Triodos Bank but for values-based banks around the world. During the year, the Global Alliance for Banking on Values (GABV) – a growing network of 21 sustainable banks – co-founded by Triodos Bank in 2009, published research comparing the performance of sustainable banks and the biggest banks in the world from 2002 to 2011. The study is deliberately not limited to the years since the crisis in 2008, and includes the period of heady results in high-street banking before it.

Against almost every key financial measure, the sustainable banks outperformed the world's best-known banking names, proportionally lending more, growing more, and with stronger capital positions. The research showed, for example, that sustainable banks allocate much more of their balance sheet to lending, relative to the big banks.

The ratio of loans to assets in sustainable banks (72%) was almost double that of the big banks (41%) over the period studied.

A new ecology of banks

This is important, because it challenges traditional notions that big is always better, particularly when viewed through the narrow lens of profit maximisation. It also demonstrates that there is a need for more diversity in the banking sector, and argues forcefully that it is simply not true that the only way to survive is to be big. If we want a financial future that avoids the shortcomings of the past, and more importantly helps co-create a fairer, more environmentally sound, sustainable and prosperous economy, we need a banking system that's comprised of a rich ecology of banks, of different sizes, geographic proximity and sector specialisation.

Banks like Triodos, and others, add to this diversity; as in nature, where biodiversity produces greater resilience, so with the economy. Smaller banks have a vital role providing this balance, nurturing a diverse banking environment that's suited to the demands of the future.

A strategy for the right kind of growth

Balance also extends to the Triodos Bank business model itself. This report shows how we have grown again in 2012 but at what we consider to be a healthy level. Growing a loan book at 16% means a lot of dedication, hard work and additional impact; growing much more than this could present risks that we do not want.

For Triodos Bank, growth is not an end in itself. Yet, growth is important, and central to our business strategy, because it means we are lending more to sustainable entrepreneurs and increasing our impact in the sectors where we're active. It shows that what we do is meeting real social needs, and reflects the fact that more and more people are, literally, buying in to the concept of using money more consciously, from savers to investors. It proves that a different way of banking is both possible and attractive to large numbers of people.

Balance sheet growth of 23% during the year is part of steady and appropriate growth for our business model. We are also extending our reach around Europe. We do not target new countries and new branches for their own sake. Instead, we respond to requests from like-minded people who want to bring Triodos Bank's approach to their market. This has happened in France, with our new representative office, for example. We plan to build on an existing portfolio of lending in France, with a view to opening a branch in the future.

Our mission and the strategy that underpins it also dictate that we strike the right balance between savings and loans. While there are differences between countries, in general Triodos Bank attracts more and more savings, and we are challenged to find sufficient opportunities to lend it responsibly, fast enough to keep pace. As a result we are exploring ways to use this money sustainably in addition to business lending, such as through sustainable private mortgages, that meet customer demand for this kind of sustainable finance.

At the same time we want to deepen our relationships with customers through other products such as Triodos Bank depository receipts, and other investments via Triodos Investment Funds, such as the Triodos Sustainable Pioneer Fund, a fund that focuses on innovative sustainable companies.

We also see gift money playing a vital role as an incubator for new and innovative ideas and initiatives. In this sense, gift money – delivered by Triodos Bank through Foundations in each of its branches – can remove the need for debt in the right circumstances.

How to respond to a crisis

Triodos Bank complies with the growing body of regulations established in the aftermath of the financial crisis. But this presents challenges, not least because of the quantity of new requirements which are principally designed to deal with some of the deep-seated challenges in the financial sector. We hope to contribute to constructive discussions with policy-makers about how best to take account

of the learning from sustainable banks who can offer ideas about how to find solutions to these challenges.

The Liikanen report, published in October of 2012 and authored by the European Commission's High-level Expert Group on Bank Structural Reform, argues that the regulation of financial institutions, and banks in particular, should be differentiated much more than is currently the case, on the basis of their contribution to systemic risk and usefulness for the real economy. The report argues that competition is distorted in the current system because the world's biggest banks benefit from an implicit guarantee of their debt; the same big banks lack a focus on the real economy; and they are increasingly complex making conflicts of interest more likely. We intend to add our voice to this kind of thinking next year and beyond, because re-thinking in this way can contribute to a healthier, diversified banking sector that will be better for people, the environment and the economy.

The power of a change in culture

Regulations have an important role to play but will be redundant without a change in culture and behaviour. In the aftermath of the crisis however, their quantity and complexity has ballooned. From LIBOR fixing to mis-selling scandals, a culture has emerged that starts with profit maximisation at the top of institutions and filters down to financial incentives rather than responsible care for the interests of customers and wider society.

We believe Triodos Bank, and others like us, have a role to play promoting a return to banking as a respected and valued profession, built around a genuine motivation to serve people. Banks will focus, because they have to, on meeting new regulatory demands. But real and lasting change is cultural and comes from within. It cannot be secured by external rules and guidelines alone. Instead it is a reflection of what we collectively believe the role of banks in society are, or should be. If in the future we want to build a resilient and robust banking system, we have to be clearer about its role and invest in the required

change in the culture of banks. In the future, banks will no longer need to focus only on prioritising profit, but on facilitating the real economy and therefore contributing to society in a healthy and fairer way. This change will take time. But it is inevitable.

As individuals, most of us recognise that for change to be permanent, it has to come from inside ourselves. So we have to start with people. Long-term change has to happen if we're to avoid the economic and environmental storms of recent years. Rather than only focus on clearing up after them, we also need to re-think and address the economic, social and environmental conditions that have helped prompt them in the first place.

Each of us is part of this process, not only the banks. Triodos Bank is part of a growing movement of individuals, more and more of whom are choosing to embrace a better quality of life through a myriad of decisions and actions; from how and where we shop, choosing local food for example, to how we source our energy, participating in local renewable energy initiatives or buying from green suppliers. Individuals are also entrepreneurs, many of whom are choosing to create sustainable enterprises, often financed by a growing movement of sustainable banks of which Triodos Bank is just one. That we, and they, are relatively small has drawbacks, but many more advantages.

Results

Triodos Bank is committed to sustainable development, with a focus on people's quality of life. Quality of life includes, and extends beyond, the well-being of individuals, to social relationships and how we treat the environment. It does not contradict entrepreneurship and financial return, but puts them in a broader context. Indeed, this is the added value that Triodos Bank contributes. Wider social and economic developments have led to an increasing interest in quality of life, people and the environment. Triodos Bank is responding to it by broadening and deepening its activities.

In addition to a summary of key figures at the start of this report, the following are the main results

achieved in 2012 together with details of Triodos Bank's divisions, its products and services, their broader impact, and prospects for the coming years:

Triodos Bank (Group)

In 2012, Triodos Bank's income grew by 18% to EUR 152 million (2011: EUR 129 million). Triodos Investment Management contributed EUR 23 million to this figure (2011: EUR 23 million). In 2012, commission income amounted to 31% (2011: 35%) of total income, in line with expectations.

The total amount of assets under management including Triodos Bank and the investment funds and Private Banking grew by EUR 1.3 billion, or 19%, to EUR 8.0 billion.

Triodos Bank's balance sheet total grew by 23% to EUR 5.3 billion thanks to a steady growth of the funds entrusted and a successful share issue. Growth of between 15 to 20% was expected.

Triodos Bank's total number of customers increased by 23%, against expected growth of between 15 to 20%. By the end of 2012, Triodos Bank had more than 437,000 customers. This demonstrates that a growing number of people are continuing to make a much more conscious choice about how and where they want to bank.

In 2012, the ratio of operating expenses against income was 66% (2011: 70%). This is due to higher income from interest and commissions from lending activity combined with a strict control of expenses.

Profit before tax and loan provisioning increased from EUR 38.8 million to EUR 51.5 million thanks to growth of both the balance sheet and funds under management, and better efficiencies. Net profit of EUR 22.6 million was up by 31% (2011: EUR 17.3 million). Loan loss provisions were slightly higher at 0.67% of the average loan book, compared to 0.63% of the loan book in 2011.

Triodos Bank delivered a return on equity of 4.5% in 2012 (2011: 4.3%). The medium-term objective is to grow the return on equity to 7% of Triodos Bank's equity in normal economic conditions. This target

should be seen as a realistic, long-term average for the type of banking activity that Triodos Bank engages in. The branches have proven that they can achieve this level of profitability in stable economic and financial conditions. The troubled economic and financial climate has led to central banks keeping interest rates artificially low, and to above average provisions in the loan portfolio. This was unfavourable for Triodos Bank, and means the return on equity remained below 7% in 2012, as expected.

The time frame within which Triodos Bank realises this 7% return on equity objective will also depend on opportunities in the growing sustainability market. In the current market, while Triodos Bank will continue to work on improving its profitability, it does not expect to reach this target in the next three years.

Earnings per share, calculated using the average number of outstanding shares during the financial year, were EUR 3.37 (2011: EUR 3.18), a 6% increase.

The profit is placed at the disposal of the shareholders.

Triodos Bank proposes a dividend of EUR 1.95 per share (2011: EUR 1.95). This means that the pay-out ratio (the percentage of total profit distributed as dividends) will be 58% (2011: 61%).

Triodos Bank increased its share capital by EUR 96 million, or 25%, thanks to depository receipt issue campaigns targeting retail investors in particular, which ran throughout the year in The Netherlands, Belgium, the United Kingdom and Spain.

The number of depository receipt holders increased from 21,638 to 26,876. Equity increased by 25% from EUR 451 million to EUR 565 million. This increase includes net new capital and profit (minus a dividend). In 2012, an internal market for the buying and selling of depository receipts for shares continued to operate effectively. At the end of 2012, the net asset value for each depository receipt was

8.0 billion

The total amount of assets under management, including Triodos Bank and the investment funds and Private Banking, grew by EUR 1.3 billion, or 19%, to EUR 8.0 billion.

EUR 75, compared to EUR 74 at the end of 2011.

From the start of 2008, the BIS ratio (capital adequacy ratio), an important measure of a bank's solvency, has been calculated according to the Basel II guidelines. At the end of 2012 the BIS ratio was 16.0% (2011: 14.4%). The Core Tier I ratio was 15.9% (2011: 14.0%).

Our impact

Triodos Bank wants to report on the wider social, cultural and environmental impact of its finance. In 2012 the criteria used to determine these impact measures were further strengthened and refined. In some cases this contributed to lower statistics than in previous years, as we tightened how and what we measure. For more details about the methodology used to produce these figures visit www.triodos.com/reports. The way we measure impact will continue to evolve in 2013.

Our online annual report now includes details of Triodos Bank's non-financial impact in energy and climate, care for the elderly, culture, microfinance, organic food and farming, and education sectors. While numbers alone can only tell a limited story, they do provide quantitative details of the impact of Triodos Bank's mission in practice. We are careful not to over-claim with these figures, and take time to explain how we have come to the measures we have in our online annual report at www.triodos.com/reports. For more about the people and stories behind the numbers, please visit www.triodos.com/knowwheryourmoneygoes.

Triodos Bank finances enterprises that augment the use of renewable resources in particular, and supports projects that reduce the demand for energy and encourage cleaner use of fossil fuels. By the end of 2012, Triodos Group and its climate and energy investment funds were financing 346 projects across Europe (361 in 2011), with a generating capacity of 2,038 MW of energy (2,134 MW in 2011), or enough

5.7 million

In 2012 the cultural venues and events Triodos Bank finances were attended by 5.7 million visitors.

energy to meet the electricity needs of the equivalent of 1,300,000 European households during the year. This was primarily because of the repayment of some debts, the sale of some projects in Triodos Investment Management and the Dutch branch, and a less windy year in The Netherlands resulting in less production in some key projects.

During 2012 Triodos Bank finance helped make it possible for 5.7 million visitors to enjoy theatres or museums across Europe, as a result of its lending and investments activity (2011: 6.8 million).

As a result of its lending across Europe 9,840 individuals (2011: 10,331) used facilities offered by care for the elderly projects at 150 care homes financed by Triodos Bank.

Triodos Investment Management's specialised microfinance funds provided finance to 99 microfinance (2011: 96) institutions and other financial vehicles, in 45 countries (2011: 43), serving 6.4 million savers (2011: 7.5 million), and 6.9 million borrowing clients (2011: 7.9 million), in 2012.

The organically managed land on the farms which Triodos Bank finances could produce the equivalent of just over 18 million meals in 2012, or enough food to provide a sustainable diet for 16,800 people during the year (2011: 16,500).

65,800 individuals benefited from the work of educational establishments financed by Triodos Bank in 2012. This was a new impact measure for the year.

Prospects for the future

Excluding unforeseen circumstances, Triodos Bank expects to continue to increase its profits in 2013. At the same time we recognise that the economic downturn that has resulted from the financial crisis will continue in 2013 and may have a negative impact on Triodos Bank's results.

Also during the year, we will continue to actively contribute to a more sustainable society. We will respond to the social, environmental and cultural challenges we face over the short, medium and

long-term and extend the idea of a more conscious use of money in society through the banking system.

We expect to grow our financing of renewable energy projects and other innovations that effectively reduce our dependence on fossil fuels.

Our environmental activity is, however, only one part of our growing impact, and we expect to further expand our activity in social and cultural sectors.

We will continue to influence through public debate and as a practitioner; a change agent financing sustainable enterprises delivering lasting benefits for people and the environment.

Co-worker report summary

Triodos Bank's social policy is based on a belief that an organisation can only develop in a positive sense if its co-workers have the room and opportunity for professional and personal development. Key aspects of this vision are authenticity, cooperation, entrepreneurship and a professional, commercial attitude.

Achievements in 2012

In 2012 Triodos Bank has proved to be an attractive, reliable employer at the heart of important developments in society. Many people not only want to become Triodos Bank customers, they also want to help to positively contribute to society by working for the organisation itself.

In total Triodos Bank recruited 144 co-workers in the branches and business units in 2012. This is a gross figure taking into account the replacement of leavers and recruitment for short term assignments.

Triodos Bank arranges two meetings each year to support its organisational growth and to stimulate the engagement and involvement of co-workers: The extended International Management Council meeting focused on a deeper connection with Triodos Bank's roots and ambition and prompted similar events within business units and at head office. 117 co-workers, across all levels and countries where Triodos Bank operates, also participated in The Netherlands-hosted annual Co-worker Conference, 'Connecting in a Changing World'.

Co-workers

Co-workers' connection with Triodos Bank's mission, and the way its values are apparent in their daily work, is vitally important. This manifests itself in weekly, Monday morning meetings and a thorough induction process.

Various training modules and courses are organised, with both an international and local focus, within the Triodos Academy, including the values seminar, management development programme and visionary leadership programme, to help fulfil the potential of co-workers at all levels.

The total number of co-workers rose by 9% from 720 to 788 in 2012. The ratio of women to men remained virtually unchanged. In 2012, Triodos Bank employed 404 women (51.3%) and 384 men.

Triodos Bank aims for equal participation in its Board and management positions. The share of women in management positions improved and is now a healthy 42% (2011: 37%). A previously all-male Executive Board will change in 2013 with a new appointment as of 1 March. Triodos Bank will continue to pay attention to its gender balance, especially in commercial management positions.

Triodos Bank aims to keep its sickness rate below 3%. This rate increased to 3% in 2012 (2011: 2.2%), in part because of cases of long-term illness.

Triodos Bank's Executive Board is composed so that it is able to perform its tasks effectively. As part of this effort, and as it does with all its boards and management positions, Triodos Bank aims to have a healthy balance of men and women in the Executive Board. In particular it aims to ensure that no more than 70% of its Executive Board seats are held by either gender. As of 1 March, 2013, this will be the case, with the appointment of a new Chief Operating Officer COO. The attrition rate increased slightly to 9.6% (2011: 8.8%) and is at a reasonable level in both the countries and business units.

In The Netherlands in 2012 the ratio between the maximum salary and the lowest salary was 9.4 (2011: 9.8). This ratio was lower in other countries due to the smaller size of the offices and because

the Triodos Bank Executive Board is based at the head office in The Netherlands.

Triodos Bank highly values the involvement of co-workers in the organisation's development. Currently a co-worker council exists in The Netherlands. The involvement of co-workers is ensured in other countries through formal and informal meetings between management and co-workers.

Prospects for 2013

Triodos Bank will continue to depend on high quality, motivated co-workers who stay with it over the long-term, for its future success, and expects growth in new co-workers to continue at about the same level in 2013. The Triodos Academy will continue to host the Values seminar and Management Development Programme, while the Visionary Leadership Program will be redesigned and improved. Attention will be paid to the development and training of commercial co-workers, especially in Business Banking. Triodos Bank aims to keep its attrition rate below 10% and maintain its illness rate at under 3%.

Given Triodos Bank's international character and continuing growth, new technologies will improve co-worker communication and collaboration.

As the financial crisis continues, and individuals who work for banks increasingly look to pursue careers that are better aligned with their own values, Triodos Bank will continue to find new ways to recruit, select and train talented individuals.

As of 1 March 2013, Jellie Banga will be appointed as a member of the Executive Board of Triodos Bank, as Chief Operating Officer (COO). She will succeed Michael Jongeneel who was appointed as Managing Director of Triodos Investment Management earlier in 2012. Her broad experience will play an important role in the future development of Triodos Bank. Within it, she will be responsible for Operations, ICT and the international co-ordination of the organisation's fast-growing Personal Banking activities.

Environmental report summary

Triodos Bank's largest positive impact on the environment comes from financing entrepreneurs and enterprises developing innovative ways to combat climate change.

But the organisation also has a responsibility for its own environmental impact as an institution.

Achievements in 2012

A benchmark for Triodos Bank's environmental data was developed in 2012 to assess performance against similar organisations. Although Triodos Bank performs well on energy consumption and sustainable commuting, it underperforms on business travel and paper usage, compared to its peer group.

In 2012 Triodos Bank continued to focus on decreasing paper usage and energy consumption and explored how to reduce business travel by plane without compromising the quality of contact between co-workers and clients living in different parts of the world.

Energy consumption

Triodos Bank aims to use 100% renewable energy to power all its offices. Where it starts working in a new office which uses conventional power, it converts to renewable energy as quickly as possible. By the end of October all offices were using sustainable energy.

To reduce the energy consumption of its data centre and IT operations Triodos Bank started to use 'thin clients' in the UK branch's new office and in the Belgian branch. This reduced computer energy consumption by 10% despite increasing numbers of co-workers. The installation of new, environmentally friendly printers reduced their energy consumption by 40% in the UK and The Netherlands.

Travel

Triodos Bank's policy is to encourage co-workers to travel to and from work using the most environmentally-friendly option available.

Co-workers use public transport for travel whenever possible, but when travel by car is essential Triodos Bank buys company cars with a high environmental performance. In 2012 the maximum CO₂ emissions allowed for commercial vehicles was adjusted down (to 130g). The average CO₂ emissions of our fleet declined from 120gr in 2011 to 115gr in 2012.

In addition the Dutch office promoted the use of electric bikes to commute longer distances, resulting in 18 participating co-workers collectively travelling over 90,000 km by bike instead of car.

Paper usage

Triodos Bank aims to reduce the environmental footprint of its paper usage and printing. Where possible, it uses recycled paper and environmentally sound printing processes and materials, such as waterless printing and vegetable inks. It encourages its customers to communicate with it in an environmentally-friendly way (by telephone, e-mail or the internet).

Climate neutral operations

Triodos Bank offsets 100% of its CO₂ emissions. Greenhouse gas emissions are reduced in three distinct steps: firstly, via energy saving; secondly, essential energy consumption is sourced from renewable suppliers, where possible; and finally, any remaining CO₂ emissions are compensated.

Visit our online annual report for more details of Triodos Bank's efforts to reduce its environmental impact at www.triodos.com/reports.

Triodos Bank divisions and results

Triodos Bank's activity is split between three core divisions. They are Retail and Business Banking, delivered through a diversified network of European branches, responsible for around 77% of Triodos Bank's net profit in 2012; Triodos Investment Management, which makes up 19% of Triodos Bank's overall net profit; and Triodos Bank Private Banking, providing services to wealthier people and groups, the most recent division and to date available in The Netherlands and Belgium.

Products and services are offered to investors and savers, across these three divisions, enabling Triodos Bank to finance new and existing companies that contribute to the improvement of the environment, or create social or cultural added value. Details of these products and services follow in the relevant paragraphs below.

European Branch Network (retail and business banking)

Developing a European branch network is fundamental to Triodos Bank. It allows it to build and share expertise, and use it to benefit a fast-growing Triodos Bank community. It brings a credible set of services to thousands of business and personal customers, and grows sustainable banking's scale and impact.

While Triodos Bank's values bind customers and co-workers, there are important differences between countries. Regulations, tax incentives and government approaches to sustainability are sometimes markedly different in diverse markets. Local culture, within and between countries, also impacts on how Triodos Bank approaches its work.

Against a backdrop of the debt crisis, retail activities showed tremendous growth again in 2012. This is in part due to increasing demands for change from society, and people opting for a different relationship with their bank. Triodos Bank allows people to consciously choose to bank with a different, and sustainable, institution.

Funds entrusted

Funds entrusted, or savings, enable Triodos Bank to finance companies and organisations that benefit people, the environment and culture. An increase of the funds entrusted is an important indicator of Triodos Bank's ability to attract sufficient funds to finance sustainable organisations.

For the reasons highlighted earlier in the report the branches offer a variety of products and services to meet growing demand, and increasingly offer a full set of services to their customers. This led to marked growth in funds entrusted which increased by EUR 863 million, or 23%, against expected growth of between 15 to 20%. This resulted in continuing growth in all the countries where Triodos Bank operates. This was due in part to a growing profile, more efficient and customer-friendly account opening processes, and an increasingly receptive market keen to use their money more consciously.

The speed of growth was again most marked in Spain with customer numbers increasing to 105,000, and the opening of two new commercial offices during the year. While in The Netherlands Triodos Bank now services 219,000 customers, again reflecting strong growth during the year.

By offering our savers, in some countries, the opportunity to donate part of the interest they receive to a charity, many social organisations receive support every year. In 2012, 404 organisations (2011: 440) received total donations of EUR 0.5 million (2011: EUR 0.5 million) in this way.

Loans

The growth of the loan portfolio is an important indicator of the contribution Triodos Bank makes towards a more sustainable economy. All the sectors it works in qualify as sustainable and the companies and projects it finances contribute to delivering Triodos Bank's mission.

To make sure that Triodos Bank only finances sustainable enterprise, potential borrowers are first assessed on the added value they create in these areas. The commercial feasibility of a prospective

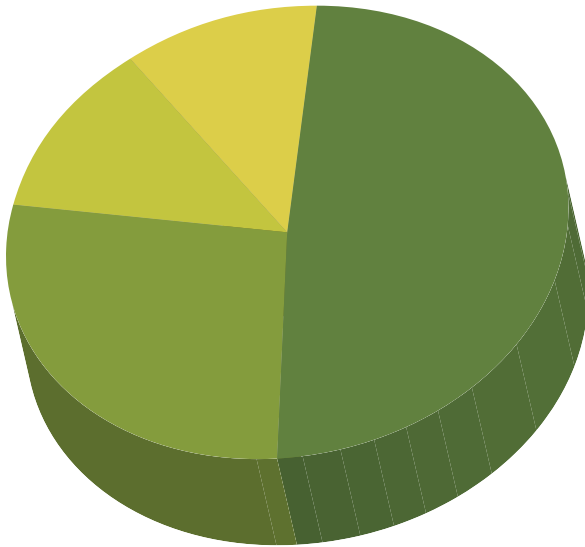
Outstanding loans per sector in 2012

ENVIRONMENT 49%

SOCIAL 28%

CULTURE 12%

MUNICIPALITY & PRIVATE LOANS 11%



loan is then assessed and a decision made about whether it is a responsible banking option. The criteria Triodos Bank uses to assess companies can be viewed on Triodos Bank's websites.

Triodos Bank's main focus remains on the existing sectors in which it has already developed considerable expertise.

Environment (49%, 2011: 49%)

This sector consists of renewable energy projects such as wind and solar power, biomass, hydro-electric, and energy saving projects. It also includes organic agriculture, and projects across the entire agricultural chain, from farms, processors and wholesale companies to natural food shops. Environmental technology, such as recycling companies and nature conservation projects, is also represented.

