

Triodos  Bank

Annual Report 2020

We hope the annual report provides you with a rich picture of Triodos Bank's values-based mission, strategy and impact in the wider world. The printed version of the English annual report is created as some of our stakeholders prefer to read the report in this format and because we are legally required to provide the annual report as a comprehensive, single document.

The online annual report includes content that is not in this document including films highlighting the extraordinary work of the sustainable enterprises we finance.

www.annual-report-triodos.com



Triodos Bank is a co-founder of the Global Alliance for Banking on Values, a network of leading sustainable banks – visit www.gabv.org

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

Annual general meeting	21 May 2021
Ex-dividend date	25 May 2021
Dividend payment date	28 May 2021

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Content only available online at www.annual-report-triodos.com

Annual Report ‘at a glance’ – A brief summary of our performance
Europe’s sustainable bank – Integrated summary of country banking operations’ activities
Impact – Vision and practice, including case studies
Country Reports – A summary of activities in each of the countries where we operate
Global Reporting Initiative (GRI) content index
Pillar 3 report 2020

Key figures

amounts in millions of EUR *	2020	2019	2018	2017	2016
Financial					
Equity	1,208	1,201	1,112	1,013	904
Deposits from customers	11,747	10,694	9,564	8,722	8,025
Loans and advances to customers	9,157	8,209	7,267	6,598	5,708
Balance sheet total	13,888	12,082	10,867	9,902	9,081
Funds under management ¹	6,362	5,671	4,673	4,604	4,373
Total assets under management	20,250	17,753	15,540	14,506	13,454
Total income	305.1	292.2	257.1	240.3	217.6
Operating expenses	-245.4	-234.4	-204.3	-190.2	-171.9
Impairment losses on financial instruments	-24.2	-3.7	-6.4	-1.8	-5.7
Value adjustments to participating interests	-	-	-	1.3	-1.5
Operating result before taxation	35.5	54.1	46.4	49.6	38.5
Taxation on operating result	-8.3	-15.1	-11.2	-12.2	-9.3
Net profit	27.2	39.0	35.2	37.4	29.2
Total Capital ratio	18.8%	17.9%	17.5%	19.2%	19.2%
(Common) Equity Tier 1 ratio	18.7%	17.9%	17.5%	19.2%	19.2%
Leverage ratio	8.8%	8.5%	8.9%	8.9%	8.8%
Return on equity in %	2.3%	3.4%	3.3%	3.5%	5.5%
Return on assets in %	0.2%	0.3%	0.3%	0.3%	0.5%
Operating expenses/total income	80%	80%	79%	79%	79%
Real Economy assets/Balance sheet total ²	75%	76%	77%	80%	81%
Triple Bottom Line assets/Balance sheet total ²	74%	75%	76%	75%	77%

* IFRS - EU was adopted as of 1 January 2018, and therefore the key figures for 2020, 2019 and 2018 are reported under IFRS. Key figures for 2017 and 2016 are reported under Dutch Gaap.

¹ Including funds under management with affiliated parties that have not been included in the consolidation.

² Triple Bottom Line assets refer to assets not only focused on economic benefits, but also on positive social and environmental benefits. We believe this figure provides the best indication of a bank's commitment to sustainability. The assets and revenues committed to the Real Economy and to the Triple Bottom Line for the year 2016 has not been reviewed. The 2019 and 2018 figures have been adjusted to IFRS reporting.

amounts in millions of EUR *	2020	2019	2018	2017	2016
Per share (in EUR)					
Net asset value at year end	85	83	82	83	82
Net profit ³	1.91	2.80	2.73	3.19	2.83
Dividend ⁴	0.65	-	1.95	1.95	1.95
Number of depository receipt holders	43,614	44,401	42,416	40,077	38,138
Number of accounts - funds entrusted from customers	867,377	830,816	839,242	808,090	759,738
Number of accounts - loans and advances to customers	81,726	77,984	68,751	60,339	50,765
Number of customers	728,056	721,039	714,887	681,082	651,945
Social					
Number of co-workers at year end	1,592	1,493	1,427	1,377	1,271
Co-worker turnover	8%	10%	9%	9%	8%
Women as percentage of management team	39%	44%	39%	44%	40%
Ratio of highest to median salary ⁵	5.5	5.6	5.6	5.7	5.7
Environment					
Triodos Bank's own emissions, 100% compensation (in ktonne CO ₂ eq.)	1.0	2.9	2.8	3.1	3.1
Net emissions in outstanding loans and investments (in ktonne CO ₂ eq.) ⁶	358	293	152	-	-
Avoided emissions in renewable energy loans and investments (in ktonne CO ₂ eq.) ⁶	-933	-963	-985	-	-

³ The figure of net profit per share is calculated on the average number of issued shares in circulation during the financial year.

⁴ Dividend proposal of 18 March 2020 as published in the annual accounts 2019 was revised. This was a direct response to the recommendation made by the European Central Bank and De Nederlandsche Bank (DNB) on 27 March to all banks, not to pay out dividend in order to prioritise supporting the real economy by lending to customers during the COVID-19 pandemic. For the year result of 2020 Triodos Bank proposes a dividend of EUR 0.65 per share, equivalent to a 15% pay-out ratio (the percentage of total profit distributed as dividends) of 2019 and 2020 together in compliance with the latest guidelines of DNB following the instruction of the ECB.

⁵ The ratio of highest to median salary (excluding highest salary) follows the GRI criteria and is considered best practice. All salaries are calculated on a full-time basis.

⁶ 2018 is the first year of reporting using the Platform for Carbon Accounting Financials (PCAF) methodology. Around 68% of our outstanding loans and funds' investments are assessed.

Governance structure

Executive Board

The daily management and strategic development of Triodos Bank N.V. (hereafter Triodos Bank) lies with the Executive Board. The Executive Board is formally responsible for the management of Triodos Bank and the members are appointed by the Supervisory Board.

Supervisory Board

Triodos Bank has a Supervisory Board, which monitors the Bank's business operations and advises its Executive Board, to benefit its business interests.

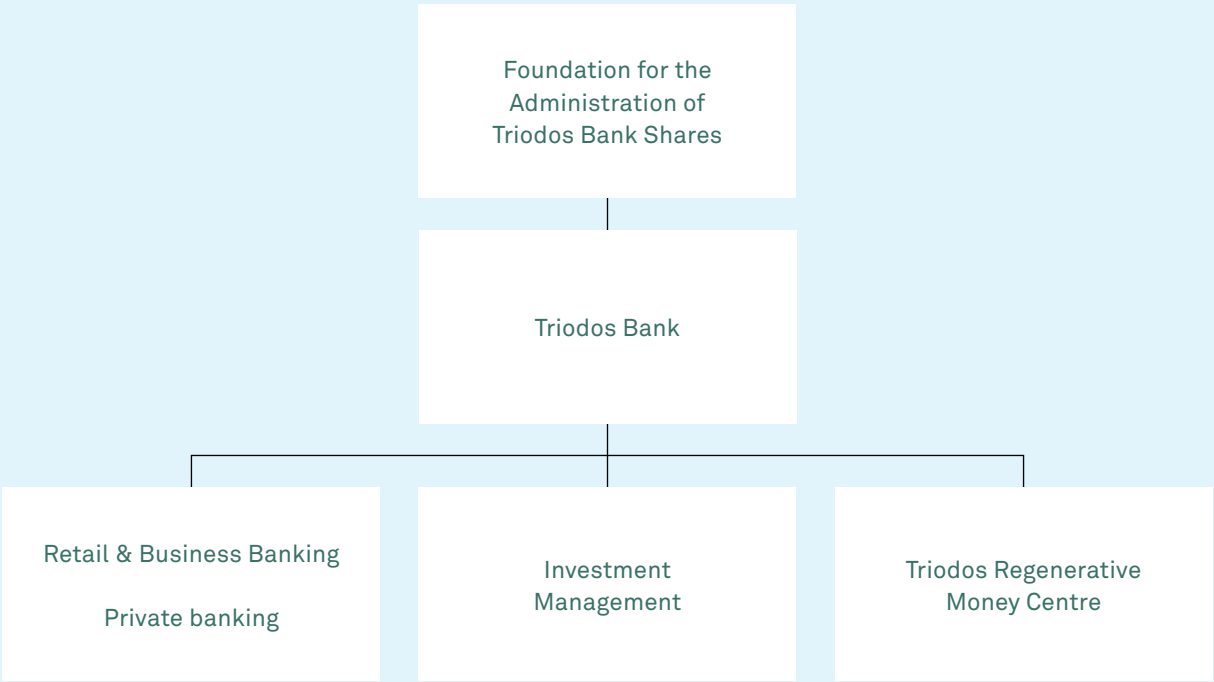
New members of the Supervisory Board are appointed by the Annual General Meeting, based on recommendations from the Supervisory Board.

SAAT – Foundation for the Administration of Triodos Bank Shares

Triodos Bank believes it is 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 to institutions. These depository receipts embody the economic aspects of the shares of Triodos Bank N.V. In addition, SAAT exercises the voting rights for the Triodos Bank N.V. shares. The Board of SAAT's voting decisions are guided by the Bank's ethical 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, Triodos Bank maintains its own platform for trading in depository receipts.

More information about Triodos Bank's Boards is available at www.triodos.com and in the biographies in the appendix of the audited, English language version of the annual report.

Triodos Bank Group structure 2020



Retail Banking

Through our European network, our goal is to offer our customers products with a purpose including savings, payments, lending, private banking and investments.

Business Banking

We lend money only to organisations working to bring about positive and lasting change. Our lending focuses on three key areas:

- Energy and climate
- Food and agriculture
- Socially inclusive business

Private Banking

We advise customers on employing their capital to stimulate sustainable development. Our key service is sustainable discretionary asset management.

Investment Management

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

The 16 active funds are grouped in business lines based on the themes they invest in:

- Energy and Climate
- Inclusive Finance
- Sustainable Food and Agriculture
- Impact Equities and Bonds

Triodos Regenerative Money Centre

Triodos Regenerative Money Centre lends, invests and donates money through Triodos impact investment funds and the Triodos Foundation with an innovative and impact-first perspective and the objective to make pioneering, transformative initiatives possible that cannot (yet) be financed by traditional loans and investments.

Our purpose: the conscious use of money

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 values-based banking into practice. We want to connect depositors and investors with socially responsible businesses to build a movement for a sustainable, socially inclusive society, built on the conscious use of money.

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.

More on our mission, vision and core values can be found on www.triodos.com/about-us.

Market and core activities

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

As a values-driven service provider

Bank customers not only want sustainable products and services, but also fair prices and a reliable service. Triodos Bank offers products and services with a purpose to promote sustainable development. And it does so, in the context of meaningful, transparent relationships with its customers.

As a relationship bank

Triodos Bank's service is built on deepening and developing long-term relationships with its customers. Relationships are nurtured through various on and offline channels, including offices where customers meet co-workers face-to-face and at community events. 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 Bank.

Exactly how this happens 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 banking entities in question.

As a frontrunner in responsible banking

Triodos Bank wants to promote the conscious use of money, in its own organisation, but also in the financial sector as a whole. It stimulates public debate on issues such as the need to make corporate social responsibility mainstream as a frontrunner of values-based banking which can transform the economy. Stakeholders have encouraged Triodos Bank to focus on this role as a frontrunner. Triodos Bank, with 40 years of experience in values-based banking was a founder of the Global Alliance for Banking on Values, a global movement of more than 60 like-minded banks committed to advancing positive change in the banking sector. 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 for its brand and reputation.

1. Executive Board report

The report in brief

The Executive Board chapter provides an overview of Triodos Bank's perspective on the wider world it operates in, its impact and activity in 2020 and its prospects for the future. To help make this chapter easier to navigate we have broken it down into its constituent parts:

A narrative section: a high-level perspective on the world we're in and Triodos Bank's place in it can be read in The year 2020 - unlike any other (see page 12).

A second section gives an analysis of our key or material topics: these topics are defined by our stakeholders and Triodos Bank, and reported on throughout the report and specifically in Our stakeholders and material topics (see page 20). They inform our strategic objectives, which are also described here, including our progress against our goals and plans for the future (Strategic objectives (see page 30)).

A third section describes our results of 2020, in terms of our financial performance, the impact we enable through our finance and the consequences this impact has for our environment (emissions). Subsequently, in Understanding impact (see page 58) we highlight our vision on impact management and the steps we've taken to safeguard our sustainable mission.

A fourth and final section summarises our approach and results as an organisation, our direct impact. This section includes a Co-worker report (see page 66) and an Environmental report (see page 71) as well as important risk and compliance information in Risk and compliance (see page 75).

The year 2020 - unlike any other

The year 2020 – unlike any other

The year 2020 was unlike any year in our history and one we will not easily forget. Triodos Bank started 2020 expecting a stable development, building on the results of 2019. We also expected to celebrate the fact that Triodos Bank was founded 40 years ago, in 1980. Forty years of making money work for positive change.

By the end of February however, the world was facing one of the biggest crises we have experienced in recent times. As the COVID-19 virus spread, governments announced increasing measures restricting freedom of movement, resulting in the World Health Organisation declaring a pandemic on 11 March 2020.

Whilst the summer brought some relief, most European countries were confronted with a second wave of infections and lockdown measures in the autumn, with a third wave of even more stringent restrictions for citizens emerging just before year end.

The COVID-19 pandemic disrupted our lives and our economy in an unprecedented way. As the scale of the crisis was spreading across the globe, economic outlooks worsened and financial markets became very volatile. The crisis had a major impact on our customers and our operations.

Running the business in unusual circumstances

Maintaining our business operations is critical to the continuation of our services to our customers. With the outbreak of COVID-19 at the beginning of this year, the bank's crisis management committee was activated to analyse the evolving situation and define measures for Triodos entities in all countries.

Almost all our co-workers were able to work from home within a few days and our systems worked without any major problems.

From the start of the pandemic our attention went to customers, especially our credit customers. We have been in close contact with most business customers throughout the year to assess their immediate needs as a result of the crisis. We have contributed to initiatives with other banks, governments and regulators to

discuss measures that could be effective to support business, particularly in the SME sector.

The support measures taken by the different governments vary, but everywhere large amounts of money have been made available to support income or debt of entrepreneurs and citizens. Triodos Bank has been doing its utmost to support customers, fostering their economic resilience during the crisis by facilitating 1,042 Covid-19 related guarantees across countries and, at its highest point in September 2020, 800 repayment holidays for customers.

Who owns Triodos Bank

When founding the bank in 1980, principles of ownership were established which are directly related to the mission and identity of the bank. The first principle is that providing capital to the bank should not lead to control over the bank, which is why the shares are held in a foundation which issues DRs for investors. The second principle is about the pricing mechanism of the DRs: the price is based on the book value of the assets of Triodos Bank minus the book value of the liabilities of Triodos Bank and not determined by supply and demand between investors. And finally: Triodos Bank enables people to use money more consciously. The essence of the bank is the personal commitment of its key stakeholders – the engagement of people with the mission – and this requires their active involvement. Therefore, Triodos Bank opted for a broad DR-holder community, consisting of people that are prepared to support the bank's development with long-term investment.

Exceptional decisions

The uncertainty created by the COVID-19 pandemic for the economy at large, including the financial sector, impacted investor behaviour globally and also affected trade in Depository Receipts of shares in Triodos Bank in the first wave of the pandemic. Triodos Bank had to take an exceptional decision on 18 March 2020, to suspend the possibility to buy and sell Triodos Bank Depository Receipts. Trade was resumed on 13 October

2020, with a new prospectus and measures in place to limit the amount of Depository Receipts investors could sell in one settlement. Despite the mitigating measures we took, the patterns of buying and selling of Depository Receipts did not return to the balance we were expecting. The ongoing uncertainty around the corona crisis and its longer-term economic effects have not disappeared; on the contrary, further lockdown measures and other restrictions were seen globally in the last two months of 2020. The trading pattern we were experiencing put into question whether the balance in trade in Depository Receipts will be restored in the current economic context. It also poses the question of what measures we can take to achieve balanced trading, as we must now assume that previous trading patterns will likely not recover in the short term. Trade was therefore suspended on Tuesday 5 January 2021.

Another exceptional decision taken was to withdraw the dividend proposal for 2019. Considering the uncertainty of the wider impact of COVID-19 on society and the economy at large, the European Central Bank (ECB) and De Nederlandsche Bank (DNB) strongly advised banks to provide a clear signal to the public that they would make maximum efforts to ensure the continuity of lending and to retain prior year's profits until the extent of the crisis is known. Triodos Bank, being part of the Dutch and European financial sector, felt it could not ignore such a request. The Executive Board decided on 1 April 2020 to withdraw the dividend proposal which was published in the Annual Report 2019. Initially, the proposal was to distribute 50% of the profit for 2019 as a dividend.

Dividend

On 15 December 2020, De Nederlandsche Bank (DNB) called on the major banks under its supervision to be very restrained in paying dividends and buying back own shares, in line with the recommendation of the European Central Bank. This recommendation is related to the current exceptional circumstances and will run until the end of September 2021. At that time, DNB expects, in the absence of material unfavourable developments, to return to a normal assessment of the capital distribution of banks.

Banks that nevertheless intend to pay out dividends are expected to consult with the regulator before any dividend proposal is made. Dividend payments should not exceed 15% of the cumulative earnings for 2019 and 2020, and should be no more than 20 basis points of the CET1 ratio. Banks that intend to pay out dividends must be profitable and have a consistently solid capital buffer.

We also decided, for the first time in our history, to participate in Targeted Long-Term Refinancing Operations (TLTROs). The ECB introduced TLTROs in 2014. TLTROs offer long-term funding at attractive conditions to banks in order to further ease private-sector credit conditions and stimulate bank lending to the real economy. As a European bank under direct supervision of DNB, Triodos Bank is part of the Eurosystem. The Eurosystem carries costs and benefits. To date, Triodos Bank and its customers have mostly been confronted with the cost of this system, through negative interest rates and quantitative easing which affect the yield curve for financial institutions. Triodos Bank feels a responsibility to play a role in financing the recovery post COVID-19. The terms offered for the TLTROs provide an opportunity and incentive to increase our lending to entrepreneurs who are instrumental in delivering sustainable development, which is crucial for the recovery of the economy. In the TLTRO tender III.5 Triodos Bank applied for and obtained EUR 750 million.

Lastly, as part of an ambitious cost-reduction programme which was launched in 2020, we took the decision to structurally change the way of working, starting in The Netherlands and Spain. All co-workers in these countries will continue to work partially from home after the coronavirus pandemic. This means that the bank will concentrate all activities in The Netherlands in the new office, De Reehorst in Driebergen. In Spain, we decided to rent out one of our two head office buildings in Madrid.

Reset the economy – and the role of the financial sector

The COVID-19 pandemic has brought big issues to the fore. It has exposed the structural weaknesses in the contemporary global economic system with its global supply chains and economic monocultures. Our relationship with nature is broken, caused by climate change and the loss of biodiversity. And the crisis exposes significant societal inequality, leaving certain groups of people more affected by the pandemic – economically, socially or health-wise – than others. Fundamental flaws in the way we have organised our economy in our unrelenting efforts to strive for economic growth have been laid bare.

We strongly believe that the corona crisis is also an opportunity for a redesign of the economy. Linking social fairness and ecological vitality with finance can realise a recovery that is more resilient. Rather than just restoring an old model, we can make our economy fairer and more sustainable. Triodos Bank published a vision paper 'Reset the economy' in June in which we stressed the need for a transition to an economy that is more resilient, more sustainable and more inclusive. Our aim in this paper is to map a pathway for a resilient and inclusive recovery once the coronavirus has been contained.

Triodos Bank has been part of this new economy and has helped shape it ever since our foundation in 1980. Triodos Bank uses the concepts of impact, risk and return to understand our overall development and place in the world around us. This requires a positive, long-term and holistic perspective. It also requires a conscious choice about the sectors we invest in and

the sectors we choose to avoid. Because we focus on delivering sustainable social, environmental and cultural impact, our horizon is inherently longer term.

Opportunities exist for companies and initiatives that focus on impact and understand what the coronavirus pandemic teaches us to strive for: with sustainable and more local food production, by paying more attention to biodiversity, and emphasising social inclusion and the new forms of cooperation that make this possible. We see that more and more people, especially in the communities we are part of, recognise the opportunity for transformation and are willing to embrace new economic and social models.

Triodos Regenerative Money Centre

Triodos Regenerative Money Centre (TRMC) aims to increase the conscious use of money, through donations and catalytic investments. The initiative's goal is to support a regenerative economy that serves people and is a steward of the Earth's ecosystems.

TRMC aims to deliver its goals by supporting initiatives that pioneer new business models with an explicit goal to regenerate society and the planet. These are initiatives that have the potential to be game-changers as they can fulfil a catalytic role. The goal of every donation and catalytic investment is to increase consciousness and provide new perspectives on current questions in areas where, for different reasons, traditional bank and investment products cannot provide an answer.

Diversity and inclusion

Triodos Bank wants to be at the forefront of the developments in society that are needed for renewal. It is important to recognise that we not only need an economic reset, we should also embrace the chance to steer more rigorously on social inclusion. The Black Lives Matter movement, examining the ingrained attitudes to race and privilege, this year has not only sparked debate in society it has also ignited a discussion inside our own organisation. Our mission

states that we pursue a society that has human dignity at its core. The question to ourselves has been: can we truly say that we have human dignity at our core when we are unaware of whether all our co-workers feel seen and respected? To make sure that this time next year we know the answer to these questions, we have put diversity and inclusion firmly on the agenda as a topic for the organisation.

Changing finance

Since our foundation forty years ago, part of our mission has been to influence the financial sector systemically at a national and global level to make money work for positive change. This has become even more urgent in the context of the 'green and just' recovery from the corona crisis.

We believe the financial sector is an essential part of society and should serve the real economy. It should therefore put positive impact, diversity and transparency at its core, supported by appropriate regulations and supervision. A financial sector that has truly integrated those elements in its business will be able to help improve people's quality of life and achieve positive impact on the world around us. We cannot achieve this alone. We collaborate with many other European and global institutions and associations like the Global Alliance for Banking on Values (GABV), the Club of Rome, the Sustainable Finance Lab, governments and banking associations. Together we have been able to create momentum to change finance.

An important part of our change finance agenda is focused on the three strategic themes of Triodos Bank: energy and climate, food and agriculture, and social inclusion. For instance, in Germany we took the initiative to gain a commitment from the financial sector to the Paris climate agreement; we published our vision document 'Reset the economy' with a strong focus on social inclusion; and we signed the Finance for Biodiversity Pledge.

The loss of biodiversity is one of the greatest challenges for the existence of life on Earth

The damage to biodiversity caused by our way of living, specifically farming, is considerable. We have reached a point where we should not talk about reducing harm to biodiversity, but rather talk about regeneration. Biodiversity is very relevant for the financial sector. For Triodos Bank, this goes beyond the commercial risks that financial institutions run when they finance companies whose business depends on ecosystem services or that have a major negative impact on biodiversity. In 2020, Triodos Bank signed the Finance for Biodiversity Pledge. The signatories commit themselves to collaborating, engaging, assessing their own biodiversity impact, setting targets and reporting on biodiversity matters by 2024 at the latest. We are also a member of the Partnership Biodiversity Accounting Financials, which works to develop a common accounting methodology for the sector's impact on biodiversity.

We believe national and European rules and regulations should stimulate the transition of the financial sector to put positive impact first, ahead of return. Therefore, on a national and European level, we put a lot of time and effort into the revision of the legal framework for all financial institutions and markets. We see positive developments. We welcomed the Renewed Sustainable Finance Strategy of the European Commission. It is ambitious and emphasises the relationship between social resilience, environmental balance and financial soundness. A sustainable financial sector is key for a sustainable post-coronavirus recovery.

To influence at an international, national and even regional level is not easy. But despite our relatively small size, we have persevered, often by partnering with others, to persuade decision-makers to develop legislation that supports the transition to a sustainable economy, and that enables and stimulates the financial sector to play an active role in transition.

Measuring up

Triodos Bank was among 16 financial institutions that created the global accounting standard for greenhouse gas (GHG) emissions of the Partnership for Carbon Accounting Financials (PCAF). Banks, asset managers and asset owners now have access to a free, standardised, robust and clear way of measuring and reporting greenhouse gas emissions tied to their lending and investment portfolios.

Triodos Bank supports the world's transition to a low-carbon and climate-friendly future, in line with the Paris climate goals, to limit the temperature increase to at most 1.5 degrees Celsius. To contribute to this future, financial institutions need to know the carbon footprint of their loans and investments. If financial institutions know what the emissions are, they can be transparent about their climate impact and it will help them set climate targets and steer decision-making.

Triodos Bank wants to make sure that our activities and associated emissions contribute to, at most, a 1.5-degree global increase in temperature. Triodos Bank started using the PCAF methodology in its own business in 2018 for about 68 percent of its portfolio. In 2019, we measured the emissions of our entire portfolio of loans and direct investments. In 2020, we are still one of only a handful of banks able to report fully on the carbon intensity of its portfolio.

Given our mission and the focus of our finance, it's safe to say that our carbon results compare well to the emissions of mainstream banks. By mapping our emissions, we can identify the loans and investments with relatively high GHG emissions within our portfolio. It provides input to steer our (long-term) strategy to align with the Paris agreement. In our efforts to develop climate targets, we want to hit the target without missing the point.

As a frontrunner bank on sustainability, we have a responsibility to finance the transition towards a sustainable future. For Triodos Bank this may mean that our carbon emissions actually go up if we decide to finance more businesses that still have to make the transition instead of leaving them behind. In the short

term this may not contribute to our targets, but in the longer term we will ensure that we get to net zero. We are researching how quickly we may be able to take the lead in reaching a net-zero portfolio (and beyond). This requires us to reflect critically on our portfolio. We want to make sure we do this carefully rather than set arbitrary targets too quickly. We will disclose our transition plan with long- and short-term targets in the run up to COP26, November 2021.

From niche to frontrunner

In recent years the financial sector has set out on a journey to integrate sustainability in its business models and strategies. Sustainability was considered a niche activity forty years ago when Triodos Bank started, but has become more and more mainstream, even though the financial sector as a whole still has a long way to go.

In the last four decades Triodos Bank has moved from being a niche bank to a frontrunner. Our mission – to use money consciously to create positive development in society, with human dignity at its core – has been a guiding principle throughout our history and has found a lot of resonance in society and the financial sector.

Given our frontrunner position in the context of increasing competition, we continued working on our three impact themes that address the most urgent societal challenges: energy and climate, food and agriculture, and social inclusion.

Despite the business challenges of the coronavirus pandemic, we have continued to finance new projects and customers in the energy and climate and food and agriculture sectors in 2020, as described in our vision papers published last year. The third impact theme in our strategic agenda is social inclusion. The vision paper for this theme is in consultation both inside and outside our organisation and we expect to publish it in the first half of 2021.

The challenges of banking

The business of running a bank has become increasingly complex compared to when Triodos Bank was founded in 1980. Providing quality products

and services while meeting growing regulatory requirements, including executing customer due diligence and monitoring transactions effectively, comes with costs in terms of time and resources. Because our starting point is to deliver greater impact over the long term, it is essential that we are financially resilient and that we consistently focus on building a high-quality loan portfolio.

Low interest rates continue to have a strong impact on Triodos Bank because the growth of funds entrusted outpaces the growth of the loan portfolio. The excess liquidity is placed with the European Central Bank at a negative interest rate and at a cost for Triodos Bank. The low interest rate environment also encourages borrowers to refinance at lower rates and to pay back their borrowing earlier than planned. Both trends continued in 2020. They have a downward effect on net interest margins with a subsequent direct downward impact on Triodos Bank's financial performance.

To address the issue of shrinking margins, we have had to be more selective about the projects within the sectors we finance and the allocation of loan growth to the countries where we are active. We have reviewed the products and services we offer to our customers to focus on loans which will deliver both financial and impact benefits. We acknowledge that this may diminish the rate of loan growth.