Social (28%, 2011: 28%)

This sector includes loans to traditional businesses or non-profit organisations and innovative enterprises and service providers with clear social objectives, such as social housing, loans to fair trade businesses, integration for people with disabilities or at risk of social exclusion, and health care institutions.

Culture (12%, 2011: 12%)

This sector covers loans to organisations working in education, retreat centres, religious groups, cultural centres and organisations, and artists.

The remaining proportion of the loan book includes short-term loans to municipalities and private sustainable mortgages.

The lending sectors above describe the main sectors Triodos Bank is involved in. Parts of these sectors are also financed by both Triodos Bank itself and its investment funds (see investments below).

The loan portfolio as a percentage of the total amount of funds entrusted decreased to 72% in 2012 (2011: 76%). Triodos Bank's goal is to lend between 70% and 80% of its funds entrusted.

The quality of the loan book remained satisfactory overall, notwithstanding the economic recession. However, significant provisions continued to be required for energy production based on biomass. Volatile demand, and high price volatility that stems from it, as well as immature technologies have prompted some of the problems in the sector. Having paid careful attention to this area over the last two years, to a large degree Triodos Bank's exposure to this sector is now covered. This contributed to the loan loss provision of 0.67% of the average loan book (2011: 0.63%).

Our long-term internal benchmark for provisions is 0.25%. These provisions are taken to protect banks against losses resulting from defaults by borrowers.

Growth of the loan portfolio amounted to EUR 448 million, or 16%. Expected growth was between 15 and 20%. Competition between banks in the lending market has diminished because of the financial crisis and higher capital requirements. At the same time many banks regard sustainability as an emerging market and want to be involved in it.

Lending to a diverse range of sustainable enterprises was up in all branches, with particular growth in the UK, up by 17%, Belgium by 18%, and Spain by 22%. Germany, in its third full year of operation made loans of EUR 189 million, exceeding its target.

Prospects for the European Branch Network

Triodos Bank's balance sheet total is expected to continue to grow by between 15 and 20%.

All branches will broaden their customer base. The number of customers is expected to grow by between 15 and 20% across the Group.

The loan portfolio and the funds entrusted are expected to increase by between 15 and 20%. Triodos Bank has a healthy growth ambition but does not want to realise it at all costs. The loans made in 2013 will reflect our efforts to finance front-runners in their fields; the entrepreneurs developing the sustainable industries of the future. We expect the levels of provisions for loans in the coming years to decrease to a lower level.

Triodos Investment Management

Investments take place through investment funds or investment institutions bearing the Triodos name and are managed by Triodos Investment Management BV, a 100% subsidiary of Triodos Bank.

Triodos Investment funds invest in different themes such as microfinance, sustainable trade, organic agriculture, climate and energy, sustainable real estate, arts and culture, or in listed companies with above average environmental, social and governance (ESG) performance.

These funds and investments are not on Triodos Bank's balance sheet. The funds publish separate annual reports and most have their own Annual General Meeting of Shareholders.

Triodos Investment Management is responsible for 19 funds, for both individuals and institutions, totalling EUR 2.2 billion assets under management. Total growth of the investment funds was EUR 137 million, up 7%, against a target of between 10 and 15%. Market sentiment and government austerity measures, mostly regarding sustainable energy projects across Europe, limited inflows in the investment funds to a greater degree than was expected.

The increase in total funds entrusted to Triodos Investment Management, while lower than

16%

Growth of the loan portfolio amounted to EUR 448 million, or 16%.

anticipated, reflects investors' appetite for investments in these broad themes.

Prospects for Triodos Investment Management

Triodos Investment Management is well positioned for further growth, with increasing demand from investors in impact investment. Investor interest is in both existing funds as well as new ones in various areas such as energy efficiency, renewable energy, arts and culture and sustainable food and agriculture.

Growth prospects for Triodos Groenfonds, the largest Triodos Investment fund, are positive, due to the Dutch government decision to maintain the fiscal benefits at a level of 1.9%.

Growth prospects for the funds investing in renewable energy, microfinance funds and in listed companies remain positive. In total, Triodos Investment Management foresees growth in funds under management of between 10 and 15% for 2013.

Triodos Bank Private Banking

Private Banking offers a broad range of financial and non-financial services to wealthier people, foundations, associations and religious institutions. Sustainable asset management is the core service

within Triodos Bank Private Banking, and includes both Triodos investment funds and private asset management.

Private Banking increased its funds under management by 27% to EUR 936 million, against a target of between 20 and 25%. EUR 379 million of these funds are managed by Triodos Bank Private Banking but accounted for on the balance sheet of the Dutch branch.

Prospects for Triodos Bank Private Banking

Triodos Bank Private Banking expects interest in its sustainable investment offering in The Netherlands and Belgium to continue to be high and anticipates growth of between 20 and 25%, in 2013.

Please find more details about your local branch, our work in Triodos Investment Management and Triodos Bank Private Banking, in Triodos Bank's online annual report at www.triodos.com/reports.

936 million

Private Banking increased its funds under management by 27% to EUR 936 million.

Risk and compliance

Risk management

Managing risk is a fundamental part of banking. While some banks assess risk to set limits as part of a short term strategy of maximising profits, Triodos Bank manages risk as part of a long-term strategy of resilience.

Risk Management is embedded throughout the organisation. While business managers are primarily responsible for delivering a resilient business approach, they are supported by risk managers, with local business knowledge, to identify, assess and manage risk. At a group level, a risk outlook process is implemented to align Triodos Bank's risk profile with its risk appetite level, or the willingness to take risk in achieving its business objectives.

During this process each business unit performs a strategic risk assessment to identify and manage potential risks that could impede the realisation of their business objectives. The outcome of these assessments are consolidated and used as input for the Executive Board's own risk assessment and to determine Triodos Bank's risk appetite.

The outcome of these assessments was used to determine scenarios that were used to stress test Triodos Bank's solvency, liquidity and profitability. The results of these tests were satisfactory.

A fully integrated risk management report gives insights into the Triodos Bank risk profile in relation with the accepted risk appetite. The report gives insights on specific risk themes and provides an integrated picture of risk at business unit level. This report is made four times a year and is presented to the Supervisory Board Audit and Risk Committee.

The Asset and Liability Management system provides monitoring tools for the monthly Asset and Liability Committee on interest rate risk, liquidity risk, currency risk and capital management. The credit risk function plays an important role in assessing the risk of new loans and managing the credit risk of the entire loan portfolio.

The assessment of credit risk is as closely connected to the customer possible, and therefore primarily the responsibility of local branches. The central risk function sets norms, approves large loans, and monitors the credit risk of Triodos Bank's entire loan book.

The Risk Management section of Triodos Bank's annual accounts provides a description of the main risks related to the strategy of the company. It also includes a description of the design and effectiveness of the internal risk management and control systems for the main risks during the financial year. No major deficiencies in the internal risk management and control systems were discovered in the financial year. The developments of the main risks within Triodos Bank are described in the integrated risk management report and discussed on a regular basis in the Audit and Risk Committee of the Supervisory Board.

Basel III Capital and liquidity requirements

Regulations are demanding a more resilient banking sector by strengthening the solvency of the banks and introducing strict liquidity requirements, such as those developed by the Basel Committee on Banking Supervision. Based on the latest available information, Triodos Bank complies with and already exceeds the capital and liquidity requirements, known as Basel III.

Triodos Bank capital strategy is to be strongly capitalised. This has become an important issue as demands for capital increase following the financial crisis and the new Basel III regulations. Triodos Bank aims for a regulatory solvency ratio of 12 to 14%, well above its own internal economic capital calculations, in order to guarantee a healthy and safe risk profile. The quality of capital is important, as well as the solvency rate. More than 99% of Triodos Bank's solvency comes from equity. Capital calculations are a result of the yearly Internal Capital Adequacy Assessment Process, which is reviewed by the Dutch Central Bank.

In 2012, Triodos Bank successfully raised capital from its customers, exceeding targets and raising EUR 96 million. This has helped it to maintain a regulatory solvency ratio of 16%, at the end of 2012, well above its requirements.

Triodos Bank's liquidity position remained very strong during 2012. Its policy is to invest excess liquidities in highly liquid assets in the country where it has raised the funds. In The Netherlands Triodos Bank has invested its liquidities mainly in Dutch government bonds, municipalities, banks and the European Central Bank. In Belgium most of its liquidity has been invested in Belgian government bonds and placed with banks. In Spain part of the liquidity surplus is invested in Spanish Government Bonds. In the other countries where Triodos Bank operates, the surplus liquidities are placed with other banks.

The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are both well above the minimum limits of Basel III.

In control statement

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 branches 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 under discussion with

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

The enterprise risk management framework is the basis for an integrated in control statement process. The Executive Board indicates that this process should lead to a statement providing positive assurance in the coming years.

Triodos Bank's Executive Board states that it has no indication that the risk management and control systems have not functioned adequately and effectively in 2012.

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.

Compliance and integrity

Triodos Bank has internal policies, rules and procedures to guarantee that management complies with relevant laws and regulations regarding customers and business partners. In addition, the compliance department independently monitors the extent to which Triodos Bank complies with its rules and procedures. External aspects of the compliance department primarily concern accepting new customers, monitoring financial transactions and preventing money laundering. Internal aspects primarily concern checking private transactions by co-workers, preventing and, where necessary, transparently managing conflicts of interest, and safeguarding confidential information. Further it concerns raising and maintaining awareness of for example financial regulations, compliance procedures and fraud and anti-corruption measures. Triodos Bank has a European compliance team led from the head office in Zeist. Compliance officers are

present in every branch. The head of the Compliance department reports to the Executive Board and has direct access to the Chair of the Supervisory Board.

There were no significant incidents in 2012 concerning compliance and integrity. Triodos Bank was not involved in any material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, privacy or product liability.

Transparency and reporting

Triodos Bank has used the guidelines of the Global Reporting Initiative (GRI) since 2001.

GRI was established in 1997 by the United Nations and the Coalition for Environmentally Responsible Economics (CERES). GRI wants to organise reporting on sustainability in a consistent manner and, in this way, make performance objective and comparison easier. Triodos Bank is an organisational stakeholder of GRI. This Annual Report uses the G3.1 guidelines and the new financial sector supplements developed in 2008. We aim to consistently report to GRI's highest level (A+). Details of GRI measures, and how we report them, can be found in Triodos Bank's online annual report at www.triodos.com/reports.

Sustainability policy

Sustainability considerations are shared at all levels of Triodos Bank and are an integral part of its management. Social and environmental aspects are taken into account in all Triodos Bank's decisions. Therefore, unlike many other organisations, Triodos Bank does not have a separate department that continuously focuses on sustainability or corporate social responsibility.

Triodos Bank employs specific criteria to ensure the sustainability of products and services. It employs both positive criteria to ensure it is actively doing good and negative criteria for exclusion, to ensure it doesn't do any harm. The negative criteria exclude loans and investments in sectors or activities that are damaging to society. The positive criteria identify

leading businesses and encourage their contributions to a sustainable society. Twice a year, these criteria are tested and adjusted if necessary. Triodos Bank has also defined sustainability principles for its internal organisation. These are included in its Business Principles. All sustainability criteria referred to can be found on www.triodos.com/businessprinciples.

The Dutch Banking Code

The Dutch Banking Code (Banking Code) came into force as of 1 January 1, 2010. Triodos Bank subscribes to the Banking Code, implemented it during 2010, and wholeheartedly embraces its goal to develop more transparent and responsible banking. The full comply or explain statement, as required under the Banking Code, can be accessed at www.triodos.com/bankingcode.

Zeist, 26 February 2013

Triodos Bank Executive Board
Pierre Aeby*
Peter Blom*, Chair

* Statutory Director under the articles of association

Biographies

Mr. P. Aeby (1956), CFO

Pierre Aeby has been Statutory Director of Triodos Bank N.V. since 2000 and is a Member of the Executive Board. He is also a Member of the Board of Stichting Triodos Holding, Statutory Director of Triodos Ventures BV, Member of the Board of Stichting Hivos Triodos Fonds, Member of the Board of Stichting Triodos Doen, Member of the Supervisory Board of Triodos Fair Share Fund, Director of Triodos Fonds Vzw, Chair of the Management Board of Triodos SICAV I and Triodos SICAV II. He is of Belgian nationality and owns 21 Triodos Bank depository receipts.

Mr. P. Blom (1956), CEO

Peter Blom (CEO) has been Statutory Director of Triodos Bank N.V. since 1989 and is Chair of the Executive Board. He is also a Member of the Board of Stichting Triodos Holding, Statutory Director of Triodos Ventures BV, Member of the Supervisory Board of Triodos Groenfonds N.V., Member of the Supervisory Board of Triodos Vastgoedfond N.V., Member of the Supervisory Board of Triodos Cultuurfonds N.V., Member of the Board of Stichting Hivos Triodos Fonds, Member of the Board of Stichting Triodos Doen, Chair of the Board of Stichting Triodos Foundation, Chair of the Board of Stichting Global Alliance for Banking on Values, Member of the Board of the Dutch Banking Association, member of the Board of Stichting Sustainable Finance Lab, Member of the board of the Nationaal Restauratiefonds, Member of the Board Stichting NatuurCollege, Member of the Scientific Advisory Council for Integrated Sustainable Agriculture and Food and Member of The Club of Rome. He is of Dutch nationality and owns one Triodos Bank depository receipt.

Corporate governance

Triodos Bank has a corporate governance structure that reflects and protects its mission and meets all relevant legal obligations. General information about Triodos Bank's compliance with the Dutch Corporate Governance Code and the Banking Code is provided below. More details on Triodos Bank's governance structure are available on www.triodos.com/governance.

Triodos internal governance

Triodos Bank is a European bank with branches in The Netherlands (Zeist), Belgium (Brussels), the United Kingdom (Bristol), Spain (Madrid) and Germany (Frankfurt). The head office, and legal address is in Zeist, The Netherlands.

Foundation for the administration of Triodos Bank shares (SAAT)

Triodos Bank believes it's crucial that its mission and identity is protected. As a result, all Triodos Bank's shares are held in trust by SAAT – the Foundation for the Administration of Triodos Bank Shares. SAAT then issues depository receipts for Triodos Bank shares to the public and institutions. These depository receipts embody the economic aspects of the shares of Triodos Bank. SAAT exercises the voting rights for the Triodos Bank shares. The Board of SAAT's voting decisions are guided by Triodos Bank's goals and mission, its business interests, and the interests of the depository receipt holders. Triodos Bank depository receipts are not listed on any stock exchange. Instead, it maintains an internal market.

Number of statement of depository receipts per holder

Amounts in millions of EUR	Depository receipt holders		Issued capital	
	2012	2011	2012	2011
1 – 50	11,876	10,069	16.3	13.7
51 – 500	12,886	10,067	165.1	125.0
501 – 1,000	1,354	983	70.3	50.4
1,001 and more	760	519	313.6	262.0
Total	26,876	21,638	565.3	451.1

Number of depository receipts per country

	Depository receipts × 1,000		Depository receipt holders	
	2012	2011	2012	2011
The Netherlands	4,954	4,226	15,421	13,014
Belgium	1,359	1,103	4,604	3,794
United Kingdom	165	117	1,604	1,301
Spain	1,024	652	5,210	3,502
Germany	16	16	37	27
Total	7,518	6,114	26,876	21,638

Depository receipt holders

Depository receipt holders are entitled to vote at the Annual General Meeting of depository receipt holders. Each depository receipt holder is limited to a maximum of 1,000 votes. The Annual General Meeting of depository receipt holders appoints the members of the Board of SAAT, based on its recommendations. These recommendations must be approved by Triodos Bank's Statutory Directors and Supervisory Board. No depository receipt holder may hold more than 10% of all depository receipts that are issued.

Triodos Bank Supervisory Board

Triodos Bank has a Supervisory Board, which monitors Triodos Bank's business operations and advises and assists its Executive Board, to benefit its business interests. New members of the Supervisory Board are appointed by the General Meeting of Shareholders, based on recommendations from the Supervisory Board.

Triodos Bank's Executive Board and Statutory Directors

The daily management of Triodos Bank lies with the Executive Board. The Executive Board consists of the Statutory Directors and one or more managers appointed by the Statutory Directors. The Statutory

Directors are formally responsible for the management of Triodos Bank and are appointed by the Supervisory Board.

Stichting Triodos Holding

Stichting Triodos Holding is legally separate, but organisationally related, to Triodos Bank. It is a 100% shareholder of Triodos Ventures BV, an investment fund for higher risk but strategically important new activities that reflect Triodos Bank's mission and activities. The Board of Management of Stichting Triodos Holding and the Board of Management of Triodos Ventures are made up of the Statutory Directors of Triodos Bank. Stichting Triodos Holding has a Supervisory Board appointed on the recommendation of the Board of SAAT.

Stichting Triodos Foundation

Stichting Triodos Foundation is a sister institution of Triodos Bank that is legally separate, but organisationally related, to it. Currently, the Board of Management of Stichting Triodos Foundation is made up of Triodos Bank co-workers. It makes donations that are granted to initiatives that help Triodos Bank to deliver its sustainable goals. Similar foundations have been set up in Belgium, the UK and Spain.

Statement of institutions with a participating interest of 3% or more

As a percentage	2012	2011
Coöperatieve Centrale Raiffeisen-Boerenleenbank BA	6.6	4.1
Delta Lloyd Levensverzekering NV	4.7	5.6
Stichting Grafische Bedrijfspensioenfondsen	3.5	4.2
Stichting Pensioenfonds ABP	3.3	3.9
NAGRON Nationaal Grondbezit BV	2.6	3.2
Friesland Bank NV	–	3.9

The above institutions are the largest of the total of 9 (2011: 11) institutions that have a participating interest of at least 1%. Their total participating interest is 28.3% (2011: 34.0%).

Dutch Corporate Governance Code

The Dutch Corporate Governance Code ('the Code') only applies to organisations whose shares are listed on a regulated market. Even though Triodos Bank's depository receipts are not listed on any regulated market it chooses to endorse and comply with the principles and best practices of the Code.

The full comply-or-explain statement as required under the Code can be accessed at www.triodos.com/governance.

Although Triodos Bank generally complies with the principles and best practices of the Code, it has opted to consciously differ from it in several specific instances.

The first deviation relates to voting rights on shares. To secure the continuity of Triodos Bank's mission and objectives, depository receipt holders cannot exercise voting rights on the underlying shares. Instead these rights are exercised by The Foundation for the Administration of Triodos Bank Shares (SAAT). For the same reason, depository receipt holders cannot make recommendations for appointments of members of the Board of SAAT.

The second instance relates to the term of office for Statutory Directors. This term is not limited to a period of four years, because Triodos Bank feels that this would not serve the long term development of the organisation.

The third instance concerns the fact that, for practical reasons, Triodos Bank has adopted a modified regime for conflicts of interest relating to cases in which the bank intends to enter into a transaction with a legal entity in which an Executive Board member has a management or supervisory position. If such a conflict of interest concerns a legal entity outside the Triodos Group, and is of material importance to it, the adapted regime provides for checks and balances (e.g. through the involvement of the Supervisory Board's Audit and Risk Committee) and ensures adequate transparency. If such a conflict of interest regards a legal entity within the Triodos Group no rules will apply. This is in accordance with the latest

developments in regulation and case law. To other (personal) conflicts of interest of Executive Board members (as defined in best practice II.3.2 sub i) and ii) of the Code) the provisions of the Code are applicable.

The fourth instance relates to the fact that the Supervisory Board of Triodos Bank does not have separate nomination and remuneration committees, but rather operates an integrated Nomination and Compensation Committee. This is done for practical reasons, given Triodos Bank's relatively modest size.

Triodos Bank also differs from the Code's best practice when submitting all proposals to the Annual General Meeting of Shareholders for material amendments to the Articles of Association as separate agenda items. For practical reasons Triodos Bank wants to retain the possibility, at the discretion of the Executive Board and the Supervisory Board, to submit a proposal for multiple amendments to the Articles of Association as one single agenda item when there is a strong degree of interrelatedness between these proposed amendments.

Finally, as it does not have any share plans or option schemes in place, several Code provisions regarding executive remuneration do not apply to Triodos Bank. The total costs for executive remuneration, which primarily consist of wages and pension elements, is published in this annual report.

Dutch Banking Code

The Dutch Banking Code ('the Banking Code') came into force as of 1 January, 2010. It consists of a number of recommendations and principles aimed at ensuring the very best performance by banks. Its primary focus is on governance and it puts the interests of the customer at the heart of a bank's activity, which ties in fully with Triodos Bank's vision and Business Principles. The customer is a key stakeholder in all Triodos Bank's activities and mission.

Triodos Bank complies in general with the principles of the Banking Code, with the exception of one principle: Triodos Bank chooses not to have variable remuneration based on predetermined financial targets or achievements, as these can enhance a culture of taking more risk.

Triodos Bank monitors, identifies and addresses any occasions when it does not comply with the Banking Code on an ongoing basis. More information on Triodos Bank's implementation of the Banking Code, including the full comply-or-explain statement as required under the Banking Code, is available at www.triodos.com/governance.

Corporate Governance and Banking Code Statement

In accordance with the Dutch Decree implementing further accounting standards for the content of annual reports dated 23 December 2004 (as amended on 20 March 2009) and the Dutch Decree implementing further accounting standards for the content of annual reports of banks dated 1 June 2010, the Executive Board of Triodos Bank has drafted a Corporate Governance Code and Banking Code Statement. This statement forms part of the 2012 Annual Report and is valid as of its date. The statement can be found in the online annual report and at www.triodos.com/statements.

Supervisory Board Report

Introduction

The Supervisory Board's primary responsibility is the supervision and review of the development of Triodos Bank's operations and the realisation of its mission. In addition, it assists the Executive Board by providing advice.

Triodos Bank and the economic and financial environment

In the context of continuing upheaval in the economic and financial markets, the Supervisory Board is pleased that Triodos Bank was able to continue to grow and develop positively, while maintaining a fair level of profitability, and continuing to be a reference point for stakeholders looking for credible new ways of banking.

2012 was marked by a significant trend of new domestic and international laws and regulations governing the banking industry, such as increased capital requirements, and new risk management and remuneration requirements. While more effective regulation has a role to play, it can only address part of the deep-seated structural and cultural issues in the banking industry.

Highlights 2012

2012 was the first year of the three-year strategic plan, adopted in 2011. Although external circumstances have changed, no fundamental changes to the plan were deemed necessary. Clarity of direction and sustainable growth based on realistic profit levels continue to be the key elements that derive from the bank's mission and are based on the conviction that sustainable banking meets a real need.

The Supervisory Board has stayed abreast of important issues affecting the bank. For instance, it recognises the importance of exploring new sectors that fit within the bank's strategy. At the same time it wants to understand, in more depth, the risks involved and the lessons learned from its existing lending.

It has been informed about the comprehensive risk appraisal and management information systems' activity, implemented in 2011. The finance of biomass projects has also been reviewed thoroughly with management because of substantial write-offs.

Activities of the Supervisory Board

The Supervisory Board's supervision and review activities are based on the Executive Board's quarterly reports as well as presentations by managers from different branches and business units. These comprehensive presentations are scheduled in such a way that in a two year period all Triodos Bank's organisation is covered.

During 2012 presentations were given by the management of the German, Belgian and UK branches. These presentations allowed the Supervisory Board to gain a deeper insight into Triodos Bank's activities and to strengthen its relationship with senior management.

Recurring topics discussed during its meetings and contacts with the Executive Board, included:

- Financial and economic developments and their possible impact on Triodos Bank's activities; Triodos Bank's strategy; Financial results, risk management and audit findings, including feedback and minutes of the Audit and Risk Committee; auditor's reports; capital raising issues; quarterly reports; loan reports; Dutch Central Bank (DNB) matters; and Basel III regulations.
- The Euro crisis and its possible impact on Triodos Bank's activities.
- Corporate governance and compliance.
- Human resource management, management development, organisational changes and company culture.
- Developments and new markets in different countries and at Triodos Investment Management.

Other issues discussed in depth, and approved, during the year included:

- The recruitment process for a new Chair, under the guidance of the Nomination and Compensation Committee, involving all members of the Supervisory Board, the Executive Board and the members of the Board of SAAT.
- Triodos Bank's senior management structure.

Due to the organisation's increasing breadth of activity and complexity, an Executive Board of four is foreseen in the longer term, consisting of two statutory directors and two directors who will be mainly responsible for daily business operations.

- The 2013 work plan.
- A review of the 2011 annual report and the management letter with the external auditor present
- The half-year report.
- Triodos Bank's 'risk appetite'.
- Changes in the management of Triodos Investment Management.
- Triodos Bank's remuneration policy: the members of the Nomination and Compensation Committee were responsible for preparing this issue for a decision by the Board, and therefore actively involved in discussions on this issue.
- The development of the Global Alliance for Banking on Values (GABV), of which Triodos Bank is one of the co-founders and its current Chair. The Supervisory Board considers this to be a crucial instrument to fulfil its mission.
- The establishment of a representative office in France to investigate future potential in the French market and possibly open a branch office. The Supervisory Board will continue to monitor and review the pace of expansion abroad, so it is in line with the development of Triodos Bank's operational results.
- The expertise and technical competences of the individual Supervisory Board members and of the Supervisory Board collectively were subject of discussion in the Nomination and Compensation Committee and the Supervisory Board following the implementation of new requirements by the Dutch central Bank in 2012. The results of this discussion

will be used to assess the suitability of members in case of (re)appointments.

- In addition to its size and composition, the Supervisory Board's diversity was a topic of discussion. An updated profile was discussed with the Works Council and presented to the Annual General Meeting of Shareholders.
- An update of internal rules for the Supervisory Board and the Executive Board.
- The roles and responsibilities of the Board of SAAT, the Supervisory Board and the Executive Board in relation to each other were discussed thoroughly. These discussions started during the second half of 2012 and will continue in 2013.

Activities of individual board members, during 2012, included:

- Attendance at local client and/or Depository Receipt Holder meetings in the United Kingdom, Belgium, The Netherlands, and Spain.
- Supervisory Board members living, or having lived, in countries in which Triodos Bank operates maintained informal contacts with local Managing Directors and senior co-workers, giving them a better insight into the work of the local branch.
- The Chair participated in a meeting with the other Supervisory Board Chairs of Dutch banks to discuss the progress of the implementation of the Dutch Banking Code. The conclusion was that the Code has, by and large, been implemented, but the sector has yet to recover its reputation.
- Regular meetings between the Chairs of the Board of SAAT, Supervisory Board and the Executive Board
- The Chair of the Supervisory Board – upon invitation – participated in one meeting with the Works Council. The employee satisfaction survey was discussed in it, among other issues.

Activities of the Audit and Risk Committee

The Audit and Risk Committee met on four occasions in 2012. Triodos Bank's Chief Financial Officer, the Head of Internal Audit and the Head of Risk Management were present at each meeting. The external auditors were present at two meetings.

During its deliberations, the Committee reviewed issues including: Triodos Bank's overall risk and control framework; the annual accounts and the quarterly results; the findings of the internal auditor; important accounting decisions and treasury management. It also monitored progress on Information Security and Cybercrime risk mitigation.

In addition, one meeting was held with the external auditor, without the Executive Board being present. The Chair of the Audit and Risk Committee also met separately with the external auditor from time to time. There were no specific issues to report as a result of these meetings.

The Committee is pleased with progress made during the year. Improvements were noted in the areas of measuring and managing risks, determining Triodos Bank's risk appetite and establishing a more cohesive reporting methodology. The finance department was further strengthened in support of these activities.

The Committee also welcomes the inclusion of non-financial risks into the overall framework and specific attention paid to compliance and operational risks. An adequate Internal Liquidity Adequacy Assessment Process (ILAAP) and Internal Capital Adequacy Assessment Process (ICAAP) were performed during the year.

Credit losses, in particular in the biomass industry, continue to be an area of attention for the Executive Board and Supervisory Board. Although central ownership of credit risk is now firmly established at Group level, further attention is required to improve the timely revision of credits.

The Audit and Risk Committee discussed the management letter with the external auditor containing, among others, the external auditor's observations regarding internal control. It is satisfied that Triodos Bank's internal control environment is adequate on the basis of comprehensive information including external and internal audit, and compliance and risk management reports. The internal audit function further professionalised during the year. It runs an internal audit programme

that supports Triodos Bank in its overall risk approach and increasingly acts as an effective third line of defence.

Activities of the Nomination and Compensation Committee

The Nomination and Compensation Committee met on eleven occasions during the year. One of its primary roles is to advise the Supervisory Board on the remuneration policy of Triodos Bank in general and on setting the remuneration packages of the Statutory Directors. It also advises the Supervisory Board on the approval of the remuneration of Managing Directors reporting directly to the Statutory Directors. Both members of the Nomination and Compensation Committee have senior management experience, good knowledge of – and experience with – performance management and remuneration in general. Additionally they seek advice from independent, external experts in case of specific issues.

Co-ordinating the recruitment of a successor to the Supervisory Board Chair was an important activity in 2012 and will continue in 2013.

The committee organised a two day session of a permanent education programme for the Supervisory Board and the Executive Board. This permanent education programme meets the Banking Code's requirement to create a life-long learning programme. In 2012 the programme addressed risk management and regulatory framework developments; the roots of the mission of the bank and their personal and professional relevance – moderated by an external consultant; and developments in the European banking landscape, with an in-depth introduction from the director of the Dutch Banking Association who is also the Chair of the European Banking Federation.

In 2012, the committee advised the Supervisory Board on the review of Triodos Bank's international remuneration policy, which is now fully aligned with European and Dutch regulation regarding remuneration for banks. In reviewing it, the Supervisory Board regrets that the impact of the changes, in some of its provisions, is contrary to the spirit and purpose of Triodos Bank's approach to remuneration. The latter aims to reward exceptional results only, and this on a fully discretionary basis. These regulatory changes are the consequence of a directive designed for banks with very different remuneration philosophies to Triodos Bank. The Supervisory Board brought these concerns to the attention of the Dutch Central Bank. For more information on the international remuneration policy please refer to page 77 of the annual accounts.

The committee also discussed the structure and remuneration levels of Managing Directors with the Statutory Directors, an external consultant and the Human Resources director, to prepare the discussion with the Supervisory Board.

Existing employment contracts for the two Statutory Directors have been updated to make sure they comply with new regulations.

Other issues discussed during the meetings included:

- The profile of the new Chief Operating Officer
- The Supervisory Board capability matrix
- The size of the Supervisory Board
- Yearly reviews with Statutory Directors.

Internal organisation

Composition of the Supervisory Board

Triodos Bank's articles of association determine that the Supervisory Board consists of three or more members.

At present, it has eight, of British, Belgian, Spanish and Dutch nationality. The composition of the Board did not change during 2012.

Mr Marcos Eguiguren Huerta was re-appointed for a second term at Triodos Bank's Annual General Meeting, following a newly adopted internal procedure for reviewing nominations and re-appointments.

Gender diversity

The Supervisory Board aims to be well-diversified, with an adequate balance of nationalities, age, experience, background and gender. In particular, the Supervisory Board's objective is for no more than 70% of its seats to be held by either gender.

In 2012 six Supervisory Board members were male (75%), and two female (25%). Gender diversity has been an important element in the re-appointment procedure for a member of the Supervisory Board in 2012. After careful consideration however, Mr Marcos Eguiguren Huerta was unanimously considered to be the best candidate and proposed for re-appointment. Gender diversity will continue to be an important element in the recruitment and re-appointment procedures for Supervisory Board members in the future.

Committees of the Supervisory Board

The Supervisory Board has two committees as set out in the Corporate Governance chapter: the Audit and Risk Committee, and the Nomination and Compensation Committee. Both committees met separately throughout the year. Their main considerations and conclusions were shared with the full Supervisory Board, where formal decision making takes place.

The composition of the Committees is as follows:

Audit and Risk Committee

- Ms M.A. Scheltema (Chair)
- Mr M. Eguiguren Huerta
- Ms C. van der Weerd

Nomination and compensation committee

- Mr M.M. Frank (Chair)
- Mr H. Voortman

For more information on the Supervisory Board members, see the biographies on page 42 of the report.

The competency matrix (see page 40), adopted for the first time in 2011, was updated. It highlights areas in which Board members have substantial expertise and helps to assess whether the Supervisory Board has the appropriate skills to perform its duties.

The matrix is based on requirements outlined in the collective profile of the Supervisory Board, which is regularly updated.

Meetings of the Supervisory Board

All meetings were held jointly with the Statutory Directors. Every meeting was preceded by an internal meeting in which only Supervisory Board members participate. One internal meeting was devoted to a discussion about the internal evaluation report as well as an appraisal of the Statutory Directors.

As decided in 2011, at least one Supervisory Board meeting per year is held in a country with a branch office. In 2012 one Supervisory Board meeting was held in the new offices of Triodos Bank's UK branch. The Supervisory Board celebrated the opening, together with the UK co-workers and the Executive Board, and enjoyed the opportunity to meet the UK co-workers.

A series of presentations and discussions were held with senior management of the branch, deepening insights into Triodos Bank's UK activities, for the Supervisory Board members.

Throughout the year, the Chair of the Supervisory Board and the Chief Executive Officer maintain frequent contact to discuss matters of mutual interest. The Chair of the Audit and Risk Committee was in regular and close contact with the Chief Financial Officer, as was the Chair of the Nomination and Compensation Committee with the Chief Executive Officer.

Attendance

Attendance of the Supervisory Board members at the meetings in 2012 follows:

Supervisory Board members	Supervisory Board meeting	Audit and Risk Committee meeting	Nomination and Compensation Committee meeting
Hans Voortman	6/6	6/6	11/11
Margot Scheltema	6/6	4/4	
David Carrington	6/6		
Marcos Eguiguren	6/6	4/4	
Marius Frank	6/6		11/11
Mathieu van den Hoogenband	6/6		
Jan Lamers	6/6		
Carla van der Weerd	6/6	4/4	

Independence

Throughout the year, all members of the Supervisory Board were independent from Triodos Bank under the terms of the Dutch Corporate Governance Code. The composition of the Board was such that members were able to act critically and independently of one another, the Executive Board and any particular interest.

Conflicts of interest

In accordance with the requirements of the Dutch Corporate Governance Code, the Supervisory Board has internal rules in place that govern any actual or potential conflicts of interest of Board members.

During 2012, one Board member did not participate in a discussion because of a potential conflict of interest.

Education

As part of the Board's permanent education programme, it organizes annual meetings with external experts, with a view to keeping up-to-date with developments in society and the sectors that have an impact on Triodos Bank's operations. Please see the report of the Nomination and Compensation Committee above for more details.

Self-evaluation

The Supervisory Board's annual self evaluation took place at the end of 2012, elaborating on the findings of an independent consultant, who undertook this work in the previous year. In 2010 a decision was taken to involve an independent consultant in the evaluation every other year. In 2012 the evaluation was completed under the guidance of the Chair.

The scope of the evaluation included the functioning of the Supervisory Board as a whole, its individual members and its committees. The outcome of this meeting was discussed in the December board meeting, and was considered satisfactory, as it was in 2011. Some progress was made on several aspects of the interaction between both boards, although

less than anticipated. The Supervisory Board intends to take more time for in-depth discussions and reflection, particularly on topics such as strategy, company culture and values-based issues. Both the Supervisory Board and the Executive Board wish to further improve their discussions, particularly in the fields of strategic planning and the sharing of dilemmas. The Supervisory Board intends to gradually move further from a ratifying and probing role to a more engaging approach, requiring a higher level of intensity in its key roles.

The Chair discusses the individual assessments with individual Supervisory Board members. Most of these assessments were completed, in early 2013. In addition, the evaluation of the Chair was undertaken by the Vice-Chair and the results discussed between them.

A preliminary assessment of the Statutory Directors was also discussed in December's board meeting and will be completed by the evaluation of the results of the 2012 business plan as well as the assessment of the individual Statutory Directors' personal priorities for 2012. These results will be discussed in the February Supervisory Board meeting and subsequently evaluated with the individual Statutory Directors by the Chair of the Supervisory Board and the Chair of the Nomination and Compensation Committee.

Developments in 2013

The Supervisory Board discussed the 2012 Annual Report, including the Financial Statements, with the Executive Board in the presence of the external auditors in its February 2013 meeting. The auditor's report was reviewed as well as the quality of the internal risk management and control systems.

The Supervisory Board is of the opinion that the Financial Statements and the Executive Board report provide a true and fair view of Triodos Bank's position. We propose that the shareholders adopt the Financial Statements of 2012 and discharge the Statutory Directors for their management of Triodos Bank during 2012 and the Supervisory Board for its supervision.

The Supervisory Board endorses the Executive Board's dividend proposal, of EUR 1.95 (per depository receipt).

In conclusion

The Supervisory Board would like to thank all Triodos Bank's stakeholders for their trust in Triodos Bank and the Executive Board, and all the organisation's co-workers for their efforts. The Supervisory Board is confident that Triodos Bank will be able to cope with the challenges in 2013 and will continue to act as a reference point for the banking industry.

Zeist, 26 February 2013

Hans Voortman, Chair
Margot Scheltema, Vice-Chair
David Carrington
Marcos Eguiguren Huerta
Marius Frank
Mathieu van den Hoogenband
Jan Lamers
Carla van der Weerd

Name (nationality)	Year of birth	Gender	Country of focus	Sustainable development	Banking
Carrington (UK)	1946	M	UK	•	
Eguiguren (SP)	1959	M	Spain		•
Frank (NL)	1947	M	Netherlands, France		
Lamers (BE)	1948	M	Belgium, France		
Scheltema (NL)	1954	F	Netherlands		
Van den Hoogenband (NL)	1944	M	Netherlands, Germany	•	
Van der Weerd (NL)	1964	F	Netherlands		•
Voortman (NL)	1944	M	Netherlands	•	•

Supervisory Board competence matrix

The matrix below lists the key competences of the individual members of the Supervisory Board, which are relevant to their supervisory position.

To qualify as a member of the Board, each individual is required to have the following three attributes:

- an affinity with the mission and values of Triodos Bank,
- senior management experience, and
- international experience.

All Supervisory Board members meet these criteria.

The table below lists further competences in the key areas described in the Supervisory Board's profile.

Key areas of expertise			
Risk Management	Multi-stakeholder relations	Finance, Administration and Internal Control	Other functional and sector expertise
	•		Impact investment, CG in the social sector
•		•	
		•	Strategy, Leadership development
	•	•	Marketing, Media, Culture
•		•	Corporate Governance, Legal
			Retail
•		•	
•	•		Conservation

Biographies

Mr. D.J. Carrington (1946)

David Carrington was first appointed in 2009 and his present term expires in 2013. He has been an independent consultant since 2001, specialising in the development of philanthropy and social finance and in the governance of charities and social enterprises. David Carrington draws on 25 years' experience of senior management positions in charities – the last 13 as Chief Executive – and as a Board Member with a wide range of organisations in the UK. He is a non-executive Director of Big Society Capital, a Director of the Creative Sector Services Community Interest Company (CIC) and Chair of the Programme Board of Inspiring Impact. He is Chair and a founder Director of the Alliance Publishing Trust and of Bridges Charitable Trust and is a Member of the Advisory Board of the US Centre for Effective Philanthropy. David Carrington is of British nationality and does not own any depository receipts.

Mr. M.M. Frank (1947)

Marius Frank was first appointed in 2005 and his present term expires in 2013. He is also a Member of the Supervisory Board of Triodos Cultuurbank BV and is Chair of the Triodos Bank Nomination and Compensation Committee. Marius Frank is an independent Board Advisor and Executive Coach. He is Chair of the Supervisory Board of Seyster Veste, Zeist (since March 2009) and a Member of 'Stichting Administratiekantoor Hofpoort Holding' Utrecht (the holding company of a.o. Van der Wal Transport, since December 2009). Marius Frank is of Dutch nationality and does not own any Triodos Bank depository receipts.

Mr. M.J.M. van den Hoogenband (1944)

Mathieu van den Hoogenband was first appointed in 2007 and his present term expires in 2015. He is the former President of the Executive Board of the Weleda Group AG in Arlesheim, Switzerland. Mathieu vanden Hoogenband is a Member of the Shareholders Council of Rhea Holding BV (Eosta BV), Chair of the Supervisory Board of Triodos Cultuurbank BV, Chair of the Supervisory Board of Stichting Widar 1st line Health Organisation, and Member of the Advisory Council of the Antroposophical Medical Faculty of the private University Witten/Herdecke. He teaches Leadership and Ethics at the SRH Business School Berlin and the Alanus Hochschule in Bonn-Alfter. Mathieu van den Hoogenband is of Dutch nationality and owns 906 Triodos Bank depository receipts.

Mr. M. Eguiguren Huerta PHD. (1959)

Marcos Eguiguren was first appointed in 2008 and his present term expires in 2016. He is also a Member of Triodos Bank's Audit and Risk Committee. Marcos Eguiguren is Partner of Grupo Inmark, a Spanish professional services Group with subsidiaries in Portugal and several countries in Latin America and extensive experience in advising financial entities. He has held executive roles in Barclays Bank and BBVA. He is also Associate Professor of business administration at the Politechnical University of Catalonia. Marcos Eguiguren is of Spanish nationality and owns 194 Triodos Bank depository receipts.

Mr. J. Lamers (1948)

Jan Lamers was first appointed in 2002 and his present term expires in 2014. He is a former CEO of Uitgeversbedrijf Tijd and Vice President of the European Newspaper publishers association. He is also CEO of Lamers-Media C&P, Chair of CultuurNet Vlaanderen, CEO of Wereldmediahuis Vzw and member of the Supervisor Board of I-Propeller NV. Jan Lamers is of Belgian nationality and owns no Triodos Bank depository receipts.

Ms. M.A. Scheltema (1954), Vice-Chair

Margot Scheltema was first appointed in 2006 and her present term expires in 2014. She is Chair of Triodos Bank's Audit and Risk Committee. Margot Scheltema was Financial Director of Shell Nederland BV until the end of 2008. She is a Member of the Audit Committee of Algemeen Burgerlijk Pensioenfonds and a Member of the Supervisory Board of ASR NV, Schiphol NV, TNT Express NV, and of Lonza Group Ltd. Margot Scheltema is substitute counsel with the Enterprice Chamber of the Amsterdam Court of Appeal. She is also a Member of the Supervisory Board of the Rijksmuseum and a Member of the Supervisory Board of ECN. Margot Scheltema is of Dutch nationality and does not own any Triodos Bank depository receipts.

Mr. H. Voortman (1944), Chair

Hans Voortman was first appointed in 2001 and his present term expires in 2013. He is also a Member of the Bank's Nomination and Compensation Committee. Hans Voortman is the former Managing Director of World Wide Fund for Nature (WWF) Netherlands and the former Company Director of MeesPierson. He is also the Chair of the Supervisory Board of Ark Natuurontwikkeling, Member of the Boards of Pan Parks and Blijdorp Thandiza Fonds. Hans Voortman is of Dutch nationality and does not own any Triodos Bank depository receipts.

Ms. C.J. van der Weerd-Norder (1964)

Carla van der Weerd was first appointed in 2010 and her present term expires in 2014. She is the owner and Director of Accent Organisatie Advies and Accent Finance & Accountancy. She had a banking career for fifteen years in ABN AMRO Bank NV, amongst others as the CFO/COO of Global Transaction Banking, as the Global Head of Operational Risk Management and as the Global Head of Risk Management & Compliance in Asset Management. She is a Member of the Supervisory Board and Chairwoman of the Audit Committee of Saxion Hogeschool. Carla van der Weerd is of Dutch nationality and does not own any Triodos Bank depository receipts.

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Annual Accounts 2012

Triodos Bank N.V.

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Consolidated balance sheet as at 31 December 2012

Before appropriation of profit in thousands of EUR	Reference*	31.12.2012	31.12.2011
Assets			
Cash	1	380,497	51,631
Government paper	2	–	15,000
Banks	3	561,167	670,649
Loans	4	3,285,359	2,837,818
Interest-bearing securities	5	896,530	573,096
Shares	6	4	4
Participating interests	7	7,594	3,166
Intangible fixed assets	8	12,285	13,475
Property and equipment	9	38,647	36,063
Other assets	10	18,874	16,045
Prepayments and accrued income	11	89,926	73,608
Total assets		5,290,883	4,290,555
Liabilities			
Banks	12	62,799	34,902
Funds entrusted	13	4,593,501	3,730,708
Other liabilities	14	12,368	9,302
Accruals and deferred income	15	50,971	48,725
Provisions	16	675	452
Subordinated liabilities	17	5,300	15,300
Equity	18	565,269	451,166
Total equity and liabilities		5,290,883	4,290,555
Contingent liabilities	19	60,860	64,542
Irrevocable facilities	20	606,960	700,966
		667,820	765,508

* References relate to the notes starting on page 53. These form an integral part of the consolidated annual accounts.

Consolidated profit and loss account for 2012

in thousands of EUR	Reference*	2012	2011
Income			
Interest income	21	158,363	127,927
Interest expense	22	-55,218	-44,675
Interest		103,145	83,252
Commission income	23	48,989	45,740
Commission expense	24	-1,845	-1,188
Commission		47,144	44,552
Result on financial transactions	25	433	275
Other income	26	844	582
Other income		1,277	857
Total income		151,566	128,661
Expenses			
Co-worker and other administrative expenses	27	93,694	84,364
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	28	6,392	5,513
Operating expenses		100,086	89,877
Value adjustments to receivables	29	20,911	15,801
Value adjustments to participating interests		-218	107
Total expenses		120,779	105,785
Operating result before taxation		30,787	22,876
Taxation on operating result	30	-8,161	-5,552
Net profit		22,626	17,324
Amounts in EUR			
Net profit per share		3.37	3.18
Dividend per share		1.95	1.95

Consolidated statement of comprehensive income for 2012

in thousands of EUR	2012	2011
Net result	22,626	17,324
Revaluation of property, equipment and participating interest after taxation	-41	-10
Exchange rate results from business operations abroad after taxation	-151	52
Total amount recognised directly in equity	-192	42
Total comprehensive income	22,434	17,366

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Consolidated statement of changes in the equity for 2012

in thousands of EUR	Share capital	Share Premium
Equity as at 1 January 2011	249,352	57,566
Increase of share capital	51,619	23,385
Stock dividend	4,717	-4,717
Revaluation of property, equipment and participation interest after taxation		
Exchange rate results from business operations abroad after taxation		
Profit appropriation for previous financial year, addition to the other reserves		
Profit appropriation for previous financial year, dividend		
Dividend not distributed in cash		
Transfer to statutory reserve for development costs		
Purchasing or sale of own depository receipts		
Result for financial year		
Equity as at 31 December 2011	305,688	76,234
Increase of share capital	64,540	31,075
Stock dividend	5,653	-5,653
Revaluation of property, equipment and participation interest after taxation		
Exchange rate results from business operations abroad after taxation		
Profit appropriation for previous financial year, addition to the other reserves		
Profit appropriation for previous financial year, dividend		
Dividend not distributed in cash		
Reverted dividend		
Transfer to statutory reserve for development		
Purchasing or sale of own depository receipts		
Result for financial year		
Equity as at 31 December 2012	375,881	101,656

Revaluation reserve	Statutory reserve	Other reserve	Retained earnings	Total equity
59	7,867	35,763	11,509	362,116
				75,004
				-
-10				-10
	52			52
		1,566	-1,566	-
			-9,943	-9,943
		6,623		6,623
	-895	895		-
		-		-
			17,324	17,324
49	7,024	44,847	17,324	451,166
				95,615
				-
-41				-41
	-151			-151
		5,217	-5,217	-
			-12,107	-12,107
		8,158		8,158
		2		2
	-842	842		-
		1		1
			22,626	22,626
8	6,031	59,067	22,626	565,269

Consolidated cashflow statement for 2012

in thousands of EUR	2012	2011
Cashflow from operating activities		
Net profit	22,626	17,324
Adjustments for:		
• depreciation	6,391	5,513
• value adjustments to receivables	20,911	15,801
• value adjustments to participating interests	-218	107
• exchange rate differences on property and equipment	-64	-42
• movements in provisions	223	134
• other movements in accrued and deferred items	-14,037	4,200
Cashflow from business operations	35,832	43,037
Movement in government paper	15,000	-15,000
Movement in banks, deposits not on demand	-32,164	-60,957
Movement in loans	-468,452	-725,976
Movements in shares	-	-
Movement in banks, liabilities not on demand	27,897	10,919
Movement in funds entrusted	862,793	692,032
Other movements from operating activities	239	7,759
CASHFLOW FROM OPERATING ACTIVITIES	441,145	-48,186
Cashflow from investment activities		
Net investments in:		
• interest-bearing securities	-323,434	13,576
• participating interests	-4,437	-608
• intangible fixed assets	-1,911	-1,593
• property and equipment	-5,810	-6,664
CASHFLOW FROM INVESTMENT ACTIVITIES	-335,592	4,711
Cashflow from financing activities		
Movement in subordinated liabilities	-10,000	-7,500
Increase in equity	95,615	75,004
Payment of cash dividend	-3,949	-3,320
Purchases of depository receipts for own shares	1	-
CASHFLOW FROM FINANCING ACTIVITIES	81,667	64,184
Net cashflow	187,220	20,709
Cash and cash equivalents at beginning of the year	436,398	415,689
Cash and cash equivalents at the end of the year	623,618	436,398
On demand deposits with central banks	380,497	51,631
On demand deposits with banks	243,121	384,767
Cash and cash equivalents at the end of the year	623,618	436,398

Notes to the consolidated financial statements

in thousands of EUR

General

Triodos Bank, having its legal address in Nieuweroordweg 1 in Zeist, The Netherlands, is a public limited liability company under Dutch law.