Becoming more efficient by applying digital solutions and streamlining our operations with better customer journeys are also important for staying financially healthy, as is fair pricing of these services. Meeting the increasing costs of constantly increasing regulation creates challenges and impacts our overall profitability.

This raises important questions for Triodos Bank. We are continuously working to address them by reducing costs where we can and increasing fee income – principally through the expansion of our Triodos Investment Management activity and fee-generating business on the banking side – to compensate for the diminishing margins of the loan business.

During 2020, we introduced new rates and fees for banking customers in an effort to charge fair

and transparent prices for our products. In The Netherlands, we were the first bank to introduce a negative interest rate for retail savers with deposits higher than EUR 100,000 and charged a fixed administrative fee of EUR 2 per month for each saving account. In Belgium we announced the closure of one of our so-called 'tax-regulated' savings account products, which had become unsustainable due to the regulatorily required minimum interest rate of 0.11%.

In addition, and importantly, we continue to develop ICT and digitalisation solutions to help enhance customer experience and make processes more effective and therefore less costly.

First year of adopting International Financial Reporting Standards (IFRS)

This Annual Report is the first report we publish using the IFRS accounting principles, besides the pro forma financial statements 2019, which we published on 3 July 2020. With the switch to IFRS the structure of the report has changed accordingly. An important change from the previous method we used (Dutch GAAP) is that we must apply the Expected Credit Loss (ECL) model. In line with the new accounting standards, IFRS-9 was applied for the ECL model. This model requires the incorporation and assessment of forward-looking macro-economic parameters (like GDP growth, unemployment), which are sensitive to the COVID-19 pandemic. The macro-economic parameters are only applicable in stage 1 and stage 2. In 2020 the build-up ECL provision was mainly related to forward-looking aspects, around 62% of the ECL impairments in 2020. The stage 3 impairments were far less influenced, signalling the strength of our portfolio. This is described in more detail in Impact and financial results (see page 36).

Gatekeeper role

On 6 March 2019, Triodos Bank received an instruction from its supervisor about shortcomings in its customer due-diligence processes and monitoring of customer transactions in the period up to 2018. Triodos Bank accepted this instruction and is implementing mitigating measures. In December 2020, the supervisor imposed a fine on Triodos Bank related to this earlier

instruction. Triodos Bank accepts the decision and has paid the fine, amounting to EUR 475,000, in full.

Leadership transition

On 22 September we announced that our CEO, Peter Blom, has decided to step down from his role, having worked at Triodos Bank for forty years. He will leave the bank at the end of this year's AGM, on 21 May 2021. On 9 February 2021, Triodos Bank announced the decision of Jellie Banga to step down from her role as Vice-Chair of the Executive Board and Chief Operating Officer (COO), effective 1 May 2021. In reviewing the scope of Jellie's role, it has been decided to split her role into a COO role, focusing on the operating side of the bank, and a Chief Commercial Officer (CCO) role, focusing on the commercial side of the bank. This brings the total number of Executive Board members to five. The Supervisory Board has initiated the recruitment process for both the COO and the CCO roles.

External rating

Fitch Ratings (Fitch) announced on 16 February 2021 it has assigned Triodos Bank a Long-Term Issuer Default rating at 'BBB' with a stable outlook and a Viability Rating at 'bbb'. Fitch's rating analysis was done at the request of Triodos Bank. The rating gives Triodos Bank a better position on the financial markets should the need arise. It will improve access to institutional debt funding and potentially reduce the cost of funding. Therefore, it supports the bank's financial health.

Triodos Bank in 2021

An urgent focus for this year is addressing the strategic challenge presented by the suspension of trade of the Depository Receipts of ordinary shares (DRs) and the impact this suspension has on our Depository Receipt holders and our broader capital strategy.

Growing volumes and profit are dependent on external developments, our ability to respond to these developments and seizing opportunities in a pro-active way to fulfil the bank's mission while maintaining a sound level of risk and return. Our capital and liquidity position is expected to remain robust and resilient,

in line with internal target ratios and well above the regulatory minimum requirements.

The banking sector continues to be faced with increased regulations and persistently low interest rates. We have partly compensated for the decreasing interest margin by introducing service fees and negative interest rates. Our revised pricing policy for loans was strictly applied and this will continue in 2021.

Our overall loan portfolio benefits from geographical diversification and reflects modest credit risk, underpinning sustained profit generation and low earnings volatility. As the COVID-19 pandemic is still continuing, the build-up of the ECL provision will continue over the year 2021 in line with the IFRS accounting standards in combination with the bank's prudent business approach. In 2020, we took part in the TLTRO tender III.5. We will consider further upcoming TLTRO tenders in the future.

In the short term, customers will face economic challenges, especially if COVID-19 related government support schemes expire. However, in the medium and long term, we believe our customers – and therefore Triodos Bank itself – are well positioned to be part of the more sustainable and socially inclusive economic recovery that is expected to emerge.

Triodos Bank expects to grow its fee income over time by growing the activities of Triodos Investment Management as well as fee-based banking activities. Moreover, we have the ambition to realise more impact by growing our bank balance sheet modestly, maintaining a stable loan to deposit ratio. We will continue to adjust our business model, becoming less dependent on interest margins in a very low interest rate environment in Europe and balancing increased regulatory costs with efficiency measures.

The bank will focus on positive impact, a fair return and a moderate risk appetite regarding its loans and investments. Triodos Bank will partner with frontrunners in their fields and finance the entrepreneurs who are developing the sustainable industries of the future.

To aid active steering on this ambition, Triodos Bank will set science-based targets for the most important sectors we operate in to ensure our portfolio develops in such a way that we actively contribute to a net-zero economy.

Our priority in 2021 is to navigate the bank and our customers through the COVID-19 pandemic and to focus on the effective execution of our corporate strategy, ensuring we fulfil our role as frontrunner in responsible finance whilst generating maximum impact in line with our goals, as well as realising stable profits with modest risk.

Zeist, 17 March 2021

Triodos Bank Executive Board

Peter Blom, Chair
Jellie Banga, Vice Chair
André Haag
Carla van der Weerd

1.1 Our stakeholders and material topics

Triodos Bank's stakeholders are key to determining the focus and attention of the organisation's efforts. This section identifies key stakeholder groups and highlights their most important material issues at Triodos Bank. We focus on these in our reporting.

Stakeholder dialogue: keeping us on our toes

Triodos Bank continually seeks to connect with the world around us. This is essential if we are to remain relevant, continue to progress and meet our frontrunner ambitions. All our business and financial decisions have an impact on our stakeholders. In turn, the societal themes embraced by our stakeholders have an impact on what we do and how we do it. Our essence defines us. It is the starting point of our conversations with the broader stakeholder community. How we bring our essence to life through our actions is informed by our engagement with key stakeholders and developments in society at large.

We have benefitted from free-flowing discussions with our stakeholders over many years and in varied ways. We invite NGOs and citizens to participate in evening debates, we conduct surveys and organise regular meetings for depository receipt holders. Our co-workers at Group level, in Triodos Investment Management and at our various country offices regularly engage in these and other activities.

In addition to numerous interactions throughout the year at all levels of our organisation, we follow a formal process to analyse which issues are most important both to our stakeholders and our organisation (materiality analyses). We integrate these issues into our management objectives. Our reporting on progress of these objectives follows the Global Reporting Initiative (GRI) Standards. For more information about how Triodos Bank engages with its stakeholders visit www.triodos.com/stakeholders.

Materiality analysis

Triodos Bank identifies three general stakeholder categories:

- Those that have economic relationships with the business
- Those without an economic relationship but with a close interest in Triodos Bank from a societal perspective
- Those that provide new insights and knowledge

For each category we have identified specific stakeholder groups, including the influence they exert on Triodos Bank and the expectations they have of us. The table below gives an overview of all major stakeholders and how they link with relevant topics.

Stakeholder table

Stakeholder	Definition	Most relevant topics (see Material topics)
<i>Category: stakeholders that engage in economic transactions with Triodos Bank</i>		
Clients	Clients expect excellent banking and financial services.	- Protecting client data - Client relationships - Engaging with communities - Social inclusion - Sustainable investments - Thought leadership - Products with a purpose - Integrating mission/strategy - New sustainable ventures
	They expect Triodos Bank to put their interests first.	
	Clients are essential to achieve our mission.	

Stakeholder	Definition	Most relevant topics (see Material topics)
Depository Receipt holders	Influence on and expectations regarding how Triodos Bank strikes a balance between return on investment and social, environmental and cultural returns.	- Social inclusion - Resilient financial institution - Thought leadership - Integrating mission/strategy - New sustainable ventures
Co-workers	Influence on and expectations of Triodos Bank's ability to create a working environment that's inspiring, healthy and welcoming. Expect and contribute to a workplace where each co-worker finds room to address the important questions of our time and where each individual can work effectively in line with the mission and values.	- Fair remuneration - Learning organisation - Responsible employer/diversity - Engaging with communities - Social inclusion - Sustainable investments - Thought leadership - Integrating mission/strategy - New sustainable ventures
Suppliers	They expect Triodos Bank to a responsible and reliable business partner. They are partners in our mission for a more sustainable world.	- Sustainable suppliers - Engaging with communities - Social inclusion - Responsible employer - Integrating mission/strategy
<i>Category: stakeholders that have a close interest in Triodos Bank</i>		
NGOs	Influence on and expectations of Triodos Bank's ability to execute its mission in a responsible and ethical way with a positive impact on society and the environment.	- Fair remuneration - Social inclusion - Sustainable investments - Responsible employer
Governments and regulators	Influence on and expectations of Triodos Bank's ability to execute its mission in a responsible and ethical way Expect us to be compliant with laws and regulations.	- Fair remuneration - Protecting client data - Resilient financial institution - Thought leadership - Integrating mission/strategy
Local communities	Local communities expect to benefit from our financial activities.	- Engaging with communities - Thought leadership - Products with a purpose - Social inclusion - Integrating mission/strategy
Financial sector	The financial sector is key to achieving our mission to increase the positive impact of finance on society and the environment (our mission to change finance).	- Social inclusion - Resilient financial institution - Thought leadership - Integrating mission/strategy
Media	The media influence public opinion about Triodos Bank and about the topics that are relevant for our mission	- All topics can be relevant

Stakeholder	Definition	Most relevant topics (see Material topics)
<i>Category: stakeholders that provide knowledge and insights</i>		
Advisors and influencers	They prompt us to reflect, rethink and explore new territory	- Engaging with communities - Social inclusion - Thought leadership - Integrating mission/strategy

Material topics and current developments

We performed a thorough analysis of our material topics in 2019, including a consultation with our stakeholders. This analysis led to 14 material topics. Triodos Bank co-workers in senior positions are topic owners and have responsibility for each of these topics and the associated stakeholder engagement.

Based on our thorough analysis last year, the material topics in 2020 remain unchanged. However, we have seen two relevant societal developments which have an impact on Triodos Bank. First, the Covid-19 pandemic confronted society, including our stakeholders, with unexpected challenges. Second, the Black Lives Matter movement increased the urgency of making progress towards a more diverse and inclusive society. These developments have been extensively discussed with stakeholders throughout the year, both internally and externally.

This year we have done interviews with a selection of our topic owners regarding developments and/or progress made in 2020 with regard to their specific topics. These topic owners represent the topics that were addressed in the central stakeholder meeting of 2019: thought leadership, social inclusion, responsible employer, and sustainable suppliers. The results of these conversations have been incorporated in the texts about these topics below.

Stakeholder meeting and survey

The 14 material topics, the COVID-19 pandemic and promoting diversity and inclusion were included in the annual stakeholder survey. This was distributed to representatives from all the specific stakeholder groups in the countries where we have banking

activities. We also asked stakeholders to identify other possible issues, which are not currently included.

The survey and the materiality matrix provided us with important input for this year's materiality analysis. We also incorporated the feedback we received at the Annual General Meeting and our participation in various global strategic bodies. The analysis is supplemented by input from the topic owners and several stakeholder events and interactions during the year, including sector-specific events in various countries.

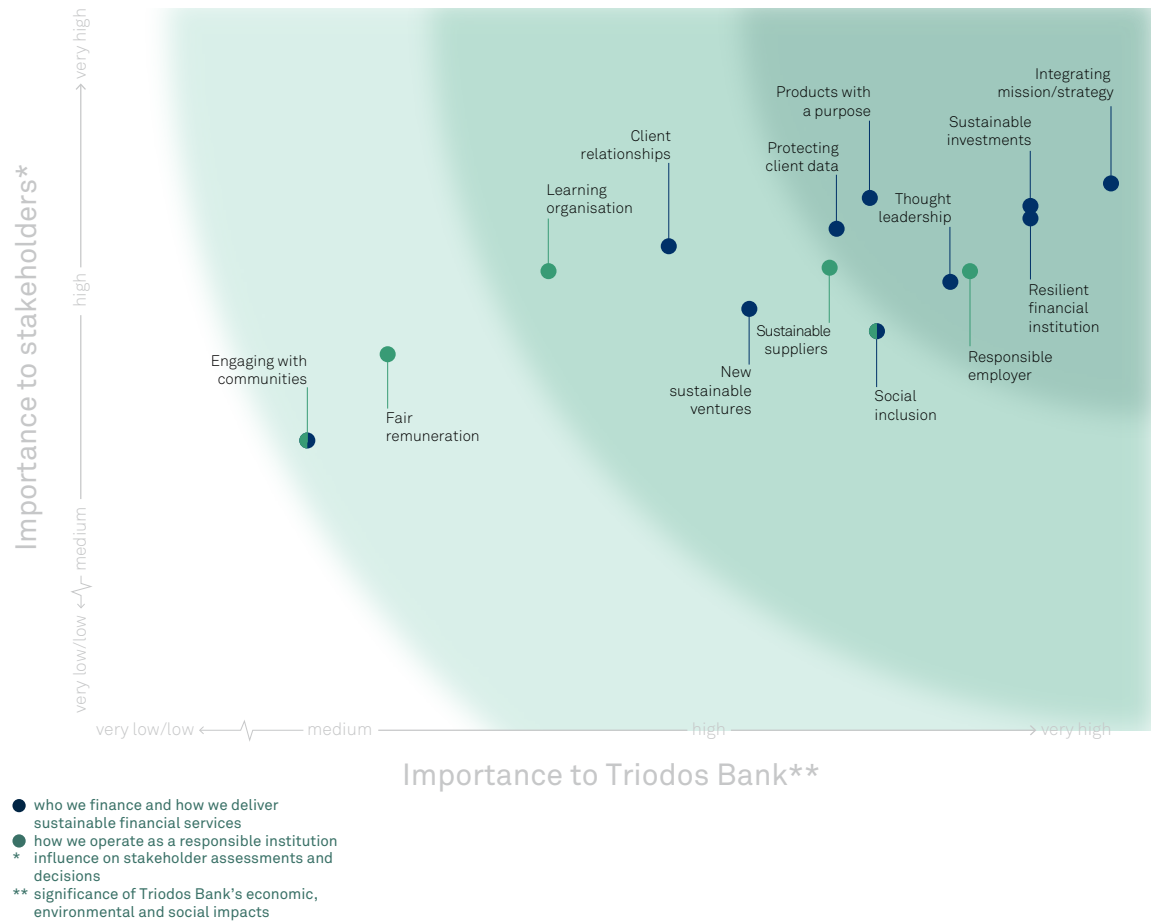
As a result of the pandemic, Triodos Bank's annual stakeholder meeting was, for the first time in our history, held virtually in 2020. The 25 attendees represented all stakeholder groups. Several of Triodos Bank's topic owners participated in discussions about the areas for which they have responsibility.

The first plenary session discussed the public role of Triodos Bank during the coronavirus pandemic. Our stakeholders advised us to establish a knowledge platform, which could function as an online community where stakeholders could get in touch with each other and we could share our vision on topics such as sustainability and social inclusion during the post-pandemic recovery.

The second plenary session considered initiatives Triodos Bank could finance to stimulate social inclusion. One interesting remark was that Triodos Bank should not view social inclusion as a separate topic, but instead include it in other themes, such as food and agriculture, and energy and climate.

We hosted a break-out session on diversity and social inclusion in Triodos Bank where stakeholders emphasised the importance of increasing diversity within the bank. Another session focused on digitalisation in society and the dilemmas this brings for Triodos Bank, for example regarding privacy and data protection. Many stakeholders agreed that Triodos Bank should give its customers more freedom in choosing which digital payment systems they want to use, as long as we inform them of the risks and costs.

Materiality Matrix 2020



Material topics

The goal of working towards a fair and just society and finance sector has been key to Triodos Bank's vision and mission since our foundation in 1980. Supported by our values and principles, we have defined our essence as a values-based bank that deals with money in a conscious way. This applies to everything we do, both in our business operations and within the organisation. The material topics are at the heart of our strategy and underpin management objectives. Since the very start of our operations, we have been engaging and working together with key stakeholders to accomplish our goals. Our stakeholders have repeatedly confirmed that our material topics are also the most important in their eyes.

All the topics identified in the materiality matrix relate directly or indirectly to Triodos Bank's purpose as an integrated sustainable bank using money to deliver positive change. Topics in blue are priorities for external stakeholders. They are defined by our business strategy and how we conduct client relationships. Material topics shown in green have a more internal focus. They are affected by how we operate as a responsible institution. We can have a direct impact on these topics; for example, by the way we select suppliers or through our remuneration policies.

Responsible, sustainable business is fully integrated in Triodos Bank's vision, mission and strategy. As such, there are no dedicated separate management plans for material topics. They are explicitly and implicitly interwoven in Triodos Bank's strategic plans and goals.

In line with GRI's mission to empower sustainable decisions, we engage in stakeholder dialogues to understand and incorporate their vision. We aim to integrate the outcomes of the various stakeholder engagements (including the survey and dialogue sessions) into our vision, strategy and policies, and implement them in our daily operations.

The results of the materiality matrix suggest Triodos Bank's stakeholders want and expect us to continue to be a leader in sustainable finance, with a strategy that reflects and supports that mission. Being a resilient

financial institution is considered important for Triodos Bank, as are protecting client data and working with sustainable suppliers. Material topics are discussed in more depth below and covered in relevant sections in the rest of the report.

Sustainable investments

Sustainable investments are at the heart of Triodos Bank's work. The organisation promotes change by financing sustainable initiatives in key sectors. Their combined impact gives Triodos Bank the credibility to change finance. By increasing our influence, we are better able to stimulate positive systemic change in the banking sector.

The boundaries of sustainable investments are determined by Triodos Bank's mission, business principles and minimum standards. These investments have a direct impact on entrepreneurs, businesses, sectors and society, which is further detailed in the key sectors (Impact by sector (see page 49)) of this annual report. The definition of sustainable investments and whether or not to finance a prospective customer is limited by Triodos Bank's lending and investment criteria and based on balanced decisions made by experts in Triodos Bank's lending and investment teams.

Procedures to assess and screen risks are undertaken by business managers supported by risk managers within Triodos Bank's European network of offices. This process is described in more depth in Risk and compliance (see page 75). Triodos Bank's relationship managers interact with our borrowing customers on these issues. And all of our assets are subject to positive and negative environmental and social screening.

New sustainable ventures

New sustainable ventures are pioneering new enterprises that tackle at least one of society's key challenges. For Triodos Bank, the transition to a regenerative economy is one of the most important, and a boundary for this material topic. Triodos Regenerative Money Centre (TRMC) aims to increase the conscious use of money through donations and

catalytic investments. The initiative's goal is to support a regenerative economy that serves people and is a steward of the Earth's ecosystems.

TRMC aims to deliver its goals by supporting initiatives that pioneer new business models with an explicit goal to regenerate society and the planet. It aims to support initiatives that can fulfil a catalytic role as potential game-changers. The goal of every donation and catalytic investment is to increase consciousness and provide new perspectives on current questions in areas where, for different reasons, traditional bank and investment products cannot provide an answer.

One such initiative is Aardpeer, which aims to support a transition in the farming and food industry by promoting nature-friendly farming in The Netherlands through acquiring farmland and securing it for future generations so that it can be used by regenerative farmers for a fair price. TRMC also financed Paper on the Rocks in 2020 to support transition in the paper industry by stimulating the production of tree-free paper.

TRMC manages four initiatives in one centre (Triodos Foundation, Triodos Sustainable Finance Foundation, Triodos Renewable Energy for Development Fund and Triodos Ventures). This creates a larger funding base and increases the focus of and synergies between the different teams of co-workers involved.

Integrating mission and strategy

Since inception, Triodos Bank has integrated mission and strategy. Unlike many other banks, we have always focused on risk, return *and* impact. That means this is a material topic, the boundaries of which encompass its entire activity.

This integration of mission and strategy influences everything: from our governance structure – which safeguards the mission of the bank – to our exclusive focus on sustainable investments. Two of Triodos Bank's three key strategic objectives, being a frontrunner in responsible finance and unlocking our purpose, reference our mission explicitly. The third strategic objective, to be one bank that's redesigned,

responsive and robust, links to our long-term resilience, a key principle of values-based banking.

Thought leadership

The analysis shows that our stakeholders emphasise the importance of Triodos Bank being a thought leader. As a frontrunner in the banking sector, the bank can stimulate change in others. This is true both for the activities we finance in specific sectors and for the debate about how the banking system can better serve society and meet the challenges we face. Our role in the development of the commitment in Germany of several financial institutions to the Paris climate agreement is an example of this in practice.

As a frontrunner, Triodos Bank aims to be a catalyst for change in the banking sector, beyond its immediate activities of financing sustainable sectors. Changing the financial system so that it is better able to serve people while taking care of the environment we depend on is fundamental to our mission, hence its inclusion as a material topic. To do this, we need to not just be experts in banking, but also specialists in financing specific sustainable sectors. That's why we include sector-specific knowledge, as well as being an expert in sustainable finance, within the boundary of this topic.

In 2020, we built on vision papers on the strategic themes of food and agriculture, and energy and climate (both published in 2019). We published a vision paper on managing the post-pandemic recovery that also addressed the important perspective of social inclusion. This argued that the coronavirus crisis had revealed substantial shortcomings in the current economic and social system and called for a reset of the global economy. Triodos Bank set out a concrete policy, business and finance agenda that could protect the world from future pandemics having similarly dire economic consequences. Our proposals included intensifying efforts to combat the climate emergency and other eco-crises, and working on a more socially inclusive society.

At a European level, we are involved in discussions about a sustainable finance action plan, specifically related to taxonomy, and the Non-Financial Reporting

Directive. We contributed to the development of a global standard to account for the carbon footprint of loans and investments via the Partnership Carbon Accounting Financials (PCAF), and are working on an accounting methodology for measuring the impact of the financial sector with the Partnership Biodiversity Accounting Financials. We signed the Finance for Biodiversity Pledge, committing ourselves to make a positive impact on biodiversity.

Our work on this topic is led by Triodos Bank's Chief Economist and a small team at Head Office as well as by senior management in Triodos Bank's country and Triodos Investment Management operations. Most of the resources applied to this work are in the form of people's time, typically via speaking opportunities, collaboration on working groups and in partnerships.

Products with a purpose

This topic refers to all our products because they all contribute to the development of sustainable sectors. Products with a purpose are an important part of our strategic effort to 'unlock our purpose'. They increase our relevance to clients and society. The products we offer serve to prompt or stimulate actions from our clients. For example, private mortgages are available in Triodos Bank Netherlands, Spain and Belgium, which incentivise clients to improve energy efficiency by offering a discount on their mortgage rate as the environmental performance of their home improves.

Products are developed and managed at a business unit level by specialists in relevant fields. Platforms at Group level also provide a space to agree significant new products, share best practice and evaluate their performance across business units. This ensures that we can respond to local demand with appropriate, mission-linked products and services.

Client relationships

Client relationships are a material topic, not least because strong relationships limit the chances of loans and investments going wrong and make working through challenges with clients easier when problems do occur. This is especially true of, and important

to, values-based banks, who engage closely with the people they finance and the sectors they work in.

As a bank with a stakeholder rather than shareholder focus, our impact on this topic applies to different types of personal client. As part of this approach, we focus on improving the customer experience. Deepening our relationships has been a key strategic objective and is an integral part of Triodos Bank's model. Indicators of our engagement on the topic include Net Promoter Scores, a mechanism to determine how positively, or otherwise, our clients regard their relationships with Triodos Bank. In addition, a grievance mechanism is in place for clients of all types.

Social inclusion

Sustainability is not only about environmental issues, but also about social inclusion – and social inequality, which is increasingly dividing society. Triodos Bank aims to support a society that protects and promotes quality of life for all with human dignity at its core.

We support those that contribute to a thriving, mutually supportive community and society, within the boundaries of this planet. The social and environmental transitions we face are inextricably connected and this makes social inclusion a key strategic theme. Triodos Bank is stepping up efforts to put social inclusion into practice for our clients, stakeholders and within the organisation (see also Social (22% of total portfolio) (see page 51)). The latter is highlighted in more detail below in 'Responsible employer (see page 28)' and in the Co-worker report (see page 66).

The Covid-19 pandemic has also shown that social inclusion and sustainability go hand in hand. We cannot and must not see these two parts as being separate. Everyone is affected by the pandemic, but the extent to which people are affected varies widely for individuals all around the world. Our vision paper 'Reset the economy', published in 2020, stressed the importance of a green and just recovery as a way to reduce the imbalance in society.

Resilient financial institution

Being a resilient financial institution is important for all banks and an explicit principle of values-based banking. It forms the bedrock upon which values-based banks can deliver positive impact. An effective approach to risk management is a key element ensuring the long-term resilience of Triodos Bank. The boundaries of this topic include our institution and our clients.

The importance of being a resilient financial institution assumed more prominence in 2020, because of the negative impact on clients of the coronavirus pandemic.

Trading in Triodos Bank Depository Receipts was temporarily closed in 2020 in response to the heightened uncertainty in the economy as a whole, including the financial sector, caused by the pandemic. We have since intensified engagement with Depository Receipt holders on this topic through webinars and personal conversations in both 2020 and 2021. Addressing the strategic challenge presented by the suspension is an urgent focus in 2021.

Financial resilience is a topic highlighted in many places throughout the annual report. This includes the Impact and financial results (see page 36), Risk and compliance (see page 75), and Financials (see page 97) sections.

Protecting client data

Privacy of client data is important to both Triodos Bank's stakeholders and the organisation itself. Triodos Bank believes money can help change the world and that data can have an impact as well. Data can be used to better understand both the world and people. This understanding can prevent waste, reduce costs and create benefits for society. Data helps Triodos Bank become a better bank by improving our service offerings and operations. It helps us discover or predict risks and fraud, and enhance the reliability of our services. Triodos Bank knows the (personal) data it processes can be sensitive and can impact the privacy of clients and employees. As such, we are committed to respecting privacy and ensuring data protection.

When it comes to privacy and data protection, Triodos Bank believes:

- That data is an abstraction, reduction of reality and an interpretation of behaviour. The world cannot be captured in abstractions. People should not be reduced to the data collected about them. And since data refers to the past it is not always a reliable predictor of the future.
- That every individual has the right to be different in different situations, in other roles or at different times.
- That each individual should maintain power and control over their own life, including personal data. This calls for freedom of choice, fairness and transparency on data collection, processing and usage.
- That data is valuable; therefore, Triodos Bank has an obligation to keep the data it holds accurate, secure and confidential.

In addition to the issues we highlight here, we also publish an extensive data protection policy: 'Respecting privacy and protecting personal data' is available at www.triodos.com/download-centre.