Basis of preparation

The Annual Accounts were prepared in accordance with the legal requirements for the Annual Accounts of banks contained in Section 14 Title 9 Book 2 of The Netherlands Civil Code. The Annual Accounts relate to the thirty-second financial year of Triodos Bank N.V.

In accordance with Section 2:402 of The Netherlands Civil Code, the company profit and loss account just contains a breakdown of the net result into the Result on participating interests and the Other result.

These financial statements have been prepared on the basis of the going concern assumption.

Accounting principles

General

Unless stated otherwise, assets are stated at cost, whereby in the case of receivables a provision for doubtful debt is recognised.

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to Triodos Bank and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from Triodos Bank of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

Income and expenses are attributed to the period to which they relate or to the period in which the service was provided. Revenues are recognized when Triodos Bank has transferred the significant risks and rewards of ownership of the goods to the buyer.

Interest income and commissions from lending are not accounted for in the profit and loss account if the collection of the interest and commission is doubtful.

The financial statements are presented in euros, Triodos Bank's functional currency. All financial information in euros has been rounded to the nearest thousand.

The use of estimates and assumptions in the preparation of the financial statements

The preparation of the consolidated financial statements requires Triodos Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and the contingent assets and liabilities at the balance sheet date, and the reported income and expenses for the financial year. It mainly concerns the methods for determining the provisions for doubtful debts, determining the fair value of assets and liabilities and determining impairments. This involves assessing the situations on the basis of available financial data and information. For certain categories of assets and liabilities the inherent estimation risk may be higher as a result of lack of liquidity in the relevant markets. Although these estimates with respect to current events and actions are made to the best of management's knowledge, actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods.

Consolidation principles

The consolidated financial statements include the financial data of Triodos Bank, its group companies and other companies over which Triodos Bank has control. Control exists when Triodos Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which Triodos Bank has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account. Group companies exclusively acquired with the view to resale are exempted from consolidation.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, intra-group debts, receivables and transactions are eliminated. The group companies are consolidated in full. The financial data for joint ventures have been consolidated pro rata to the participating interest held, if consolidation is necessary in order to provide a transparent overview of the assets and result of Triodos Bank N.V.

Statement of equity participations in accordance with Sections 2:379 and 2:414 of The Netherlands Civil Code:

- Kantoor Buitenzorg BV in Zeist, participating interest 100%, group company, fully consolidated;
- Kantoor Nieuweroord BV in Zeist, participating interest 100%, group company, fully consolidated;
- Stichting Triodos Beleggersgiro in Zeist, participating interest 100%, group company, fully consolidated;

- Triodos Assurantiën BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Cultuurbank BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Custody BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Finance BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Finanz GmbH in Frankfurt am Main, participating interest 100%, group company, fully consolidated;
- Triodos Investment Management BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos MeesPierson Sustainable Investment Management BV in Zeist, participating interest 50%, joint venture with joint control, consolidated pro rata to the participating interest held;
- Triodos Nieuwbouw BV in Zeist, participating interest 100%, group company, fully consolidated.

Transactions in foreign currencies

Assets and liabilities related to transactions denominated in foreign currencies are converted at the spot rate on the balance sheet date. Transactions and the resulting income and charges in foreign currencies are converted at the rate applicable on the transaction date. The resulting exchange rate differences are accounted for in the profit and loss account under 'Result on financial transactions'.

Business operations abroad

Assets and liabilities relating to activities in business units abroad located outside the Eurozone are converted at the spot rate as at the balance sheet date. Income and expenses for activities in foreign business units outside the Eurozone will be converted at the exchange rate as at the transaction date. Any exchange rate differences arising from this will be charged or credited directly to the equity.

Hedging of the net investment in business operations abroad

Exchange rate differences arising on retranslation of a foreign currency liability accounted for as a hedge of a net investment in foreign business units located

outside the Eurozone are taken directly to shareholders' equity, in the statutory reserve for conversion differences, insofar as the hedge is effective. The non-effective part is taken to the profit and loss account as expenditure.

Financial instruments

Financial instruments, including derivatives separated from their host contracts, are initially recognised at fair value. If instruments are not measured at fair value through profit and loss, then any directly attributable transaction costs are included in the initial measurement. After initial recognition, financial instruments are valued in the manner described below.

Banks and loans

Receivables on banks and the loans are valued at amortised cost, after deduction of a provision for doubtful debts. The value adjustment for doubtful debts is determined per item, with the value of the collateral provided being taken into account.

Government paper and interest-bearing securities

All government paper and interest-bearing securities are held in the investment portfolio. They are stated at redemption value after deduction of provisions for doubtful debts. Differences between the acquisition price and the redemption value are amortised over the remaining life of the securities and are recognised as prepayments and accrued income or accruals and deferred income in the balance sheet. Realised changes in the value are recognised in the profit and loss account.

Shares

Shares are not held in the trading portfolio and are valued at cost.

Participating interests

Participating interests where significant influence can be exercised will be valued at net asset value.

Participating interests where no significant influence can be exercised will be carried at fair value. In the case of a participating interest that is listed on an

active stock exchange, the fair value will be deemed to be equal to the most recently published stock exchange price. In the case of a participating interest not listed on an active stock exchange or where there is no regular price quotation, the fair value will be determined to the best of one's ability using all available data, including an annual report audited by an external auditor, interim financial information from the institution and any other relevant data provided to Triodos Bank. Unrealised changes in the value of participating interests where no significant influence can be exercised are recognised in equity via the revaluation reserve, with the exception of changes in value below the acquisition price, which will be recognised directly in the profit and loss account.

Realised changes in the value will be recognised in the profit and loss account.

Exchange rate differences resulting from the conversion of foreign currencies will be charged or credited directly to the equity.

Intangible fixed assets

Intangible fixed assets are stated at acquisition price or cost of manufacture minus amortisation. These costs mainly comprise the cost of direct labour; upon termination of the development phase. The amortisation will be determined in line with the estimated useful life.

Goodwill paid by Triodos Bank for the establishment of the branch in Spain will be amortised over a period of ten years. The remaining amortisation period is two years. No impairment for goodwill was recognised.

The development costs for the banking system will be written off over the estimated useful life from the moment the system is used. The current end-of-life date is December 2016. No impairment was recognised.

Management contracts paid by Triodos Bank when acquiring the participating interest in Triodos Investment Management BV will be written off over a period of 20 years. The remaining depreciation period is fourteen years. No impairment was recognised.

Computer software that has been purchased will be written off over its useful life. This period will not exceed five years.

Property and equipment

Property under development is valued at the lower of the expenditure and the expected replacement cost upon completion. The expenditure consists of payments made to third parties.

Property for own use is stated at the current cost, which is derived from the replacement cost. A valuation is carried out at least every five years by an external appraiser. The buildings for own use are depreciated according to the straight-line method on the basis of an estimated useful economic life of 40 years. Land for own use is not depreciated.

Equipment is stated at acquisition price less straight-line depreciation on the basis of estimated useful economic life. The depreciation periods vary from three to ten years.

Provisions

Provisions are valued at the nominal value of the expenses expected to be incurred in settling the liabilities and losses. The provisions mainly consist of a provision for major building maintenance which is based on a long-term maintenance programme.

Purchases of depository receipts for own shares

The purchasing and reissuing of depository receipts for own shares is charged or credited respectively to the Other reserves. Any balance remaining after the re-issuing of all own depository receipts purchased shall be placed at the disposal of the Annual General Meeting.

Own depository receipts for shares may be purchased up to 2% of the issued and paid-up share capital.

A decision to purchase own depository receipts may be made if the supply of existing depository receipts exceeds the demand for new depository receipts. For this, authority has been given to management by the Annual General Meeting.

Derivatives and hedge accounting

Derivatives are measured at fair value, except if the cost model for hedge accounting is applied.

Derivatives embedded in contracts shall be separated from the host contract and accounted for separately at fair value if:

- the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value with changes in fair value recognised through profit and loss.

If forward exchange contracts are concluded to hedge monetary assets and liabilities in foreign currencies, cost hedge accounting is applied. Hedge accounting is applied to ensure that the gains or losses arising from the translation of the monetary items recognised in the profit and loss account are offset by the changes in the value of forward exchange contracts arising from the difference between the spot rate at inception and spot rates as at reporting date. The difference between the spot rate agreed at the inception of the forward exchange contract and the forward rate is amortised over the term of the contract.

Triodos Bank has documented its hedging strategy and how it relates to the objective of risk management. Triodos Bank has also documented its assessment of whether the derivatives that are used in hedging transactions are effective in offsetting currency results of the hedged items using generic documentation. Any overhedge is recognised directly in the profit and loss account at the lower of cost and market value.

Hedging relationships are terminated upon the expiry or sale of the respective derivatives. The cumulative gain or loss that has not yet been included in the profit and loss account is recognised as a deferred item in the balance sheet until the hedged transactions have taken place.

If the transactions are no longer expected to take place, the cumulative gain or loss is accounted for in the profit and loss account.

Taxation on operating result

Taxes are calculated on the pre-tax result on the basis of the applicable profit tax rates. Exempted profit items, deductible items, additions and differences between the balance sheet value and the fiscal value of particular assets and liabilities are taken into account.

Deferred tax items arising from differences between the balance sheet value and the fiscal value are valued at nominal value.

Earnings per share

Earnings per share is calculated on the basis of the weighted average number of shares outstanding. In calculating the weighted average number of shares outstanding:

- Own shares held by Triodos Bank are deducted from the total number of shares in issue;
- The computation is based on monthly averages.

Cash flow statement

The cashflow statement sets out the movement in Triodos Bank's funds, broken down into operating activities, investment activities and financing activities. The funds consist of cash and the on demand deposits with banks. The cashflow statement is produced using the indirect method.

For further details about these accounting principles, please refer to the corresponding notes to the financial statements.

Assets

1. Cash

This item consists of the on demand deposits with central banks.

2. Government paper

	2012	2011
Belgian treasury bonds	–	15,000
	–	15,000

The movement in the Government paper is as follows:

	2012	2011
Balance sheet value as at 1 January	15,000	–
Purchase	–	15,000
Repayments	-15,000	–
Sale	–	–
Balance sheet value as at 31 December	–	15,000

3. Banks

	2012	2011
On demand deposits with banks	243,121	384,767
Deposits with banks	318,046	285,882
	561,167	670,649

The on demand deposits can be freely disposed of.

Banks classified by residual maturity:

	2012	2011
Payable on demand	243,121	384,767
1 to 3 months	163,546	131,382
3 months to 1 year	152,500	152,500
1 to 5 years	–	–
Longer than 5 years	2,000	2,000
	561,167	670,649

The balance sheet value of the banks as at 31 December can be broken down as follows:

	2012	2011
ABN Amro	136,345	135,066
Banco Cooperativo	32,447	5,410
Bank Nederlandse Gemeenten (BNG)	40,000	–
Barclays	14,826	57,661
Belfius Bank	30,000	–
Co-operative Bank	49,012	23,944
DZ Bank	20,381	5,244
Friesland Bank	–	49,443
FMO (Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden)	–	90,000
ING Bank	77,381	90,408
KBC Bank	10,902	37,834
Van Lanschot Bank	1,771	20,115
Nationwide Building Society	24,506	23,944
Rabobank	90,922	92,322
Royal Bank of Scotland	28,875	15,866
SNS Bank	–	20,000
Other	3,799	3,392
	561,167	670,649

4. Loans

	2012	2011
Loans	3,341,518	2,874,401
Provision for doubtful debts	-56,159	-36,583
	3,285,359	2,837,818

This relates to loans to the private sector, excluding those to banks,

Loans classified by residual maturity:

	2012	2011
Payable on demand	179,576	148,657
1 to 3 months	178,737	149,385
3 months to 1 year	250,218	216,707
1 to 5 years	834,764	653,598
Longer than 5 years	1,898,223	1,706,054
	3,341,518	2,874,401

The movement of the provision for doubtful debts is as follows:

	2012	2011
Balance sheet value as at 1 January	36,583	20,624
Addition	24,779	19,143
Write-off	-2,178	-835
Release	-3,096	-2,450
Exchange rate differences	71	101
Balance sheet value as at 31 December	56,159	36,583

The provision does not relate to contingent liabilities and irrevocable facilities. EUR 0.7 million of the addition to the provision relates to interest that has been invoiced for but that has not been received (2011: EUR 1.4 million).

5. Interest-bearing securities

	2012	2011
Dutch Government bonds	144,500	172,000
Belgian Government bonds	351,698	257,798
Spanish Government bonds	87,734	6,348
Other bonds	312,598	136,950
	896,530	573,096

The balance sheet value of the other bonds as at 31 December can be broken down as follows:

	2012	2011
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden (FMO), The Netherlands	150,000	60,000
Bank Nederlandse Gemeenten (BNG), The Netherlands	77,203	6,450
Brussels Region, Belgium	15,000	15,000
De Société Publique de Gestion de l'Eau (SPGE), Belgium	15,000	–
Vlaamse gemeenschap, Belgium	13,000	13,000
SNS Bank (government guaranteed), The Netherlands	12,000	19,000
La Communauté française de Belgique, Belgium	12,000	10,000
Rabobank, The Netherlands	10,000	10,000
Nederlandse Waterschapsbank, The Netherlands	7,895	3,000
Ethias Vie, Belgium	500	500
	312,598	136,950

Part of the value of securities is used as collateral for a possible debit balance, amounting to EUR 5.0 million at the Dutch Central Bank (2011: EUR 5.0 million) and EUR 4.6 million at a bank in The Netherlands (2011: EUR 8.5 million). The security for drawn loans amounts to EUR 4.6 million (2011: EUR 6.3 million) at a bank in Spain.

In connection with differences between the acquisition prices and redemption values, as at 31 December 2012 an amount of EUR 25.5 million (2011: EUR 13.9 million) has been included under Prepayments and accrued income and an amount of EUR 3.0 million (2011: EUR 0.8 million) has been included under Accruals and deferred income.

The movement in interest-bearing securities is as follows:

	2012	2011
Balance sheet value as at 1 January	573,096	586,672
Purchase	529,258	144,450
Repayments	-103,324	-99,026
Sale	-102,500	-59,000
Balance sheet value as at 31 December	896,530	573,096

6. Shares

	2012	2011
S.W.I.F.T. SCRL	3	3
Ampere Equity Fund BV	0	0
SEPA Biogasanlage Hattingen GmbH	1	1
	4	4

The shares in S.W.I.F.T. SCRL are held in the framework of the Bank's participation in S.W.I.F.T. payment transactions. The shares in Ampere Equity Fund BV are held in the framework of the Triodos Investment Management activities. The shares in SEPA Biogasanlage Hattingen GmbH are held in conjunction with a granted loan.

The movement in shares is as follows:

	2012	2011
Balance sheet value as at 1 January	4	4
Purchase	–	–
Sales	–	–
Balance sheet value as at 31 December	4	4

7. Participating interests

	2012	2011
Other participating interests	7,594	3,166

The participating interest can be specified as follows:

The interest in the New Resource Bank, San Francisco, Merkur Bank, Copenhagen, Cultura Bank, Oslo, GLS Gemeinschaftsbank eG, Bochum, Banca Popolare Etica Scpa, Padova, Ekobanken Medlemsbank, Järna and the Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO), The Hague where no significant influence can be exercised. The value of these interests in the amount of EUR 7.3 million (2011: EUR 2.9 million) is based on the published share price. In absence of a public share price Triodos Bank estimate the fair value through the net asset value.

The interest in Social Enterprise Finance Australia Limited, Sydney where no significant influence can be exercised. The fair value of the interest in the Social Enterprise Finance Australia Limited can not be determined because it is a start up company. This interest in the amount of EUR 0.3 million (2011: EUR 0.3 million) is valued at cost.

The movement in this item is as follows:

	2012	2011
Balance sheet value as at 1 January	3,166	2,623
Acquisitions	1,519	475
Increase of capital	2,919	133
Revaluation	142	-117
Repayment of capital	-1	-
Exchange rate results on foreign currencies	-151	52
Balance sheet value as at 31 December	7,594	3,166

8. Intangible fixed assets

	2012	2011
Goodwill paid	190	295
Development costs for information systems	8,361	9,529
Management contracts	2,771	2,972
Computer software	963	679
	12,285	13,475

The goodwill paid relates to:

- goodwill that Triodos Fonds Management paid to Triodos Investment Management in 2004 to acquire research activities;
- goodwill that Triodos Bank paid to Triodos Investments España in 2004, 2005 and an addition in 2009 to buy off the rights to the future profit made by the branch in Spain.

The movement in goodwill paid is as follows:

	2012	2011
Purchase value as at 1 January	900	900
Cumulative amortisation as at 1 January	-605	-500
Balance sheet value as at 1 January	295	400
Purchase	–	–
Amortisation	-105	-105
Balance sheet value as at 31 December	190	295

The development costs for information systems

The development costs for information systems contain costs for the development of the bank's ICT system.

The movement in the development costs for the information systems item is as follows:

	2012	2011
Purchase value as at 1 January	20,534	19,567
Cumulative amortisation as at 1 January	-11,005	-8,774
Balance sheet value as at 1 January	9,529	10,793
Capitalised expenses	1,218	967
Amortisation	-2,386	-2,231
Impairments	-	-
Balance sheet value as at 31 December	8,361	9,529

Management contracts

The management contracts relate to contracts for the management of funds by Triodos Investment Management. When it acquired its participating interest in Triodos Investment Management, Triodos Bank paid a sum for this to Triodos Holding.

The movement in management contracts is as follows:

	2012	2011
Purchase value as at 1 January	4,030	4,030
Cumulative amortisation as at 1 January	-1,058	-856
Balance sheet value as at 1 January	2,972	3,174
Amortisation	-201	-202
Balance sheet value as at 31 December	2,771	2,972

9. Property and equipment

	2012	2011
Property for own use	24,982	23,496
Equipment	13,665	12,567
	38,647	36,063

The movement in the property for own use is as follows:

	2012	2011
Purchase value as at 1 January	26,274	25,163
Cumulative revaluation as at 1 January	-435	-435
Cumulative depreciation as at 1 January	-2,343	-1,993
Balance sheet value as at 1 January	23,496	22,735
Purchase	1,838	1,111
Depreciation	-352	-350
Balance sheet value as at 31 December	24,982	23,496

The movement in equipment is as follows:

	2012	2011
Purchase value as at 1 January	22,737	19,351
Cumulative depreciation as at 1 January	-10,170	-9,980
Balance sheet value as at 1 January	12,567	9,371
Purchase	4,019	5,624
Sale*	-46	-71
Depreciation*	-2,939	-2,399
Exchange rate differences	64	42
Balance sheet value as at 31 December	13,665	12,567

* Excluding disposal in the amount of EUR 0.5 million (2011: EUR 2.2 million).

10. Other assets

The other assets include a claim regarding the deposit guarantee scheme in the amount of EUR 9,705 (2011: EUR 9,886).

11. Prepayments and accrued income

The balance sheet value of the prepayments and accrued income as at 31 December can be broken down as follows:

	2012	2011
Premium on investments	25,463	13,876
Interest receivable	34,998	31,527
Deferred taxes	3,797	3,092
Other prepayments and accrued income	25,668	25,113
Balance sheet value as at 31 December	89,926	73,608

The deferred tax item mainly relates to losses incurred by the German branch still to be off-set against future taxable profits which has an unlimited duration.

Liabilities

12. Banks

	2012	2011
Deposits from banks	62,799	34,902

This item concerns credits held by Kreditanstalt für Wiederaufbau, Germany, Landwirtschaftliche Rentenbanken, Germany and Instituto de Crédito Oficial, Spain, for interest-subsidised loans in the renewable energy sector.

Deposits with banks classified by residual maturity:

	2012	2011
Payable on demand	919	855
1 to 3 months	1,324	670
3 months to 1 year	2,876	1,389
1 to 5 years	19,565	10,602
Longer than 5 years	38,115	21,386
	62,799	34,902

13. Funds entrusted

	2012	2011
Savings accounts	3,324,300	2,715,079
Other funds entrusted	1,269,201	1,015,629
	4,593,501	3,730,708

Funds entrusted classified by residual maturity:

	2012	2011
Payable on demand	3,409,344	2,991,596
1 to 3 months	422,947	96,380
3 months to 1 year	281,898	203,292
1 to 5 years	384,037	354,296
Longer than 5 years	95,275	85,144
	4,593,501	3,730,708

14. Other liabilities

This item consists of various amounts payable, including Dutch and foreign taxation and social security contributions totalling EUR 7.1 million (2011: EUR 3.9 million).

15. Accruals and deferred income

The balance sheet value of the accruals and deferred income as at 31 December can be broken down as follows:

	2012	2011
Discount on investments	3,008	803
Interest payable	14,911	12,553
Deferred taxes	4,070	4,212
Other accruals and deferred income	28,982	31,157
Balance sheet value as at 31 December	50,971	48,725

The deferred tax item mainly relates to:

- Future profits of the German branch that will be taxed in The Netherlands. The duration is unlimited.
- Temporary differences between the carrying amounts of intangible fixed assets for financial reporting purposes and the amounts used for taxation purposes. The remaining duration is one to four years.

16. Provisions

	2012	2011
Major building maintenance	670	447
Other provisions	5	5
	675	452

The movement of the provisions is as follows:

	2012	2011
Balance sheet value as at 1 January	452	318
Allocation	311	169
Withdrawal	-88	-35
Release	-	-
Balance sheet value as at 31 December	675	452

17. Subordinated liabilities

This relates to a 10-year bond loan as at 12 July 2006. The nominal interest rate is 5.625% and the issue price is 99.314%. The bonds are subordinated to all other liabilities. During the life of the bond loan, the bank can purchase and cancel bonds, subject to the consent of the Dutch Central Bank.

In connection with differences between the acquisition prices and redemption values, as at 31 December 2012 an amount of EUR 17 (2011: EUR 61) has been included under Payments and accrued income.

The movement in subordinated liabilities is as follows:

	2012	2011
Balance sheet value as at 1 January	15,300	22,800
Withdrawal	-10,000	-7,500
Balance sheet value as at 31 December	5,300	15,300

18. Equity

The equity stated on the consolidated balance sheet is equal to that stated on the parent company balance sheet. For a breakdown, please see the Notes to the company Annual Accounts.

Fair values

The following table sets out the fair value of the financial instruments held as at 31 December 2012. The fair value of interest-bearing securities is the market value. The fair value of banks, loans, funds entrusted with a fixed interest term and the subordinated loan has been determined by calculating the net present value of expected interest and redemption cashflows, taken into account market interest rates as at the end of the year. The fair value of the other items is assumed to be equal to the balance sheet value.