Fair remuneration

Despite continued public debate about remuneration, this topic does not have the highest priority for our stakeholders and the bank. This may reflect satisfaction with the prevailing approach to remuneration at Triodos Bank and suggests that our policy is well understood. Remuneration within Triodos Bank is based on the principle that the bank's results are the joint accomplishment of all co-workers. Remuneration within Triodos Bank is neutral for all co-workers, without regard to gender, ethnic background, age, sexual orientation or distance from the labour market. Triodos Bank does not offer bonuses and has a relatively low differential between its median and highest salary. For more details of our remuneration policy and our performance as a responsible employer, please see 'Remuneration Report 2020 (see page 90)' in this annual report.

Responsible employer

As a responsible employer, Triodos Bank focuses on creating a welcoming, inclusive environment. We believe each individual is important. Everyone should feel welcome, appreciated, safe and respected in our organisation.

The developments of last year have shown us even more the importance of our personal health and well-being and that of our friends, family and colleagues. Triodos Bank takes the health and safety of co-workers seriously. We have paid considerable attention over the past year to supporting co-workers in this area, as can also be read in the Co-worker report (see page 66). In some countries, following local practice, we have Health and Safety committees focusing on these topics.

A diverse co-worker community contributes positively to Triodos Bank's effectiveness and vitality. We must therefore be aware of our own (unconscious) prejudices and how they are expressed in our culture and behaviour. This topic was brought to the fore in 2020 – both within Triodos Bank and among stakeholders – by the Black Lives Matter movement.

Triodos Bank's role as a responsible employer is governed by a Director of Human Resources at Head Office and specialists in its business units who have primary responsibility and resources to ensure the organisation delivers as a responsible employer, including the vitality and development of co-workers and a culture which supports our ambitions and mission. Their efforts are underpinned by policies, including on remuneration, and grievance mechanisms. Goals and targets are defined at Group level in the annual report's Co-worker report (see page 66) and in local plans in the business units.

Engaging with communities

By directly engaging in business relationships with entrepreneurs, personal customers and Depository Receipt holders, Triodos Bank mobilises deposits and investments and uses them to finance values-driven entrepreneurs. This is delivering on our mission to be a catalyst for cultural, social and environmental change.

Engaging with communities is a material topic, whose boundaries are defined by Triodos Bank's positive lending criteria. These criteria and our broader business model ensure that a very high percentage of our operations involve engagement with communities. We also ensure that potential borrowers and investees are subject to a social and environmental assessment. As a bank that does not have a branch network in most countries where we operate, many of the communities we serve are not local to the business. For this reason, we do not conduct significant local community development programmes.

Triodos Bank discloses the results of its own social, environmental and cultural assessments in its annual report and other reports. This work is supported by a stakeholder engagement plan that's underpinned by a detailed description of our stakeholder groups, as set out in 'Materiality analysis (see page 20)'.

Triodos Bank has a grievance process that makes it accountable to third parties.

Learning organisation

Being a learning organisation is a strategic priority for Triodos Bank. Collective learning brings positive energy, drives innovation, enhances our efficiency and our capacity to develop and change. Learning and development is relevant for all co-workers, regardless of their role or seniority.

Our stakeholders consistently urge us to be a frontrunner in finance. We will continuously develop to ensure we fulfil this objective and truly live our mission. As covered in the Co-worker report (see page 66), in line with adapting to virtual ways of working, the challenges of 2020 have accelerated our shift to learning in a more blended way.

Each Group Director is responsible for developing craftsmanship within their responsible functions. The Group Director Human Resources is responsible for developing and managing Group-wide learning and development approach, including our Triodos Academy, talent and leadership development. This topic is

covered in more depth in the Co-worker report (see page 66).

Sustainable suppliers

Working with sustainable suppliers is an important material topic for Triodos Bank. These relationships allow us to extend our positive impact. We consider our role to be about creating awareness on impact improvement among suppliers. For this to succeed, we also need to build internal awareness on the interconnectedness of procurement and sustainability when selecting and maintaining relationships with our suppliers. This will be an area of focus in 2021.

We seek to maintain good relationships with our suppliers and business partners. We strive to build connections between suppliers to help them share best practice and gain insights into making a positive impact. In 2020, our impression was that the majority of our contracts were not adversely affected by COVID-19. We further discuss this topic and the impact it has in the Environmental report (see page 71) of this annual report.

1.2 Strategic objectives

In this section, we reflect in detail on our strategic objectives for 2020. Our conclusions, along with some key issues raised in our materiality analysis, determine our strategic objectives for 2021.

Our strategic objectives and plans are informed by our mission and by input from both internal and external stakeholders. The overall direction of our 2019-2021 strategic plan remains valid, although – in line with the sector as a whole – there is increased pressure on our business model. We will continue to work on the improvement of our long-term, structural performance in line with our strategic plan, building on the substantial measures we took in 2020.

Strategic themes 2019-2021 and progress

The strategic objectives mentioned here are derived from our 2019-2021 strategic plan. Overall, our intention is to transform and make progress at three levels – internally, within the organisation; through our relationships and interactions with our clients and stakeholders; and externally, by extending our influence beyond the organisation. These areas are addressed sequentially in our three strategic themes.

Within these three strategic themes, we identified nine key objectives for 2020, which built on the progress made in 2019. The table that follows sets out Triodos Bank's key strategic objectives for 2020 and reviews progress made against each of them through related initiatives. The progress-at-a-glance column gives a summary assessment of 2020 for each objective, based on professional judgement and the opinions of co-workers with an overview of these topics.

Despite the difficult circumstances during the COVID-19 pandemic, we have met most strategic goals for 2020. At the same time, the external pressure on our business model has increased. As a result of this we recognise that although we are on track, additional steps will be necessary going forward. Strategic objectives for 2021 can be read in Strategic objectives for 2021 (see page 35).

Strategic themes 2019-2021

1. One bank	<i>Redesigned, responsive and robust.</i> We have been improving our operating model by acting as one (bank). We are introducing unified, digitally supported processes to enhance the customer experience and improve our responsiveness to customer needs. This is leading to a step-change in efficiency and control in our organisation.
2. Unlocking our purpose	<i>Enabling customer engagement; activating our communities.</i> We are empowering customers and communities to achieve impact through their actions. One way we are doing this is by becoming a reference platform for sustainable finance, offering carefully selected products from other providers as well as our own purpose-linked products and impact investment solutions.
3. Frontrunner in responsible finance	<i>Leading by example; innovating finance for impact.</i> We aim to take a leadership role in the transition of the financial system by taking a frontrunner position.

Progress on strategic theme: One bank

Our key objectives for 2020 How we did		Progress at a glance
1. Business model enhancement: safeguarding our long-term sustainable business model.		
Profitable lending growth	Lending growth determined by balancing the maximisation of our mission with the need to meet the minimum profitability hurdle.	● ● ●
Rates and fees	Measures have been taken in all banking entities to bring rates and fees more in line with economic reality.	● ● ●
Sales of Triodos Investment Management (T-IM) funds	Assets under management (AuM) and inflow growth were on track, but COVID-19 seriously hampered revaluations and volume development. We also postponed asset management mandates for institutionals and new product launches. Despite COVID-19 related impact, the actual profit exceeded budget due to related cost-control measures and lower fee erosion, which is relevant for sales.	● ● ○
Management information	Our project to improve the quality and depth of management information is on track as planned, but not yet finished.	● ● ○
Business model deep dive	Deep dives completed in Triodos Bank Germany (TBDE) and Belgium (TBDE). Deep dive commenced in Spain (TBES) and The Netherlands (TBNL); United Kingdom (TBUK) deep dive planned for Q1 2021	● ● ●
2. Operational optimisation: improving operational processes and the cultural foundations for optimisation.		
Operational process	Domains surpassed their KPI target of EUR 10 million in benefits, in a setting in which COVID-19 government measures changed customer interaction overnight, moving access, on-boarding, lending and servicing fully online.	● ● ●
LEAN continuous process	We continued to build a culture of improvement by providing training to co-workers and improving KPI steering for business units and functional departments, among other measures.	● ● ●
Digitalise	We completed the conceptual design of the digital operating model (DOM), and started execution, including moving towards the mobile app as the main communication channel for retail customers.	● ● ●
Data management	We finalised the implementation of data governance and of processes related to data quality reporting. Our data quality reporting tool, dashboard and processes are now available and in operation	● ● ○

Our key objectives for 2020 How we did		Progress at a glance
3. Risk management optimisation: safeguarding our licence to operate and managing inherent banking business risks to stay within our modest risk appetite.		
Strengthen compliance	Integrity (AML/CDD): a Group-wide shared vision and action plan have been defined and approved to last until 2023.	● ● ●
	In terms of reporting, portfolio risk visibility and transaction monitoring have improved.	
In control via ICS	Internal sign-off in May 2020 of the bank's in-control statement (ICS) for 2019 with underlying control cycles and sign-offs for bank business units (BBUs) and Group functions.	● ● ●
4. Financial management optimisation: managing our balance sheet and profitability effectively and efficiently.		
IR risk and liquidity	We took measures to manage the bank's overall liquidity more actively, including a successful application for TLTRO.	● ● ●
Capital strategy	We continue to explore additional Tier-2 capital instruments; the actual MREL requirement has not yet been communicated to us.	● ● ○
Cost containment	We revisited our cost base, with EUR 5 million in cost-containment measures and by working out structural optimisation cases	● ● ●

● ● ● Met ● ● ○ Mostly met ● ○ ○ Partially met ○ ○ ○ Not met

Progress on strategic theme: Unlocking our purpose

Our key objectives for 2020 How we did		Progress at a glance
5. Reference sustainable finance platform: connecting with people and communities and supporting their desire to make a difference by dealing consciously with their money.		
Relationship tools	Aggregator functionality (for retail customers' impact) and the Impact Prism (impact of lending) are largely on track.	● ● ○
Third-party products – investments	- TBES investment fund offering ready to launch in H1 2021: a product suite of equity, mixed and bond funds, with Triodos Investment Management, Mirova and GLS as providers - TBES pension plan: two additional risk profiles available with third-party providers Mirova, GLS and Etica Sgr - TBDE added GLS as a provider	● ● ●
6. Unlocking our purpose via products: focusing on purpose-driven propositions that actualise our impact themes; developing strategies of transition per impact theme and building business lending and impact investment propositions onto them.		
Impact theme	Food and agriculture paper published in June 2020. A draft of the social inclusion paper is under review.	● ● ○
Impact investment solutions	Sales expansion in DACH and Nordics, expansion in Spain and France postponed to 2021. On the product side, the mixed funds were successfully launched, a United Kingdom bond fund went live on 1 November 2020.	● ● ●
Purpose products	New product development has not advanced as much as we would have liked, as a result of changed priorities due to COVID-19.	● ○ ○
7. Resilient and vibrant co-worker community: embedding consistent practices in local offices that conform to the Group Strategic Plan 2019-2021; fostering a leadership culture at all levels that enhances change effectiveness.		
Monitor governance project on international alignment	This continues to be embedded with special attention for Group Directors and management teams, while taking account of the impact of COVID-19.	● ● ○
Strengthen change effectiveness	The COVID-19 crisis has stress-tested our change effectiveness. We proved our ability to maintain operations and adapt rapidly to new working conditions. An online learning platform has been introduced; its current focus is on legally required training.	● ● ●

● ● ● Met ● ● ○ Mostly met ● ○ ○ Partially met ○ ○ ○ Not met

Progress on strategic theme: Frontrunner in responsible finance

Our key objectives for 2020 How we did		Progress at a glance
8. Participate in global debate: influencing the public's perception of the role of money by leveraging our networks and partnerships and participating in public debate on topics that relate to our mission; not just financing change, but changing finance.		
Leverage sustainable networks	Our active involvement with the Club of Rome and support for its new Finance Impact Hub extend coverage for our stance on sustainable finance. For our frontrunner activities, see Changing finance (see page 63)	● ● ●
Influencing public debate	'Reset the Economy', our vision paper on the global pandemic, and our response to the European Commission's Renewed Sustainable Finance Strategy proposals were both widely cited, inviting opportunities for advocacy.	● ● ●
Crowdfunding	The United Kingdom crowdfunding platform continues to develop. It is building its investor base and optimising its platform.	● ● ○
Promoting local initiatives	Given COVID-19 developments in 2020, relatively few initiatives have come to fruition.	● ○ ○
9. Triodos Regenerative Money Centre (TRMC): leveraging impact through TRMC, positioned alongside Triodos Bank and Triodos Investment Management.		
Leverage impact via TRMC	TRMC has published its manifesto and executed its first transformative investments according to the key performance indicators defined in 2019. In addition, its strategy for Gift Money was finalised and the focus areas for Regenerative Money defined.	● ● ●

● ● ● Met ● ● ○ Mostly met ● ○ ○ Partially met ○ ○ ○ Not met

Strategic objectives for 2021

The strategic objectives for 2021 aim to ensure we meet the three-year objectives in the final year of our 2019-2021 strategic plan. We have identified 13 key objectives, which are summarised below within our three strategic themes. We intend to progress and transform within each of these themes by realising these objectives.

One bank: redesigned, responsive and robust

We are improving our operating model by acting as one (bank), enhancing the customer experience and responsiveness to customer needs via unified, digitally supported processes, leading to a step-change in efficiency and control.

Within this theme, managing the potentially extensive effects of COVID-19 on our business model is the current priority. There are consequences for revenues, provisions, cost considerations and capital. We also need to maintain focus on the longer-term business model as the underlying drivers of low interest rates and high regulatory costs have not changed. For 2021, eight key objectives have been formulated:

1. Maintain strong focus on profitable lending growth and stringent monitoring of the lending portfolio.
2. Enlarge our assets under management and related fee income by growing Triodos IM in a profitable way and rolling out the bank investment distribution strategy.
3. Pursue balanced growth in mortgages, carefully considering impact, risk and return.
4. Mitigate excessive inflow of funds.
5. Invest in functionality to:
 - digitalise the banking operating model;
 - safeguard our licence to operate;
 - improve customer experience;
 - and reduce costs.
6. Improve effectiveness and contain costs from centralisation and efficiency measures.
7. Refine the Group's capital strategy based on recent economic developments, with DRs at its core.
8. Continue to improve our customer integrity monitoring processes.

Unlocking our purpose: enabling customer engagement; activating our communities

We are bringing purpose into our customer propositions by connecting them more explicitly to impact. In doing so, we empower customers and communities to take action to realise that impact.

We intend to become the reference platform for sustainable finance, offering carefully selected products from other providers as well as our own purpose-linked products and impact investment solutions.

We have specified three objectives for 2021:

1. Create a prototype of a sustainable finance platform design, including its value case and realisation roadmap and start executing on it.
2. Use our vision of how societal change will occur per impact theme (energy and climate, food and agriculture, social inclusion) to create scalable business propositions, primarily for the bank and Triodos Investment Management.
3. Invest in measuring, managing and unlocking impact information.

Frontrunner in responsible finance: leading by example; innovating finance for impact

We aim to take a leadership role in the transition of the financial system, moving from niche player to frontrunner.

We have identified the following two key objectives under this theme:

1. Execute our Change Finance Strategy 2020-2022
2. Position the Triodos Regenerative Money Centre to increase and leverage our impact

1.3 Impact and financial results

This section describes the main results achieved in 2020, at Group level as well as detailed per Triodos Bank division, its products and services, their broader impact and the prospects for the coming years. Because Triodos Bank integrates its values-based mission and strategy, these results combine both financial and non-financial performance. They provide insight into how our mission and strategic objectives performed in 2020.

First, we present consolidated financial results. This is then broken down into results by division, including an overview of our loan and investment portfolio. Loans and investments are then linked to their impact, which includes positive impact and any negative impact from additional emissions generated by financed activities.

1.3.1 Consolidated financial results

IFRS

From 2020, our financial reporting standard has changed from Dutch Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS). Triodos Bank's continued growth and increasing internationalisation, as well as wanting to align ourselves with reporting developments in the banking sector, were the key factors driving this decision.

IFRS-9 and the Expected Credit Loss Model

With the introduction of IFRS at the beginning of this financial year, Triodos Bank had to apply initial and subsequent measurement rules in line with the underlying IFRS framework. Consequently, Triodos Bank replaced the credit provisioning model under Dutch GAAP with the expected credit loss (ECL) model in line with IFRS-9 for all loans and debt securities. The ECL model calculates credit risk costs by anticipating potential credit losses in future periods for performing loans (stages 1 and 2) and loans in default (stage 3). The underlying calculation parameters in the model and the overall ECL provision are closely monitored and updated on a monthly basis. The calculation for ECL stages 1 and 2 for potential future credit losses (not yet incurred) are particularly sensitive to forward-looking macro-economic parameters, like gross domestic product, unemployment rate, house prices, etc., for the countries in which Triodos Bank is active.

In 2020, the economic outlook worsened as a result of the COVID-19 pandemic. The forward-looking macro-economic parameters adjusted accordingly. This resulted in higher ECL provisions, which reduced bank profitability. The build-up of the ECL provision in 2020 was mainly related to the influence of these forward-looking macro-economic parameters on our stage 1 and stage 2 ECL provisions. Additions, in 2020, to stage 1 and stage 2 provisions, i.e. expected losses, make up 57% of our total addition to the ECL provision, with just 43% relating to stage 3, incurred, losses. The risk profile of our portfolio also implies that any improvement in the forward-looking macro-economic parameters, perhaps because of better-than-expected post-COVID-19 economic conditions, might result in a reduction in Triodos Bank's overall ECL provision. Further details can be found in the following paragraphs on our financial results.

Consolidated financial results

At the start of 2020, Triodos Bank anticipated a year of stable development, building on the results of 2019. By the end of February it was apparent that this year would be different.

On 11 March 2020, the World Health Organization declared that the coronavirus outbreak was a global pandemic. The disruption to lives, livelihoods and our business has been unprecedented. As the scale of the global crisis became clear, economic outlooks worsened and financial markets became very volatile. Triodos Bank had to take some exceptional decisions:

- On 18 March 2020, the Executive Board voted to suspend trading in Triodos Bank Depository

Receipts (DRs). Trading resumed on 13 October 2020 with a new prospectus and restrictions in place, limiting the number of DRs investors can sell in one transaction.

- Despite the mitigating measures we took, the patterns of buying and selling of Depository Receipts did not return to the balance we were expecting. The ongoing uncertainty around the corona crisis and its longer-term economic effects have not disappeared; on the contrary, further lockdown measures and other restrictions were seen globally in the last two months of 2020. The trading pattern we were experiencing put into question whether the balance in trade in Depository Receipts will be restored in the current economic context. It also poses the question of what measures we can take to achieve balanced trading, as we must now assume that previous trading patterns will likely not recover in the foreseeable future. DR trading was therefore suspended on Tuesday 5 January 2021.
- On 1 April 2020, the Executive Board decided to withdraw the dividend proposal which was published in the Annual Report 2019. This was a direct response to the recommendation made by the European Central Bank and De Nederlandsche Bank on 27 March to all banks not to pay out dividends so as to prioritise supporting the real economy by lending to customers during the COVID-19 pandemic.

We focused first on the implications for customers of the global pandemic, especially our borrowing customers. We have been in close contact with most of our business customers to assess and address their short-term needs. We have contributed to initiatives with other banks, governments and regulators to advance measures to assist business, particularly in the SME sector. Triodos Bank has been doing its utmost to reinforce our customers' economic resilience during the crisis by facilitating repayment holidays and payment deferrals across countries. We have helped other companies and organisations to remain active with government-guaranteed loans and other special agreements.

In light of these developments, the consolidated financial results are summarised below.

Impact drives our 'impact, risk, return' model

In essence, Triodos Bank aims to maximise sustainability. It embraces the need to be profitable but only as a means to a sustainable end. Profit can be seen as a yardstick. It shows an organisation is working efficiently but says nothing about the content and the impact of what it is doing.

Triodos Bank uses a three-tier approach to making lending and investment decisions, which starts with evaluating the content of an activity and focuses on its sustainable impact. The first thing to consider is 'How does this contribute to positive social, environmental and cultural change?'; Next, we ask 'Is it viable?' And finally, 'Is the idea rooted in society – is it supported by those around the entrepreneur?' If the professional judgement is correct, financial and social profit should follow almost automatically.

Income

In 2020, Triodos Bank's income grew by 4% to EUR 305 million (2019: EUR 292 million). Triodos Investment Management contributed EUR 45 million to this figure (2019: EUR 51 million). The growth of Triodos Bank's income was mainly driven by the growth in the loan portfolio. This was achieved in a low interest rate environment and despite the economic effect of the first, second and third waves of COVID-19. In 2020, net commission income amounted to 35% (2019: 36%) of total income, in line with expectations. Further, Triodos Bank participated in the TLTRO tender III.5 of the ECB for EUR 750 million. In 2020, this resulted in additional income of EUR 1.9 million.

Balance sheet

Triodos Bank's balance sheet total grew by 15% to EUR 13.9 billion (2019: 12.1 billion) caused by a significant growth of funds entrusted and lending during the year in all banking entities. This compares with expected growth of between 5% and 10%. Triodos Bank's funds under management grew by 12% to EUR 6.4 billion (2019: 5.7 billion).

Continuing growth in loans, deposits and equity, although hampered by the three waves of COVID-19 and despite low interest rates and returns, shows that Triodos Bank's commitment to values-based banking remains relevant for people and businesses who choose to make a more conscious choice about their bank and the sustainable contribution their money makes to the economy.

Customers

The total number of Triodos Bank customers increased by 1% to 728,000 during the year (2019: 721,000). Surplus liquidity led to a reduced marketing spend in 2020; our main focus was on assisting borrowing customers through the COVID-19 crisis and on data quality. These priorities likely reduced the rate of customer growth during the year.

Operational expenses

In 2020, our operational cost base increased by 5% to EUR 245.4 million (2019: EUR 234.4 million). Technology and efficiency improvements further optimised our cost base, but these cost reductions were more than offset by external factors over which Triodos Bank has little direct influence. Increased regulatory requirements, the deposit guarantee scheme (DGS), and managing know your customer/customer due diligence (KYC/CDD) and anti-money laundering (AML) processes all imposed additional costs during the year. Furthermore, the new way of working, which is a combination of working from home and working from the office, triggered an impairment of the office building in Zeist. This resulted in a non-recurring cost of EUR 5 million.

Regulatory expenses increased by EUR 2.2 million to EUR 16.6 million at the end of the year 2020. This was mainly driven by higher DGS costs as a result of the significant growth of our funds entrusted. Compliance costs also increased, with additional co-workers being assigned to CDD and AML improvements and related IT investments.

Operating profit before tax decreased in 2020 to EUR 35.5 million (2019: EUR 54.1 million).

In 2020, our ratio of operating expenses against income remained stable at 80% (2019: 80%). This is an exceptional achievement in a year in which our income ambitions could not be fully realised, with the coronavirus crisis dampening the pace of our loan volume development. We managed to compensate for unavoidable cost increases with cost-containment measures and efficiency gains. Consequently, we were able to achieve a stable cost/income ratio in 2020.

Improving our efficiency continues to be a key focus area for the bank. Given the challenges faced in this context we are pleased to have achieved a reasonable return on equity during the year, despite the consequences of COVID-19.

ECL provision and impairments methodology

The current economic environment has, as a result of the COVID-19 pandemic, affected the credit risk of financial instruments. These changes in credit risk resulted in changes in expected credit losses (ECL). We have applied the ECL model in line with IFRS-9 based on underlying forward-looking macro-economic parameters. We have updated these parameters to factor in the consequences of COVID-19. This affected GDP growth and unemployment rates, which are key sensitivities for the stage 1 and 2 provisions in the ECL model.

Several judgements and estimations are made in order to calculate ECL. The accounting policies and ECL model are consistent with the 2019 pro forma IFRS consolidated financial statements. Nevertheless, the COVID-19 pandemic has had an impact on the judgements and estimations used in the ECL model. Triodos Bank has incorporated the current economic environment in its forward-looking macro-economic scenarios. This is done by using external market information and adding internal, specific information. GDP growth is a key driver of credit risk. The section Critical judgements and estimates (see page 112) in the annual accounts section presents the future outlooks implied by the different scenarios defined by Triodos Bank.

Triodos Bank uses the three-stage model to classify the ECL for financial instruments. Stage 1 includes the financial instruments that have maintained similar credit risk status since origination. The ECL for this category is determined by looking forward 12 months. Stage 2 includes financial instruments where there has been a significant increase in credit risk since origination. Stage 2 ECL is assessed by looking over the entire lifetimes of the financial instruments. The ECLs for stages 1 and 2 are determined by a model that includes various metrics, some are client-specific others are based on macro-economic scenarios.

Stage 3 includes financial instruments which are in default. The ECL for this stage is also determined over the entire lifetime but calculated individually considering default-specific scenarios.

In the macro-economic scenarios, Triodos Bank has taken into account that some sectors are expected to be more affected by the COVID-19 pandemic than others. Consequently, Triodos Bank has placed some sectors fully into stage 2 in the course of 2020.

In 2020, the provision for ECL was materially impacted by the effects of COVID-19. The ECL provision was recalculated in line with the subsequent measurement rules under IFRS-9 by considering forward-looking macro-economic parameters, such as GDP growth and unemployment numbers in Europe. The balance sheet provision for expected credit losses increased by EUR 18.7 million in 2020 to EUR 53.3 million. Fifty-seven percent of this provision increase was related to ECL stages 1 and 2, anticipating potential credit losses in future periods rather than actual, incurred losses. The calibration of this provision is carried out continuously, considering the changed forward-looking macro-economic parameters, as well as changes to support measures taken by governments and regulators and the creditworthiness of our clients in our loan portfolio.

Impairments

In the profit and loss account, the increased ECL provision is reflected in higher impairments for the financial instruments. These increased sharply to

EUR 24.2 million from EUR 3.7 million in 2019. The impairments represent 0.27% of the average loan book (2019: 0.05%). This relatively high impairment ratio is primarily caused by increased stage 1 and stage 2 provisions as a result of the downward revision in macro-economic parameters caused by the COVID-19 pandemic. The resulting increase in ECL impairments has had a significant influence on year-on-year profit levels. Furthermore, the new way of working, which is a combination of working from home and working from the office, triggered an impairment of the office building in Zeist. This resulted in a non-recurring cost of EUR 5 million.

Profit and return on equity

Despite the impact of COVID-19 on our loan book, income and impairments, Triodos Bank was able to achieve a net profit of EUR 27.2 million, down by 30% (2019: EUR 39.0 million), primarily caused by the EUR 24.2m (2019: EUR 3.7 million) impairments for the financial instruments in 2020 driven by the worsened macro-economic parameters that drive the ECL calculation model. These parameters worsened as a result of the COVID-19 pandemic and the economic consequences related to that crisis. This resulted in a positive return on equity of 2.3% in 2020 (2019: 3.4%).

Triodos Bank considers a return on equity of 3-5% as a realistic medium-term objective for the type of banking activity that Triodos Bank engages in. This has not been modified in light of the recent development.

Triodos Bank will continue to work on improving its profitability while maintaining a solid equity base, capital ratio and a substantial liquidity surplus. The bank recognises that this risk-averse strategy imposes constraints on its return on equity.

Earnings per share, calculated using the average number of outstanding shares during the financial year, were EUR 1.91 (2019: EUR 2.80), a 32% decrease. Triodos Bank proposes a dividend of EUR 0.65 per share, subject to policy recommendations and guidelines of the ECB and/or DNB. The remaining profit will be attributed to the retained earnings of the bank,

which is part of the net asset value of the bank, the basis for the value of the Depository Receipts.

Depository Receipts

The number of individual Depository Receipt holders decreased overall in 2020. The number of Depository Receipt holders decreased from 44,401 to 43,614, despite a closed DR market for a significant period of time during 2020.

The price of the Depository Receipts for Triodos Bank shares (the issue price) is based on a financial model that derives the calculated net asset value (NAV) of Triodos Bank divided by the number of Depository Receipts (NAV per DR). As of 1 January 2020, the NAV of Triodos Bank is calculated in accordance with IFRS.

The Issue Price under Dutch GAAP, corrected for the estimated IFRS impact, was set on 3 July 2019 at EUR 82, in line with the new prospectus. This was EUR 1.00 lower than when trading was suspended on 4 June 2019. At the end of 2019, the net asset value for each Depository Receipt was EUR 83, based on the NAV including the estimated IFRS impact. In our pro forma IFRS consolidated Financial Statements 2019, as published on 3 July 2020, the net asset value on 31 December 2018 has been adjusted from EUR 84 to EUR 82 in line with the new IFRS accounting principles.

Equity

Triodos Bank increased its equity by 1%, or EUR 7 million, from EUR 1.201 million to EUR 1.208 million. This increase includes net new capital by DR growth and retained net profit.

The growth in equity, in combination with the implementation of capital requirements regulation measures and the strong capital base of Triodos Bank, ensured sufficient capital to meet the capital requirements set by the regulator.

At the end of 2020 the total capital ratio was 18.8% (2019: 17.9%) and the common equity tier-1 ratio was 18.7% (2019: 17.9%). In December 2020, Triodos Bank issued tier-2 capital in the amount of EUR 6.4 million.

Triodos Bank aims for a common equity tier-1 ratio of at least 15.5% in the current regulatory context.

Dividend

The Executive Board decided on 1 April 2020 to withdraw the dividend proposal which was published in the Annual Report 2019. Initially, the proposal was to distribute 50% of the profit for 2019 as a dividend. Given the uncertainty of the wider impact of COVID-19 on society and the economy at large, the regulatory authorities (ECB and DNB) strongly advised banks to provide a clear signal to the public that they would make maximum efforts to ensure the continuity of lending and to retain prior year profits until the extent of the crisis was known. Triodos Bank, which is embedded in the Dutch and European financial sector, felt it could not ignore such a request. We remain committed to our dividend policy, which under normal conditions aims to distribute to depository receipt holders a fair share of the profits realised.

For 2020, Triodos Bank proposes a dividend of EUR 0.65 per share (2019: EUR 0.00), equivalent to a maximum of 15% pay-out ratio (the percentage of total profit distributed as dividends) for the 2019 to 2020 two-year period, in compliance with the latest DNB guidelines following the instruction of the ECB.

In due course, as the economy recovers from the COVID-19 pandemic, Triodos Bank expects the ECB to end its restrictive regulations on dividend payments. We plan then to return to our long-term policy of maintaining a 70% pay-out ratio.

1.3.2 Triodos Bank divisions and results

Triodos Bank's activity is split between three core divisions: Triodos Bank Retail and Business Banking; Triodos Investment Management; and Triodos Regenerative Money Centre (see Triodos Bank Group structure, page X).

The following section provides an overview of each division in 2020, including a short description of their work, how they performed during the year and prospects for the future. The last part zooms in on our loans and investments in our main sectors. In short:

- Retail and Business Banking, including Private Banking, was responsible for 76% of Triodos Bank's net profit in 2020 (2019: 70%).
- Triodos Investment Management makes up 24% (2019: 30%) of Triodos Bank's overall net profit.
- Triodos Regenerative Money Centre became more established during 2020 after its start in mid-2019. It sets out to manage non-consolidated entities that lend, invest or donate money with an impact-first perspective and a main goal to make pioneering, transformative initiatives possible.

Products and services are offered to investors and savers enabling Triodos Bank to finance new and existing companies that contribute to the improvement of the environment or create social or cultural added value.

Retail and Business Banking: European network

Triodos Bank provides values-based financial services that reach hundreds of thousands of business and personal customers across Europe, growing sustainable banking's impact and scale. 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. Local culture, within and between countries, also affects how Triodos Bank approaches its work.

Retail activities developed further in 2020 as people and sustainable enterprises continued to choose to partner with Triodos Bank.

Triodos Bank in The Netherlands, United Kingdom and Belgium contributed to the Group's profitability in line with positive expectations. Triodos Bank Spain unfortunately suffered the most significant impact of loan impairments based on the negative change to the macro-economic parameters due to the COVID-19 pandemic. In addition, Spain's loan production lagged in combination with a modest funds entrusted growth. In Germany, Triodos Bank progressed further in 2020, despite the COVID-19 effects, and is close to making a positive contribution to the Group's overall profitability. In the United Kingdom, the smooth transition to become a subsidiary executed in 2019 continued during the year 2020. Triodos Investment Management made a significant contribution to the Group. Finally, the closing down of the French activities has further progressed. This process has resulted in a partial release of EUR 1.3 million of the provision that was created in 2019 (EUR 3.4 million).

Assets committed to the triple bottom line (TBL) and real economy

Triodos Bank is a values-based bank. We lend and invest in the real economy because that is where we can have a positive impact on people's lives and safeguard the environment. We apply the Global Alliance for Banking on Values (GABV) scorecard using indicators like 'assets committed to TBL' and 'assets committed to real economy' to monitor and qualify impact. For more information and the complete GABV scorecard see section Understanding impact (see page 58) and Appendix IV – Global Alliance for Banking on Values scorecard – quantitative evidence of our impact (see page 369).

Real economy assets in a values-based bank should be relatively high. In 2020, this was 75% (2019: 76%). Triodos Bank targets a ratio of loans (in the real economy) to deposits of 75% to 85% to make sure it always has enough money available (i.e. liquidity) to support its clients in case of disruptions in the market. The total loan portfolio, as a percentage of the total amount of funds entrusted, was 78% in 2020 (2019: 77%).

Triodos Bank has 74% (2019: 75%) of its total assets committed to triple bottom line. This figure provides the best indication of a bank's commitment to sustainability. Triple bottom line assets refer to assets not only focused on economic benefits, but also on positive social and environmental benefits.

The Impact by sector (see page 49) and Climate impact of our loans and funds' investments (see page 53) sections describe this impact in the main (sub-)sectors Triodos Bank finances.

Total lending

Despite the challenges to grow in all sectors caused by COVID-19, the overall growth of the loan portfolio amounted to EUR 948 million (or 12%) in 2020. This includes the growth of the residential mortgage

portfolio by EUR 762 million (or 39%). The increase in business loans was 3% (2019: 6%).

The low interest rate environment encourages customers to refinance at lower rates and to pay back their credit facilities earlier than planned. Both these trends continued in 2020 and had a downward effect on interest margins. The Expected Credit Loss (ECL) on loans and advances to customers increased by EUR 18.7 million in 2020 to EUR 53.3 million, influenced by the COVID-19 pandemic which has significant negative effect on the macro-economic parameters used to calculate the Expected Credit Loss (ECL).

Competition between banks in the lending market was strong in 2020. Mainstream banks are increasingly embracing sustainability as a business opportunity and competing aggressively to take advantage of available lending opportunities.

The Loans and funds' investments by sector (see page 46) section describes the relative volume of our loans and investments in the main sectors where Triodos Bank is involved.

Funds entrusted

More people want to use their money consciously to deliver positive change by depositing and investing with Triodos Bank. This reflects a wider trend in society and increasing interest in sustainability in general, and sustainable finance in particular. Funds entrusted, including savings, enable Triodos Bank to finance companies and organisations that benefit people, the environment and culture.

Triodos Bank's banking entities offer a variety of sustainable financial products and services as part of its key strategic objective of offering services that allow customers to participate in the transition to sustainable finance.

The Group derived detailed retail and business customer research during 2020 using Net Promoter Score (NPS) methodology. This technique is widely used across the business sector to measure customer satisfaction.

Triodos Bank's overall NPS on all indicators for the retail group is 25 (2019: 28). This is much better than the average for large banks. Triodos Bank's principles as a sustainable bank are the main reason to recommend the bank. The equivalent figure for business clients is 1 (2019: 12). The decline in the NPS score for business clients is primarily due to the perception of costs associated with banking with Triodos Bank. The detailed results are now being used as a key performance indicator to allow Triodos Bank continuously to measure its customers' views and gather better insights.

Together, this resulted in continuing growth in all the countries where Triodos Bank operates due in part to a growing profile, more efficient and customer-friendly account opening processes, and a receptive market keen to use their money more consciously.

Prospects for Retail and Business Banking

Triodos Bank expects to grow its bank balance sheet more modestly, maintaining a stable loan-to-deposit ratio. It aims to grow its fee income with particular emphasis on growing Triodos Investment Management activities.

The bank will focus on the impact, profitability and diversification of its loan portfolio. In that context, we will put extra effort into identifying loans to frontrunners in their fields; the entrepreneurs developing the sustainable industries of the future. Persistent low interest rates and increasing regulatory costs continue to pose a serious challenge. And yet, there are significant opportunities for Triodos Bank as a frontrunner in responsible finance. With a controlled growth strategy, we aim to generate maximum impact and stable profit levels.

Triodos Investment Management



Investments take place through investment funds or investment institutions which are managed by Triodos Investment Management (Triodos IM), a 100% subsidiary of Triodos Bank.

Triodos IM is responsible for 16 funds, for both individual and professional investors. The funds invest

in sustainable themes such as inclusive finance, food and agriculture, energy and climate, or in listed companies that materially contribute to the transition toward a sustainable society. The investment funds publish separate annual reports and most have their own annual general meetings.

Developments in 2020

The COVID-19 pandemic has had a huge impact on the global economy and society, affecting lives and livelihoods almost everywhere. The range of mitigating measures, from full lockdown to no lockdown, resulted in disruptions to commodity markets, global trade, supply chains and tourism, ultimately leading to economic downturn.

At the start of the pandemic, Triodos IM took steps to ensure the well-being and safety of its co-workers and maintain operational resilience, swiftly followed by measures to preserve the financial health of the organisation. COVID-19 also affected its investments, both positively and negatively. On the positive side, the Triodos Investment funds were less sensitive to the downward appreciation of those sectors impacted most by the pandemic, such as the oil and aviation industry, as they are excluded from investments due to Triodos' investment beliefs. As a result, especially at the beginning of the crisis, the funds showed a relative outperformance compared to the benchmark. On the other side, some investments were negatively impacted as the economic downturn increased counterparty risk and uncertainties about recovery dominated financial markets, which put pressure on equity and bond prices. To mitigate the increased risk and volatility, Triodos IM intensified the monitoring of all its investments throughout the year.

As a result of the mitigating measures and continued confidence among its investor base, Triodos IM was able to realise an overall growth in assets under management by 10% (2019: 18%) to EUR 5.4 billion. The net inflow of funds was 8%. The investment funds overall gained 3% of their value following stock exchange movements in 2020.

In challenging conditions, Triodos IM continued to focus on strategy execution, and specifically on implementing its strategic goal of becoming the asset manager of choice for investors seeking solutions for building impact investment portfolios.

In addition, Triodos IM expanded its activities in existing and new markets. It has increased its exposure and sales capacity in the Nordics. It also launched the Triodos Sterling Bond Impact Fund, bolstering the pact investment portfolio in the United Kingdom market.

The process to end the activities of Triodos Vastgoedfonds N.V. was completed in January 2020 through a final payment to shareholders. Following this final step in the liquidation process, the registration with the Trade Register of the Chamber of Commerce was terminated and the fund was removed from the register of collective investment schemes of the Autoriteit Financiële Markten.

At the end of 2020, Triodos IM renamed two of its funds. Triodos Renewables Europe Fund was renamed Triodos Energy Transition Europe Fund and Triodos

Organic Growth Fund became Triodos Food Transition Europe Fund. These name changes more effectively and accurately convey their impact investment approach and align the funds more closely with the accelerating transition in energy and food.

Prospects for Triodos Investment Management

2021 will likely continue to be centred around the challenges resulting from the COVID-19 pandemic. Although a vaccination programme may ultimately lead to a rebound in economic activities, we expect that the global challenges for our society and economy resulting from the pandemic will continue to dominate in 2021. COVID-19 has so far proved a major setback for the global sustainability agenda as articulated in the UN Sustainable Development Goals (SDGs) and private investors are needed more than ever to help to realise those goals.

Within this context, Triodos IM will continue to build on more than 25 years' experience of bringing together values, vision, and financial returns in investment. It is helping to meet the European demand for values-based investment solutions that are critical for the

EUR 5.4 billion

In 2020, Triodos Investment Management's total assets under management increased to EUR 5.4 billion, a 10% increase (2019: 18% increase).

transition to a more sustainable society. Through its funds, Triodos IM aims to extend its impact in the key areas related to its mission and the SDGs.

Triodos IM's strategic focus in 2021 will continue to be on retail investors through distributors, high-net-worth Individuals, family offices and (semi-) institutional investors. Impact mandates that accommodate institutional investors seeking investment opportunities with positive impact will have a strong focus in 2021. In addition, Triodos IM's international distribution strategy will be broadened by adding more European markets to its network, including France and Spain.

Triodos Investment Management will continue to pursue development and growth, both through expansion and development of existing funds and by creating new impact investment products.

Triodos Regenerative Money Centre

Triodos Regenerative Money Centre (TRMC) has functioned as a distinct business unit within Triodos Bank since 2019, managing both donations and catalytic investments. These assets under management are not consolidated in the balance sheet of Triodos Bank but are included in our total funds under management. In 2020, the assets related to catalytic investments were EUR 57 million. The assets under management related to donations were EUR 9 million. In 2020 EUR 2.2 million was donated to 156 initiatives.

The TRMC's primary objective is to manage entities that lend, invest or donate money that have, as its main goal, making pioneering, transformative initiatives possible. Financing transformational change requires both gift money (or donations) and the development of more blended (and/or higher risk) finance products.

As part of the Centre, Stichting Triodos Foundation raises gift money from its clients and donates it to initiatives aligned with Triodos Bank's core transition themes. Catalytic investments are provided through three funds of which Triodos Sustainable Finance Foundation is the largest entity. This entity lends to

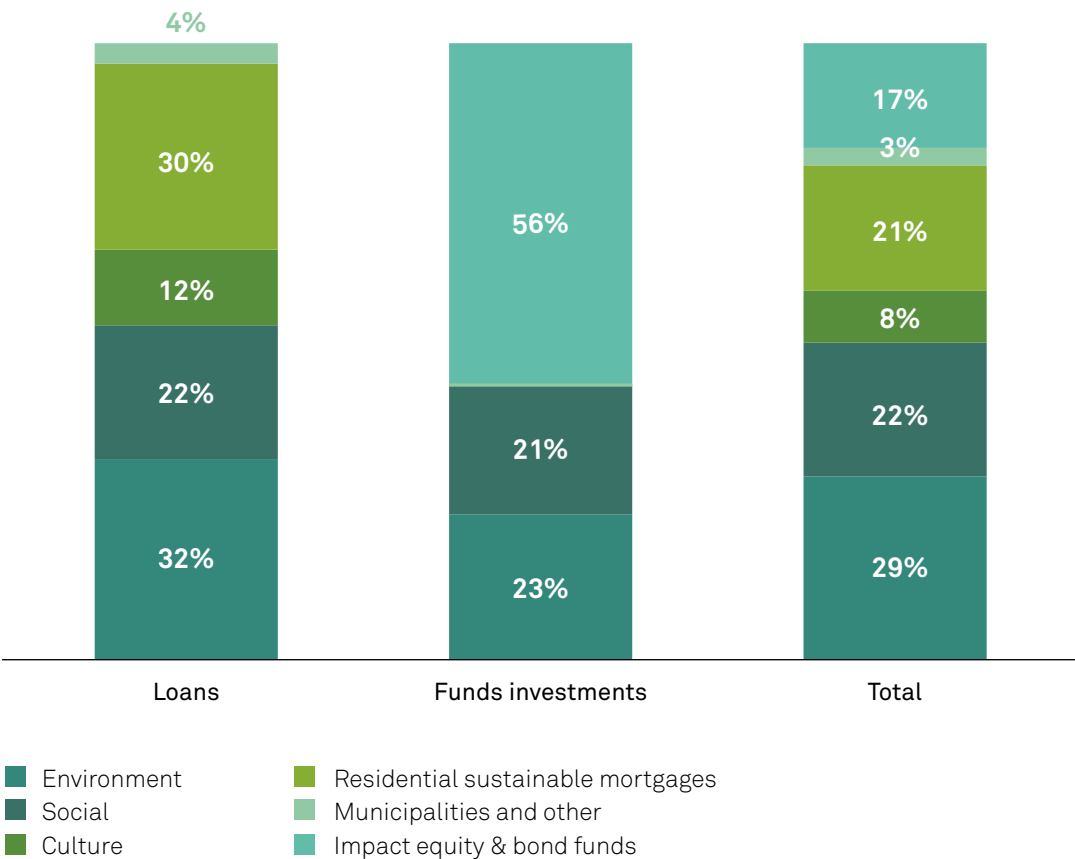
and invests in change-makers from the perspective of impact first.

TRMC is a relatively new division within Triodos Bank. Therefore 2020 has been a year of strategic development, defining optimal ways to put gift money and catalytic money to work to regenerate society and the planet in close collaboration with Triodos Bank and Triodos Investment management.

The main goal for 2021 is to bring the strategic direction into practice and to optimise cooperation with Triodos Bank and Triodos Investment Management in order to jointly accelerate our activities on our transition themes.

Loans and funds' investments by sector

Total outstanding loans and funds' investments by sector 2020



The improved quality and growing size of the loan and investment portfolio are important indicators 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 and enterprises transitioning to sustainable approaches, potential borrowers are first assessed on the added value they create in these areas. The commercial feasibility of a prospective loan

is then evaluated, and a decision made about whether it is a responsible banking option. The criteria or guidelines Triodos Bank uses to analyse companies can be viewed at www.triodos.com and www.triodos-im.com for investment management.

Triodos Bank's focus remains on the existing sectors in which it has already developed considerable expertise and where it considers more growth, diversification and innovation is possible.

Impact, risk and return

Traditionally, banks have focused on risk and return, primarily to avoid negative outcomes, and to enable investors to understand the performance of the institution. But when an institution sees its main goal as maximising returns to shareholders, risk and return are often viewed in a short-term context. This neglects the company's wider relationship with – and effect on – society and the environment. Triodos Bank uses three parameters – impact, risk and return – to understand its overall development and place in the world. This promotes a long-term perspective. The focus on delivering sustainable social, environmental and cultural impact as well as risk and return implies a positive, holistic outlook and a horizon that is inherently longer term.

Impact: We want to deliver sustainable impact. When we talk about 'impact', we are concerned with what our actions, in particular financing and investing, mean to people in concrete terms. Impact means delivering positive outcomes, not only at a transactional level but also at a social and ecological system level.

Risk: Because our starting point is to deliver greater impact over the long term, it is essential that we are financially resilient. We therefore focus on maintaining a consistently high-quality loan portfolio. Triodos Bank's modest risk appetite is an important building block for this resilience.

Return: We have been able to deliver stable, fair returns over a sustained period. For us, financial performance is important because being a resilient financial institution is essential for the delivery of lasting, sustainable change.

Environment 29% (2019: 31%)

The subsector 'Energy and Climate' consists of renewable energy projects such as wind and solar power, hydro-electric, heat and cold storage, and energy-saving projects. It also includes environmental technology projects, for instance through recycling companies.

Within the subsector 'Sustainable Property' we finance new buildings and renovation projects to reach high sustainability standards. It also includes nature-conservation projects.

The subsector 'Sustainable Food and Agriculture' also includes organic agriculture and projects in Europe and emerging markets, across the entire agricultural chain – from farms, processors, wholesale companies and sustainable trade to natural-food shops.

Social 22% (2019: 23%)

This sector contains loans and funds' investments to a scale of businesses and (non-profit) organisations with clear social objectives, such as social housing, community and social-inclusion projects. It also covers the health and elderly care sector and the inclusive finance and fair-trade businesses sector.

Culture 8% (2019: 9%)

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

Residential sustainable mortgages 21% (2019: 17%)

The retail sector of the loan book is primarily comprised of residential sustainable mortgages, including a small amount of other private loans and overdrafts on current accounts.

Municipalities 3% (2019: 4%)

Under municipalities we include sustainable loans and funds' investments to local authorities without a specific sector classification and some limited short-term loans to municipalities. These investment-type loans in the public sector are included in the loan portfolio in accordance with regulations related to financial reporting.

Impact Equities and Bonds 17% (2019: 16%)

The Impact Equities and Bond funds that are managed by Triodos Investment Management focus on direct investments into listed equities and bonds of companies, institutions and projects that drive the transition to a sustainable society. Each investment in our Impact Equities and Bonds strategy has been hand-selected for its contribution to our sustainable transition themes, while applying our strict minimum standards.

1.3.3 Impact by sector

Our vision on measuring impact reflects a focus on delivering our mission. We aim to find qualitative evidence of impact and back it up with numbers when it's relevant. Our more qualitative impact can be found in the case studies online (www.annual-report-triodos.com). This section summarises the positive impact in numbers our loans and investments generate within our three main impact sectors (environmental, social and cultural impact).

Impact information is mostly collected through the interaction of our relationship and investment managers and their clients and projects. For 2020, this interaction was, for affected sectors, primarily about assessing clients' immediate needs as a result of the COVID-19 pandemic. Gathering impact data was therefore challenging for our clients and relationship managers. The pandemic resulted in significant changes in some impact indicators, mainly in the cultural sector and to a more limited extent in the social sector. Nevertheless, Triodos Bank maintains a positive outlook on the impact our finance makes possible.

Triodos Bank's approach to measuring and managing impact is described in 'Understanding impact (see page 58). Our main guidelines for impact by sector are:

- Our calculations only measure projects with a direct relationship to our finance or investment activities.
- For the impact indicators we use the contribution approach. This means that we include 100% of the impact when we co-finance a project unless this represents the results unfairly.
- The impact data included in the Executive Board report is in scope of the review procedures performed by the independent external auditor. Subjecting our impact performance to the audit process (limited assurance) is a logical step for an integrated business with sustainability at the core of its financial activity.

For more detailed information on the measurements per sector, see www.triodos.com/impact-themes.

The data that Triodos Bank collects for the Impact by Sector section will be essential for the adaptation of the

EU Sustainable Finance Disclosure Regulation (SFDR) from 10 March 2021 onwards. More on this topic can be found in Understanding impact (see page 58)'.

Sustainable Development Goals and Triodos Bank

The United Nations launched the 17 Sustainable Development Goals (SDG) in 2015. The SDGs are a universal set of targets and indicators designed to help countries end poverty, protect the planet and ensure prosperity for all. They have quickly become an established framework with relevance for businesses, government and civil society. They resonate strongly with Triodos Bank and our identity as a values-based bank. We have been working on this agenda since our founding in 1980.

Triodos Bank is asked to describe its approach to the SDGs by various stakeholders. This is the fifth year that Triodos Bank will include the SDGs in its reporting. We do this in three distinct ways:

1. By linking relevant content throughout the report to specific SDGs with an SDG icon.
2. Via the mapping exercise that follows in Appendix III – UN Sustainable Development Goals (see page 343), including updates where we have made specific progress.
3. By identifying and reporting against several specific targets, which underpin each of the SDGs.

And while we continue to plot our own path on a journey to a sustainable, low-carbon and inclusive future, we welcome a framework that enables us to communicate better with our fellow travellers. The SDGs do just that. They provide powerful language to communicate integrated sustainability goals that are more urgent now than ever.

Environment, including mortgages (50% of total portfolio)

Renewable energy



A fundamental transition is needed to decarbonise our economy. By lending and investing in solar, wind and

hydro energy, Triodos Bank stimulates this transition. We finance and co-finance projects that increase the use of renewable resources and projects that reduce the demand for energy and promote energy efficiency.

By the end of 2020, Triodos Bank and its climate and energy investment funds were financing 561 projects (2019: 504) in the energy sector. This included:

- 484 sustainable power-generating projects related to wind (201), solar (252), hydro (30), or a combination of wind and hydro (1)
- 42 sustainable power projects in a construction phase
- 35 energy-efficiency projects including 23 heat and cold storage projects, 1 greenhouse gas-neutral biomass project and a diverse range of energy-efficiency initiatives.

Through our share in these renewable energy projects, about 0.9 million tonnes of CO₂ equivalent emissions were avoided (2019: 0.9 million tonnes).

The total capacity of the power-generating projects was 5,100MW (2019: 3,900 MW), producing the equivalent of the electricity needs of 4.8 million households worldwide or 0.7 million based on an attribution approach (2019: 0.7 million).

Despite a 30% higher total capacity our share in the avoided emissions and the number of households did not increase. This is due to a change in the emission factors (from International Energy Agency to International Financial Institutions Framework), an update of the number of households conversion factor (World Energy Council) and changes in finance and attribution percentages per project.

Organic farming and nature development



Our relationship with the soil and the Earth requires a systemic perspective. A world view that views agricultural land as the starting point for a limitless process of extraction is unsustainable. Instead, agriculture needs to be seen within the context of a natural system. This system includes nutrients, water, biodiversity, animal welfare and social conditions.

The organically managed land on the farms which Triodos Bank and Triodos Investment Management financed in 2020 could produce the equivalent of 33 million meals in 2020, enough food to provide a sustainable diet for approximately 30,000 people (2019: 28,000). Together they financed approximately 32,000 hectares of organic farmland across Europe. This equates to farmland the size of a football pitch for every 14 customers, each one producing enough for 610 meals per year.

We also financed 30,000 hectares of nature and conservation land (2019: 31,000 hectares), representing around 400m² of nature and conservation land per customer. This land is important for the sequestration or absorption of CO₂ from the atmosphere.

In 2020, over 35,000 smallholder farmers (2019: 98,000) in eight emerging market countries worldwide were paid directly and fairly upon delivery of their harvests as a result of the trade finance that Triodos Investment Management funds provide to farmers' cooperatives and agribusiness. The lower number of smallholder farmers in 2020 is related to one company that did not receive trade finance during 2020. The farmers' harvests brought 10 different fair-trade and organic products to international markets, including cocoa, coffee, rice and quinoa. In 2020, the funds' clients had 56,000 hectares of certified organic farmland under cultivation (2019: 64,000). An additional 8,000 (2019: 6,000) hectares was in conversion – a significant indicator of future growth as it takes time before conventional farmland is ready to be certified organic.

Sustainable property and private sustainable mortgages



As well as offering green mortgages that incentivise households to reduce their carbon footprint, Triodos Bank and Triodos Investment Management finance new building developments and renovation projects for properties to reach high sustainability standards. In 2020, Triodos Bank and Triodos Investment Management financed directly via retail banking and via sustainable property approximately 17,600 homes

and apartments (2019: 13,700), an increase of 28%. We also financed about 480 commercial properties (2019: 480) comprising approximately 830,000 m² for office and other commercial space (2019: 921,000m²) and about 981,000 m² of buildings and brown-field sites (2019: 1,022,000 m²).

Social (22% of total portfolio)

Healthcare



Triodos Bank believes good physical and mental health and well-being are fundamental to a better quality of life. That's why we finance medical centres that offer complementary health services and care for the elderly and terminally ill people.

As a result of its finance across Europe around 45,000 individuals (2019: 43,000) were residents at 570 elderly care homes financed by Triodos Bank and Triodos Investment Management in 2020, representing the equivalent of 22 days of care per Triodos Bank customer.

Community projects and social housing



Help realising social inclusion is one of the strategic themes of Triodos Bank. We finance the development of disadvantaged individuals through businesses that address specific social objectives: for example, in not-for-profit employment programmes, youth help centres, integration programmes and other community projects. We also lend to organisations that provide affordable housing for the people most in need.

In 2020, Triodos Bank and Triodos Investment Management financed approximately 720 community projects (2019: 600), and 210 social housing projects, which directly and indirectly provide accommodation for approximately 59,000 people (2019: 58,000).

Financial inclusion



We believe that social inclusion improves with financial inclusion. We finance values-based organisations working for inclusive finance across the world, because they provide access to fair and transparent financial services for people and small businesses. Bringing

people into the financial system spurs social and economic development and contributes to achieving multiple SDGs.

At year-end 2020, Triodos Investment Management's specialised emerging markets funds financed 109 institutions (2019: 109) providing inclusive finance in 47 countries. These values-based institutions vary from very small NGOs working in underdeveloped markets, to fully-fledged banks that offer a wide range of products and enable access to fair and transparent financial services for people and small businesses.