The fair value of the remaining assets also includes the deferred tax item for the difference between the balance sheet value and fair value. The premium and discount not yet written off for the interest-bearing securities has been included on the balance sheet value of the interest-bearing securities.

	2012 Balance sheet Value	2012 Fair value	2011 Balance sheet value	2011 Fair value
Assets				
Cash	380,497	380,497	51,631	51,631
Government paper	–	–	15,000	15,000
Banks	561,167	561,927	670,649	670,452
Loans	3,285,359	3,325,547	2,837,818	2,907,188
Interest-bearing securities including premiums/discounts	918,985	964,325	586,170	600,476
Shares	4	4	4	4
Participating interests	7,594	7,594	3,166	3,166
Other	134,269	122,371*	125,315	110,925*
	5,287,875	5,362,265	4,289,753	4,358,842
Liabilities				
Banks	62,799	62,799	34,902	34,902
Funds entrusted	4,593,501	4,632,197	3,730,708	3,758,084
Other	66,306	66,306	72,977	71,521
Equity	565,269	565,269	451,166	451,166
Revaluation	–	35,694	–	43,169
	5,287,875	5,362,265	4,289,753	4,358,842

* The fair value is negatively impacted by the tax effect of all fair value adjustments which has been posted as other.

	2012 Contract value	2012 Fair value	2011 Contract value	2011 Fair value
Derivatives				
Currency forward contracts (sale of foreign currencies)	223,097	228,070	195,641	208,462
Currency forward contracts (purchase of foreign currencies)	224,447	228,608	196,701	208,986
	447,544	456,678	392,342	417,448

The estimated fair values provided by financial institutions are not comparable on an individual basis, due to the major differences in valuation methods and the many estimated values. The lack of an objective method of valuation means that estimated fair values are highly subjective in respect of the assumed maturity and interest rates used. For this reason readers should be wary of using the information in this part of the Notes to compare the fair values of different financial institutions with one another.

Off-balance sheet liabilities

19. Contingent liabilities

This item relates to credit-substitute guarantees and non-credit-substitute guarantees that are partly secured by blocked accounts for the same amount.

20. Irrevocable facilities

These relate to the total liabilities in respect of irrevocable undertakings, which may lead to a further loan.

Other off-balance sheet liabilities

In addition to the contingent liabilities and irrevocable facilities reported on the balance sheet, the deposit guarantee scheme and the investor compensation scheme is applicable as stated in Article 3:259 of the Act on Financial Supervision.

Rental commitments

in thousands of EUR

Location	Amount per annum	Residual term
Zeist, The Netherlands	560	32 months
Zeist, The Netherlands	160	60 months
Brussels, Belgium	628	75 months
Bristol, United Kingdom	792	159 months
Edinburgh, United Kingdom	41	21 months
Barcelona, Spain	150	22 months
Bilbao, Spain	14	3 months
Granada, Spain	40	34 months
La coruna, Spain	58	14 months
Las Palmas, Spain	7	3 months
Madrid, Spain	19	3 months

Location	Amount per annum	Residual term
Murcia, Spain	145	19 months
Oviedo, Spain	86	22 months
Palma de Mallorca, Spain	92	28 months
Pamplona, Spain	62	24 months
Santa Cruz de Tenerife, Spain	54	18 months
Sevilla, Spain	24	3 months
Valencia, Spain	16	3 months
Valladolid, Spain	65	9 months
Zaragoza, Spain	15	6 months
Frankfurt, Germany	305	22 months

Lease commitments

in thousands of EUR

Lease commitments have been entered between 2 and 48 months with an annual charge of EUR 608.

Commitments for software use

in thousands of EUR

The following commitments have been entered for software use:

- a fixed annual payment of EUR 28;
- for a period of at least 1 year an variable annual charge of approximately EUR 170.

Other commitments

in thousands of EUR

In 2010 Triodos Bank signed a joint operating agreement with a real estate developer which was amended in 2011. The objective of this agreement is to build a new office building for Triodos Bank before the third quarter of 2016. At the end of 2011 Triodos Bank signed an agreement with a third party to purchase land before September 1, 2014. This purchase depends on meeting a number of specified conditions.

In 2012 Triodos Bank signed an agreement with a supplier to install solar panels in 2013 in the amount of EUR 130.

Income

21. Interest income

	2012	2011
Loans	124,554	99,260
Banks	7,530	8,544
Interest-bearing securities	26,215	20,072
Other investments	64	51
	158,363	127,927

The interest income includes revenues derived from financial loans and related transactions, as well as related commissions, which by their nature are similar to interest payments. The interest-bearing securities item includes transaction results in the amount of EUR 5.6 million (2011: EUR 2.6 million).

22. Interest expense

	2012	2011
Funds entrusted	53,174	43,715
Subordinated liabilities	641	160
Banks	1,355	774
Other	48	26
	55,218	44,675

The subordinated liabilities item includes a transaction result in the amount of EUR 0.1 million (2011: EUR 1.1 million).

23. Commission income

	2012	2011
Guarantee commission	540	525
Share register	3,844	3,575
Payment transactions	5,607	4,120
Lending	8,952	11,396
Asset Management	4,185	3,231
Management fees	25,677	22,245
Other commission income	184	648
	48,989	45,740

24. Commission expense

	2012	2011
Commission to agents	406	393
Asset Management	703	312
Other commission expense	736	483
	1,845	1,188

25. Result on financial transactions

	2012	2011
Exchange results for foreign currency transactions	115	34
Transaction results on currency forward contracts	318	241
	433	275

26. Other income

This relates to fees for other services performed and book profits from the sale of assets.

Expenses

27. Co-worker and other administrative expenses

	2012	2011
Co-worker costs:		
• salary expenses	39,536	36,482
• pension expenses	4,520	3,653
• social security expenses	6,826	5,803
• temporary co-workers	4,988	3,342
• other staff costs	4,459	4,191
• capitalised co-worker costs	-1,075	-810
	59,254	52,661
Other administrative expenses:		
• office costs	4,316	3,893
• IT costs	4,282	3,689
• external administration costs	3,556	3,732
• travel and lodging expenses	2,696	2,480
• fees for advice and auditor	2,631	2,313
• advertising charges	7,142	7,039
• accommodation expenses	7,044	5,392
• other expenses	2,773	3,165
	34,440	31,703
	93,694	84,364
Average number of co-workers on a full-time basis	697.7	639.6

Pension expenses

	2012	2011
Pension expenses, defined contribution schemes	2,266	1,708
Pension expenses, defined benefit pension schemes	2,254	1,945
	4,520	3,653

The pension expenses for the defined contribution schemes and the defined benefit pension schemes are based on the contributions owed for the financial year.

Pension scheme per country

Triodos Bank's pension scheme in The Netherlands is a combination of a defined benefit pension scheme and a defined contribution scheme. For the part of the gross annual salary up to EUR 49,297 a defined pension scheme applies; the obligation vis-à-vis the participating co-workers consists of the granting of the accrued pension. For the part of the gross annual salary above EUR 49,297, a defined contribution schemes applies; the commitment to the participating co-workers consists of paying the outstanding contribution.

In The Netherlands, co-workers of related parties participate in the pension scheme, too. The total pension commitment and the resulting expenses are reported with Notes in the consolidated Annual Accounts of Triodos Bank N.V. Part of the expenses are charged on to related parties, based on their share of the total salaries of the participating co-workers.

The Triodos Bank pension schemes in Belgium, the United Kingdom, Spain and Germany are defined contribution schemes that have been placed with life insurance companies in those countries. The commitment to the participating co-workers consists of paying the outstanding contribution. Participation in the pension scheme is obligatory for co-workers in Belgium and Spain. In Belgium, the co-workers' contribution is 2% of the salary and the employer's contribution is 6%. In Spain, the pension contribution is 1.5% of the salary, paid in full by the employer.

In the United Kingdom and Germany, participation in the pension scheme is voluntary. In the United Kingdom, the co-workers' contribution varies between 0% and 15% of the salary. The employer's contribution amounts to 3% or 10% of the salary. 80% of the co-workers in the United Kingdom participate in the pension scheme. In Germany, the co-workers' contribution is 3.33% of the salary and the employer's contribution is 6.67%. 95% of the co-workers in Germany participate in the pension scheme.

Other expenses

The other expenses includes a positive adjustment regarding the estimated loss from the deposit guarantee scheme in the amount of EUR 0.6 million (2011: expense of EUR 0.5 million).

Remuneration policy

The remuneration system employed by Triodos Bank is based on the principle that the income is generated by the joint efforts of all co-workers.

The remuneration paid to the members of the Executive Board is set by the Supervisory Board upon advice of the Nomination and Compensation Committee. The basic principles of the Triodos Bank remuneration system are taken into account.

The remuneration paid to Supervisory Board members and members of the Foundation for the Administration of Triodos Bank Shares (SAAT) Board of Trustees is set at the Annual General Meeting of Shareholders and the annual Meeting of Depository Receipt Holders respectively, whereby modest remuneration is offered that sufficient qualified members can be attracted and retained.

Key elements of Triodos Bank's international remuneration policy are:

- Triodos Bank continues not to offer bonus or share option schemes to either its Board members 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' to co-workers to a maximum of one months' salary. These contributions are for extraordinary achievements and are at the discretion of management after consultation with Human Resources. Such a token is not based on pre-set targets, and always offered in retrospect.
- An annual, collective token of appreciation can be paid for the overall achievements and contribution of all co-workers. This very modest amount is the same, for all co-workers with a maximum of EUR 500 for each co-worker. This can be paid in cash or in depository receipts of Triodos Bank N.V.
- Fixed salaries should be aligned with the median of the financial market to attract and retain the right quality of co-workers.
- The factor by which the maximum salary in the lowest scale and the maximum salary for senior management differs, will be monitored carefully in each country (the same ratio in The Netherlands was 9.4 in 2012), to ensure the discrepancy between the highest and lowest remunerated co-workers is not excessive.
- Severance payments should be modest. If in a country legislation or generally accepted norms are available, these should be followed. Severance payments should, at all times, avoid rewarding underperformance.

The table below provides the loans that have been granted to the members of the Executive Board.

	2012	2012	2012	2011	2011	2011
	Amount outstanding	Average interest rate	Repayments	Amount outstanding	Average interest rate	Repayments
Pierre Aeby	125	3.6%	–	125	3.6%	–

No other loans, advances or guarantees have been granted to members of the Executive Board, Supervisory Board members or members of SAAT's Board of Trustees. For reasons of principle, no share option scheme is offered to members of the Executive Board, Supervisory Board members or members of SAAT's Board of Trustees.

Remuneration paid to the Executive Board

The remuneration paid to the members of the Executive Board is as follows:

	2012	2011
Salary expenses	538	677
Pension expenses	161	143
Social expenses	55	27
	754	847

In the social expenses a crisis tax of EUR 31,000 is included.

The salary expenses of the Executive Board may be broken down as follows:

	2012	2011
Pierre Aeby*	223	217
Peter Blom*	272	265
Michael Jongeneel**	43	195
	538	677

* Statutory director

** Michael Jongeneel was appointed as director of Triodos Investment Management from January 1, 2012. He stepped down from the Executive Board on April 1, 2012 and was appointed as acting COO.

Remuneration paid to the Supervisory Board

The remuneration paid to the Supervisory Board is as follows:

Amounts in EUR	2012 Remuneration	2012 Fees for Committees	2012 Compensation for travel time	2012 Total	2011 Total
David Carrington	13,958	–	3,000	16,958	14,958
Marcos Eguiguren	13,958	4,000	3,500	21,458	18,958
Marius Frank	13,958	4,250	–	18,208	14,979
Mathieu van den Hoogenband	13,958	–	–	13,958	11,458
Jan Lamers	13,958	–	3,500	17,458	15,625
Margot Scheltema	13,958	5,000	–	18,958	16,458
Hans Voortman (Chair)	20,542	3,000	–	23,542	19,625
Carla van der Weerd	13,958	4,000	–	17,958	14,791
	118,248	20,250	10,000	148,498	126,852

The fees paid to Supervisory Board members were changed in the Annual General Meeting held on 25 May 2012.

The following fees apply:

- EUR 15,000 per annum for an ordinary member;
- EUR 22,000 per annum for the Chair;
- EUR 4,000 per annum for a member of the Audit & Risk Committee;
- EUR 5,000 per annum for the chair of the Audit & Risk Committee;
- EUR 3,000 per annum for members of the Nomination and Compensation Committee;
- EUR 4,250 per annum for the chair of the Nomination and Compensation Committee;
- EUR 500 per return travel (to a maximum of EUR 10,000 per annum) as compensation for travelling time for those Supervisory Board members who travel to a meeting outside their home country.

Mr. Eguiguren, Ms. Van der Weerd and Ms. Scheltema (Chair) are the members of the Audit & Risk Committee. Mr. Frank (Chair) and Mr. Voortman are the members of the Nomination and Compensation Committee.

Remuneration of the Board of Trustees of SAAT

The remuneration for the members of the Board of Trustees of the Foundation for the Administration of Triodos Bank Shares, is as follows:

Amounts in EUR	2012 Remuneration	2012 Compensation for travel time	2012 Total	2011 Total
Marjatta van Boeschoten	5,167	3,000	8,167	6,788
Frans de Clerck	5,167	2,500	7,667	6,788
Luis Espiga	5,167	3,500	8,667	7,288
Jan Nijenhof	5,167	500	5,667	3,788
Max Rutgers van Rozenburg (Chair)	7,692	1,500	9,192	5,992
Josephine de Zwaan	5,167	1,000	6,167	3,788
	33,527	12,000	45,527	34,432

The fees paid to members of the SAAT Board of Trustee were changed in the Annual General Meeting held on 25 May 2012.

The following fees apply:

- EUR 5,570 per annum for an ordinary member;
- EUR 8,400 per annum for the chairperson;
- EUR 500 per return travel (with a maximum of 10 return travels per annum) as compensation for travelling time for those Board members who travel to a meeting outside their home country.

28. Depreciation, amortisation and value adjustments of intangible and tangible fixed assets

	2012	2011
Amortisation of intangible fixed assets	3,101	2,764
Depreciation of property and equipment	3,291	2,749
	6,392	5,513

Depreciation has been reduced by the part that is charged on to related parties.

29. Value adjustments to receivables

This item consists of expenses associated with write-downs on loans and other receivables. In 2012, there is an expense item of EUR 20.9 million (2011: expense of EUR 15.8 million).

30. Taxation on operating result

	2012	2011
Taxation to be paid	9,008	5,296
Deferred taxation	-847	256
	8,161	5,552

The connection between the statutory and the effective taxation rate is as follows:

	2012	2011
Result before taxation	30,787	22,876
Statutory tax rate	25.0%	25.0%
Statutory tax amount	7,697	5,719
Difference arising from other tax rates abroad, exemptions and non-deductible items	474	36
Restatement of deferred taxation items as the result of amended tax rates	-10	-203
Effective tax amount	8,161	5,552
Effective tax rate	26.5%	24.3%

Fiscal entity

Triodos Bank, as a parent company, forms a tax entity for turnover tax and corporate income tax purposes with Triodos Assurantiën, Triodos Cultuurbank, Triodos Finance, Triodos Investment Management, Kantoor Buitenzorg, Kantoor Nieuweroord and Triodos Nieuwbouw as subsidiaries. The method chosen for the setting-off of taxation between Triodos Bank and the subsidiaries is that of proceeding as if the legal entities were independently liable to pay tax. In fact, the legal entities are jointly and severally liable for the tax liabilities of the companies belonging to the tax entity.

Related parties

Triodos Bank has links with the following legal entities:

- Triodos Bank provides services to Sustainalytics, Triodos Facet, Triodos Mees Pierson and Triodos Fair Share Fund at competitive rates. The services relate to the secondment of co-workers, management services, administration, accommodation, ICT and advertising.
- Triodos Bank holds funds of and provides banking services to related parties at competitive rates.
- Triodos Bank provides credit facilities and bank guarantees to investment funds and international funds at competitive rates.
- Triodos Bank lets office accommodation to Triodos Facet at a competitive lease.
- Triodos Bank has acted as a guarantor for Triodos Groenfonds at a competitive guarantee commission.
- Triodos Bank and Triodos Investment Management carry out management activities for investment funds and receive a competitive management fee for these activities.
- Triodos Custody performs custodial services for Triodos Fair Share Fund at a competitive fee.
- Triodos Bank distributes and registers securities, issued by investment funds and placed with customers of Triodos Bank, at competitive rates.
- Triodos Bank performs currency transactions for investment funds and international funds at competitive rates.
- Triodos Investment Management provides supervisory director activities for Sustainalytics BV and receive a competitive fee.
- Triodos Investment Management and Triodos Mees Pierson obtains information for research into sustainability from Sustainalytics at competitive rates.
- Triodos Mees Pierson passes on a share of the received administration fee to Sustainalytics as remuneration for their share in the performed administration activities.
- Triodos Mees Pierson manages an investment portfolio of Triodos Groenfonds at a competitive management fee.

Segment reporting

Key figures 2012 by branch and business unit

in thousands of EUR	Bank The Netherlands	Bank Belgium	Bank United Kingdom	Bank Spain
Funds entrusted	1,933,772	1,097,423	617,759	858,565
Number of accounts	240,449	54,358	37,795	117,107
Loans	1,102,050	720,934	591,344	682,832
Number	18,784	2,024	1,155	1,648
Balance sheet total	2,315,348	1,244,899	820,389	1,002,859
Funds under management ¹				
Total assets under management	2,315,348	1,244,899	820,389	1,002,859
Total income	44,108	33,400	17,211	26,525
Operating expenses	-27,393	-17,004	-13,364	-16,763
Value adjustments to receivables	-14,544	-2,968	-990	-1,520
Value adjustments to participations				
Operating result	2,171	13,428	2,857	8,242
Taxation on operating result	-363	-3,616	-756	-2,611
Net profit	1,808	9,812	2,101	5,631
Average number of co-workers on a full-time basis	125.1	86.1	90.9	150.2
Operating expenses/total income	62%	51%	78%	63%

1. Note that at the time this statement was prepared, the Annual Accounts of funds under management had not yet been

Bank Germany	Total banking activities	Investment Management	Private Banking	Other	Elimination intercompany transactions	Total
90,191	4,597,710				-4,209	4,593,501
5,218	454,927					454,927
188,530	3,285,690				-331	3,285,359
471	24,082					24,082
233,818	5,617,313			997,876	-1,324,306	5,290,883
		2,187,189	557,471	9,199		2,753,859
233,818	5,617,313	2,187,189	557,471	1,007,075	-1,324,306	8,044,742
4,781	126,025	23,345	3,026	60	-890	151,566
-6,556	-81,080	-17,547	-2,362	-142	1,045	-100,086
-889	-20,911					-20,911
				218		218
-2,664	24,034	5,798	664	136	155	30,787
722	-6,624	-1,567	-161	230	-39	-8,161
-1,942	17,410	4,231	503	366	116	22,626
29.4	481.7	82.3	12.8	120.9		697.7
137%	64%	75%	78%			66%

finalized.

Key figures 2011
by branch and business unit

in thousands of EUR	Bank The Netherlands	Bank Belgium	Bank United Kingdom	Bank Spain
Funds entrusted	1,704,118	966,542	487,170	527,708
Number of accounts	207,579	47,768	33,116	71,667
Loans	994,714	611,564	504,014	561,471
Number	17,227	2,091	1,136	1,190
Balance sheet total	1,877,488	1,088,433	705,592	633,228
Funds under management ¹				
Total assets under management	1,877,488	1,088,433	705,592	633,228
Total income	37,998	25,038	15,130	20,099
Operating expenses	-26,264	-14,487	-10,483	-12,971
Value adjustments to receivables	-10,197	-3,367	-944	-518
Value adjustments to participations				
Operating result	1,537	7,184	3,703	6,610
Taxation on operating result	-238	-1,585	-1,015	-1,896
Net profit	1,299	5,599	2,688	4,714
Average number of co-workers on a full-time basis	124.3	81.1	76.6	117.8
Operating expenses/total income	69%	58%	69%	65%

1. Note that at the time this statement was prepared, the Annual Accounts of funds under management had not yet been

Bank Germany	Total banking activities	Investment Management	Private Banking	Other	Elimination intercompany transactions	Total
52,652	3,738,190				-7,482	3,730,708
2,956	363,086					363,086
166,541	2,838,304				-486	2,837,818
256	21,900					21,900
174,263	4,479,004			828,385	-1,016,834	4,290,555
		2,050,107	436,044	8,982		2,495,133
174,263	4,479,004	2,050,107	436,044	837,367	-1,016,834	6,785,688
4,323	102,588	22,651	2,892	1,413	-883	128,661
-6,359	-70,564	-16,978	-1,971	-1,439	1,075	-89,877
-775	-15,801					-15,801
				-107		-107
-2,811	16,223	5,673	921	-133	192	22,876
803	-3,931	-1,483	-213	123	-48	-5,552
-2,008	12,292	4,190	708	-10	144	17,324
30.0	429.8	82.6	12.1	115.2		639.7
147%	69%	75%	68%			70%

finalized.

Lending by sector in 2012 after intercompany eliminations

in thousands of EUR	Total			The Netherlands			Belgium
	amount	%	number	amount	%	number	amount
Environment							
Organic farming	109,721	3.3%	680	30,134	2.7%	253	4,543
Organic food	77,472	2.4%	630	27,247	2.5%	383	12,134
Renewable energy	1,124,698	34.2%	753	110,801	10.1%	76	354,826
Sustainable property	230,527	7.0%	451	138,918	12.6%	205	62,272
Environmental technology	55,658	1.7%	150	14,232	1.3%	60	23,580
	1,598,076	48.6%	2,664	321,332	29.2%	977	457,355
Social							
Retail non-food	13,630	0.4%	152	5,845	0.5%	91	1,916
Production	18,484	0.6%	127	5,579	0.5%	60	10,865
Professional services	116,411	3.6%	322	51,575	4.7%	127	19,099
Social housing	188,267	5.7%	304	27,801	2.5%	128	17,151
Healthcare	424,519	12.9%	894	143,496	13.0%	434	103,249
Social projects	99,229	3.0%	340	1,309	0.1%	19	9,226
Fair trade	6,850	0.2%	43	2,618	0.2%	9	2,615
Development cooperation	58,110	1.8%	45	46,046	4.2%	14	5,420
	925,500	28.2%	2,227	284,269	25.7%	882	169,541
Culture							
Education	92,714	2.8%	300	22,371	2.0%	84	12,745
Child care	15,940	0.5%	117	12,494	1.1%	95	2,501
Arts and culture	135,991	4.1%	591	97,777	8.9%	339	16,323
Philosophy of life	72,312	2.2%	256	12,049	1.1%	48	2,845
Recreation	90,479	2.8%	223	52,755	4.8%	131	4,668
	407,436	12.4%	1,487	197,446	17.9%	697	39,082
Private loans	186,902	5.7%	17,698	131,558	12.0%	16,222	54,956
Municipality loans	167,445	5.1%	6	167,445	15.2%	6	–
Total	3,285,359	100.0%	24,082	1,102,050	100.0%	18,784	720,934

Belgium		United Kingdom			Spain			Germany		
%	number	amount	%	number	amount	%	number	amount	%	number
0.6%	75	50,757	8.6%	258	22,928	3.4%	82	1,359	0.7%	12
1.7%	64	11,132	1.9%	58	16,123	2.5%	95	10,836	5.8%	30
49.2%	194	158,210	26.8%	142	407,598	59.7%	304	93,263	49.6%	37
8.6%	129	8,570	1.4%	17	20,767	3.0%	100	–	0.0%	–
3.3%	56	13,070	2.2%	16	4,776	0.7%	18	–	0.0%	–
63.4%	518	241,739	40.9%	491	472,192	69.3%	599	105,458	56.1%	79
0.3%	33	5,315	0.9%	15	554	0.1%	8	–	0.0%	5
1.5%	53	501	0.1%	2	1,539	0.2%	12	–	0.0%	–
2.6%	85	40,289	6.8%	48	5,438	0.8%	47	10	0.0%	15
2.4%	23	129,010	21.8%	140	–	0.0%	–	14,305	7.6%	13
14.3%	193	60,503	10.2%	98	71,616	10.5%	121	45,655	24.2%	48
1.3%	78	16,717	2.8%	63	71,977	10.4%	180	–	0.0%	–
0.4%	12	980	0.2%	13	511	0.1%	6	126	0.1%	3
0.8%	19	508	0.1%	2	6,136	0.9%	10	–	0.0%	–
23.6%	496	253,823	42.9%	381	157,771	23.0%	384	60,096	31.9%	84
1.8%	118	19,571	3.3%	40	16,183	2.4%	34	21,844	11.6%	24
0.3%	15	709	0.1%	5	236	0.0%	2	–	0.0%	–
2.3%	152	11,401	1.9%	44	10,490	1.5%	56	–	0.0%	–
0.4%	16	48,154	8.2%	159	8,486	1.2%	30	778	0.4%	3
0.6%	28	15,947	2.7%	35	17,109	2.5%	29	–	0.0%	–
5.4%	329	95,782	16.2%	283	52,504	7.6%	151	22,622	12.0%	27
7.6%	681	–	0.0%	–	365	0.1%	514	23	0.0%	281
0.0%	–	–	0.0%	–	–	0.0%	–	–	0.0%	–
100.0%	2,024	591,344	100.0%	1,155	682,832	100.0%	1,648	188,199	100.0%	471

Lending by sector in 2011 after intercompany eliminations

in thousands of EUR	Total			The Netherlands			Belgium
	amount	%	number	amount	%	number	amount
Environment							
Organic farming	115,632	4.1%	730	36,990	3.7%	283	5,429
Organic food	73,045	2.6%	562	28,540	2.9%	317	12,993
Renewable energy	978,255	34.5%	803	74,915	7.5%	83	309,535
Sustainable property	187,388	6.6%	732	112,115	11.3%	195	54,731
Environmental technology	41,191	1.4%	140	14,728	1.5%	54	9,038
	1,395,511	49.2%	2,967	267,288	26.9%	932	391,726
Social							
Retail non-food	16,884	0.6%	134	5,210	0.5%	72	1,725
Production	16,067	0.6%	120	5,598	0.6%	54	8,590
Professional services	131,583	4.6%	270	70,642	7.1%	114	19,412
Social housing	131,050	4.6%	281	35,000	3.5%	130	2,494
Healthcare	379,488	13.4%	874	145,179	14.6%	465	106,934
Social projects	82,683	2.9%	286	1,087	0.1%	13	12,576
Fair trade	6,619	0.2%	36	2,686	0.3%	7	2,438
Development cooperation	32,668	1.2%	38	26,344	2.6%	12	580
	797,042	28.1%	2,039	291,746	29.3%	867	154,749
Culture							
Education	77,277	2.7%	258	21,513	2.2%	73	10,575
Child care	21,836	0.8%	101	18,842	1.9%	85	2,309
Arts and culture	114,780	4.0%	591	83,445	8.4%	346	15,278
Philosophy of life	67,247	2.4%	227	11,030	1.1%	36	2,156
Recreation	73,465	2.6%	164	41,198	4.1%	90	4,489
	354,605	12.5%	1,341	176,028	17.7%	630	34,807
Private loans	134,394	4.7%	15,544	103,386	10.4%	14,789	30,282
Municipality loans	156,266	5.5%	9	156,266	15.7%	9	–
Total	2,837,818	100.0%	21,900	994,714	100.0%	17,227	611,564

Belgium		United Kingdom			Spain			Germany		
%	number	amount	%	number	amount	%	number	amount	%	number
0.9%	73	49,477	9.8%	288	19,435	3.5%	76	4,301	2.6%	10
2.1%	77	11,354	2.3%	71	14,651	2.7%	78	5,507	3.3%	19
50.6%	290	145,608	28.9%	104	352,742	62.8%	296	95,455	57.5%	30
8.9%	437	9,508	1.9%	21	11,034	2.0%	79	–	0.0%	–
1.5%	58	13,505	2.7%	18	3,920	0.7%	10	–	0.0%	–
64.0%	935	229,452	45.6%	502	401,782	71.7%	539	105,263	63.4%	59
0.3%	29	9,166	1.8%	21	93	0.0%	3	690	0.4%	9
1.4%	53	561	0.1%	4	1,318	0.2%	9	–	0.0%	–
3.2%	64	37,792	7.5%	49	3,726	0.7%	36	11	0.0%	7
0.4%	26	81,074	16.1%	113	–	0.0%	–	12,482	7.5%	12
17.4%	191	38,994	7.7%	85	57,323	10.2%	94	31,058	18.8%	39
2.1%	88	15,396	3.1%	74	53,624	9.5%	111	–	0.0%	–
0.4%	10	940	0.2%	13	555	0.1%	6	–	0.0%	–
0.1%	16	423	0.1%	2	5,321	0.9%	8	–	0.0%	–
25.3%	477	184,346	36.6%	361	121,960	21.6%	267	44,241	26.7%	67
1.7%	106	18,885	3.7%	38	10,620	1.9%	24	15,684	9.4%	17
0.4%	12	477	0.1%	3	208	0.0%	1	–	0.0%	–
2.5%	156	11,802	2.3%	52	4,255	0.8%	37	–	0.0%	–
0.4%	16	46,124	9.1%	150	7,097	1.3%	22	840	0.5%	3
0.7%	25	12,928	2.6%	30	14,850	2.6%	18	–	0.0%	1
5.7%	315	90,216	17.8%	273	37,030	6.6%	102	16,524	9.9%	21
5.0%	364	–	0.0%	–	699	0.1%	282	27	0.0%	109
0.0%	–	–	0.0%	–	–	0.0%	–	–	0.0%	–
100.0%	2,091	504,014	100.0%	1,136	561,471	100.0%	1,190	166,055	100.0%	256

Solvency

in thousands of EUR

The solvency is calculated according to the Basel II guidelines as set by the Dutch Central Bank.

	2012	2011
The tier 1 capital and own funds can be specified as follows:		
Share capital	375,881	305,688
Share premium	101,656	76,234
Statutory reserve	6,031	7,024
Other reserve	59,067	44,847
Retained earnings	22,626	17,324
Minus: proposed dividend	-14,659	-11,922
Minus: intangible fixed assets	-12,285	-13,475
Minus: 50% of the participating interest in other credit and financial institutions amounting to more than 10% of their capital	-2,178	-
Tier 1 capital (a)	536,139	425,720
Revaluation reserve	8	49
Subordinated liabilities after deduction of discount ¹	3,170	12,191
Minus: 50% of the participating interest in other credit and financial institutions amounting to more than 10% of their capital	-2,178	-
Own funds (b)	537,139	437,960
Capital requirements (c)	269,335	242,764
Surplus of own funds (b-c)	267,804	195,196
Tier 1 ratio (a/c * 8%)	15.9%	14.0%
BIS ratio (b/c * 8%)	16.0%	14.4%

The calculation of the Tier 1 ratio is based on the rules as at reporting date. The implementation of the Basel III rules will have an impact on the definition of the Tier 1 capital and the capital requirements. The Tier 1 ratio based on the Basel III rules is about 0.1% (2011: 0.1) lower.

1. Subordinated liabilities are weighted for 60% in the own funds (2011: 80%), due to the maturity which is shorter than 5 years.

The capital requirements can be specified as follows:

	2012	2011
Capital requirement for credit risk	250,188	226,779
Capital requirement for market risk	-	-
Capital requirement for operational risk	19,147	15,985
	269,335	242,764

The capital requirement for credit risk is 8% of the risk-weighted value of assets, off-balance sheet items and derivatives.

	2012	2011
Risk-weighted assets	2,827,869	2,479,346
Risk-weighted off-balance sheet items	282,258	333,408
Risk-weighted derivatives	17,225	21,985
	3,127,352	2,834,739
Capital requirement percentage	8%	8%
Capital requirement amount for credit risk	250,188	226,779

The capital requirement for market risk exclusively concerns exchange rate risk in the case of Triodos Bank. The capital requirement is 8% of the net open foreign currency position if the net open foreign currency position is more than 2% of the actual own funds. The capital requirement is zero if the net open foreign currency position is less than 2% of the actual own funds.

	2012	2011
Bottom line of 2% of the actual own funds	10,743	8,759
Net open foreign currency position	6,343	4,489
Capital requirement percentage	0%	0%
Capital requirement amount for market risk	–	–

The capital requirement for operational risk is 15% of the average income of the previous three years.

	2012	2011
Total income 2009	n/a	88,336
Total income 2010	102,702	102,702
Total income 2011	128,661	128,661
Total income 2012	151,566	n/a
Average income previous three years	127,643	106,566
Capital requirement percentage	15%	15%
Capital requirement amount for operational risk	19,147	15,985

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Risk management

in thousands of EUR

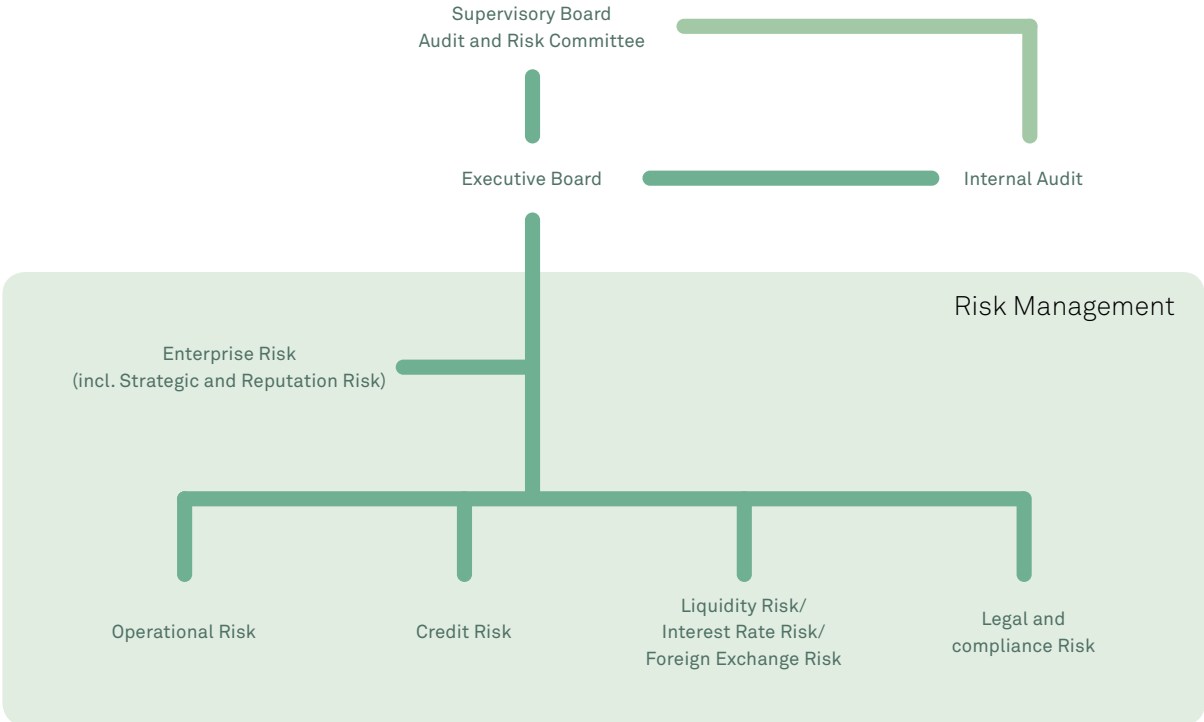
Risk Governance

The aim of Triodos Bank’s risk management activity is to ensure the long term resilience of the business. The organisation’s risk appetite reflects this goal.

Triodos Bank uses and maintains a framework of systems, procedures, limits, reports and checks to manage the risks it faces. The structure and organisation of its business processes comply with the applicable legislation and regulations for financial institutions and Triodos Bank’s sustainability aims. The three lines of defence model is the basis for managing the risks within Triodos Bank. The branches, business units and departments are responsible for managing their own risks (first line of defence). Risk managers (second line of defence) support and advise the branches, business

units and departments in embedding risk management processes in the organisation. Finally, Internal Audit (third line of defence) periodically assesses the design and effectiveness of internal processes and controls.

Risks are monitored by various departments and committees who report directly to the Executive Board. Risk Management consists of various risk disciplines, which are coordinated by the Chief Risk Officer who, at Triodos Bank, is also the CFO. The tasks within these disciplines are to support the business in identifying, assessing, mitigating and monitoring risks within the accepted risk appetite. Risk Management tasks also include analysing risks, preparing risk policies and guidelines for decision by the Executive board, and supporting and controlling their implementation in the organisation.



The Risk Management department produces the integrated report of all risks, and controls the risk profile in accordance with the accepted risk appetite.

Senior Management at each of Triodos Bank's business units is responsible for embedding the risk framework into their business.

The Executive Board has assigned the advisory responsibility for:

- Balance sheet management and related risks to the Assets and Liabilities Committee (Alco). The Alco meets every month.
- Large loan approvals and counterparty and concentration risk to the Executive Board Credit Committee (the EBCC). The EBCC meets every week.

The Audit and Risk Committee of the Supervisory Board supervises the risk management activities of Triodos Bank.

Regulatory requirements

Triodos Bank implemented the capital framework of the Basel Committee on Banking Supervision and reports according to the requirements stipulated by Basel II. Basel II Pillar I has different approaches to capital calculations regarding credit, operational and market risks. In view of its size and stage of development, Triodos Bank has currently opted to implement the less advanced capital calculation methods. The Standard Approach for assigning capital is used to calculate credit risk and market risk. The Basic Indicator Approach is used to calculate the capital requirements for operational risk. The options chosen by Triodos Bank will not diminish its efforts to continue to improve and fine-tune its internal risk management system.

As part of Pillar II of Basel II, Triodos Bank also implemented the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP reflects the capital adequacy planning of Triodos Bank and is used for the Supervisory Review Evaluation Process (SREP) by the Dutch Central Bank as part of Pillar II requirements.

Pillar III of Basel II concerns the disclosure of solvency risks. Its purpose is to make data on solvency, and the connected risk profile of the organisation, available to stakeholders. In line with regulations, this data is published where desirable or necessary in this annual report.

In 2012 an Internal Liquidity Adequacy Assessment Process (ILAAP) has been performed and submitted to the Dutch Central Bank as part of SREP. The ILAAP assesses Triodos Bank's liquidity adequacy during normal business activities and in times of stress.

The Dutch Banking Code explicitly mentions that the Executive Board is responsible for adopting, implementing, monitoring and, where necessary, adjusting Triodos Bank's overall risk management framework. Triodos Bank implemented the recommendations set out by this Code.

Triodos Bank's risk management strategy is reflected in its risk appetite. This is the level of risk Triodos Bank is prepared to take in order to realise its strategic business objectives. The risk appetite indicates the maximum risk that Triodos Bank considers acceptable to implement in its business strategy in order to protect itself against events that could have a severe and adverse effect on liquidity, profitability, capital and the depository receipt price.

Triodos Bank has established an Audit & Risk Committee (Supervisory Board A&RC) in line with the Banking Code, which meets four times a year. The Executive Board delivers an integrated risk report to the Supervisory Board A&RC to enable them to execute adequately their supervisory responsibilities on Triodos Bank's risk profile, including capital and liquidity impact. The product approval process, that assesses all new products and markets against Triodos Bank's risk appetite and its duty of care to clients is in place. A lifelong learning program for members of the Executive Board and Supervisory Board has been set up and implemented.

Capital management

A capital strategy is developed to guarantee that sufficient capital is available to meet Triodos Bank's capital needs to implement its business strategy. Triodos Bank works with rolling three year capital planning. The Asset and Liability Committee monitors and advises the Executive Board about the capital adequacy. The Asset and Liability Committee assesses whether the available capital is sufficient to support current and future activities on a monthly basis. In 2012 the available capital was always sufficient. During 2012 new equity of EUR 96 million was issued to support growth.

The capital strategy forms the basis for the process of:

- Capital measurement (ICAAP): measuring the risks resulting in an estimate of the demand for capital.
- Capital contingency and stress testing: managing the supply of and demand for capital in stress situations.
- Capital allocation: allocating capital to the different branches, business units and departments.

Capital measurement

The capital measured at Triodos Bank concerns both the external requirements in accordance with the results of Pillar I under Basel II and the internal demand for capital in accordance with the results of Pillar II under Basel II.

The results of Pillar I and Pillar II add up to Economic Capital, which expresses the need for capital to cover Triodos Bank's business activities. Therefore Economic Capital supports business decision-making at all levels within banking organisations. The Economic Capital is determined by the following risks:

- Credit risk (counterparty risk and concentration risk).
- Operational risk.
- Market risk (foreign exchange risk and interest rate risk).

For detailed calculations see the Solvency chapter (page 92) in the annual accounts.

Capital contingency and stress testing

Capital Contingency is set up for Triodos Group in case a shortage in capital occurs. The Capital Contingency Plan sets out actions and activities to strengthen short term capital positions under stressed circumstances. Twice a year the actual capital position is stressed, based on a number of stress scenarios.

Capital allocation

The total liability capital (equity and subordinated loan) is allocated to business units, in proportion to the economic capital, based on their risk profile.

Credit risk

Credit risk relates primarily to a counterparty's potential inability to meet its obligations towards Triodos Bank and the losses that might be incurred as a result. Credit risk concerns both payment arrears and negative changes due to a counterparty's lower credit rating. Credit risk also includes concentration risk in the credit and investment portfolio, which is the risk Triodos Bank faces that large (connected) individual exposures and significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors, e.g. sector, economy, geographical location and instrument type, fail to meet their obligations. Credit risk relates to all financial assets such as loans, deposits with financial institutions and bonds.

Loans

Loans are provided to businesses and projects that contribute to achieving Triodos Bank's mission. Given that this involves a small number of sectors, higher sector concentration is inherent to the loan portfolio. Concentration on the existing sectors is acceptable because Triodos Bank has considerable expertise in these sectors and actively invests in increasing knowledge within the organisation. Risk is also reduced by the spread of the loan portfolio in the different countries and the high quality of securities (collateral) against outstanding loans. Principal collateral are mortgage registrations for business or private properties, securities from

public authorities, companies or private individuals, and rights of lien on movables, such as office equipment, inventories, receivables and/or contracts for projects.

Credit Risk management

Triodos Bank's basic and straightforward business model mitigates, to a large degree, credit risk.

The main characteristics of the model that are the most relevant from purely credit risk management perspective are:

- Lending consistently in line with the Triodos Bank Mission.
- Lending primarily to sectors where Triodos Bank has already built extensive experience.
- Lending primarily in countries where Triodos Bank has a branch, or proven expertise.
- Lending only to clearly defined assets, activities or projects within each organisation.
- Maintaining direct relationships with borrowers.
- Lending primarily based on acceptable cash flows secured by collaterals.
- Investing mainly in government (guaranteed) bonds of the home countries, only for the purposes of managing its own balance sheet.
- Having limits on healthy financial institutions, with a strong orientation on retail banking or development finance, as well as public entities with a state risk profile.
- Portfolio with a balance between, on the one hand, exposure in sectors where Triodos Bank has a good knowledge and strong track-record, and, on the other, diversification by providing credits to many small enterprises.

Notwithstanding the above, as a bank, Triodos is by the nature of its activities exposed to credit risk. Credit risk emanates from Triodos Bank's dealings with individuals, corporate, financial institutions, public entities or sovereigns. Credit risk arises anytime bank funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements, whether reflected on or off balance sheet (such as loan commitments or bank guarantees). In the commercial loans portfolio, as the largest source of credit risk, (credit)

losses stem from outright default due to inability or unwillingness of a client or counterparty to meet commitments in relation to lending and settlement.

Triodos Bank manages credit risks at various levels. Credit Risk management within Triodos Bank N.V. is fully integrated in the daily activities of the lending organisation and especially at the local branch level. At the highest level, the Executive Board determines the credit risk strategy, and the credit risk policy framework, as well as its limits. The Audit & Risk Committee of the Supervisory Board regularly assesses the credit risks stemming from lending activities.

Triodos Bank has credit risk systems and procedures in place for identification, acceptance, measurement, monitoring and control risks, such as credit, collateral and concentration.

Triodos Bank has a system that helps to identify problem loans ahead of time, when there may be more options available for remedial measures. Once the loan is identified as problem (e.g. overdue payments beyond 90 days), it is managed under a dedicated remedial process, with a focus on restructuring and recovery.

Triodos Bank complies with the relevant guidelines regarding single risk, which is assumed in economic linkages between entities and in control of one entity over another. The main focus is to manage such concentrations and aim at diversification between debtors and connected groups, which is based on acknowledgement that the overall credit risk differs from a mere sum of individual risks.

Credit and concentration risk management is always performed according to the supervision rules and regulation provided by the appropriate regulator for the banking sector.

Lending organisation

Lending is primarily the responsibility of local branches, who maintain close relationships with their customers. Lending decisions are made by local credit committees in each of the branches.

Each local credit committee is authorised to make decisions within agreed parameters and limits set by the Executive Board. Based on the advice of the Executive Board Credit Committee, the Executive Board decides on loans that exceed these limits.

All business loans in the portfolio are periodically reviewed on an individual basis. The frequency depends on the debtor's creditworthiness, the degree of market exposure and the market in which the debtor operates.

The credit committee of the branch concerned discusses and, if necessary, takes action with respect to overdue payments from debtors. If there is any doubt regarding the continuity of the debtor's core operations and/or a debtor fails to settle agreed interest and repayment instalments for a prolonged period, this debtor falls under the category of doubtful debtors and will be managed intensively. Provisions for loan losses are taken for doubtful debtors based on the difference between the total amount of the debtor's outstanding liability to Triodos Bank and the future expected cash flows discounted at the original effective interest rate of the contract. In 2012, the net additions to the provision for doubtful debts, as a percentage of the average loan portfolio, was 0.67% (2011: 0.63%). The total of provisions related to the outstanding credits is 1.7% (2011: 1.3%) as at the end of the year.

Loan risk is reported each month to the Executive Board Credit Committee, and quarterly to the Supervisory Board.

Governments and Financial institutions

Monies not invested in loans to customers are invested for liquidity purposes in bonds or placed with other banks. Triodos Bank's policy is to invest in the country where the money is raised. The Executive Board may deviate from this policy, after consultation with the Asset and Liability Committee. The bond portfolio of Triodos Bank is mainly comprised of government, and government guaranteed bonds. Triodos Bank also invests in a limited number of other types of high grade bonds issued by regional authorities, and financial institutions.

Banks are selected on the basis of their creditworthiness and screened on their sustainability performance by the Triodos Research department. Exceptions can occur, if the number of selected banks in a country is not sufficient to place Triodos Bank's liquidities. In such cases, deposit notice periods will not exceed three months. All counterparty limits for banks are granted by the Executive Board after advice from the Executive Board Credit Committee. Triodos Bank uses Fitch and/or Moody's credit rating to assess the counterparty risk related to bonds and financial institutions, if available.

Risk weighted value

An overview of the credit risk position within Triodos Bank, based on risk-weighted assets, off-balance sheet items and derivatives, is given in the following tables which are divided by the following criteria: exposure class, sector and country.