Together, these institutions reached approximately 20.2 million individuals saving for their future in 2020 (2019: 19.2 million). COVID-19 and the accompanying economic downturn led to withdrawals of savings for some companies. However, there was an overall increase in the number of savers, mainly attributable to a limited number of institutions with a large saving base that were able to grow despite the challenging circumstances.

Some 18.2 million borrowers were reached who used the funds to start or expand their business, generate income and better manage their daily lives (2019: 19.1 million). The decline in the number of borrowers compared to last year can be explained by increased focus of institutions on managing existing loans through the crisis, and less focus on providing new loans.

Of these loan clients, 76% are female. Women are often in a disadvantaged position in many developing countries and emerging economies. Giving women the freedom to manage their income and to support their families empowers their position.

Culture (8% of total portfolio)

Arts and culture



Arts and culture play an important role in the personal development of individuals and in social cohesion. They reveal new perspectives and inspire and connect people. The global pandemic has radically reduced mobility and increased social restrictions. As a result, many planned activities in the arts and culture sector became difficult or impossible after March 2020.

Triodos Bank has been in close contact with its customers to assess their immediate needs. We have prioritised this above gathering impact data.

Therefore, where actual impact data was not available, the impact figures were reported based on conservative estimates for this sector. These are mostly derived from the first three months of 2020 and are, understandably, in many cases below the 2019 figures, while a handful of organisations managed to develop online streaming programmes and even increased their number of visitors and spectators. In Spain, we have accessed new clients who we have helped to continue with their activity through this crisis, with the assistance of Spanish Government guaranteed loans and other special agreements in the culture sector.

As a result of our lending and investment activity during 2020, Triodos Bank helped make it possible for 8.4 million visitors (2019: 25.8 million) to enjoy cultural events including cinemas, theatres and museums, a reduction of 67% compared to last year. The number equates to 11 cultural experiences per Triodos Bank customer.

Triodos Bank and Triodos Investment Management finance also helped approximately 4,100 artists and creative companies remain active in the cultural sector (2019: 3,600), an increase of almost 14%, mainly from new loans in the Spanish market, supporting creative companies through the COVID-19 pandemic. Theatre, music and dance productions from these creative companies were attended live or online via streaming by 3.5 million people (2019: 1.7 million). New productions from the film and media sector financed by Triodos Bank (most importantly in Spain) were seen by more than 11 million people (2019: 9 million).

Triodos Bank and Triodos Investment Management also financed organisations that provided 4,300 affordable spaces for cultural activities, such as workshops and music courses (2019: 4,600).

development and well-being,, and to society, in terms of economic development and social cohesion. The organisations we finance in this sector include schools, training institutions and conference centres.

Approximately 623,000 individuals benefited from the work of 600 education initiatives financed by Triodos Bank in 2020 (2019: 660,000). For every Triodos Bank customer, the equivalent of almost 1 person was able to learn and grow because of education provided by an establishment we financed.

Education



Triodos Bank believes that education brings huge benefits to the individual, in terms of personal

1.3.4 Climate impact of our loans and funds' investments

Triodos Bank supports the sustainable and inclusive transition of our economies and society in line with the Paris Agreement target of limiting the temperature increase to – at most – 1.5 degrees Celsius above pre-industrial levels.

In this context, in 2015, at the landmark Paris Climate Conference, Triodos Bank co-signed the Dutch Carbon Pledge to measure and disclose its greenhouse gas, or carbon emissions, and to ensure these emissions are in line with the ambitions of the Paris Agreement. The initiative launched the Partnership for Carbon Accounting Financials (PCAF), a collaboration between Dutch financial institutions which has produced a globally recognised standard for carbon accounting. Triodos Bank played a catalytic role in these developments and is still actively taking part in the development and advocacy of the methodology.

Partnership for Carbon Accounting Financials standard

As our main impact in the economy and society stems from our loans and investments, PCAF's harmonised approach on carbon accounting focuses on measuring the carbon footprint of loans and investments. Triodos Bank implemented the PCAF methodology for the first time in 2018 and extended the scope of our carbon accounting to 100% of our loans and funds' investments in 2019.

By mapping the emissions per asset class, we can see our current hotspots within our portfolio. This provides useful guidance for steering a (long-term) strategy that is in line with the Paris Agreement via the Science Based Targets initiative (SBTi).

For readers with a more detailed interest, a separate methodology report on how the PCAF standard was applied to this portfolio is available on our website.

Widespread adoption of the PCAF standard will allow stakeholders to compare the GHG emissions of banks and other financial institutions. As one of the first banks

to report in this way, we actively collaborate with our partners to encourage others to do the same.

Target setting: hitting the target without missing the point

Triodos Bank is in the process of setting appropriate targets to align the organisation's portfolio with the Paris Agreement. But we don't want these to adversely affect the way we work. We aim not just to set targets but to identify effective plans for executing them in a way that supports a sustainable and inclusive transition. This may not lead to reductions in the short term, for instance by financing more houses in the transition towards energy efficiency. In the longer term it will ensure we tackle global warming in a structural way.

We intend to use these targets to help deliver our mission, financing positive impact while supporting social inclusion. Our portfolio's actual emissions provide a baseline. We can therefore start to improve and monitor our progress in working with our clients to reduce their emissions.

Our climate impact report shows that we have a relatively low climate intensity from our loans and funds' investments, however we are researching how quickly we may be able to take the lead in reaching a net-zero portfolio (and beyond). This requires us to critically reflect on our portfolio and we want to make sure we do this carefully rather than setting targets quickly. We will disclose our transition plan with long- and short-term targets by COP26, 2021.

Other financial institutions will need to plot a similar path if we are to play our part as an industry in keeping the global increase in temperature within acceptable bounds.

Triodos Bank has urged the financial sector to divest its fossil assets and in our 2019 vision paper on energy and climate we call on all financial institutions to take a leading role in addressing the climate emergency.

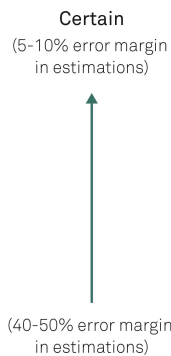
Our financed emissions

For a second year we assessed 100% of our assets using the PCAF methodology. Guided by PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry and in collaboration with the PCAF consulting team from Guidehouse, we defined our reporting and measurement principles as follows:

- While GHG emissions include more than just carbon, we use the latter as shorthand for GHG emissions in our reporting GHG emissions are measured in tonnes CO₂ eq. and categorised as three main types:
 - *Generated emissions*: GHG emissions arising from various economic activities. This refers to carbon that is emitted into the atmosphere.
 - *Sequestered, or absorbed, emissions*: GHG emissions stored in carbon sinks, such as trees, plants and soil etc. This refers to the actual removal of carbon from the atmosphere.
 - *Avoided emissions*: GHG emissions that are avoided from fossil-fuel power generation due to renewable energy. While avoided emissions play a very positive role, they do not remove existing carbon from the atmosphere. That is why we present these avoided emissions in our graphs and tables, beneath actual emissions. And it is important to note that our avoided emissions figures will, eventually, start to decline, even as the amount of energy generated by the renewable energy projects we finance increases. This is because the wider energy system is in

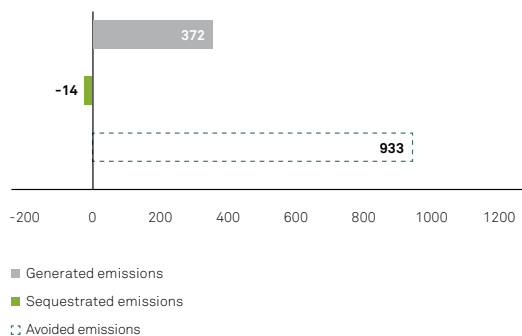
the process of becoming less carbon-intensive overall. Energy from fossil fuel sources is, and will, continue to decline while energy from renewable sources is increasing, creating a more sustainable energy system.

- With our financed emissions we have applied the attribution approach. This means that we calculate the emissions as they relate to the proportion of our finance in a project or on a customer's balance sheet. For example, if we are responsible for half of a project's finance, we report half of the emissions generated or avoided by that project. This attribution approach is a more accurate reflection of Triodos Bank's responsibility for the GHG emissions it finances and is consistent with the PCAF methodology. In 2020 we have also applied this attribution approach to our residential mortgage portfolio by using the loan-to-value ratio. This is in line with the new global PCAF standard.
- We aim to improve the overall data quality level of our carbon footprint measurements every year, in order to improve our insights and better steer on targets (see 'Target setting: hitting the target without missing the point!'). The overall data quality this year stayed stable at 3.1 on a five-point scale. The levels of data quality are defined in the table 'data quality'.
- In our 2020 review we have identified some consolidation differences in the reported attributed emissions of 2019, resulting in higher net emissions. We have restated these 2019 figures in this report.



Score 1	Audited GHG emissions data or actual primary energy data
Score 2	Non-audited GHG emissions data, or other primary data
Score 3	Averaged data that is peer/(sub)sector-specific
Score 4	Proxy data on the basis of region or country
Score 5	Estimated data with very limited support

Climate impact of our loans and investments in ktonne CO₂ eq. 2020



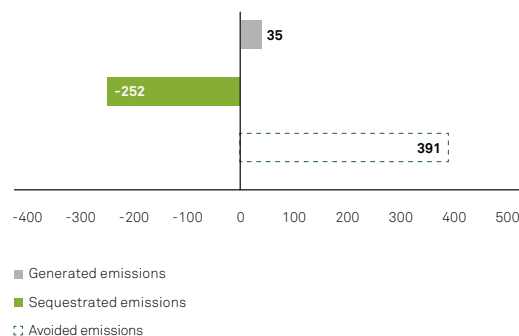
The year 2020 has proven to provide an unexpected challenge regarding the appearance of COVID-19, which has impacted energy use and GHG emissions globally. Preliminary insights show that overall energy demand has decreased in 2020. The decline in energy demand in industrial and commercial operations has outweighed the increase in demand in residential operations. The analysis of effects of COVID-19 is at this stage not reflected in the emission factors for 2020, as detailed quantitative information per sector is currently not available to perform an accurate impact analysis.

The GHG emissions that can be attributed to Triodos Bank's loans and direct fund investments in 2020 are presented in two graphs and a more detailed table in this chapter.

The first graph shows our portfolio's emissions in ktonne CO₂ equivalent. The second graph shows the intensity of Triodos Bank's GHG emissions per billion euro lent and invested. It provides stakeholders with an indication of the impact of our finance on generated, sequestered and avoided emissions that could be compared across financial institutions.

In 2020, approximately 372 ktonne CO₂ eq. in emissions were generated by loans and funds' investments covered in this climate impact measurement. This amount has been netted for 3 ktonne CO₂ eq. sequestered emissions from the organic farming

Climate impact in emission intensity 2020 in ktonne CO₂ eq./billion EUR financed



sector. The increase in generated emissions compared to last year (2019: 317 ktonne CO₂ eq., restated figure) is mainly due to increased investment volumes in the Impact Equities and Bonds Funds (IEB funds) and higher outstanding in the sector 'Care for the elderly'. Use of the attribution approach for residential mortgages has resulted in lower attributed emissions and a lower emission intensity for this portfolio.

Triodos Bank also finances forestry and nature development projects. This resulted in the sequestration of approximately 14 ktonne CO₂ eq. (2019: 24 ktonne CO₂ eq.), equal to at least 316,000 mature trees and enough to compensate the emissions from the farming sector. The decline compared to last year is due to some repayments in the nature development sector.

The renewable energy and energy saving projects that we finance avoided over 933 ktonne of CO₂ eq. emissions as compared to fossil-fuel power generation (2019: 963 ktonne CO₂ eq., restated figure). This is equal to the avoidance of emissions of over 5.7 billion kilometres travelled by car. The decline compared to last year is primarily due to the application of new emission factors, which has had a negative effect on avoided emissions mainly in The Netherlands. To align with the Science Based Targets initiative (SBTi), we have applied differently sourced (IFI GHG methodology) emission factors.

The number of power-generating projects we finance in Europe and in emerging markets increased by 46 to 484 in 2020. Also, the total electricity production of our financed projects increased, as 2020 has been a good wind year compared to former years, while the hydro power-generating projects profited from wetter conditions.

Overall, the results clearly indicate that financing a sustainable economy for many years has resulted in substantial avoided emissions relative to our generated and sequestered emissions.

The next table provides the GHG emission data of our finance per sector, in both absolute and relative (emission intensity) terms and shows the data quality score for each item.

We will continue to report the climate impact of our own operations and of our loans and funds' investments in the future. We hope to further improve the quality of this data, the methodology that underpins it and, therefore, the accuracy and relevance of our reporting.

933

Avoided emissions
in kilotonnes of CO₂

Climate impact of our loans and funds' investments

Impact sector	2020				2019 ¹
	Total outstanding (million EUR)	Attributed emissions (kton CO ₂ eq.)	Emission intensity (kton CO ₂ eq. / billion EUR)	Data quality score high quality = 1 low quality = 5	Attributed emissions (kton CO ₂ eq.)
Generated emissions					
Environment:					
- Organic farming	298	13	43	2.9	15
- Sustainable property	963	30	31	3.4	34
- Residential mortgages	2,739	26	9	2.3	35
- Environmental - other	298	13	42	5.0	9
Social:					
- Care for the elderly	748	29	38	3.8	24
- Healthcare - other	456	17	37	5.0	16
- Social housing	528	23	44	4.0	22
- Inclusive finance & development	816	11	13	5.0	9
- Social other & municipalities	377	13	35	5.0	15
Culture:					
- Arts and culture	501	34	67	4.6	32
- Education	322	9	29	4.1	7
- Culture - other	271	16	60	5.0	15
- IEB funds	2,306	139	60	2.9	86
	10,623	372	35	3.5	317
Sequestered emissions					
Nature development & Forestry	57	-14	-252	2.9	-24
Net emissions	10,680	358	33	3.5	293
Avoided emissions					
Renewable energy	2,384	933	391	1.4	963
Total²	13,063			3.1	

1 2019 figures have been restated for consolidation differences

2 Avoided emissions should not be summarized because their absolute emission is zero.

1.4 Understanding impact

As a values-based bank, Triodos Bank integrates impact, risk and return when making decisions. Since the foundation of Triodos Bank 40 years ago, creating positive impact has been the driving principle. This section summarises our vision on impact and how this is embedded in our organisation. Triodos Bank is an active member of several frontrunning initiatives on impact management and we highlight the most important ones for 2020 here. We also look at some key challenges in impact management for the coming years.

Our approach to impact management

Finance can make a positive difference in people's lives. It can contribute to progress on key issues that are relevant for society. Financing change is the foundation of what Triodos Bank has been doing over the last forty years. And at the same time, we have been changing finance – showing others that making choices for positive impact are possible and that a business model which takes into account the interests of multiple stakeholders is viable.

From that very first wind turbine we financed in 1985 to experimenting with the role catalytic money and gift money can play in reimagining finance models today, we find ways to fund initiatives that seem impossible at first and eventually find their way into the mainstream.

At Triodos Bank, we have been managing impact consciously since long before much of today's terminology existed. Our approach to impact management is to maximise our positive impact first; and minimise negative impact. We define an impact initiative as having the power to transform, directing money so that it benefits people and the environment over the long term. We have placed impact, risk and return at the core of our mission ever since the foundation of Triodos Bank. We are delighted to see that impact management is now receiving more mature consideration among our partners. We continued to share our insights and challenges to contribute to this in 2020.

For Triodos Bank, integrating reporting doesn't just mean reporting on how the organisation behaves as a responsible corporate citizen – by using renewable energy to power our buildings for example, important as this is. It means reporting in depth on the impact of our activity in the widest sense – from the greenhouse

gas emissions of our loans and investments to giving analysts a deeper understanding of the sustainability value of our work.

Our values and our mission are continuously reinforced within our culture by being fully integrated into our operations. We have not separated sustainability as a department or a function – it is intrinsic to everything we do in the organisation. In 2020, impact management was explicitly embedded in our governance with the creation of the Triodos Group Impact Committee (TGIC). This was partially triggered by the growth of our bank, together with growing regulatory and non-financial reporting requirements. This committee is the Executive Board's delegated body overseeing the development of impact management. It is responsible for strategy and operational activity relating to impact and for creating a Group-level framework for managing impact. The TGIC supports and enables co-workers in pursuing their individual responsibilities within the organisation to manage and deliver impact.

Since its establishment in September 2020, the TGIC focuses on target setting; streamlining our impact data capture; external commitments which are in line with our mission; and embedding growing regulatory requirements, resulting from the EU Action Plan on Sustainable Growth (Sustainable Finance Action Plan, SFAP).

Our positive approach: business principles and minimum standards

How we at Triodos Bank direct, administer and control our work says a lot about our identity. We have developed processes and policies, and implemented laws, to both meet our obligations and reflect our mission. In addition to the broad vision and key values that underpin our business, we have principles that guide and support our day-to-day decision-making.

We are committed to:

- **Promoting sustainable development** and considering the social, environmental and financial impact of everything we do.
- **Respecting and obeying the law** in every country where we do business.
- **Respecting human rights** of individuals, and within different societies and cultures; supporting the aims of the United Nation's Universal Declaration of Human Rights.
- **Respecting the environment** and doing all we can to create and encourage positive environmental impact.
- **Being accountable** to all our stakeholders for our actions.
- **Continuous improvement.** We are always looking for better ways of doing things in every area of our business.

Triodos Bank uses a positive approach for both its banking services and its investment management activities. Triodos Bank is guided by the impact it wants to have. Our minimum standards contain exclusions that logically follow from this positive approach. The Triodos Bank Minimum Standards set out the absolute minimum requirements that Triodos applies to its banking and investment activities.

Managing and measuring impact is not without challenges. Implementing groundbreaking commitments and partnerships, such as the UN Principles for Responsible Banking and the SFAP, required extensive and complex reporting structures in

2020. While Triodos Bank has actively advocated these commitments, our unique position, as a values-based bank within a rules-based reporting environment, makes it challenging to stay true to our mission and lead on impact.

Triodos Bank safeguards its vision on impact through four implementing pillars:

1. Our foundation – using positive impact to guide our financing decisions
2. Increasing our impact through engagement
3. Changing finance
4. Impact reporting

1 Our foundation: positive impact through principles, standards and transparency

First of all, we have a simple business model: we only lend the money entrusted to us by savers and investors to entrepreneurs we know well. We only work in the real economy and we don't invest in complex financial instruments. All the loans and investments we make are designed to improve social and environmental sustainability and the quality of life for communities.

We aim to deliver as much positive impact as possible by *only* lending to and investing in sustainable enterprises and enterprises transitioning to sustainable approaches. We have established strict business principles, lending criteria and minimum standards to safeguard our mission. These can be found on www.triodos.com/download-centre. In addition, we use screening criteria to avoid financing sectors we consider to be inherently unsustainable, such as the fossil-fuel industry.

We believe that sustainable finance depends on trust and transparency, so we publish details of *all* the organisations we lend to. Our savers and investors can see how we're using their money. Explore this in 'Know where your money goes' at www.triodos.com/know-where-your-money-goes.

With these principles in place, Triodos Bank ensures a baseline for positive impact and minimises negative impact.

2 Increasing our impact: engaging with our clients on impact

Second, engagement is key. Our vision on impact stems from understanding that metrics and targets do not tell the whole story. In practice, that means we try and find qualitative evidence of the impact first and foremost, and back it up with numbers when it's relevant to do so. Where we do lean on data, we measure in order to manage and we use this to start the conversation with our stakeholders on how we lead the transition to an even more inclusive and sustainable world.

While meaningful indicators are included in, for example, Impact by sector (see page 49), we have limited 'hard metrics' in our impact measurement. Instead, Triodos Bank is developing 'theories of change' in its key sectors to help structure its impact-driven activity and deliver goals that reflect real needs in society.

To support this approach, the Triodos Impact Prism was developed in 2018 and 2019 to understand, monitor and equip the business to steer on impact in service of the goals described in these theories of change. Thirty-five questions identify the broader impact and purpose of each loan or investment, ranging from questions on social justice to their exemplary role in sustainability. The main goal is to use the results to discuss opportunities during the relationship to increase the impact of the customers and projects we finance.

From 2019, we integrated the Prism into our daily business processes. Usage steadily increased during

2020. The tool was used for more new clients and the coverage of the total portfolio improved. Due to the focus on the COVID-19 pandemic, we have not yet made sufficient progress to be able to report aggregated results. Next steps include improving added value for clients and relationship managers, adjustments for better usage of the tool and starting meaningful reporting on client, sector and – eventually – Group level. We intend to report the results of this work in the coming years when the system has been embedded more thoroughly.

Alongside our Impact Prism, we measure our own (direct) and financed (indirect) emissions during the lifecycle of a loan or investment. These results clearly indicate that financing a sustainable economy for many years has resulted in substantial avoided emissions relative to our generated and sequestered emissions. Our direct emissions are reported in our Environmental report. Our financed emissions are measured through PCAF and reported in the 'Climate impact of our loans and investments' section.

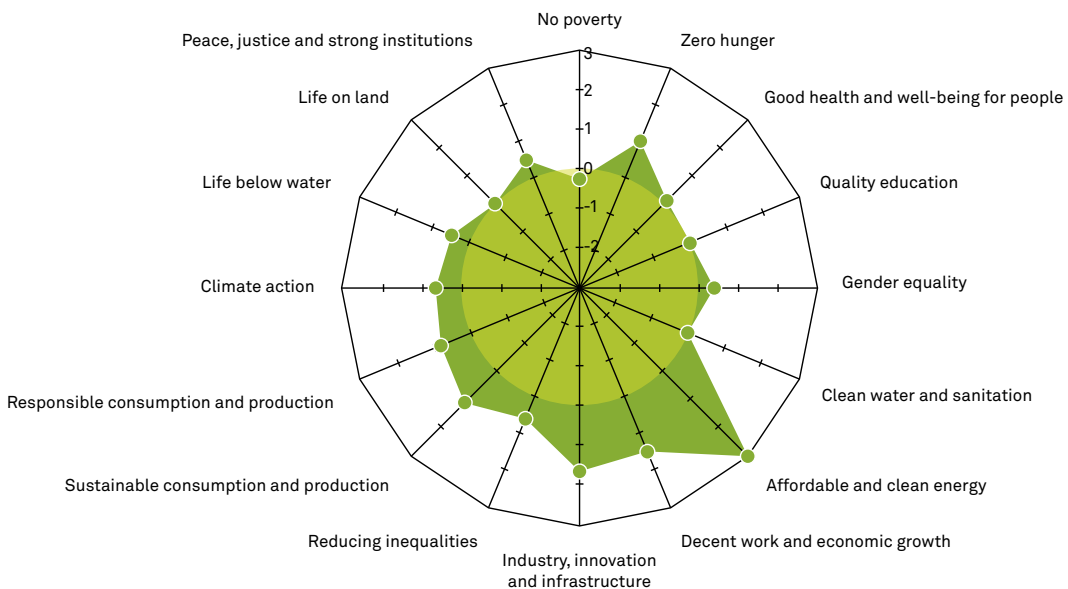
Although Triodos Bank believes that the emissions of our loans and investment portfolio are relatively low compared to other financial institutions, the analysis identifies high-emissions sectors in our portfolio that need effective plans to support a sustainable and inclusive transition towards a climate-neutral portfolio. Developing and setting science-based targets in 2021 will help develop ambitious but necessary plans.

Triodos Bank Impact Prism

A prism breaks light up into its constituent spectral colours. In a similar way, Triodos Bank Impact Prism takes information about a project we finance, breaks it down and provides insights about its various parts. Relationship managers assess loans or investments at the outset and periodically against four different impact areas of the Prism: people, planet, prosperity and purpose.

The Prism scores awarded on all four areas provide insights into the sustainability value of our projects. This mechanism uncovers opportunities to increase the impact of the customers and projects we finance. This analysis allows us to understand, monitor and steer on impact in a more deliberate way. Ultimately, we can work with our clients to have a greater – and more targeted – impact.

Our prism scores can be translated to scores on 16 SDGs, to adapt to the more global framework used by some of our clients. SDG 17 (partnerships) is not included. Below, a fictional example is given of the scorecard on SDGs via the Impact Prism:



Our take on targets

Triodos Bank is careful in its approach to target setting. We are critical of one-dimensional targets that do not consider a broader perspective of impact. For example, setting targets on metrics like the number of visitors to a museum without considering the full impact on climate or biodiversity of the project. We are mindful of

targets that could driving the wrong kind of behaviour, often losing sight of their original goal. We believe that impact is in many cases too complex to capture in a single key performance indicator (KPI).

Where targets provide important information linked to strategic goals, or where they are required by relevant external organisations, Triodos Bank reports against

them. However, we believe that targets are only credible if backed up by concrete and realistic plans to reach them. At the same time, we recognise that targets can be a powerful tool for changing behaviour. For example, the current climate emergency calls for an actionable strategy to keep in line with the Paris Agreement. In 2020, Triodos Bank carefully and deliberately weighed the climate targets and their implications, and we will continue this progress in 2021. We aim to disclose a detailed net-zero strategy, including science-based targets, by the end of 2021.

Target setting: hitting the target without missing the point

Triodos Bank is in the process of setting appropriate targets to align the organisation's portfolio with the Paris Agreement. But we don't want these to adversely affect the way we work. We aim not just to set targets but to identify effective plans for executing them in a way that supports a sustainable and inclusive transition. This approach – for example, financing more homes that need improved energy-efficiency – may not always lead to short-term emission reductions. However, in the longer term, it ensures we tackle global warming in a structural way.

We intend to use targets that help deliver our mission and that clearly includes both environmental and social objectives. Our portfolio's actual emissions provide a baseline. We can now start to improve and monitor our progress in working with our clients to reduce their emissions.

Our climate impact report shows that our loans and investments have a relatively low climate intensity. We are researching how quickly we may be able to take the lead in reaching a net-zero portfolio (and beyond). This requires us to reflect critically on our portfolio. We want to make sure we do this carefully rather than set arbitrary targets too quickly. We will disclose our transition plan with long- and short-term targets running up to COP26, November 2021.

Other financial institutions will need to plot a similar path if we are to play our part as an industry in keeping the global increase in temperature within acceptable bounds.

Triodos Bank is urging the financial sector to divest fossil assets. In our 2019 vision paper on energy and climate we called on all financial institutions to take a leading role in addressing the climate emergency.

3 Changing finance

As well as financing progressive entrepreneurs, we also want to influence the financial sector at a national and global level, to help deliver our mission. We believe that the more sustainable, diverse and transparent the financial industry, the more money will be used consciously, and the greater the improvement in people's quality of life.

We change finance in different ways. We publish vision papers, write opinions and support letters to government bodies and join calls to action. We share our knowledge and expertise on sustainable finance with policymakers, politicians and supervisors in meetings or through feedback in public consultations. We encourage other financial institutions to make different choices and commit to sustainable finance. We work together with like-minded organisations and create formal and informal partnerships to strengthen each other. This is done locally in the countries in which we operate as Triodos Bank, but also at European and international levels.

Triodos Bank engages with domestic policymakers and others on the future direction of the financial industry in every country where we are active. For a lot of institutions, it helps to have a framework of regulation or law to encourage better decisions. In 2020, we actively contributed to consultations by the European Union, UNEP-FI and several international think-tanks who are developing sustainable finance standards and other green deal initiatives.

An important publication in the first half year of 2020 was the 'Reset the Economy' vision paper, in which we call for a resilient and inclusive recovery from the global corona crisis. This paper was food for discussion. Triodos Bank Belgium organised well attended public webinars and Kees Vendrik, Chief Economist of Triodos Bank, shared the bank's vision in the Dutch television program Buitenhof.

A big topic in the financial sector is how to contribute to reducing GHG emissions to tackle climate change. Following the financial sector commitments in the Netherlands and in Spain in 2019, Triodos Bank

Germany was the driving force of the German financial sector commitment for climate and both Triodos Bank UK and Triodos Bank Germany were important drivers for the local PCAF chapters to support measuring carbon footprints and setting targets. Triodos Bank Belgium signed the Belgium alliance on Climate Action Pledge and Triodos Bank Netherlands is still participating at the implementation table of the build environment of the Dutch Climate Agreement. Triodos Bank UK is also a driving force behind Bankers for NetZero and Triodos Bank Spain was invited by Spanish ministries and the Spanish Central Bank to discuss the monitoring of the Spanish Climate commitment. The Spanish branch also contributed to discussions on the Spanish Climate law. The Managing Director of Triodos Bank Germany participates in the Sustainable Finance Council of the German government. Triodos Investment Management acted as stakeholder of the Ecolabel working group.

With regard to systemic change of the financial sector, Triodos Bank co-founded the Club of Rome Finance Impact Hub at the beginning of 2020. This Hub organised multiple sessions with relevant European policymakers on what needs to happen to transition to a sustainable economy. Triodos Bank UK's CEO Bevis Watts contributed to the international WWF film, 'Our Planet: Too Big to Fail'.

These are all specific examples of how we try to change finance. In all our public appearances, opinion pieces, publications or interviews we keep on referring back to the transformational power of money and the role of the financial sector in society.

4 Our impact reporting: measure to manage

To demonstrate Triodos Bank's commitment to transparency we spend considerable time and energy producing impact data that's reviewed by an independent auditor. Impact reporting serves two important goals: internally, to reflect and adjust our course; and externally, to engage with our stakeholders and change finance by advocating transparency.

Reporting on what matters to us and our stakeholders helps us reflect critically on our impact and adjust

our actions when needed. For instance, we may improve our theories of change, update our minimum standards or adjust our targets to continue to be the ambitious sustainable bank we are. The Triodos Group Impact Committee oversees the adoption of these developments into our business throughout the year.

We are careful not to just retrofit our reporting to meet the requirements of benchmarks or initiatives. We believe that meaningful sustainable developments that contribute to a fairer economy come from principle-based decision-making and not from rule-based compliance and 'box ticking'. However, where relevant external organisations provide frameworks or guidelines for impact measurement, Triodos Bank reports against them. We use a number of frameworks to inform our impact activity, both in delivering and reporting on it. They include the Global Reporting Initiative, International Integrated Reporting Council, the Partnership for Carbon Accounting Financials and B Corps.

European developments in regulations and directives

Triodos Bank is a strong supporter of the Renewed Sustainable Finance Strategy and a taxonomy rooted in climate and environmental science. We see a clear role for the financial sector to contribute to a more sustainable and resilient society, especially now that the COVID-19 pandemic has highlighted the critical need to strengthen the sustainability and resilience of our societies and revealed weaknesses in the ways in which our economies function. We also recognise the urgency of transparency: clear comparability between financial institutions is needed to counteract greenwashing. In 2020, we responded to multiple consultations on this topic. For example, we prepared a detailed response to the European Commission's draft Delegated Act on the EU Sustainable Taxonomy.

The EU's Sustainable Finance Action Plan (SFAP)

In May 2018, the European Commission adopted new legislation to steer the financial industry towards three key goals:

1. Re-orient capital flows towards sustainable investment to achieve sustainable and inclusive growth
2. Incorporate sustainability into risk management
3. Foster transparency and long-termism in financial and economic activity

At Triodos Bank, we have been guided by similar principles since our foundation 40 years ago. We therefore fully support and underline the importance of these regulations.

With the implementation of the Sustainable Finance Disclosure Regulation (SFDR), there will be more regulatory pressure to report on sustainability from 2020 onwards. Even though this means more reporting pressure for us as a medium-sized bank, we encourage the implementation of the SFDR as it will also put pressure on the sector to become more sustainable. Having been a values-based bank since our establishment in 1980, we believe that our business model, business principles, minimum standards and reporting on key impact matters (qualitative, quantitative, positive and negative) uniquely equip us to adapt to the SFAP.

Our partnerships in impact

By partnering with others, Triodos Bank hopes to co-create new reporting and disclosure approaches that better meet the needs of stakeholders and businesses within a more sustainable economy. We are already aligned with many of the global frameworks through our local activities across our operations. They include the following:

- The Global Alliance for Banking on Values (GABV): the GABV uses a scorecard as a structured approach to capture the vision, strategy and results of any bank relative to values-based banking. The scorecard is based on the GABV's Principles of

Values-based Banking. It allows a bank to self-assess, monitor, and communicate its progress on delivering values-based banking. Appendix IV– Global Alliance for Banking on Values scorecard – quantitative evidence of our impact (see page 369) provides more detailed information on our scorecard results.

- UN Principles for Responsible Banking: The principles define the global banking industry's role and responsibilities in addressing current societal problems, including social inclusion and the climate emergency. Triodos Bank played a leading role in developing this global framework, as part of the core group of banks who developed the principles and shaped the framework. Appendix V - The United Nations Principles for Responsible Banking (see page 373) provides more detailed information.
- Paris Climate Agreement: Our energy generation portfolio consists of 100% renewable energies – such as wind and solar. This is a sector where we have been leaders and pioneers for four decades.
- We are a founding member of PCAF (the Partnership for Carbon Accounting Financials) and we report the climate contribution of our entire portfolio. PCAF is now a global initiative with over 91 financial institutions collaborating across the world to account for their portfolio climate impact as a first step towards setting targets. Climate impact of our loans and funds' investments (see page 53) provides more detailed information.
- We have a framework in place for addressing the Sustainable Development Goals and monitor our impact across all areas, detailed throughout the annual report and in Appendix III – UN Sustainable Development Goals (see page 343).
- We signed the Finance for Biodiversity Pledge that launched during the Nature for Life Hub in the margins of the 75th UN General Assembly in New York. In the pledge, which was signed by 26 financial institutions from around the globe, the signatories call upon world leaders to reverse nature loss this decade and commit to collaborating, engaging, assessing their own biodiversity impact, setting targets and reporting on biodiversity matters by 2024 at the latest.
- Triodos Bank is also part of the Partnership for Biodiversity Accounting Financials (PBAF),

which is working on a harmonised biodiversity accounting approach.

Beyond these collaborations, we are also committed to the following global initiatives: the Global Impact Investing network (GIIN); UN Principles for Responsible Investment (UN PRI); the Diversity Charter; Club of Rome Finance Impact Hub; the Sustainable Finance Lab; Business Principles on Human Rights.

1.5 Co-worker report

Triodos Bank is not just an organisation, it is part of a growing community with a shared sense of mission. Clients, businesses, investors, and co-workers are all connected through a shared belief in a more sustainable society. The members of our co-worker community are ambassadors for that mission. Each of us made a conscious decision to work for Triodos Bank and to contribute to the change we want to see in the world. Our co-workers are the head, heart and hands that are realising our ambition.

The year 2020 has brought major shifts in the way we work and live together. The onset of COVID-19 has not just affected our health and our livelihoods, it has had profound cultural effects, altering how we engage with each other and changing our ways of working. At the same time, the Black Lives Matter movement added

urgency to the calls to address injustices that are still part of modern-day society.

These challenges have shown the strength of our co-worker community. Co-workers adapted to new ways of working and remained connected while meeting customer needs and achieving many of our strategic objectives.

In 2021, we will further embed the changes that have already started and will continue to adapt to the COVID-19 pandemic (and post-pandemic) reality.

The following table provides a summary of progress against the prospects identified in the 2019 annual report. The content in this table is explored in more depth in the text that follows.

Our key objectives for 2020	How we did	Progress at a glance
Organisational culture programme		
Organisational culture is further embedded and anchored throughout the organisation	The cultural narrative has been finalised. Workshops have been provided but were paused due to COVID-19.	● ● ○
Action plans stimulated by the co-worker survey will be monitored and implemented	The action plans set up within each business unit in 2019 have been monitored and actions included in these plans were followed up locally.	● ● ●
Leadership approach will be strengthened and translated into the leadership development curriculum	An overall approach to leadership development was defined and Group leadership development programmes reviewed to incorporate this approach.	● ○ ○
A revised and harmonised appraisal process will be introduced	The organisation will shift to a continuous feedback model. As a first step FLOW (feedback, learning, objectives and well-being) dialogue training has been piloted at all entities.	● ● ○
Learning Organisation		
Implement a learning management system to provide an overview of online and offline learning opportunities across Triodos Bank	The Learning Hub has been designed and technical integration set up. It is ready for roll-out in 2021.	● ● ○

Our key objectives for 2020	How we did	Progress at a glance
Continue to enable co-workers to connect with the essence and mission	Co-workers have been invited to participate in virtual dialogue on the Triodos Bank motto. Locally business units have taken distinct initiatives e.g. to organise more extensive (virtual) induction programmes (TBNL and TBUK), spending time in the Monday Morning Meetings on connecting with our essence (HO, TBDE, TBNL, TBUK) and continued roll-out of Reflection Days (TBDE and TBUK).	● ● ○
Broaden learning and development opportunities available for all co-workers.	Many existing in-person offerings were cancelled due to COVID-19. Virtual workshops and alternatives have been offered across Triodos Group to all co-workers.	● ● ○

● ● ● Met ● ● ○ Mostly met ● ○ ○ Partially met ○ ○ ○ Not met

Organisational changes

The low interest rate environment and growing regulatory demands are expected to continue for a longer period. Given this context, Triodos Bank has decided not to make the large investment required to establish a banking branch in France and has closed the intermediary office in Paris.

In response to the increasing complexity and demands regarding law and regulation, teams dealing directly with these topics (Compliance, Risk, Customer Due Diligence, Customer Activity Monitoring and Fraud) have seen an increase in the number of co-workers and / or restructuring at Head Office, Belgium, The Netherlands, Investment Management.

There were important changes in senior leadership in parts of the organisation during the year. In September, Pauline Bieringa was appointed as Managing Director Triodos Bank Netherlands. She follows in the footsteps of Matthijs Bierman, who has left to start a new chapter in his life as a professional legal mediator after 24 years at Triodos Bank.

The Supervisory Board of Triodos Bank has appointed André Haag as Chief Financial Officer (CFO) and a member of the Executive Board of Triodos Bank. André started on 1 January 2020.

On 22 September we announced that our CEO, Peter Blom, has decided to step down from his role, having worked at Triodos Bank for forty years. He will leave the bank at the end of this year's AGM, on 21 May 2021. On 9 February 2021 Triodos Bank announced the decision of Jellie Banga to step down from her role as Vice-Chair of the Executive Board and Chief Operating Officer (COO), effective 1 May 2021. In reviewing the scope of Jellie's role, it has been decided to split her role into a COO role – focusing on the operating side of the bank – and a Chief Commercial Officer (CCO) role – focusing on the commercial side of the bank. This brings the total number of Executive Board members to five. The Supervisory Board has initiated the recruitment process for both the COO and the CCO roles.

Flexible working

We had almost completed implementing Workplace 2020, which involved providing laptops to all co-workers to enable flexible working across our Group, when the first COVID-19 measures were announced. Since then, we have taken significant steps to move to full remote working. This included ensuring our customer support centres had the resources to work effectively from home. We all learned how to make effective use of online meeting applications and developed new ways of working together.

Group-wide policies have been established and adapted locally to support remote working and

initiatives have been set up to ensure home offices meet health and safety requirements.

Overall, our digital experience last year has strengthened the case for flexible working in future. In our response to COVID-19 we have discovered how we are capable of working fully digitally. The pandemic enforced limitations on our operations, but this has also helped to fast-track digitalisation. And we have been able to learn from the different ways our various entities have managed the specific restrictions imposed by each country.

From the co-worker survey and dialogues we held on remote working we learned that the shift to remote working has come with both challenges and opportunities and is experienced differently according to individual circumstances. Many of us miss the social interaction of working in person at the office. Some find there is less space for creativity or struggle with managing work-life balance. Many of us also experienced the upside of working digitally. Most notably, we are building stronger international links with colleagues as distance is no longer a barrier to collaboration. The reduction in commuting and travel time and the lower associated emissions are also widely welcomed.

Co-worker experience

There are practical implications when co-workers work remotely, but how we work and connect with others also has an impact on mental health. Maintaining active communication channels between co-workers was a priority last year.

Structural communications have been set up to support co-workers remotely, including the launch of internal Engage (intranet) spaces with tips and tricks and the conversion of our Monday Morning Meetings to virtual sessions (with more colleagues able to engage than in a physical meeting). Co-workers have been creative in connecting with each other in virtual meetings and socially, at digital coffee breaks, in pub quizzes and by allocating timeslots for exercising together.

Our COVID-19 engagement survey conducted across the Group confirmed that these initiatives are positively received by co-workers. In the same survey co-workers also scored the support they experienced highly on performance enablement and business continuity.

Working efficiently

Triodos Bank aims to be adaptive, work efficiently and be ready to face any future challenges. For the past two years we have been working in multidisciplinary domain teams around specific themes. These teams handle all changes for a certain business area, including product portfolio, customer journey, processes and IT. They are focused on delivering business value for customer demands in an agile way. Domain teams are a collaboration between relevant disciplines and business units. They can consist of multiple change teams that combine all competencies from the different disciplines needed to handle the challenge at hand. Domain teams are stable for at least two years, but not permanent.

Domain teams now work according to the One Bank principle: developing standardised (Group) processes and solutions, taking account of local differences in market, product range and legislation. The first initiatives focused primarily on IT developments, but we are now seeing a shift to a broader change story. Intensive cooperation within domains has led to more collaboration and exchange, especially internationally.

The lending, retail and customer integrity processes developed further this year. This resulted in better experience and more efficiency for both co-workers and customers.

The multidisciplinary nature of the collaboration, both within and between business units, has been a positive feature of this new way of working. Working on standardised solutions that meet business needs, is combining our human capabilities more effectively. Domain-based working makes better use of individual talents and strengths within these teams.

Learning organisation

Learning and development have always been important to Triodos Bank. We emphasise this is not just to increase our formal knowledge and skills, but to underpin our strategic ambitions. Exchanging ideas, envisioning our shared future and developing our craftsmanship can all help in truly unlocking the purpose of our organisation.

As human interaction plays an important role in all our learning initiatives, many of these were initially cancelled when COVID-19 measures were announced. Once it became clear the COVID-19 measures would be in place for a longer period, we made the shift to digital initiatives. Virtual workshops were held for and by colleagues on a variety of subjects allowing co-workers from all countries to participate. Both the Summer School of the ISB and the GABV Leadership Academy were held digitally.

With most individual enrolments in training courses put on hold, some co-workers opted for digital alternatives. However, overall, we saw a decline in training spend, both in financial terms and in terms of time invested. At a local level, all co-workers receive regular performance and career development reviews.

To strengthen our learning capability, we prepared for the roll-out of a new learning management system (Learning Hub). The Learning Hub will further reinforce our learning culture by offering an overview of all learning opportunities across our Group, enabling online, blended and in-person learning initiatives.

Responsible employer

Diversity and inclusion

There were urgent calls for more diversity and inclusion in society in 2020. The Black Lives Matter movement and protests against discrimination highlighted an unjust system and the need to deconstruct and rebuild. The movement also stimulated conversations within our organisation about diversity, inclusion and equality. Additionally, it raised questions about our culture and biases.

To create a society that promotes people's quality of life and has human dignity at its core, we must be aware of our own (unconscious) prejudices and how they are expressed in our culture and behaviour. The growing sense of urgency in society is matched in our organisation.

Co-workers and senior management are committed to work to determine blind spots or unconscious bias. Additionally, they feel an urgency to act to increase diversity and work on a more inclusive culture.

During 2020, with the input of our senior leadership we shaped our ambition to be a more diverse and inclusive organisation. A Diversity and Inclusion Officer was appointed in December 2020. In The Netherlands, we have signed the Diversity Charter (see diversiteitinbedrijf.nl). We regularly report and take soundings on diversity and inclusion at stakeholder meetings. Diversity and inclusion will remain high on our list of priorities in 2021.

Well-being

The physical safety and mental well-being of co-workers are of prime concern. Special attention was paid to ensuring our people can work from home in a good and healthy way. As the period of obligatory remote working has lasted longer, we have paid more attention to co-workers' mental well-being.

Co-workers and managers have been supported locally with newsletters, individual support, tips and tricks, and workshops on different themes related to remote working. These included subjects such as staying connected with colleagues, coaching, resilience, team cohesion, yoga and preserving a healthy workplace.

Overall, our sickness rate has decreased since last year to 3.7% (2019: 4.3%), although there were a number of COVID-19 cases. This downward trend on illnesses is consistent with the experience of other organisations. This might be due to the fact that co-workers are less susceptible to other diseases while at home. Equally it may be because they continue to work, despite feeling slightly ill as they do not have to commute, have

no concerns about infecting others and can be more flexible in their working hours.

Prospects for 2021

2021 brings many uncertainties that directly impact each and every one of us, our business results and community. The impact of COVID-19 on the economic climate, the actions that will be taken to become a more inclusive society, the longer-term impact of social distancing on our well-being and the increasing pressure of rules and legislation will all influence how we work as an organisation.

What is certain is that agility will be expected from all of us. We will need to learn and improve continuously, retain our focus, and deliver results. Digitalisation is here to stay as is our mission and our ambition to become a frontrunner.

Even after the COVID-19 measures have lessened, Triodos Bank co-workers will continue to work partially from home. We will retain to an extent the virtual way of working we experienced in 2020, allowing for more flexibility in where and when we work, creating opportunities for more cross-border collaboration, reducing office costs and lowering CO₂ emissions. This longer-term, hybrid way of working enables us to have more focused and efficient meetings virtually, while having in-person encounters where creativity, connection and networking are key.

As a consequence, the bank will concentrate activities in The Netherlands in the new office De Reehorst in Driebergen. In Spain, we decided to rent out one of our two head office buildings in Madrid. An approach will be defined to support co-workers and manager in this new way of flexible working, taking into account the role of leadership, diversity and inclusion, behaviours and the Make Change Work themes.

Human connection and dialogue between colleagues and between co-workers and managers are reflected in FLOW-dialogues (feedback, learning, objectives and well-being). FLOW empowers co-workers in the continuous feedback cycle and will be embedded within

all teams across all levels of our organisation and by each colleague.

To better understand people's lives in the organisation, an international survey will be conducted in 2021 focusing on diversity and inclusion. A diverse group of co-workers is being brought together to act as a sounding board and validate our approach. A vision paper will be created to establish a common understanding of diversity and inclusion and the goals we want to pursue as Triodos Bank. This vision paper will be an important reference as we progress our policies and work practices.

Our learning organisation will be reinforced by the implementation of the Learning Hub (Learning Management System) across the group, to provide transparency about learning opportunities and to support the establishment of the 'licence to operate' (covering most mandatory training) and functional curricula across our organisation.

1.6 Environmental report

In keeping with its mission of being a sustainable bank, Triodos Bank both finances enterprises that make a positive environmental difference through their business and takes great care of its own environmental performance as a company. This is why Triodos Bank was one of the first banks to produce an environmental report. And it is why it continues to try to play a leading role, exemplifying how values-based banks and businesses in general can operate in an environmentally responsible way.

Triodos Bank limits its environmental footprint as much as it can, avoiding the emissions of greenhouse gases wherever possible. It offsets any unavoidable emissions. Triodos Bank measures the footprint of its operations, registers it in a CO₂ management system and compensates for it fully in Gold Standard¹ carbon-offset projects.

Besides disclosing annual financial results, Triodos Bank also wants to take responsibility for its environmental impact. It reports on all its direct emissions (gas consumption for heating and fossil fuels for company and lease cars) and its most relevant indirect emissions (electricity, commuting travel and business travel, paper use and working from home). It also discloses the amount of energy used through both electricity and gas in all its banking entities.

The year at a glance

The corona crisis had a major impact on the way of working, meeting and doing business. This is reflected

in the CO₂ emissions of Triodos Bank in 2020, being only 35% of the emissions in 2019. In our 2020 emissions reporting, the emissions resulting from working from home were out of scope.

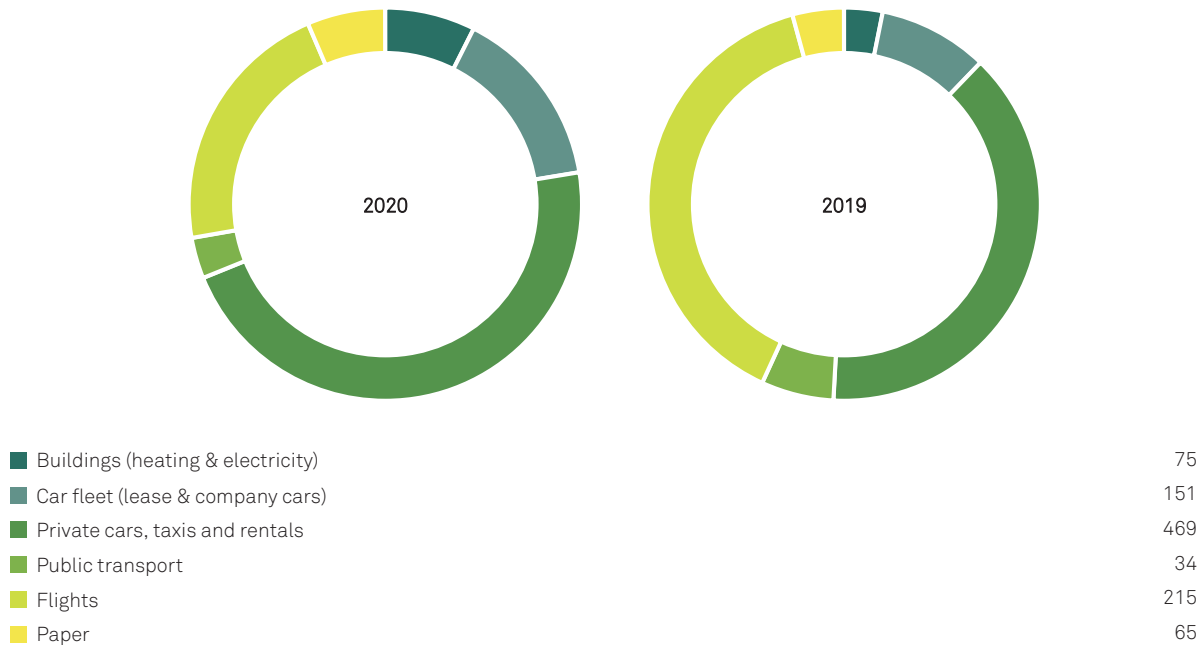
In numbers: the CO₂ emissions per FTE in 2020 decreased to 0.67 tonnes, compared to 2.00 tonnes in 2019 and the total CO₂ emissions across the whole of Triodos Bank decreased from 2,901 tonnes CO₂ in 2019 to 1,011 tonnes CO₂ in 2020. There has been a decrease in electricity consumption of 12% per FTE and a reduction of 54% of gas consumption per FTE. Business travel by airplane has decreased by 79% per FTE. All these big declines are caused by COVID19-related measures, like travel restrictions and working from home by default.

The total amount of paper usage decreased in 2020 to 34 kg per FTE (2019: 67 kg per FTE). The amount of blank copy recycled paper decreased to 2.9 kg per FTE (2019: 10.8 kg per FTE). The amount of recycled printed paper was 0.06 kg per customer, a decrease of 43%. Also, the reduction of paper consumption is a consequence of the COVID-pandemic, with fewer co-workers in the offices and almost no external events.

The effects of the pandemic on CO₂ emissions in 2020 makes comparison with 2019 in quantitative terms not very meaningful. In qualitative terms, it is interesting to see the enormous effects on the CO₂ emissions of, for example, meeting virtually. This significant difference is encouraging us to embrace aspects of this new way of working and meeting for 2021 and beyond.

¹ Gold Standard was established in 2003 by WWF and other international NGOs to ensure projects that reduced carbon emissions featured the highest levels of environmental integrity and also contributed to sustainable development. More info: <https://www.goldstandard.org/>

Absolute CO₂ emissions in 2020 (in thousands of kg)
2020 total : 1,011 tonnes CO₂
2019 total: 2,901 tonnes CO₂



Details of the methodology Triodos Bank uses to calculate its CO₂ emissions are available on request.

Impact of working from home

The corona crisis made working from home and meeting virtually the standard operating mode this year. Offices had very low occupancy rates, resulting in lower energy consumption compared to 2019. The head office in Spain closed down half of its available office space. Mobility, for both business and commuting purposes, which contributed over 90% of Triodos Bank's footprint in previous years, came to an abrupt halt.

An employee survey in The Netherlands showed that most co-workers would like to continue to work from home for at least part of the working week. Triodos Bank has taken the decision in principle to structurally change its way of working in The Netherlands. All co-workers will continue to work partially from home in The Netherlands after the corona crisis.

This change in the way of working in 2020 and beyond means that the impact of Triodos Bank's operations significantly shifts from offices towards homes. Thus, working from home is deemed significantly material for 2020 and the years to come. As a mature methodology for calculating the CO₂ emissions resulting from working from home is not yet available, Triodos Bank started with inventorising the number of days worked from home. Over all business units, this is estimated to be about 130 days per FTE, which is slightly more than 50%, taking the whole year into account, including the pre-COVID-19 period.

Triodos Bank acknowledges the impact of working from home, but influencing this impact is more difficult. Choices about energy systems and devices at home are private issues and not for the employer to decide. This is a new issue for Triodos Bank and as a first step we have collected sample data to gain more insight into this dilemma. This gives us a basis for

further discussion about the desirability and feasibility of managing this impact.

Sustainable property

Triodos Bank wants its buildings to be as sustainable as possible. It therefore makes continuous improvements to enhance their sustainability. This year, Triodos Bank Spain carried out an energy-efficiency audit for all its offices, resulting in energy-efficiency measures in various buildings. Also, many measures were taken to improve sustainability in the United Kingdom office, impacting energy consumption and waste management.

As a consequence of the structural shift towards working more from home, Triodos Bank is reviewing the projected needs and uses of office space for all business units. In The Netherlands, this resulted in the decision to base all co-workers at the Reehorst. The Reehorst is designed to be energy-neutral and is the first office in the world to have 100% circularity potential. In Spain, available space was halved in one of the Madrid offices in mid-2020.

Sustainable mobility

In 2020, Triodos Bank introduced an updated mobility policy in The Netherlands to create a more flexible and sustainable approach to business travel (air travel not in scope) and commuting. Moving about 60% of the Dutch co-workers to the new Reehorst building at end-2019, was expected to have a positive impact, not least because the building is located alongside a railway station, with direct connections to major urban centres. In the United Kingdom, Triodos Bank worked with local groups to improve cycle networks, as part of efforts to stimulate sustainable travel among co-workers.

There was a big reduction in mobility as a result of the corona crisis as the vast majority of co-workers worked from home. For the little (commuting and business)

travel that still took place, private transportation modes like the car seemed to be preferred over public transport, in line with recommended safe travel behaviour in COVID-19 times. Because of these special circumstances, it wasn't possible to quantify the impact in 2020 of our latest mobility measures, including the new mobility policy.

In 2020, Triodos Bank conducted an air travel scan to get detailed insight into the impact of its air travel and the reduction potential of specific measures. The suggested measures focus on reducing air travel, switching to more sustainable alternatives and prioritising lower impact air travel. The results of the scan will be included in an updated International Travel Policy, which Triodos Bank intends to introduce in 2021.

Working with sustainable suppliers

Triodos Bank tries to extend its positive impact on society through the sustainable choices it makes about its suppliers. Hence, the process through which it buys goods and services is considered a material topic for the organisation.

The procurement policy used across all the countries aims to make sure that we engage sustainable suppliers. The policy determines how Triodos Bank assesses how suppliers are aligned with its business principles and minimum standards.