Risk-weighted value per exposure class (asset class)

2012	Net exposure value	Credit risk mitigation	Fully adjusted exposure value	Risk-weighted value
Exposure class:				
Central governments and central banks	1,001,159	201,111	1,202,270	–
Regional governments and local authorities	277,989	45,713	323,702	335
Banks	836,603	-35,342	801,261	176,490
Corporates	2,371,288	-169,468	2,201,820	1,895,790
Retail exposures	105,163	-28,760	76,403	44,638
Secured by property	1,241,654	-3,513	1,238,141	871,732
Past due items	59,828	-9,741	50,087	67,728
Other items	70,639	–	70,639	70,639
Total	5,964,323	–	5,964,323	3,127,352
Whereof:				
Assets	5,271,217	–	5,271,217	2,827,869
Off-balance sheet items	667,820	–	667,820	282,258
Derivatives	25,286	–	25,286	17,225
Total	5,964,323	–	5,964,323	3,127,352

2011	Net exposure value	Credit risk mitigation	Fully adjusted exposure value	Risk-weighted value
Exposure class:				
Central governments and central banks	527,857	221,763	749,620	–
Regional governments and local authorities	246,879	40,171	287,050	95
Banks	786,344	-80,758	705,586	146,450
Corporates	2,292,452	-144,735	2,147,717	1,796,730
Retail exposures	94,696	-21,619	73,077	45,230
Secured by property	1,002,045	-4,741	997,304	721,764
Past due items	54,811	-10,081	44,730	59,037
Other items	65,433	–	65,433	65,433
Total	5,070,517	–	5,070,517	2,834,739
Whereof:				
Assets	4,276,216	–	4,276,216	2,479,346
Off-balance sheet items	765,508	–	765,508	333,408
Derivatives	28,793	–	28,793	21,985
Total	5,070,517	–	5,070,517	2,834,739

The net exposure value 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 additional costs or the lost revenues of a substitute transaction in the event that the counterparty does not fulfil its obligations.

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 risk-weighted value is calculated by multiplying the fully adjusted exposure value with the risk weight and the conversion factor. Basel II guidelines state the definition of the exposure classes, the risk weights and conversion factors.

Risk weights depend on the exposure class and the credit rating of the direct counterparty or the collateral provider. The risk weights per exposure class used by Triodos Bank are in line with Basel II rules:

- central governments and central banks: 0%;
- regional governments and local authorities: 0% for Dutch governments, 20% for foreign governments; the percentage depends on national legislation;
- public sector entities: 100%;
- banks: 0% for exposures secured by pledged funds entrusted of Triodos Bank; 20% or 50% for exposures of or guaranteed by other banks, depending on the original term to maturity of the exposure;
- corporates: 100%;
- retail exposures: 75% or 100%;
- secured by property: 35% for exposures secured by residential property, 50% or 100% for exposures secured by non residential property;
- past due items: 50% or 100% for exposures secured by residential property; 100% or 150% for other exposures; the percentage depends on the amount of bad debt provisions that have been formed;
- other items (participating interests, property and equipment and other assets without counterparties): 100%.

Conversion factors only apply to off-balance sheet items. The conversion factors used by Triodos Bank are:

- contingent liabilities: 0.5 or 1.0, depending on the nature of the issued guarantee;
- irrevocable facilities: 0.2 or 0.5, depending on the original term to maturity of the credit facility.

Risk-weighted value per sector

2012	Net exposure value	%	Risk-weighted value	%	Average risk weight %
Banks and financial intermediation	1,353,300	23	260,551	8	19
Basic materials	15,855	–	14,508	–	92
Construction and infrastructure	1,364	–	802	–	59
Consumer products (non-food)	6,013	–	3,987	–	66
Retail	22,732	–	17,439	1	77
Services	415,164	7	333,201	11	80
Healthcare and social work	481,333	8	365,334	12	76
Agriculture and fishing	114,975	2	107,097	4	93
Media	23,042	–	14,461	–	63
Utilities	1,197,395	20	1,064,418	34	89
Public Administration	835,018	14	0	–	0
Private individuals	226,003	4	93,651	3	41
Technology	474	–	474	–	100
Leisure and tourism	100,732	2	91,993	3	91
Transport and logistics	11,358	–	10,321	–	91
Real estate	582,795	10	346,807	11	60
Insurance and pension funds	501	–	501	–	100
Food and beverages	70,938	1	64,715	2	91
Other sectors	505,331	9	337,092	11	67
Total	5,964,323	100	3,127,352	100	52

Risk-weighted value per sector

2011	Net exposure value	%	Risk-weighted value	%	Average risk weight %
Banks and financial intermediation	990,203	20	247,372	9	25
Basic materials	19,008	–	18,419	1	97
Construction and infrastructure	1,412	–	667	–	47
Consumer products (non-food)	7,700	–	5,216	–	68
Retail	25,694	1	21,559	1	84
Services	404,536	8	317,095	11	78
Healthcare and social work	418,985	8	316,535	11	76
Agriculture and fishing	121,764	2	110,141	4	90
Media	6,908	–	5,175	–	75
Utilities	1,130,142	22	997,220	35	88
Public Administration	675,531	13	–	–	0
Private individuals	184,812	4	82,930	3	45
Technology	–	–	–	–	0
Leisure and tourism	93,667	2	81,307	3	87
Transport and logistics	9,941	–	9,464	–	95
Real estate	509,241	10	294,320	11	58
Insurance and pension funds	501	–	501	–	100
Food and beverages	74,084	2	62,014	2	84
Other sectors	396,388	8	264,804	9	67
Total	5,070,517	100	2,834,739	100	56

The sectors are defined in the Basel II guidelines. Risk-weighted value is attributed to the sector of the direct counterparty.

Risk-weighted value per country

2012	Net exposure value	%	Risk-weighted value	%	Average risk weight %
Australia	800	–	800	–	100
Belgium	1,237,252	21	596,477	19	48
Denmark	6,764	–	5,489	–	81
France	199,690	3	169,159	5	85
Germany	226,595	4	177,382	6	78
Ireland	57,943	1	56,925	2	98
Italy	3,155	–	3,155	–	100
Luxembourg	5,448	–	5,377	–	99
The Netherlands	2,479,701	42	928,107	30	37
Norway	142	–	138	–	98
Spain	911,357	15	685,229	22	75
Sweden	58	–	54	–	93
United Kingdom	835,396	14	499,051	16	60
United States	4	–	1	–	38
Other countries	18	–	8	–	44
Total	5,964,323	100	3,127,352	100	52

Risk-weighted value per country

2011	Net exposure value	%	Risk-weighted value	%	Average risk weight %
Australia	808	–	808	–	100
Belgium	1,088,326	21	545,694	19	50
Denmark	7,105	–	5,829	–	82
France	129,468	3	101,794	4	79
Germany	234,065	5	173,746	6	74
Ireland	61,090	1	58,859	2	96
Italy	3,394	–	3,394	–	100
Luxembourg	5,871	–	5,798	–	99
The Netherlands	2,075,951	41	865,454	31	42
Norway	132	–	131	–	99
Spain	653,036	13	572,284	20	88
Sweden	54	–	50	–	93
United Kingdom	809,791	16	499,479	18	62
United States	1,422	–	1,419	–	100
Other countries	4	–	–	–	–
Total	5,070,517	100	2,834,739	100	56

Maturity per exposure class (asset class)

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

2012	Payable on demand and indefinite	2 days or more and shorter than 3 months	More than 3 months and shorter than 1 year	More than 1 year and shorter than 5 years	More than 5 years	Total assets
Central governments and central banks	395,736	10,059	73,458	274,030	247,875	1,001,158
Regional governments and local authorities	2,436	105,000	81,500	39,156	49,000	277,092
Banks	250,495	163,546	175,555	222,954	13,899	826,449
Corporates	77,638	42,243	129,883	545,245	1,013,820	1,808,829
Retail exposures	4,437	680	2,380	8,672	55,745	71,914
Secured by property	41,592	13,738	35,835	217,150	846,993	1,155,308
Past due items	29,367	663	1,790	13,681	14,327	59,828
Other items	70,639	–	–	–	–	70,639
Total	872,340	335,929	500,401	1,320,888	2,241,659	5,271,217

2011	Payable on demand and indefinite	2 days or more and shorter than 3 months	More than 3 months and shorter than 1 year	More than 1 year and shorter than 5 years	More than 5 years	Total assets
Central governments and central banks	63,991	10,000	50,645	300,958	102,263	527,857
Regional governments and local authorities	1,927	95,000	60,000	45,993	43,959	246,879
Banks	392,912	138,382	192,493	51,858	2,000	777,645
Corporates	77,594	51,291	119,884	460,268	896,119	1,605,156
Retail exposures	6,097	1,122	2,209	7,830	43,993	61,251
Secured by property	24,397	6,670	33,009	172,064	701,044	937,184
Past due items	30,837	535	1,604	10,936	10,899	54,811
Other items	65,433	–	–	–	–	65,433
Total	663,188	303,000	459,844	1,049,907	1,800,277	4,276,216

Bad debts and overdue receivables

The following tables provide an overview of the bad debts and overdue receivables per sector and country.

Bad debts are loans we expect will not be fully repaid in accordance with the original loan contract.

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 the future expected cash flows discounted at the original effective interest rate of the contract. Overdue receivables are loans overdue for more than 90 days.

Bad debts and overdue receivables per sector

2012	Bad debts at year end	Provision for Bad debts at year end	Value adjustments in the year	Overdue receivables (excl. Bad debts) at year end
Basic materials	379	235	48	–
Construction and infrastructure	51	51	12	–
Consumer products (non-food)	507	164	69	–
Retail	685	353	222	79
Services	12,888	1,847	915	1,597
Healthcare and social work	20,883	4,306	2,580	13,899
Agriculture and fishing	24,043	9,496	2,880	6,949
Media	70	70	29	790
Utilities	38,097	28,261	11,988	2,462
Private individuals	–	–	–	7
Leisure and tourism	12,249	4,802	262	787
Transport & logistics	56	32	-17	–
Real Estate	2,057	469	415	93
Food and beverages	4,466	1,619	771	8,525
Other sectors	14,205	4,454	737	1,528
Total	130,636	56,159	20,911	36,716

2011	Bad debts at year end	Provision for Bad debts at year end	Value adjustments in the year	Overdue receivables (excl. Bad debts) at year end
Basic materials	225	185	-895	-
Construction and infrastructure	87	74	52	51
Consumer products (non-food)	316	93	97	-
Retail	824	502	-28	48
Services	12,254	1,276	144	2,436
Healthcare and social work	11,571	1,561	1,045	15,591
Agriculture and fishing	22,921	6,417	2,474	7,251
Media	111	82	-	70
Utilities	29,764	16,171	6,973	1,566
Private individuals	-	-	-	105
Leisure and tourism	10,574	4,703	3,082	2,668
Transport & logistics	51	45	-	-
Real Estate	2,096	57	11	-
Food and beverages	1,912	859	442	4,225
Other sectors	11,348	4,558	2,404	1,467
Total	104,054	36,583	15,801	35,478

Bad debts and overdue receivables per country

2012	Bad debts at year end	Provision for Bad debts at year end	Value adjustments in the year	Overdue receivables (excl. Bad debts) at year end
Belgium	26,014	16,082	3,218	293
France	–	–	–	–
Germany	7,371	2,249	889	17,490
Ireland	714	370	89	1,084
The Netherlands	72,797	30,241	14,294	4,476
Spain	16,578	3,819	1,520	10,115
United Kingdom	7,162	3,398	901	3,258
Total	130,636	56,159	20,911	36,716

2011	Bad debts at year end	Provision for Bad debts at year end	Value adjustments in the year	Overdue receivables (excl. Bad debts) at year end
Belgium	20,888	13,424	5,798	1,066
France	–	–	–	1
Germany	5,951	1,248	775	11,681
Ireland	800	380	-18	1,455
The Netherlands	59,741	16,744	7,765	2,562
Spain	9,289	2,129	518	15,131
United Kingdom	7,385	2,658	963	3,582
Total	104,054	36,583	15,801	35,478

Operational risk

In the course of its normal business, Triodos Bank runs operational risks. These 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 as much as possible by making sure there are clear policies, reports and procedures in place for all business processes. Numerous control measures are embedded in IT-systems and recorded in monitoring procedures and work instructions. Co-worker training, level of experience and involvement all support this, because people are key to the success of managing risks.

The operational risk framework uses several tools and technologies to identify, measure, mitigate and monitor risks on an operational, tactical and strategic level.

This process takes into account our duty of care to clients, and Triodos Bank's substantial objective, such as screening for environmental criteria.

A special part of Operational Risk Management is Information Security and Business Continuity. Activities to manage risks related to these subjects are executed under the responsibility of the Chief Operating Officer.

The Basic Indicator Approach is used for the capital calculation of operational risk, in accordance with Basel II. The operational risk framework follows the principles mentioned in the Sound Practices for the Management and Supervision of Operational Risk. These sound practices give guidelines to the qualitative implementation of operational risk management and are advised by the Bank of International Settlements.

During 2012 no material losses occurred within Triodos Bank.

Foreign exchange risk

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 UK Branch balance sheet and profit and loss are denominated in GBP. Exchange rate differences arising on retranslation the UK Branch balance sheet are accounted for as a hedge of a net investment in a foreign business unit and are taken directly to shareholders' equity, in the statutory reserve for conversion differences, insofar as the hedge is effective.

Triodos Bank aims to avoid net currency positions, with the exception of those arising from strategic investments. The term positions in foreign currencies reflect mainly the currency derivatives for Triodos Investment Funds which are nearly fully hedged.

The foreign exchange risk is monitored daily and discussed in the Asset and Liability Committee on a monthly basis. Limits are agreed by the Executive Board based on a proposal made by the Asset and Liability Committee.

Foreign currency position

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

2012	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	708,364	707,794	–	–	570	–
USD	5,581	259	214,740	214,727	5,335	–
NOK	136	–	–	–	136	–
PEN	–	–	12,115	12,115	–	–
ZAR	–	–	926	926	–	–
AUD	801	–	–	551	250	–
ARS	–	–	290	290	–	–
SEK	52	–	–	–	52	–
Total	714,934	708,053	228,071	228,609	6,343	–

Net open foreign currency position (total of net positions debit and credit): 6,343

2011	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	552,479	552,438	–	–	41	–
USD	4,372	334	192,547	192,573	4,012	–
MXN	–	–	877	877	–	–
NOK	129	–	–	–	129	–
KES	–	–	2,198	2,198	–	–
PEN	–	–	11,329	11,329	–	–
ZAR	–	–	718	718	–	–
DKK	1	–	–	–	1	–
AUD	808	–	–	550	258	–
ARS	–	–	337	337	–	–
SEK	48	–	–	–	48	–
Total	557,837	552,772	208,006	208,582	4,489	–

Net open foreign currency position (total of net positions debit and credit): 4,489

Interest rate risk

Interest rate risk is the current or prospective risk that earnings and/or capital are negatively affected by interest rate changes in the financial markets. This risk is inherent to the banking business.

Triodos Bank uses various indicators to measure interest rate risk. The interest rate risk position is monitored by the Asset and Liability Committee on a monthly basis. The interest rate risk is managed with an interest risk model, using guidelines and limits and by performing various interest rate stress scenarios. Limits are agreed by the Executive Board based on a proposal made by the Asset and Liability Committee.

Overview of interest rate risk indicators:

- Earnings at Risk: a short term indicator, which shows the effect of a gradual interest shock of plus or minus 2% (200 basic points) on the interest income of Triodos Bank for an one year period.
- 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 cash flows of all assets and liabilities) in case of an interest rate shock of plus or minus 2% (200 basic points).
- Outlier Criterion: the Economic Value of Equity at Risk in % of the Actual own Funds.
- Cushion: shows the difference between the Economic Value of Equity and the Actual own Funds.
- Modified Duration of Equity: an indicator that expresses the sensitivity of the Economic Value of Equity in case of an interest rate change of 1%.

Overview of interest rate risk indicators used by Triodos Bank as at the end of the year for all currencies

Base case represents the expected results of Interest Earnings and Economic Value of Equity in an unchanged interest environment.

2012	Base case	Rising interest rate (+200 bp)		Decreasing interest rate (-200 bp)	
Amounts in millions		in %		in %	
Actual own Funds	EUR 537				
Earnings at Risk 1 year	EUR 125	EUR +17	+13.5%	EUR -4	-3.3%
Economic Value of Equity at Risk	EUR 672	EUR -45	-6.7%	EUR -6	-0.9%
Outlier Criterion			8.4%		8.4%
Cushion	EUR 134	EUR 89		EUR 128	
Modified Duration of Equity	3.0	3.3		7.4	

2011	Base case	Rising interest rate (+200 bp)		Decreasing interest rate (-200 bp)	
Amounts in millions		in %		in %	
Actual own Funds	EUR 438				
Earnings at Risk 1 year	EUR 106	EUR +10	+9.0%	EUR -4	-4.2%
Economic Value of Equity at Risk	EUR 602	EUR -36	-6.0%	EUR +25	+4.1%
Outlier Criterion			8.2%		8.2%
Cushion	EUR 165	EUR 129		EUR 190	
Modified Duration of Equity	3.3	3.5		3.5	

The calculations for these indicators are based on interest rate maturities. However saving and current accounts have a non-defined interest maturity. A quantitative assessment of the interest rate sensitivity of our saving accounts and current accounts has been executed. The outcome of this assessment is used in the calculations for interest rate risk.

The model used for the interest rate risk management of savings and current accounts predicts future volumes and interest rates 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.

Remaining interest-rate terms of financial instruments

The following table sets out the remaining interest-rate term of the financial instruments held as at 31 December.

2012	Floating-rate	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
Interest-bearing assets						
Cash	380,497	–	–	–	–	380,497
Government paper	–	–	–	–	–	–
Banks	243,121	163,546	153,500	1,000	–	561,167
Loans	680,848	431,387	472,551	908,810	791,763	3,285,359
Interest-bearing securities	–	110,058	106,513	437,640	264,774	918,985
Total	1,304,466	704,991	732,564	1,347,450	1,056,537	5,146,008
Interest-bearing liabilities						
Banks	919	1,879	2,956	20,527	36,518	62,799
Funds entrusted	15,964	768,716	1,225,822	1,625,260	934,265	4,570,027
Subordinated liabilities	–	–	–	5,283	–	5,283
Total	16,883	770,595	1,228,778	1,651,070	970,783	4,638,109

2011	Floating-rate	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
Interest-bearing assets						
Cash	51,631	–	–	–	–	51,631
Government paper	–	10,000	5,000	–	–	15,000
Banks	384,767	131,382	152,500	2,000	–	670,649
Loans	697,597	332,610	394,902	768,767	638,436	2,832,312
Interest-bearing securities	–	11,999	65,638	396,310	112,222	586,169
Total	1,133,995	485,991	618,040	1,167,077	750,658	4,155,761
Interest-bearing liabilities						
Banks	855	1,268	1,307	10,087	21,385	34,902
Funds entrusted	114	677,879	1,005,762	1,274,089	752,055	3,709,899
Subordinated liabilities	–	–	–	15,239	–	15,239
Total	969	679,147	1,007,069	1,299,415	773,440	3,760,040

Notes:

Only interest-bearing assets and liabilities are reported in this table, which results in differences with the balance sheet figures.

Interest-bearing securities and subordinated liabilities are valued at redemption value including bond premium and after deduction of discounts.

For funds entrusted without a fixed interest-rate term, the outcome of the quantitative savings and current account model, as mentioned before, is used.

All other interest-bearing assets and liabilities are reported as floating-rates or are broken down in the maturity calendar by their remaining contractual interest-rate term.

Liquidity risk

Liquidity risk refers to the risk that Triodos Bank is unable to fulfil its payment obligations to its customers and counterparties at a particular point in time without incurring unacceptable losses.

Customers savings and deposits are attracted in order to finance Triodos Bank's lending operations. The surplus is primarily placed with the ECB, financial institutions or invested in bonds. Triodos Bank has a strong liquidity position, and is funded entirely by deposits from private customers and small and medium sized enterprises. As a result, Triodos Bank does not need to rely on funding from the wholesale money and capital markets. Therefore, Triodos Bank's liquidity and funding position has not been directly affected by the challenges the wholesale market has faced since the start of the financial crisis. Triodos Bank regularly assesses its liquidity position based on stress scenarios. The outcomes of these stress tests were satisfactory in 2012. Actions to be taken to manage our liquidity position in case of a future liquidity crisis are described in the Liquidity Contingency Plan.

On a weekly basis the detailed liquidity position at branch level is reported to the CFO. Every month the Asset and Liability Committee reports the liquidity ratios related to the Basel III requirements:

- The Liquidity Coverage Ratio (LCR): to ensure an adequate level of unencumbered, high-quality assets that can be converted into cash to meet liquidity needs over a 30-day time horizon under an acute liquidity stress scenario specified by supervisors.
- The net stable funding (NSF) ratio indicates the relation between available longer-term, stable funding and the required longer-term, stable funding resulting from the liquidity profiles of assets and off balance sheet items.

These ratios comply with the Basel III guidelines but are not yet made compulsory by supervisors. Early in 2013, the Basel Committee published information regarding changes to the LCR. The minimum LCR would be 60% in 2015 and increase by 10 percentage points per year to reach 100% in 2019. The published LCR figures of 2012 are not based on the changed LCR rules and are based on the formats and detailed rules regarding LCR from the Dutch Central Bank as per end of 2012. The Basel Committee has not published changes in NSFR methodology. Minimum NSFR standards will be set by 2018. However, given the importance of these two ratios for the resilience of the banking sector, Triodos Bank already includes these indicators in its internal reporting and measurement of liquidity risk.

Liquidity Coverage Ratio

Amounts in millions of EUR	2012 Total amount	2012 Weighted amount	2011 Total amount	2011 Weighted amount
Stock of high quality liquid assets:				
Total stock of high quality liquid assets	1,021	1,021	502	502
Total cash outflow	5,116	715	4,429	684
Total cash inflow	458	416	539	516
Cap on cash inflows		536		513
Net cash outflow		299		171
Liquidity Coverage Ratio		342%		294%

The Net cash outflow must be covered by the stock of High quality liquid assets, so the ratio must be at least 100%.

Net Stable Funding Ratio

Amounts in millions of EUR	2012 Total amount	2012 Weighted amount	2011 Total amount	2011 Weighted amount
Total available stable funding	5,255	4,312	4,238	3,450
Total required stable funding	5,987	3,359	5,056	2,791
Net stable funding ratio		128%		124%

The Net Stable Funding Ratio must be more than 100%. This means that the available stable funding must cover the required stable funding.

Legal and compliance risk

Triodos Bank has internal policies, rules and procedures to guarantee that its management complies with relevant laws and regulations regarding customers and business partners. In addition, the Compliance department independently monitors the extent to which Triodos Bank complies with its rules and procedures. External aspects of the Compliance department primarily concern accepting new customers, monitoring financial transactions and preventing money laundering. Internal aspects primarily concern checking private transactions by co-workers, preventing and, where necessary, transparently managing conflicts of interest, and safeguarding confidential information. Triodos Bank has a European compliance team led from its head office in Zeist. Compliance officers are present in every branch. The Compliance department reports to the Executive Board.

There were no significant incidents in 2012 concerning compliance and integrity. Triodos Bank was not involved in any material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, privacy or product liability.

Strategic and reputation risk

Triodos Bank has a clearly defined mission derived from its articles of association and works according to the values that are described in its business principles. Within the organisation, there is a lot of investment in co-workers' training, awareness raising and involvement with the topics and principles that are most important to Triodos Bank. Triodos Bank's reputation is a strategic pillar, as confidence in Triodos Bank is vital to its provision of services, so any risks to it are managed very carefully. Key for Triodos Bank reputation is to 'walk the talk'. The achievement of this includes training of co-workers, reporting all related activities as transparently as possible, and carefully choosing partners for collaboration. In times of crisis, Triodos Bank's aim is to provide timely and accurate information and to actively communicate on any issues.

Company balance sheet as at 31 December 2012

Before appropriation of profit in thousands of EUR	Reference*	31.12.2012	31.12.2011
Assets			
Cash		380,497	51,631
Government paper		–	15,000
Banks	31	559,545	668,243
Loans		3,253,359	2,800,818
Interest-bearing securities		896,530	573,096
Shares	32	4	4
Participating interests	33	28,607	24,175
Intangible fixed assets	34	9,508	10,449
Property and equipment	35	20,478	19,074
Other assets		57,435	32,694
Prepayments and accrued income		82,337	68,748
Total assets		5,288,300	4,263,932
Liabilities			
Banks		62,799	34,902
Funds entrusted	36	4,595,562	3,708,575
Other liabilities		9,845	7,266
Accruals and deferred income		49,228	46,510
Provisions	37	297	213
		4,717,731	3,797,466
Subordinated liabilities		5,300	15,300
Capital	38	375,881	305,688
Share premium reserve	39	101,656	76,234
Revaluation reserve	40	8	49
Statutory reserve	41	6,031	7,024
Other reserves	42	59,067	44,847
Retained earnings		22,626	17,324
Equity		565,269	451,166
Total equity and liabilities		5,288,300	4,263,932

	31.12.2012	31.12.2011
Contingent liabilities	60,860	64,542
Irrevocable facilities	606,960	700,966
	667,820	765,508

* References relate to the notes starting on page 126. These form an integral part of the consolidated annual accounts.