In addition, and importantly, Triodos Bank's policy is proactively to strive to improve the social, environmental and cultural impact of both its procured goods and services and the organisations that deliver them. Steps will be taken in the coming years to further strengthen the monitoring of the application of the policy, learn from best practice across the Triodos Bank network and engage in dialogue with suppliers to stimulate improvement in their sustainability performance. This should further deepen the impact of Triodos Bank's mission.

Our key objectives for 2020	How we did	Progress at a glance
Sustainable mobility: air travel scan to identify possible reduction measurements that can reduce the climate impact of Triodos Bank's air travel. Introduce a new mobility policy in The Netherlands	The air travel scan identified possible measures to reduce the CO₂ impact of Triodos Bank's air travel and reduction potential of these measures. New mobility policy for commuting and business travel (excluding air travel) was introduced in The Netherlands.	● ● ●
Working with sustainable suppliers: design an approach to assess the sustainability impact of our vendors	A first draft of the approach was tested, resulting in recommendations for improvements. Work on the approach is ongoing and will continue in 2021.	● ○ ○
Waste management: implement waste reduction programme, focusing on measuring quantity of waste, in The Netherlands	Focus in 2020 was on organic waste. In the kitchen, food waste was weighed and logged by type, using a smart tool integrating camera and scale capabilities. This generated insights that resulted in very low organic waste production. A pilot scheme converted raw, vegetable waste into compost which was then used on the Reehorst kitchen garden, which produces ingredients for the company restaurant. Low occupancy rates in the offices as a consequence of COVID-19-measures resulted in very low, non-representative waste levels in 2020.	● ○ ○

● ● ● Met ● ● ○ Mostly met ● ○ ○ Partially met ○ ○ ○ Not met

Prospects for 2021

- **Sustainable mobility:** formulate and introduce an updated International Travel Policy, with sustainability as an important starting point
- **Working with sustainable suppliers:** further develop our approach to assessing the sustainability impact of our vendors, focusing on enhancing internal awareness on the interconnectedness of procurement and sustainability
- **Waste management:** introduce more mono-waste fractions, enabling higher value recycling

1.7 Risk and compliance

Risk management

Managing risk is a fundamental part of banking. 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 a sound business and risk approach, they are supported by risk managers with local business knowledge to identify, assess and manage risk. At Group level the risk appetite process allows Triodos Bank's risk profile to be managed within the defined risk tolerance levels in pursuit of the achievement of Triodos Bank's strategic objectives.

Periodically each business unit performs a strategic risk assessment to identify and manage potential risks that could impede the realisation of its business objectives. The results of these assessments are consolidated and used as input for the Executive Board's own risk assessment. They are also part of the business plan cycle.

Three important external developments may influence the strategy of the bank and therefore pose a strategic risk: the impact of the COVID-19 epidemic, the continuing low interest rate environment and new (additional) regulatory requirements. The first has fundamentally changed the way of working within Triodos Bank and will probably adversely impact certain sectors within the economy to which part of Triodos Bank's assets are exposed. The second has led to a decreased margin and consequently lower profitability than anticipated and may – depending on the development – continue to do so. The third has led and will lead to an extra effort of co-workers, system adaptation and processes in order to implement these new regulatory requirements, as well as increasing contributions to the Deposit Guarantee Scheme and resolution costs.

The strategic risk environment forms one of the starting points for determining the corporate strategy, the assessment of the capital and liquidity requirements in relation to the risk appetite and the recovery plan. In addition, business units are assessed on their

sensitivity to risks, to determine the input for scenarios used to stress-test Triodos Bank's solvency, liquidity and profitability.

Given the selected scenarios, Triodos Bank is sensitive to a continuing, low interest environment scenario. It shows that, with projected business volumes and fee income, profitability will be under pressure in the coming years. This risk will be mitigated by a focus on cost efficiency and by diversification of income.

The impact of the scenarios was calculated and assessed in relation to profitability, capital ratios and liquidity. The results indicated that Triodos Bank has a strong capital base to absorb unexpected losses.

In addition to the regular stress scenarios, the regulator requires a specific scenario dedicated to climate risk. Climate risk contains two elements:

- The risk that relates to the transition of 'old' sources of energy to sustainable ones (transition risk), which can result in stranded assets. Power plants using coal that have to close earlier than expected, are an example.
- The risk that relates to the changes of the climate itself causing physical damage (physical risk). The rise of sea levels as a result of extreme weather conditions is an example.

Given that sustainability considerations are a starting point within Triodos Bank's lending processes, transition risks are minimal in its loan portfolio. Triodos Bank's lending is already focused on financing enterprises contributing to a low-carbon future.

Triodos Bank's portfolio could be impacted by the physical risks of climate change. Regarding physical risk, the changes in climate leading to storms, floods and droughts may have an impact on its assets. In the longer term, impact on weather conditions (such as wind and solar resources) may affect renewable energy generation.

Triodos Bank carries out annual climate stress tests which take extreme but plausible situations into account. As part of determining the scenarios, it evaluates whether extreme weather situations could

impact the bank's resilience with a time horizon of three years. Currently, the conclusions of this work are that it is very unlikely to have material impact within this time horizon.

Finally, Triodos Bank believes that since these climate risks will have a profound impact on society as a whole over the longer term, society and the banking sector should create structures to drastically decrease and minimise the financing of unsustainable assets.

Triodos Bank is sensitive to reputational risk events. To prevent events that may trigger reputational risk, it is essential to clearly communicate the bank's purpose, mission and act accordingly, as well as to prevent compliance issues and related press coverage.

A fully integrated risk management report presents Triodos Bank's risk profile in relation to its risk appetite. The report is an important risk monitoring tool for Triodos Bank, which also contains analyses on specific risk types and themes. This report is distributed quarterly and discussed with the Supervisory Board's Audit and Risk Committee.

Several risk committees are in place at group level. Each is dedicated to cover and manage specific types of risk. The monthly Asset and Liability Committee is concerned with managing liquidity risk, interest rate risk, foreign exchange risk and capital management in general. The monthly Non-Financial Risk Committee monitors and manages the development of non-financial risks (i.e. operational risk and compliance risk). The Anti-Money Laundering and Counter-terrorist Financing Risk Committee monitors and manages the regulatory and associated topics regarding anti-money laundering and counter-terrorist financing risk.

The Enterprise Risk Committee of Triodos Bank is the body delegated by the Executive Board to propose the risk appetite, monitor the actual risk profile against the risk appetite and in particular discuss and decide on topics pertaining to the enterprise risks of Triodos Bank (e.g. strategic and reputational risks).

The Credit Risk Committee plays an important role in assessing the risk of new loans and monitoring the

credit risk of the entire loan portfolio. The assessment of credit risk of individual loans is primarily the responsibility of local banking business units, who are responsible for the day-to-day operations. The Group risk function sets norms, approves large loans and monitors the credit risk and concentration 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 bank. 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. The Group's growth over the past years in combination with new legislation and regulatory demands, requires the bank to continuously review, assess and adapt its internal organisation and governance structure.

Capital and liquidity requirements

Regulators 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. Triodos Bank complies with the capital and liquidity requirements based on the Capital Requirements Regulation.

Triodos Bank's capital strategy is to be strongly capitalised. Triodos Bank aims for a common equity tier-1 (CET1) ratio of at least 15%, well above its own internal economic capital adequacy models to guarantee a healthy and safe risk profile. The quality of capital as well as the solvency rate are important. Currently, nearly all of Triodos Bank's capital is qualified as common equity. Economic capital is the amount of risk capital held to enable the organisation to survive any difficulties, such as market or credit risks. Economic capital is calculated periodically and supports Triodos Bank's own view of capital adequacy for the purpose of the yearly Internal Capital Adequacy Assessment Process (ICAAP), which is reviewed by De Nederlandsche Bank.

In 2020 Triodos Bank raised only a small amount of additional capital (EUR 5.4 million) by issuing

additional Depository Receipts as the trading of DR was suspended for a prolonged time during 2020. In October trading in DRs resumed based on an updated prospectus and a changed set of trading principles, however trading was suspended again in January 2021. Nevertheless, the CET1 ratio increased by 0.8% from 17.9% at the year-end 2019 to 18.7% at the year-end 2020. This was mainly as a result of changes to capital regulation in 2020, referred to as the EU risk reduction package. This capital ratio is well above the regulatory requirement.

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

The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are both well above the minimum limits of Basel III. More detailed information about Triodos Bank's approach to risk is included in the Annual Accounts section on Risk management (see page 206).

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 banking entities under the

direction and supervision of the financial management of Triodos Bank.

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

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

The risk management framework is an important cornerstone in the in-control statement process (see also Risk management (see page 206). Triodos Bank is working in a continuously changing environment, which requires regular upgrades of its control framework.

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 ensure 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. The external aspects of the Compliance department's role 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. In addition, it is concerned with raising and maintaining awareness of, for example, financial regulations, compliance procedures and fraud and anti-corruption measures.

Triodos Bank has a European compliance team which is led by the Group Director Compliance, who is also the Group data protection officer. Compliance officers and data protection officers are appointed in every banking entity with a functional line to the central compliance department. The Director of Compliance reports to the Chief Risk Officer and has an escalation line to the Chair of the Audit and Risk Committee, that supports the independence of the Compliance function.

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

In 2018, De Nederlandsche Bank (DNB) conducted a thematic, sector-wide survey among Dutch banks, focusing on the measures that the banks have taken to prevent money laundering and terrorism financing. Following this survey, DNB concluded that Triodos Bank is required to implement enhanced measures concerning customer due diligence and monitoring of customer transactions. On 6 March 2019, DNB imposed on Triodos Bank N.V. a formal instruction (aanwijzing) to remedy shortcomings in the compliance with provisions of the anti-money laundering and counter-terrorist financing laws and the financial supervision laws. Triodos Bank accepted this instruction and is implementing mitigating measures, which are on track. Following the formal instruction Triodos Bank received

an administrative penalty on 14 December 2020 that was paid without delay.

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

Sustainability policy

Sustainability considerations are shared at all levels of Triodos Bank and are an integral part of its management, including how it evaluates risk. Social and environmental aspects are taken into account in all day-to-day business decisions. Therefore, 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 our website.

2. Supervisory Board report

The Supervisory Board supervises and reviews the activities and the decisions of the Executive Board and the functioning of Triodos Bank's operations. In addition, the Supervisory Board provides advice and guidance to the Executive Board. In formulating the strategy for realising Triodos Bank's mission, the Executive Board engages with the Supervisory Board at an early stage. Its supervision is based on internal and external reports on, amongst others, Triodos Bank's business, operations, impact, risks and financial performance, augmented by presentations, conversations and visits. All material areas of Triodos Bank are covered within a two-year time frame.

The challenging context of 2020

The impact of Covid-19 on economic activity and personal lives can hardly be overestimated. For Triodos Bank, the economic impact is particularly reflected in IFRS9-driven provisions in relation to the outstanding loans, which is reported on further in this report, as well as on the DR trade. The Bank was able to transform to a work-from-home situation without major disruptions, which deserves a compliment to all co-workers. At the same time, Covid-19 accelerated digital strategies which enhance the customer service.

This annual report is the first where Triodos publishes under IFRS accounting rules, apart from the financial statement in 2019. This has been a bank wide effort and well managed project by the finance line of the bank. The SB was regularly informed and made sure that all consequences were well managed and embedded. Another societal challenge was the Brexit, which took place at the very end of 2020. By transforming the British branch into a subsidiary well in time, Triodos was prepared in 2019 already, and did not suffer from implications of the Brexit agreement of the British Government with the EU.

In the meantime, the low interest environment continued to pose the Bank with severe challenges. The Supervisory Board supported the interest rate and fee measures that were implemented by July 2020. The measures are considered to be proportionate, enhance transparency in the costs of providing banking services, and limit cross subsidisation.

Against the backdrop of other banks increasingly positioning themselves as sustainable, while at the same time making pace in digitisation of their products and services, the Supervisory Board discussed the business model with the Executive Board on several occasions. The focus of the strategic plan on three sectors in which Triodos specializes (Food and Agriculture, Energy and Climate, Social Inclusion) was welcomed.

Activities of the Supervisory Board

Strategic focus and performance

During the year, the Supervisory Board was actively involved in discussions with the Executive Board on the strategic focus of the bank and monitored the execution of the strategy. In the context of our supervision on the balance of impact, risk and return, we paid special attention to the return on equity, which was under continued pressure. Therefore, costs had to be contained even more than in the years before. The Supervisory Board encouraged the Executive Board to seize the growth opportunities for Triodos Investment Management and other fee-generating business.

The Supervisory Board closely monitored the performance and functioning of the Executive Board and its individual members. The Board approved the priorities for 2020 covering the performance, health and development of Triodos Bank. Close to the end of the year, the Supervisory Board assessed the performance over 2020 and discussed the priorities for 2021.

In 2020, preparations were made for the annual plan and budget for 2021. This is the last year of the 2019-2021 planning cycle. The Supervisory Board and the Executive Board had extensive discussions on the achievements in this three-year period and the ambitions going forward. Given the abovementioned substantial challenges, the suggestion was made to change the three-year planning into a three horizons planning, with rolling updates on each of the horizons. In 2021, discussions about the plans for each of the horizons will continue. The Executive Board

and the Supervisory Board agreed on this approach going forward.

Governance

In 2020 the newly configured Executive Board showed that the separation of the CFO and CRO roles was effective. Both new board members delivered clarity from their respective roles and restructured their business lines in order to enhance efficiency and improve performance. The COO managed a large portfolio, with all Managing Directors as direct reports besides the operational business. The continuation of the leadership transition process, which was set in motion with the CF(R)O succession, led to extensive discussions on the succession of the CEO. After a very long term of office of the current CEO, who shaped the Bank in its current form, it takes a careful process to find a successor who can lead the Bank in its next stage. It was decided to hire a temporary CEO to secure the continuity of the governance and to prepare Triodos Bank for a next stage of leadership.

During the year 2020 the Supervisory Board itself had a stable composition. For 2021 and 2022 changes are foreseen and recruiting of successors has started at the time of writing this report.

Dividend 2020

The declaration of dividend was decided on during the first regular meeting of the Supervisory Board, in the week after the initial lockdown in early March 2020. After some months, it became clear that the dividend decision had to be amended, due to the Covid-19 implications and the subsequent strong advice by the prudential supervisors (ECB and DNB). This was announced in due time. Since all banks decided to pass dividend in Spring 2020, we were not an outlier. Still, we regret that we had to convey this message to the depository receipt holders, as we highly value their commitment to Triodos Bank.

Other topics

In 2020, the Supervisory Board had 9 meetings, some of them induced by the Covid-19 situation. A number of them took place online. Other topics discussed at the

Supervisory Board's meetings and contacts with the Executive Board included:

- Finance: the impact of Covid-19 was significant, but mitigated by solid financial management. The Return on Equity developed below budget, most notably due to Covid-19. The Supervisory Board monitored the metrics on a monthly basis and discussed with the Executive Board about their response. See also the report by the Audit and Risk Committee (below). As usual, the Supervisory Board examined the half year results, the Management Letter and Board Report of the External Auditor, the 2019 annual report plus the half year results 2019 and the respective press releases, as well as the dividend proposal (see above).
- Risk and Audit: the risk appetite statement, the actual risk profile, and the effectiveness of the internal risk framework and control systems, the audit findings, the auditor's reports, loan reports and implementation of new regulatory requirements were all discussed in plenary at the Supervisory Board. Of course, Covid-19 brought additional risks in terms of financial performance and business continuity.
- Culture Change Effectiveness: the Supervisory Board continued to supervise the Culture Change Effectiveness programme, which started in 2018. Due to Covid-19 priorities, further development of this programme was put on hold by the Executive Board. Going forward, the Supervisory Board will monitor the alignment of this programme with the Strategy and the Business Plan.
- Works Council: in accordance with the Works Council Act (WOR), a delegation of the Nomination Committee attended two consultative meetings of the Dutch Works Council with the CEO, during which the general affairs of the company were discussed (AGvZ-overleg). Because of Covid-19, these meetings were held online. In addition, consultations were held with the Dutch Works Council about the succession planning of the new CEO and their formal role and wishes in the process. In the autumn, two members of the Nomination Committee, together with the Works Council and the Group Director HR, developed a procedure to exercise the nomination rights of the Works Council for two members of the Supervisory Board.

- Talent Management: in spring 2020, the Supervisory Board started with informal bilateral (online) meetings with senior managers, aimed at getting to know each other better and to increase awareness of how roles and functions are performed in day-to-day practice. This round of bilateral meetings was evaluated positively from all sides and will be repeated in 2021.
- Business Units: due to the Covid-19 travel restrictions, the Supervisory Board could not visit the international branches or UK subsidiary. We hope to resume the visits in 2021 or 2022 and look forward to reaching out again. Via online deep dives that were executed by the respective managing directors and senior management from Head Office, the Supervisory Board gained more insights on achievements and challenges of some of the business units. These deep dives will be continued in 2021 in order to cover all business units.
- Contacts with the Dutch prudential supervisor: the full Supervisory Board met with De Nederlandsche Bank (DNB), the Dutch central bank, in autumn 2020. During the year, the Chair and Vice-Chair had several calls to keep DNB updated on the leadership transition process.
- Contact with the Board of SAAT: the Supervisory Board met with the Board of SAAT as usual before the Annual General Meeting. In addition, the Board of SAAT, the Supervisory Board and the Executive Board met in October for an update on the leadership transition process, and the different roles and responsibilities of the three boards.

Internal organisation

Composition of the Supervisory Board

Triodos Bank's articles of association determine that the Supervisory Board shall consist of three or more members. At present the Board has six members.

The Supervisory Board aims to be diverse, with an adequate balance of nationalities, age, experience, background and gender. Its objective is for no more than 70% of its seats to be held by either gender. In 2020 there were four male and two female Supervisory Board members. Consequently, the Supervisory Board complies with its diversity policy.

Committees of the Supervisory Board

The Supervisory Board has three standing committees: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. During the latter half of 2020, an ad hoc DR Trade Committee was formed at Triodos Bank, which included the ARC members. These committees met separately throughout the year. Their main considerations and conclusions were shared with the Supervisory Board, where formal decision-making takes place. The composition of the committees in 2020 was as follows:

Audit and Risk Committee

- Ernst Jan Boers (Chair)
- Sébastien D'Hondt
- Mike Nawas

Nomination Committee

- Aart de Geus (Chair)
- Fieke van der Lecq
- Dineke Oldenhof

Remuneration Committee

- Fieke van der Lecq (Chair)
- Aart de Geus
- Dineke Oldenhof

For more information on the Supervisory Board members, see Appendix II – Executive Board, Supervisory Board and Board of SAAT biographies (see page 338).

Terms of office of Supervisory Board members (as per December 31, 2020)

Supervisory Board	Year of first appointment	Year of first reappointment	End of current term	Envisaged retirement ¹	A&RC	NomCo	RemCo
Aart de Geus (Chair)	2014	2018	2022	2022	-	Chair	Member
Fieke van der Lecq (Vice-Chair)	2017	-	2021	2021 ²	-	Member	Chair
Ernst Jan Boers	2014	2018	2022	2022	Chair	-	-
Sébastien D'Hondt	2019 ³	-	2024 ³	2028	Member	-	-
Mike Nawas	2019	-	2023	2027	Member	-	-
Dineke Oldenhof	2018	-	2022	2026	-	Member	Member

1 Based on internal Supervisory Board policy, a 2 x 4-year term is considered standard practice. In exceptional circumstances this term can be extended to 12 years or beyond, after approval of the general meeting (article 9 (6) Articles of Association).

2 Fieke van der Lecq is not available for a second term of office and will therefore step down at the 2021 AGM.

3 Sébastien D'Hondt has been appointed at the EGM on 13 December 2019. End of his first term is after the AGM in 2024.

Activities of the Audit and Risk Committee

The Audit and Risk Committee (ARC) met, in accordance with the corporate calendar, six times in 2020. An extra ARC meeting was held end of March in which the yearly internal reports on capital and liquidity adequacy were discussed and the recovery plan was prepared for Supervisory Board approval, in order to ensure a timely distribution of these documents to the Dutch central bank on 30 March 2020.

In addition to its regular meetings, informal meetings were held with the external auditor as well as with the internal auditor, without the Executive Board being present. Also, the ARC chair conducted separate sessions with, amongst others, the Group Director Internal Audit, the Group Director Finance and the Group Director Compliance.

Furthermore, an ARC subcommittee was established throughout the year in order to discuss the new Depository Receipts prospectus and the re-opening of trade with Executive Board members. This ARC subcommittee consisted of the ARC members and met with the Chief Executive Officer, the Chief Risk Officer, the Group Director Retail Banking, and the General Counsel 14 times.

During the year, the composition of the Audit and Risk Committee did not change. The three ARC members, the Chief Financial Officer, the Chief Risk Officer, the external auditor and the Group Director Internal Audit were present at all ARC meetings. The Group Director Finance and the Group Director Compliance were present at meetings for their respective agenda items (if any). Other internal experts (on areas like Capital Management, Retail Banking, Triodos Investment Management and ICT) were invited to the meetings as required. In case Triodos Investment Management (T-IM) topics were discussed, management of T-IM was invited.

In its regular meetings, the ARC discussed and prepared for Supervisory Board approval, amongst other things, the half year and annual results, the 2021 budget, the In Control Statement, the dividend proposal, the engagement of the external auditor, the risk appetite statement, the risk management framework, and the annual group internal audit plan. Also, the two key audit matters loan impairments to customers, and fair value measurements of financial instruments, were discussed in the ARC meeting prior to SB discussion, given the significant estimation uncertainty.

Furthermore, as part of the regular agenda, the ARC discussed the overall and business unit financial results and outlook, the capital planning, Triodos Bank's risk profile and the progress on (ICT) risk control improvements, adherence to laws and regulations governing financial and regulatory reporting, and tax-related issues. The main recurring reports providing input for these discussions are the Enterprise Risk Management (ERM) report, including all risk areas, as well as the quarterly reports from Finance, Internal Audit and the Regulatory Desk departments. Also, the results of the yearly evaluation of the external audit process were discussed. The external auditor presented their board report 2019, management letter 2020, their long form report on regulatory reporting 2019, their audit plan 2020 and the audit fees, as well as their independent audit and assurance reports. Moreover, the ARC discussed the outcomes of the strategic risk assessment of the group year plan 2021, the outcomes of the systematic integrity risk analysis, the effectiveness of the product governance and the stress test scenarios. Finally, the ARC was informed on the compliance year plan and improvements related to conflict of interest policy and procedures.

One of the foremost topics that required specific attention in 2020 was COVID-19 and its impact on the organisation, as was presented in the respective finance and risk impact analyses, the changes in the finance and risk book of works and discussions on the expected credit loss calculations. Other topics prominently discussed were the outcomes and progress made on several remediation projects, e.g. on operational risk management, IT risk, business model and profitability, and the follow-up on the 6 March 2019 formal instruction by DNB at Triodos Bank The Netherlands regarding the Anti Money Laundering and Countering Terrorism Financing procedures.

Remaining relevant topics and projects that required explicit attention in 2020 were: The closure and re-opening of Depository Receipts trading, Funding and capital instruments, budget 2021, cost containment and organizational changes, new tax regulation, the IFRS special purpose financial statement project, the benchmark regulation &-reform project, cyber threat resilience and the yearly ARC self-evaluation.

Activities of the Nomination Committee

The Nomination Committee had six formal meetings. Like in 2019, it paid attention to the culture change programme, so as to ensure its progress and effectiveness. Several policies were updated, the induction programmes for EB and SB members were extended, and the balance between internal and external hires was reviewed. The enhanced attention by the EB on diversity and inclusion in the workforce gained support from the committee. Progress will be monitored, alongside other issues of culture and (un)intended consequences of ways of working.

Another regular topic concerns the performance evaluations of the EB members. The full SB is involved in the appraisal of the results, and the dialogue with the EB members on their agenda's and priorities going forward. The annual self-evaluation of the committee resulted in a discussion on strategic staff planning, based on HR data across the business units.

A significant amount of time was spent on the leadership transition process. After the succession of the CF(R)O by the newly hired CFO and CRO, in this year preparations were made for the transition of the CEO function. Given the extensive contribution of the current CEO to the organisation, a careful process was drafted to find a successor. As a result, a temporary CEO was found to secure the continuity of the governance and to prepare Triodos Bank for a next stage of leadership.

The committee discussed the composition of the SB, due to their expressed need to involve a member who brings experience with strategic questions on the crossroads of IT and Finance issues. Based on the resignation rota, a combination with a next ARC member will be sought. Due to one member not being available for a second term of office, a second SB vacancy arises.

Activities of the Remuneration Committee

The Remuneration Committee had six formal meetings. On the agenda were mostly recurrent topics, such as the Remuneration Report 2019, the compliance check with Dutch remuneration regulations, the International Remuneration and Nomination Policy

2020, the List of Identified Staff, and the discussion on the remuneration proposals for the Executive Board members and the remuneration approach for senior management. The committee also reflected on the 2020 AGM. As usual, it took note of the Eumedion report on the 2020 AGM's of listed companies.

Topical issues consisted of the terms of employment or settlement agreement of EB members, the guidelines for severance pay for senior management, and a historic overview of remuneration policy changes throughout the Triodos history. Triodos calibrates its salary scales to the mission, in which human dignity is key. As a corollary, Triodos does not “hire labour” but “enables people to work” by providing them with a decent living. This principal approach must be commensurate to the remuneration practices in the banking industry, which sometimes poses a challenge. The Remuneration Committee is keen on allowing Triodos to attract high quality co-workers, while at the same time meeting its pay ratio target (median to highest salary) of below 7. At the end of the year, some members of the Remuneration committee attended the Eumedion webinar on current remuneration debates.

The committee had its annual self-evaluation, for the first time in its current composition, and confirmed that our work should not focus on annual routines only, but also consider the wider perspectives on remuneration. To make a start with the latter, the committee embarked on taking stock of the pension provisions within the

multinational Triodos organisation. In 2021, we aim to form a view on the sustainability and adequacy of the pension provisions across the group.

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. For an individual to qualify as a member of the Supervisory Board, the following three attributes are required:

- 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. It highlights areas in which Supervisory 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 reviewed.

Members of the Supervisory Board are appointed for a term of four years. It is standard practice that members of the Supervisory Board resign after their second term. However, reappointment after the second term is possible in exceptional circumstances, as stipulated by the Dutch corporate governance code.

Key areas of expertise

Name (nationality)	Year of birth	Gender	Sustainability & other expertise particularly relevant to Triodos	Banking & Finance	Audit & Risk	HR & Organisational Development
Aart de Geus (Dutch) (Chair)	1955	M	•			•
Fieke van der Lecq (Dutch) (Vice-Chair)	1966	F	•	•	•	
Ernst Jan Boers (Dutch)	1966	M		•	•	
Sébastien D'Hondt (Belgian)	1964	M		•	•	•
Mike Nawas (Dutch-American)	1964	M		•	•	
Dineke Oldenhof (Dutch)	1958	F	•			•

Meetings of the Supervisory Board

All regular meetings of the Supervisory Board are held jointly with the Executive Board. Every meeting in 2020 was preceded by an internal meeting in which only Supervisory Board members participated. One internal meeting focused on an appraisal and evaluation of the members of the Executive Board.

Due to the Covid-19 travel restrictions, the Supervisory Board could not pay any visits to the local annual meetings of the business units, and meet customers,

depository receipt holders and other stakeholders. On an individual basis, the board members stayed in touch with the managing directors, via online meetings and calls. The Supervisory Board regrets the negative impact of not being present at the local offices and meeting co-workers in person.

The annual meeting with the board of SAAT was also held via an online call. The annual meeting with the external supervisors of De Nederlandsche Bank was held in their office and was considered useful by both parties. See also above (Other topics).