Company profit and loss account for 2012

in thousands of EUR	2012	2011
Result on participating interests after taxation	4,832	4,673
Other result after taxation	17,794	12,651
Net profit	22,626	17,324

Company statement of changes in the equity for 2012

in thousands of EUR	Share Capital	Share premium
Equity as at 1 January 2011	249,352	57,566
Increase of share capital	51,619	23,385
Stock dividend	4,717	-4,717
Revaluation of property, equipment and participation interest after taxation		
Exchange rate results from business operations abroad after taxation		
Profit appropriation for previous financial year, addition to the other reserves		
Profit appropriation for previous financial year, dividend		
Dividend not distributed in cash		
Transfer to statutory reserve for development costs		
Purchasing or sale of own depository receipts		
Result for financial year		
Equity as at 31 December 2011	305,688	76,234
Increase of share capital	64,540	31,075
Stock dividend	5,653	-5,653
Revaluation of property, equipment and participation interest after taxation		
Exchange rate results from business operations abroad after taxation		
Profit appropriation for previous financial year, addition to the other reserves		
Profit appropriation for previous financial year, dividend		
Reverted dividend		
Dividend not distributed in cash		
Transfer to statutory reserve for development costs		
Purchasing or sale of own depository receipts		
Result for financial year		
Equity as at 31 December 2012	375,881	101,656

Revaluation reserve	Statutory reserve	Other reserve	Retained earnings	Total equity
59	7,867	35,763	11,509	362,116
				75,004
				-
-10				-10
	52			52
		1,566	-1,566	-
			-9,943	-9,943
		6,623		6,623
	-895	895		-
		-		-
			17,324	17,324
49	7,024	44,847	17,324	451,166
				95,615
				-
-41				-41
	-151			-151
		5,217	-5,217	-
			-12,107	-12,107
		2		2
		8,158		8,158
	-842	842		-
		1		1
			22,626	22,626
8	6,031	59,067	22,626	565,269

Notes to the company's financial statements

in thousands of EUR

General

The accounting principles for valuation and determination of results are the same as those for the consolidated Annual Accounts.

In accordance with Section 2:402 of The Netherlands Civil Code, the company profit and loss account only contains a breakdown of the net result into the result on participating interests and the Other result.

For those items not included in these Notes, please see the Notes to the consolidated Annual Accounts.

Assets

31. Banks

	2012	2011
On demand deposits with banks	241,499	382,361
Deposits with banks	318,046	285,882
	559,545	668,243

The on demand deposits can be freely disposed of.

32. Shares

	2012	2011
S.W.I.F.T. SCRL	3	3
SEPA Biogasanlage Hattingen GmbH	1	1
	4	4

The movement in shares is as follows:

	2012	2011
Balance sheet value as at 1 January	4	3
Purchase	–	1
Sales	–	–
Balance sheet value as at 31 December	4	4

33. Participating interests

	2012	2011
Participating interests in group companies	19,801	20,076
Other participating interests	8,806	4,099
	28,607	24,175

This relates to equity participations that are held long-term for business operation purposes. The statement of equity participations in accordance with Section 2:379 of The Netherlands Civil Code is included under the accounting principles for consolidation in the Notes to the consolidated Annual Accounts.

The movement in this item is as follows:

	2012	2011
Balance sheet value as at 1 January	24,175	27,388
Acquisitions	1,519	475
Incorporations	18	-
Increase of capital	2,919	133
Result on participating interests	4,832	4,673
Transfer from or to provision for negative equity of participating interests	-33	-34
Dividend paid	-4,340	-4,100
Revaluation	142	-117
Repayment of capital	-472	-4,295
Sale	-2	-
Exchange rate result on foreign currency	-151	52
Balance sheet value as at 31 December	28,609	24,175

34. Intangible fixed assets

	2012	2011
Goodwill paid	183	282
Development costs for information systems	8,362	9,488
Computer software	963	679
	9,508	10,449

Goodwill paid

Goodwill paid relates to the goodwill that Triodos Bank paid to Triodos Investments España in 2004, 2005 and 2009 to buy off the rights to the future profit made by the Spanish branch.

The movement in goodwill paid is as follows:

	2012	2011
Purchase value as at 1 January	788	788
Cumulative depreciation as at 1 January	-506	-407
Balance sheet value as at 1 January	282	381
Purchase	-	-
Depreciation	-99	-99
Balance sheet value as at 31 December	183	282

Development costs for information systems

The development costs for information systems relate to the development costs for the banking system.

The movement in the development costs for the information systems item is as follows:

	2012	2011
Purchase value as at 1 January	20,441	19,515
Cumulative depreciation as at 1 January	-10,953	-8,732
Balance sheet value as at 1 January	9,488	10,783
Capitalised expenses	1,260	926
Depreciation	-2,386	-2,221
Impairments	-	-
Balance sheet value as at 31 December	8,362	9,488

35. Property and equipment

	2012	2011
Property for own use	8,785	8,852
Equipment	11,693	10,222
	20,478	19,074

The movement in the property for own use is as follows:

	2012	2011
Purchase value as at 1 January	9,045	8,915
Cumulative depreciation as at 1 January	-193	-127
Balance sheet value as at 1 January	8,852	8,788
Purchase	-	130
Depreciation	-67	-66
Balance sheet value as at 31 December	8,785	8,852

The movement in equipment is as follows:

	2012	2011
Purchase value as at 1 January	17,494	14,343
Cumulative depreciation as at 1 January	-7,272	-7,478
Balance sheet value as at 1 January	10,222	6,865
Purchase	3,977	5,388
Sale*	-46	-71
Depreciation*	-2,524	-2,003
Exchange rate differences	64	43
Balance sheet value as at 31 December	11,693	10,222

* Excluding disposal in the amount of EUR 0.5 million (2011: EUR 2.2 million).

Liabilities

36. Funds entrusted

	2012	2011
Savings accounts	3,322,186	2,685,464
Other funds entrusted	1,273,376	1,023,111
	4,595,562	3,708,575

The Other funds entrusted item includes an amount of EUR 4.2 million (2011: EUR 7.5 million) for deposits from consolidated participating interests.

37. Provisions

	2012	2011
Provision for negative equity of participating interests	134	167
Other provisions	163	46
	297	213

The movement of the provisions is as follows:

	2012	2011
Balance sheet value as at 1 January	213	230
Allocation	167	17
Withdrawal	-82	-34
Release	-	-
Exchange rate differences	-1	-
Balance sheet value as at 31 December	297	213

38. Capital

The authorised capital totals EUR 1 billion and is divided into 20 million shares, each with a nominal value of EUR 50. At year-end, there were 7,517,630 shares (2011: 6,113,764 shares), each of EUR 50, issued to and fully paid up by Stichting Administratiekantoor Aandelen Triodos Bank. As at the same date, Stichting Administratiekantoor Aandelen Triodos Bank had also issued 7,517,630 depository receipts (2011: 6,113,764 depository receipts), each of EUR 50.

The movement in the number of shares is as follows:

	2012	2011
Number of shares as at 1 January	6,113,764	4,987,038
Increase of share capital	1,290,800	1,032,382
Stock dividend	113,066	94,344
Number of shares as at 31 December	7,517,630	6,113,764

39. Share premium reserve

This item includes the share premium reserve, which is composed of deposits that exceed the nominal capital, after deduction of capital transfer tax. The full balance of the share premium reserve has been recognised as such for tax purposes.

40. Revaluation reserve

The revaluation reserve relates to the unrealised value adjustments in respect of the acquisition price for participating interests and property for own use.

41. Statutory reserve

	2012	2011
Development costs	9,325	10,167
Conversion differences	-3,294	-3,143
	6,031	7,024

Development costs

The movement in the statutory reserve for development costs is as follows:

	2012	2011
Balance sheet value as at 1 January	10,167	11,062
Transfer of other reserve	-842	-895
Balance sheet value as at 31 December	9,325	10,167

Conversion differences

The movement in the statutory reserve for conversion differences is as follows:

	2012	2011
Balance sheet value as at 1 January	-3,143	-3,195
Exchange results on participating interests	-151	52
Balance sheet value as at 31 December	-3,294	-3,143

42. Other reserves

The movement in other reserves includes purchasing of own depository receipts. At year-end 2012, Triodos Bank hadn't purchased own depository receipts (2011: nil).

Auditor's fees

The table below specifies the fees of the KPMG audit firm that were charged in the financial year.

The column Other KPMG network specifies the fees that were invoiced by KPMG units with the exception of KPMG Accountants NV.

2012	KPMG Accountants NV	Other KPMG network	Total KPMG network
Audit of the financial statements	284	147	431
Other audit-related engagements	53	99	152
Tax-related advisory services	-	55	55
Other non-audit services	-	15	15
Total	337	316	653

2011	KPMG Accountants NV	Other KPMG network	Total KPMG network
Audit of the financial statements	328	140	468
Other audit-related engagements	37	112	149
Tax-related advisory services	-	80	80
Other non-audit services	18	116	134
Total	383	448	831

Zeist, 26 February 2013

Supervisory Board

David Carrington
Marcos Eguiguren
Marius Frank
Mathieu van den Hoogenband
Jan Lamers
Margot Scheltema, Vice-Chair
Hans Voortman, Chair
Carla van der Weerd

Executive Board

Pierre Aeby*
Peter Blom*, Chair

* Statutory director

Other information

Profit appropriation

As set out in the Articles of Association, the appropriation of profit is as follows:

'Part of the profit as reported in the adopted profit and loss account shall be used by the Executive Board to form or add to the reserves to the extent that this is deemed desirable. The remaining profit shall be distributed to the shareholders, unless the General Meeting decides otherwise.'

All depository receipts issued up to and including 17 May 2013 are entitled to the final dividend for the financial year 2012. The results of Triodos Bank N.V. are taken into consideration in the issue price.

The proposed appropriation of profit is based on the number of depository receipts issued as at 31 December 2012, minus the number of depository receipts purchased by Triodos Bank. The final proposal will be submitted at the Annual General Meeting of Depository Receipt Holders.

The proposed appropriation of profit (in thousands of EUR) is as follows:

Net profit	22,626
Addition to the other reserves	-7,967
Dividend (EUR 1.95 per depository receipt)	14,659

Subsequent event

On February 1, 2013 The Dutch Minister of Finance announced that the Dutch Government will levy a non-recurrent resolution tax of EUR 1 billion on Dutch banks in 2014. We have estimated that our share will be around EUR 8 million. The ex-ante DGS contributions scheduled for July 1, 2013 will be deferred for two years.

Branches

In addition to its head office in The Netherlands, Triodos Bank has branches in Belgium, the United Kingdom, Spain and Germany.

Independent auditor's report

To the annual general meeting of depository receipt holders of Triodos Bank N.V.

Report on the annual accounts

We have audited the accompanying annual accounts 2012 of Triodos Bank N.V., Zeist, which are included on pages 45 to 133 of this annual report, which comprise the consolidated and company balance sheet as at 31 December 2012, the consolidated and company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these annual accounts and for the preparation of the annual report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Triodos Bank N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the annual report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b–h has been annexed. Further, we report that the annual report, to the extent we can assess, is consistent with the annual accounts as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 26 February 2013

KPMG ACCOUNTANTS N.V.
P.A.M. de Wit RA

Report by the Foundation for the Administration of Triodos Bank Shares (SAAT)

The share capital of Triodos Bank has been entrusted to the independent Foundation for the Administration of Triodos Bank Shares (Stichting Administratiekantoor Aandelen Triodos Bank (SAAT)). To finance the shares, SAAT issues depository receipts. Depository receipt holders benefit from the economic rights associated with these shares, such as the right to dividends, but do not exercise any control related to them. Control rights are vested in the SAAT.

In exercising its voting right at the Annual General Meeting of Shareholders, the Board of SAAT upholds the following principles:

- safeguarding Triodos Bank's mission;
- safeguarding Triodos Bank's independence;
- safeguarding the economic interests of the depository receipt holders, which relates to Triodos Bank's continuity and profitability, dividends, and the development of the value of depository receipts.

The Board of SAAT aims to align the economic interests of its depository receipt holders and Triodos Bank's mission, for their mutual benefit. This is reflected by the following stipulations in SAAT's administrative conditions:

Article 6

The foundation shall independently exercise the voting rights attached to the shares owned by it. In doing so, it shall be guided by the interests of the depository receipt holders and the interests of the Bank, as well as by the principles expressed in the objects of the Bank.

For an overview of the shares taken in trust and the issued depository receipts of Triodos Bank, as at 31 December 2012, please refer to page 139 of this annual report.

Annual general meeting of shareholders 2012

At the Annual General Meeting of Shareholders in Zeist on 25 May 2012, SAAT (in its role as Triodos Bank's sole shareholder) explained why it had come to its voting decisions, and its considerations in coming to them.

SAAT approved the following proposals:

- adoption of the 2011 financial Annual Accounts and the proposed profit appropriation;
- reappointment of Mr. M. Eguiguren Huerta for a second term on the Supervisory Board;
- amendments to the articles of association of Triodos Bank;
- adjustment of the remuneration of the members of the Supervisory Board;
- granting a power of attorney to the Statutory Directors in order to obtain depository receipts in Triodos Bank and to issue shares.

SAAT discharged the Statutory Directors from liability for the exercise of its management duties and the Supervisory Board for the exercise of its supervisory duties in 2011.

Annual meeting of depository receipt holders

The annual survey among depository receipt holders was completed by more than 3,000 respondents, and its results presented at the Annual Meeting of Depository Receipt Holders.

The Annual Meeting of Depository Receipt Holders approved the following proposals:

- reappointment of Ms. M.E. van Boeschoten for a second term on the Board of SAAT;
- adjustment of the remuneration of the members of the Board of SAAT;
- changes to the administrative conditions (introducing a notification obligation for all depository receipt holders who represent 3% or more of the entire issued capital of Triodos Bank). A moderated discussion between a panel and the depository receipt holders took place during the meeting and addressed the following topics:
 - Should Triodos Bank be less strict about the sustainable sectors it works in?
 - Can small and mid-size organisations, such as Triodos Bank, make a sufficient difference?
 - What level of risks are appropriate for Triodos Bank to provide a reasonable return?

Both the Annual General Meeting of Shareholders and the Annual Meeting of Depository Receipt Holders were broadcast on the internet, and online participants could submit questions and comments by email.

Meetings and decisions of the Board of SAAT

During 2012, the Board of SAAT convened five times and also had four meetings with Triodos Bank's Statutory Directors.

The issues addressed in these meetings included the following:

- the 2011 annual report, in order to consider carefully the votes to be cast at the Annual General Meeting of Shareholders. The report has been assessed, among other things, on the relative share of each sector (social, cultural and environmental) in the loan portfolio, the balance between profitability, risk exposure and the realisation of Triodos Bank's mission, and the extent to which Triodos Bank's activities have an impact on civil society;
- Triodos Bank's growth and scale in relation to its mission;
- the wider impact of the financial crisis on Triodos Bank;
- the half-year report 2012;
- Triodos Bank as a reference point for sustainable banking;
- the content of the dialogue with depository receipt holders in The Netherlands, Belgium, the UK and Spain, and the process underlying it;
- the way of developing the interaction with a fast growing number of depository receipt holders;
- ways to protect Triodos Bank's independence.

Activities of the Board of SAAT

The Board carried out the following activities, in addition to the meetings above:

- visits to Triodos Bank's branches in The Netherlands, Belgium, the UK, Spain and Germany;

- attending client meetings, meetings with depository receipt holders, and informal discussions with depository receipt holders;
 - attending annual shareholder meetings of investment funds managed by Triodos Bank;
- The Board of SAAT was involved in the selection process of members of the Supervisory Board – both new and re-appointments. A key focus in this respect is the commitment of the candidates to the mission of Triodos Bank.

The Chair of the Board of SAAT consulted regularly with the Chairs of Triodos Bank's Executive and Supervisory Boards. Regular tripartite meetings with the Chairs of the Executive and Supervisory Boards took place, including five meetings with the Chair of the Executive Board.

The Board of SAAT completed its self-assessment and continued the improvement of its working methods to respond to the growth of Triodos Bank and to meet the requirements on its governance. It reflected on the best composition of the Board in relation to the geographic diversity of its depository receipt holders. The selection of new Board of SAAT members has been prepared.

Composition of the Board of SAAT and independence of its members

Given the responsibility of the Board of SAAT for protecting the identity and mission of Triodos Bank, it is essential that the members of the Board are independent. For this reason, Statutory Directors or members of its Supervisory Board may not be members of the Board of SAAT. SAAT's articles of association stipulate that the Board shall consist of three or more members. At present, it has six members: three Dutch and a British, Belgian and Spanish representative. The composition of the Board did not change in 2012. Ms. M.E. van Boeschoten was reappointed as a Board member.

For information about the remuneration of the members of the Board of SAAT, please refer to the Triodos Bank annual accounts on page 81.

The Board of SAAT expects that in the coming year it will again be able to deepen its role as a committed shareholder. Maintaining a dialogue between Triodos Bank and its depository receipt holders is an essential part of this effort. It will undertake this work not only during the Annual Meeting of Depository Receipt Holders in The Netherlands, but also in Belgium, the UK, and Spain, where separate informal meetings for depository receipt holders will take place.

Zeist, 26 February 2013

On behalf of the Board of SAAT,

Max Rutgers van Rozenburg, Chair
Marjatta van Boeschoten
Frans de Clerck
Luis Espiga
Jan Nijenhof
Josephine de Zwaan

SAAT's registered office is in Zeist, The Netherlands.
The address is Nieuweroordweg 1, 3704 EC, Zeist

Statement of the shares

Statement of the shares taken in trust and the issued depository receipts of Triodos Bank N.V. as at 31 December 2012.

in thousands of EUR	31.12.2012	31.12.2011
Triodos Bank N.V. shares taken in trust, having a nominal value of EUR 50 each	375,882	305,688
Issued depository receipts of Triodos Bank N.V., having a nominal value of EUR 50 each	375,882	305,688

Zeist, 26 February 2013

Board of Trustees

Marjatta van Boeschoten

Frans de Clerck

Luis Espiga

Jan Nijenhof

Max Rutgers van Rozenburg, Chair

Josephine de Zwaan

Independent auditor's report

Introduction

We have audited the above statement that shows the position as at 31 December 2012 in respect of the shares placed in trust and the depository receipts of Triodos Bank N.V. shares issued by Stichting Administratiekantoor aandelen Triodos Bank, Zeist. This statement is the responsibility of the Foundation's management.

Our responsibility is to express an opinion on this statement, based on our audit.

Scope

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and we believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, this statement provides a true and fair view of the Triodos Bank N.V. shares placed in trust and the issued depository receipts of Triodos Bank N.V. shares as at 31 December 2012.

Amstelveen, 26 February 2013

KPMG ACCOUNTANTS N.V.

P.A.M. de Wit RA

Biographies

Mr. F. de Clerck (1945)

Frans de Clerck was first appointed in 2010 and his present term expires in 2013. He is a co-founder of Triodos Bank Belgium (1993) and a former Member of the Executive Board of Triodos Bank NV. Frans de Clerck is a Member of the Board of Stichting Triodos Holding, Boss Paints NV, the Hélène De Beir Foundation and chair of the Supervisory Board of De Foyer vzw in Belgium. Frans de Clerck is of Belgian nationality and owns six Triodos Bank depository receipts.

Mr. L.A. Espiga Gonzalez (1950)

Luis Espiga was first appointed in 2007 and his present term expires in 2013. He is the President of Triform Institute and a Consultant in Organisations Development and Human Resources, in Spain. Luis Espiga is of Spanish nationality and owns 44 Triodos Bank depository receipts.

Mr. J.T.M. Nijenhof (1945)

Jan Nijenhof was first appointed in 2005 and his present term expires in 2014. He is also a Member of the Board of Stichting Triodos Holding and was Coordinating Vice President of the District Court of Haarlem until 1 April 2010. He has been a substitute judge in the same court and in the District Court Oost Brabant ever since. He is also Member of the Appeals Tribunal for Higher Education. Jan Nijenhof is of Dutch nationality and does not own any Triodos Bank depository receipts.

Mr. L.M. Rutgers van Rozenburg (1947), Chair

Max Rutgers van Rozenburg is Managing Director of Human Engineering BV, a firm for interim management. He is appointed regularly by the Dutch Judiciary and the Supreme Court as chair of a supervisory board or as statutory managing director of a company. He is also Chairman of the Supervisory Board of Biodynamic Farmland Foundation and Chairman of the Board of the Kingfisher Foundation for Phenomenology and Goethean Science. Max

Rutgers van Rozenburg was first appointed in 1998 and his present term of appointment expires in 2013. He is of Dutch nationality and owns 346 Triodos Bank depository receipts.

Ms M.E. van Boeschoten (1946)

Marjatta van Boeschoten was first appointed in 2009 and her present term expires in 2015. Previously she was on the Triodos Bank Supervisory Board from 2001 to 2009. Marjatta van Boeschoten was a lawyer of the Supreme Court in England for seven years and then became a management development consultant. She is a Director of Phoenix Consultancy and works with large organisations in the public and private sectors in the UK. She is on the Board of the Stichting Klaverblad. Marjatta van Boeschoten is of British nationality and owns one Triodos Bank depository receipt.

Ms. J.G.J.M. de Zwaan (1963)

Josephine de Zwaan was first appointed in 2010 and her present term expires in 2013. She was a lawyer for more than thirteen years, specialising in major real estate projects. During the last five years of that period, she was a member of the partnership (CMS) Derks Star Busmann, where she was in charge of a team of real estate lawyers. Although no longer acting as a lawyer, she is still involved in this firm as an advisor to the board. Since 2000 Josephine de Zwaan has acted in administrative and supervisory roles in education, health care and culture in particular. In 2009 she was appointed Arbitrator for the Arbitration Tribunal Foundation for Health Care and Member of the Governance Committee of the Arbitration Board for Health Care. Josephine de Zwaan is of Dutch nationality and does not own any Triodos Bank depository receipts.

About this report

This is the audited version of the 2012 Annual Report. Additional information can be found online at www.triodos.com/reports.

The 2012 Annual Report is an integrated annual and sustainability report covering the activities of Triodos Bank N.V. in The Netherlands, Belgium, the UK, Spain, and Germany, as presented in the Triodos Group Structure. The report covers the period from 1 January to 31 December 2012.

Triodos Bank's previous annual and sustainability report was published in April 2012 and covered the 2011 calendar year. The reporting in the 2012 financial year is based on the same principles as the 2011 report. Any changes in the methods of calculation used are explained in the text. When preparing the Triodos Bank Annual Report, a study group examines how the most recent reporting guidelines and best practices can be used to improve the report in the future.

External experts verify the data included in this report. KPMG Accountants NV verifies the financial data in accordance with the legal requirements. There is no legal framework for the verification of the environmental and social data included in the report, although the key indicators used to measure social and environmental performance are also verified by KPMG.

Global Reporting Initiative

Triodos Bank used the Global Reporting Initiative's third generation (GRI 3.1) guidelines (as published in 2006 and updated in 2011) for the fifth time in the preparation of the 2012 Annual Report. For the fourth time we used the GRI Financial Sector Supplements that have been updated in 2008.

Triodos Bank uses these guidelines to try and ensure a high degree of comparability between its report and those of other companies that use them. The bank's ambition is to do this at A+ level. This has been checked and confirmed by the GRI. The GRI Content Index and the GRI Application Level Check Statement can be found online at www.triodos.com/reports.

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Triodos Bank N.V. 2012 Annual Report

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Triodos Bank

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If you have comments or questions about this report, please contact your local office of Triodos Bank. Addresses are provided on page 143.

This document can be downloaded from www.triodos.co.uk and www.triodos.com/reports

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Sustainable banking

means using money with conscious thought about its environmental, cultural and social impacts, with the support of savers and investors who want to make a difference, by meeting present day needs without compromising those of future generations.