Attendance of the Supervisory Board members in 2020

Supervisory Board members in 2020	Formal Supervisory Board Meetings attended	Formal Audit and Risk Committee Meetings attended	Formal Nomination Committee and Remuneration Committee Meetings
Aart de Geus	100%	-	100%
Fieke van der Lecq	100%	100%	100%
Ernst Jan Boers	100%	100%	100%
Sébastien D'Hondt	100%	-	-
Mike Nawas	100%	100%	-
Dineke Oldenhof	100%	-	100%

Independence and self-evaluation

Independence

The composition of the Board was such that members could act critically and independently of one another, the Executive Board and any other interest. The Supervisory Board complies with the independence criteria of the Dutch Corporate Governance Code. Aart de Geus deviates from one of the independence criteria (article 2.1.8) of the Dutch Corporate Governance Code because a family member is a Triodos Bank Group co-worker.

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 conflict of interest of Board members. No conflict of interest occurred during 2020.

Education

As part of the Supervisory Board's permanent education programme, the Supervisory Board organises meetings with both internal and external experts. In 2020, education sessions were organised on the following topics: banking business models and their application to Triodos, development in sustainable finance and financial supervision rules and regulations.

Self-evaluation

In 2020, the Supervisory Board renewed its approach to the self-evaluation. Besides the usual evaluation of the ways of working, including the assessment of the efficiency and effectiveness of meetings, the board also experimented with direct feedback from the EB, the corporate secretary, and fellow board members. This resulted in an in-depth evaluation session, which resulted in improvements going forward. It was also noted that the competence diversity of the Supervisory Board is an asset, if accompanied by careful communication and efforts to align. Due to the frequency of contacts in the Triodos leadership transition process, the collaboration within the Supervisory Board has been intensified, and the team relations are appraised as open and constructive.

Conclusion

The Supervisory Board reviewed and approved the Annual Accounts and the Executive Board report.

These documents were evaluated by and discussed with the Executive Board, Internal Audit and the independent auditor. The Supervisory Board proposes that the Annual General Meeting adopts the Annual Accounts of 2020 and discharges the members of the Executive Board for their management of Triodos Bank during 2020 and the members of the Supervisory Board for their supervision. The Supervisory Board endorses the Executive Board's dividend proposal of EUR 0.65 per depository receipt.

The Supervisory Board would like to thank all Triodos Bank's stakeholders for their trust in Triodos Bank. Special thanks go to all co-workers of the bank for their efforts to keep running the bank during the challenging times of the Covid-19 crisis. The Supervisory Board supports the Executive Board, and Triodos Bank's co-workers, in their continuing efforts to make a positive difference to the development of people's quality of life.

The Supervisory Board is confident that Triodos Bank will be able to meet the challenges in the coming years and will continue to be a frontrunner in responsible banking.

Zeist, 17 March 2021

Supervisory Board,

Aart de Geus, Chair
Fieke van der Lecq, Vice-Chair
Ernst Jan Boers
Sébastien D'Hondt
Mike Nawas
Dineke Oldenhof

3. 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 on the following pages. More details on Triodos Bank's governance structure are available at www.triodos.com/govstructure.

	Depository receipt holders		Issued capital in millions of EUR	
	2020	2019	2020	2019
1 – 50	14,749	14,919	23.7	23.6
51 – 500	22,709	23,147	381.8	362.0
501 – 1,000	3,829	3,945	223.9	226.4
1,001 and more	2,327	2,390	578.8	588.9
Total	43,614	44,401	1,208.2	1,200.9

	Depository receipts x 1,000		Depository receipt holders	
	2020	2019	2020	2019
The Netherlands	8,712	8,841	25,555	26,273
Belgium	2,800	2,785	7,478	7,422
United Kingdom	216	219	1,662	1,722
Spain	2,152	2,221	7,597	7,788
Germany	349	334	1,322	1,196
Total	14,229	14,400	43,614	44,401

Triodos Bank's internal governance

Triodos Bank is a European bank with banking activities in The Netherlands (Driebergen), Belgium (Brussels), the United Kingdom (Bristol), Spain (Madrid), Germany (Frankfurt)). The Head Office and statutory seat is in Zeist, The Netherlands.

Foundation for the Administration of Triodos Bank Shares (SAAT)

Triodos Bank believes it is crucial that its mission and identity is protected. For that reason, 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 attached to the Triodos Bank shares. The Board of SAAT's voting decisions are guided by Triodos Bank's object 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, Triodos Bank maintains its own platform for trading in Depository Receipts.

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

	2020	2019
Coöperatieve Centrale Raiffeisen-Boerenleenbank BA	4.0%	4.1%

Depository Receipt holders

Depository Receipt holders are entitled to vote at the annual meeting of Depository Receipt holders. Each Depository Receipt holder is limited to a maximum of 1,000 votes. The annual meeting of Depository Receipt holders appoints the members of the Board of SAAT, based on the Board's nomination. These nominations must be approved by Triodos Bank's Executive Board, whose decision needs prior approval of the Supervisory Board. No Depository Receipt holder may hold more than 10% of all issued Depository Receipts.

Triodos Bank's Supervisory Board

Triodos Bank has a Supervisory Board, which monitors Triodos Bank's business operations and advises the Executive Board to benefit the bank's business interests. Members of the Supervisory Board are appointed and reappointed by the General Meeting of Triodos Bank, based on a recommendation from the Supervisory Board.

Triodos Bank's Executive Board

The members of the Executive Board have a shared overall responsibility for the management of Triodos Bank. The Executive Board members have a leadership role in strategic development, alignment and ensuring the delivery of the organisation's goals. They are accountable to the Supervisory Board who appoints them. All Board member biographies are available in Appendix II – Executive Board, Supervisory Board and Board of SAAT biographies (see page 338).

Dutch Corporate Governance Code

The Dutch Corporate Governance Code ('the Code') only applies to companies 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/govstructure.

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 and appointments. 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 SAAT. For the same reason, Depository Receipt holders cannot make recommendations for appointments of members of the Board of SAAT and former Executive Board or Supervisory Board members of the bank can be appointed as members of the Board of SAAT.

The second instance relates to the term of office of Executive Board members. 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.

Triodos Bank also differs from the best practice in the Code that states that a person may be appointed to the Supervisory Board for a maximum of three four-year terms. The Articles of Association allow the General Meeting to re-appoint a member of the Supervisory Board in exceptional circumstances after his or her maximum number of terms has been completed. This creates extra time and space for the Supervisory Board to fill vacancies with high-quality people.

The fourth instance relates to the fact that Aart de Geus deviates from one of the independence criteria (best practice provision 2.1.8) of the Dutch Corporate Governance Code because a family member is a Triodos Bank Group co-worker.

Finally, Triodos Bank also differs from the Code's best practice to submit all proposals relating to material amendments to the Articles of Association as separate agenda items to the General Meeting. 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 these proposed amendments are strongly interrelated.

Dutch Banking Code

The Banking Code is part of a package of developments for the banking industry called 'Future Oriented Banking', introduced by the NVB (Dutch Bankers' Association). The package includes, besides the Banking Code, a Social Charter and rules of conduct associated with the Dutch bankers' oath. It consists of a number of recommendations and principles that aim to ensure the very best performance by banks. Its primary focus is on governance and the bank's culture. 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 activities and its mission.

Triodos Bank complies with the principles of the Banking Code. However, Triodos Bank chooses not to have variable remuneration based on predetermined financial targets or achievements, as these can enhance a culture of taking inappropriate risks.

Triodos Bank 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/govstructure.

Bankers' Oath and Rules of Conduct

All co-workers working in The Netherlands for Dutch banks are required to take the Bankers' Oath. Co-workers are obliged to declare that they will comply with the rules of conduct set by the NVB. The rules of conduct have been drawn up in line with Triodos Bank's own Business Principles. By asking their co-workers to take the oath Triodos Bank makes more explicit what the bank already does.

Corporate Governance statement

The Executive Board of Triodos Bank has drafted a corporate governance and non-financial information statement in accordance with the Dutch corporate governance Decree of 20 March 2009 and the Dutch publication of non-financial information Decree of 14 March 2017. This statement forms part of the 2020 annual report and is valid as of its date. The statement can be found in the online annual report and at www.triodos.com/govstatement.

4. Remuneration Report 2020

Remuneration policy 2020

Triodos Bank's international remuneration and nomination policy applies to all co-workers. The highlights of the policy are described below. The execution of and reporting on the remuneration policy and practices for the Executive Board, Supervisory Board, Board of SAAT, Identified Staff (co-workers in positions who may have a material impact on the risk profile of Triodos Bank) and all co-workers are described in subsequent sections.

International Remuneration and Nomination policy 2020

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

EBA 'for consultation' guidelines on gender pay have been published recently. When the final guidelines are published, Triodos Bank will perform a uniform gender pay gap analysis.

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

being jointly responsible for realising the mission of Triodos Bank.

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

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

Key elements of Triodos Bank's International Remuneration and Nomination policy are:

- Triodos Bank does not offer bonus or share option schemes to members of the Executive Board, the Supervisory Board, the Board of SAAT or co-workers. Financial incentives are not considered an appropriate way to motivate and reward co-workers in a values-based bank. In addition, sustainability is by its very nature the result of a combined effort by team members aimed at both the short and long term.
- Triodos Bank may provide individual tokens of appreciation. These are limited and decided discretionally. They are restricted to a maximum one month's salary with a maximum of EUR 10,000 gross a year. These contributions are for extraordinary achievements and are at the discretion of management after consultation with Human Resources. Tokens of appreciation are not based on pre-set targets and are always offered post factum. The tokens of appreciation are subject to clawback regulations. Members of the Executive Board are excluded from these awards.
- An annual collective token of appreciation can be paid for the overall achievements and contribution of all co-workers. This amount, with a maximum of EUR 500 gross per person, is the same for all co-workers, whether they work full time or part time, and awarded pro rata for those not in service throughout the whole year. Members of the Executive Board refrain from this award. For 2020 no collective end-of-year token of appreciation was awarded.

- Triodos Bank provides a pension plan. Each country has a Collective Pension Policy for all its co-workers if that is appropriate for the local circumstances. If there's no local policy, individual arrangements are made in the context of the labour contract. Under no circumstances are pension rights used to award specific achievements.
- Severance payments are in line with the principles of the International Remuneration and Nomination policy and should never reward failure or misconduct. Severance payments could be necessary to avoid conflicts that could be harmful to Triodos Bank. Severance payments to members of the Executive Board and members of senior management do not exceed one year's salary, in line with the DCB and EBA guidelines on Sound Remuneration.

More details on the Triodos Bank remuneration policy are available on the website.

Fair remuneration

Triodos Bank believes people should be properly and appropriately rewarded for their work. Pay is an important element of this. Remuneration within Triodos Bank is neutral for all co-workers, irrespective of gender, ethnic background, age, sexual orientation or distance to the labour market.

To provide a clear insight into remuneration at Triodos Bank we report the ratio of the highest full-time salary to the median full-time salary. The ratio of the highest full-time salary to the median full-time salary was 5.5 in 2020 (2019: 5.6). This ratio is also reported in the Key Figures section at the start of this Annual Report in accordance with GRI methodology. It is reviewed and discussed within the Executive Board and with the Supervisory Board in light of developments inside and outside the organisation.

Triodos Bank seeks a healthy balance between external developments (competition and tensions in the labour market, good inflow and outflow of co-workers) and internal consistency. Maintaining this balance presents challenges as the business evolves, so the organisation has defined a bandwidth as a guiding

principle. For the ratio of highest to median pay this stands at 7.

The COVID-19 virus crisis had a negative impact on our financial results. It is our responsibility to review and balance the impact on all our stakeholders, including our Depository Receipt holders, clients, co-workers and other partners. Executive Board members and senior leadership (Managing Directors and Group Directors) will therefore refrain from any salary increase and/or individual token of appreciation in 2021.

Remuneration of the Executive Board in 2020

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

	2020	2019
Fixed salary expenses	1,091	803
Pension expenses	90	73
Pension allowance for salary above € 100.000	136	115
Private use company car	4	4
Social security expenses	48	41
Severance payment ¹	320	263
	1,689	1,299

1 In consultation with the Supervisory Board, Peter Blom announced he will step down from his position as a Member of the Executive Board of Triodos Bank N.V. at the AGM 2021. A severance payment of 100% of his yearly salary was granted. This is in line with applicable regulations and will be paid out in 2021. Also in consultation with the Supervisory Board, Pierre Aeby stepped down from his position as a Member of the Executive Board of Triodos Bank N.V. on 18 May 2019. A severance payment of 100% of his yearly salary was granted. This was also in line with applicable regulations. The severance payment was paid out in 2020.

The remuneration paid to the Executive Board may be broken down as follows:

	2020	2019
Peter Blom, Chair	744	415
Andre Haag ¹	300	–
Jellie Banga	326	309
Carla van der Weerd ²	319	178
Pierre Aeby ³	–	397
	1,689	1,299

1 The Executive Board membership for Andre Haag commenced on 1 January 2020.

2 The Executive Board membership for Carla van der Weerd commenced on 18 May 2019 and the amount of 2019 includes her compensation earned as from 18 May 2019 until 31 December 2019

3 The Executive Board membership for Pierre Aeby ended on 18 May 2019 and the amount of 2019 includes his compensation earned in the capacity as a Board Member of Triodos Bank N.V. until 18 May 2019. After his Board Membership at Triodos Bank N.V. Pierre Aeby continued as advisor until 1 September 2019 to facilitate the transition. His salary level for that period equals his former salary as CFO. His employment agreement with Triodos Bank N.V. ended on 1 September 2020. During this last year he fulfilled dedicated roles, assignments and activities on behalf of the Executive Board and was remunerated accordingly.

Other emoluments of the Executive Board:

	2020	2019
Andre Haag	38	–

The other emoluments relate to costs associated with relocation to The Netherlands. This is a one-off payment.

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

	2020	2020	2020	2019	2019	2019
	Amount outstanding	Average interest rate	Repayments	Amount outstanding	Average interest rate	Repayments
Jellie Banga	421	1.70%	12	433	1.70%	31

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

Remuneration of the Supervisory Board in 2020

Remuneration paid to Supervisory Board is set at the Annual General Meeting and the Annual Meeting of Depository Receipt Holders.

Remuneration paid to the Supervisory Board:

Amounts in EUR	2020	2020	2020	2020	2019
	Remuneration	Remuneration	Compensation	Total	Total
		Committees	for travel time		
Aart de Geus (Chair)	30,000	4,500	–	34,500	31,970
Fieke van der Lecq (Vice-Chair)	20,000	4,500	–	24,500	26,917
Ernst-Jan Boers	20,000	6,000	1,000	27,000	26,261
Sebastien d'Hondt (as per 13 December 2019)	20,000	5,000	12,000	37,000	2,301
Mike Nawas (as per 17 May 2019)	20,000	5,000	–	25,000	15,582
Dineke Oldenhof	20,000	4,000	–	24,000	22,667
Gary Page (until 18 May 2019)	–	–	–	–	13,202
Udo Philipp (until 28 February 2019)	–	–	–	–	4,417
Carla van der Weerd (until 12 April 2019)	–	–	–	–	6,364
	130,000	29,000	13,000	172,000	149,681

The following fees apply (per annum):

EUR 20,000 Member of the Supervisory Board
EUR 30,000 Chair of the Supervisory Board
EUR 5,000 Member of the Audit and Risk Committee
EUR 6,000 Chair of the Audit and Risk Committee
EUR 4,000 Member of the Nomination and Compensation Committee
EUR 5,000 Chair of the Nomination and Compensation Committee
EUR 2,500 Chair Remuneration Committee
EUR 2,000 Member Remuneration Committee
EUR 2,500 Chair Nomination Committee
EUR 2,000 Member Nomination Committee

Supervisory Board members who travel to a meeting outside their home country receive EUR 1,000 per return travel (to a maximum of EUR 12,000 per annum) as compensation for travelling time.

Shares (SAAT) Board is set at the Annual General Meeting and the Annual Meeting of Depository Receipt Holders.

Remuneration of the SAAT Board in 2020

The remuneration paid to members of the independent Foundation for the Administration of Triodos Bank

Amounts in EUR	2020 Remuneration	2020 Compensation for travel time	2020 Total	2019 Total
Josephine de Zwaan (Chair)	10,000	–	10,000	15,000
Willem Lageweg (Vice-Chair)	7,000	–	7,000	7,000
Mike Nawas (until 23 April 2019)	–	–	–	3,167
Koen Schoors	7,000	1,000	8,000	14,000
Nikolai Keller (until 30 September 2020)	5,250	–	5,250	15,000
Jolande Sap (as per 29 June 2020)	3,500	–	3,500	–
Mercedes Valcarel (as per 17 May 2019)	7,000	–	7,000	8,667
Total	39,750	1,000	40,750	62,834

The following fees apply (per annum):

EUR 7,000 Member of the Board of SAAT

EUR 10,000 Chair of the Board of SAAT

Board of SAAT members who travel to a meeting outside their home country receive EUR 1,000 per return travel (to a maximum of EUR 12,000 per annum) as compensation for travelling time.

Remuneration of Identified Staff and all co-workers

Remuneration of Identified Staff in 2020

	Identified staff in senior management positions, incl. EB	All other Identified staff
Number of co-workers	13	50
Remuneration		
Total fixed remuneration	2,783	6,024
Total variable remuneration	-	2
of which in cash	-	2
of which in shares or share-based instruments	-	-
of which in other instruments	-	-
Total amount deferred remuneration	-	-
Welcome payments		
Number of beneficiaries	-	-
Total amount	-	-
Severance payments¹		
Number of beneficiaries	2	1
Total amount granted	520	76
Maximum individual amount granted	320	76

¹ Severance payments include payments in case of leave, e.g. to facilitate a smooth transition.

Ratio highest to median salary

	Ratio highest to median salary ¹				
	2020	2019	2018	2017	2016
The Netherlands	4.6	4.6	4.8	4.7	4.7
Belgium	2.8	2.8	2.9	3	3
United Kingdom ²	6	6	4.9	4.6	4.4
Spain	5.5	5.6	5.9	6	6.2
Germany	2.9	2.6	2.7	2.6	2.6
France ³	n.a.	2.7	3.9	3.9	3.4
Total	5.5	5.6	5.6	5.7	5.7

1 Ratio of the highest-paid co-worker to the median full-time salary of all co-workers (the median is defined excluding the maximum full-time salary in line with GRI Standards).

2 The ratio of the increase of the highest salary to the increase in the median salary grew substantially in 2019 in the United Kingdom. This is due to an increase in the salary of the Managing Director as a result of the conversion of the United Kingdom branch to a subsidiary. This change has a significant impact on the Managing Director's responsibilities.

3 Ratio highest to median salary is 0.0 due to the closure of the France agency in 2020.

Ratio increase highest salary to increase median salary

	Ratio increase highest salary to increase median salary ¹				
	2020 ²	2019	2018	2017	2016 ³
The Netherlands	0	0.5	0.5	0.4	0
Belgium	0	1.4	0.2	0	0
United Kingdom ⁴	0	8.4	0.7	0.5	0
Spain	0	1.2	0.4	0.6	0
Germany	0	1.5	1.7	1	0
France ⁵	n.a.	0	0.6	0.2	0
Total	0	0.9	0.6	0.4	0

1 Ratio of percentage increase for the highest-paid co-worker to the median percentage increase for all co-workers (the median is defined excluding the increase of the maximum full-time salary in line with GRI Standards).

2 There have been no increases to the highest salaries on January 1, 2021 compared to January 1, 2020 in each country.

3 There have been no increases to the highest salaries on January 1, 2017 compared to January 1, 2016 in each country.

4 The ratio of the increase of the highest salary to the increase in the median salary grew substantially in 2019 in the United Kingdom. This is due to an increase in the salary of the Managing Director as a result of the conversion of the United Kingdom branch to a subsidiary. This change has a significant impact on the Managing Director's responsibilities.

5 Ratio highest to median salary is 0.0 due to the closure of the France agency in 2020.

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Consolidated balance sheet as at 31 December 2020

Before appropriation of profit in thousands of EUR	Note*	2020	2019
ASSETS			
Cash and cash equivalents	1	2,955,787	2,269,983
Loans and advances to banks	2	150,563	227,591
Loans and advances to customers	3	9,156,710	8,209,014
Debt securities at amortised cost	4	1,317,301	1,034,291
Investment securities	5	31,214	24,299
Intangible assets	6	45,763	41,543
Property and equipment	7	101,490	120,696
Investment property	8	10,914	11,012
Right-of-use assets	9	19,346	21,355
Non-trading derivatives	10	1,795	8,722
Deferred Tax Assets	30	14,864	16,098
Current tax receivable	30	1,764	-
Other assets	11	61,914	86,787
Non-current Assets Held for Sale	12	18,972	10,197
Total assets		13,888,397	12,081,588
LIABILITIES			
Deposits from banks	13	815,140	70,720
Deposits from customers	14	11,747,207	10,693,699
Lease liabilities	9	19,963	22,078
Non-trading derivatives	10	10,452	15,063
Deferred Tax Liabilities	30	4,337	9,065
Current tax liabilities	30	16,540	14,815
Other liabilities	15	55,794	49,744
Debt issued and other borrowed funds	16	6,368	-
Provisions	17	4,384	5,477
Total liabilities		12,680,185	10,880,661

Before appropriation of profit	Note*	2020	2019
in thousands of EUR			
Share Capital	18	723,353	720,088
Share premium reserve	18	200,811	198,626
Translation reserve	18	-4,385	-3,354
Cost of hedging reserve	18	-55	123
Fair value reserve	18	-2,025	1,938
Other reserve	18	43,806	38,914
Retained earnings	18	219,504	205,587
Result for the period	18	27,203	39,005
Equity		1,208,212	1,200,927
Total equity and liabilities		13,888,397	12,081,588
Contingent liabilities	19	73,104	107,495
Irrevocable facilities	20	1,936,333	1,402,450
		2,009,437	1,509,945

* Reference to the notes to the consolidated financial statements. These form an integral part of the consolidated financial statements.

Consolidated profit and loss account for 2020

in thousands of EUR	Note	2020	2019
Income			
Interest income calculated using the effective interest method	21	220,741	213,375
Interest expense	22	-22,588	-28,372
Net interest income		198,153	185,003
Investment income	23	449	679
Fee and Commission income	24	114,191	112,703
Fee and Commission expense	24	-8,066	-7,363
Net fee and commission income		106,125	105,340
Net result from other financial instruments at FVTPL	25	-361	430
Other income	26	733	740
Other income		372	1,170
Total income		305,099	292,192
EXPENSES			
Personnel expenses	27	134,636	133,887
Other administrative expenses	27	82,072	79,920
Amortisation and value adjustments of intangible assets	28	10,646	10,319
Depreciation and value adjustments of property and equipment	28	18,056	10,293
Operating expenses		245,410	234,419
Impairment losses on financial instruments	29	24,213	3,682
Total expenses		269,623	238,101
Operating result before taxation		35,476	54,091
Taxation on operating result	30	-8,273	-15,086
Net profit		27,203	39,005

in thousands of EUR	Note	2020	2019
Profit attributable to:			
Owners of Triodos Bank		27,203	39,005
Average number of issued shares in circulation		14,260,146	13,952,803
Amounts in EUR			
Earnings per share for profit attributable to the equity holders of the parent entity ¹		1.91	2.80
Dividend per share		0.65	-

¹The net profit per share is calculated by dividing the Net Profit by the average number of issued shares in circulation during the financial year.

Consolidated statement of comprehensive income for 2020

in thousands of EUR	Note	2020	2019
Net result		27,203	39,005
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	5	-4,821	174
Related tax		1,161	-123
Total items that will not be reclassified to profit or loss		-3,660	51
<i>Other comprehensive income that will be reclassified to profit or loss</i>			
Foreign operations – foreign currency translation differences		-1,031	120
Foreign operations – Cost of hedging		-178	123
Total items that will be reclassified to profit or loss		-1,209	243
Total comprehensive income		22,334	39,299
Total comprehensive income attributable to:			
Owners of Triodos Bank		22,334	39,299

Consolidated statement of changes in equity for 2020

in thousands of EUR	Share capital
Equity as at	
1 January 2019	674,734
Result for the period	
Foreign operations – foreign currency translation differences	
Net gain (loss) on hedges of net investments in foreign operations	
Equity investments at FVOCI – net change in fair value	
Total comprehensive income	-
Increase of share capital	32,148
Stock dividend	13,206
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 other reserve for development costs	
Purchasing or sale of own depository receipts	
Equity as at	
31 December 2019	720,088

Consolidated statement of changes in equity for 2020

Share premium	Translation reserve	Cost of hedging reserve	Fair value reserve	Other reserve	Retained earnings	Result for the period	Total equity
190,324	-3,474	-	1,887	34,715	179,760	35,187	1,113,133
						39,005	39,005
							-
	120	123					243
			51		-		51
-	120	123	51	-	-	39,005	39,299
21,508							53,656
-13,206							-
					8,231	-8,231	-
						-26,956	-26,956
					21,921		21,921
				4,199	-4,199		-
					-126		-126
198,626	-3,354	123	1,938	38,914	205,587	39,005	1,200,927

in thousands of EUR	Share capital
Equity as at	
1 January 2020	720,088
Result for the period	
Foreign operations – foreign currency translation differences	
Net gain (loss) on hedges of net investments in foreign operations	
Conversion Visa shares	
Equity investments at FVOCI – net change in fair value	
Total comprehensive income	-
Increase of share capital	3,265
Stock dividend	
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 other reserve for development costs	
Purchasing or sale of own depository receipts	
Equity as at	
31 December 2020	723,353

Share premium	Translation reserve	Cost of hedging reserve	Fair value reserve	Other reserve	Retained earnings	Result for the period	Total equity
198,626	-3,354	123	1,938	38,914	205,587	39,005	1,200,927
						27,203	27,203
							-
	-1,031	-178					-1,209
			-303		303		-
			-3,660				-3,660
-	-1,031	-178	-3,963	-	303	27,203	22,334
2,185							5,450
							-
					39,005	-39,005	-
							-
							-
				4,892	-4,892		-
					-20,499		-20,499
200,811	-4,385	-55	-2,025	43,806	219,504	27,203	1,208,212

Consolidated cash flow statement for 2020

in thousands of EUR	Note	2020	2019
Operating activities			
Net profit		27,203	39,005
Net profit adjustments for:			
Depreciation	28	12,812	10,116
Amortisation	28	10,646	10,319
Amortisation premium and discount debt securities	4	10,752	9,512
Impairment losses on financial instruments	29	24,213	3,682
Interest expense on lease liabilities	9	216	465
Revaluation participating debt (investment securities)	5	568	-430
Value adjustments property and equipment (incl. leases)		5,244	312
Movements in provisions	17	-2,623	-560
Taxation on operating result		8,273	15,086
Tax paid	30	-10,961	-8,352
Net cash flows from business operations		86,343	79,155
Changes in:			
Loans and advances to banks	2	-1,378	47,837
Loans and advances to customers	3	-970,326	-946,353
Debt securities at amortised cost	4	-301,760	229,238
Deposits from banks	13	744,420	2,686
Deposits from customers	14	1,053,508	1,129,966
Other operating activities		37,842	-33,368
Net cash flows from operational activities		648,649	509,161
Investment activities			
Investment in investment securities	5	-12,369	-1,226
Investment in intangible assets	6	-14,977	-13,415
Investment in property and equipment	7	-3,008	-25,362
Divestment in property and equipment	7	1,226	4
Cash flows from investment activities		-29,128	-39,999

in thousands of EUR	Note	2020	2019
Financing activities			
Movements in Debt issued and other borrowed funds	16	6,368	-
Payments of lease liabilities	9	-3,578	-4,297
Increase share capital	18	5,450	53,656
Payment of cash dividend	18	-	-5,035
Purchase of depository receipts of own shares	18	-20,499	-126
Cash flows from financing activities		-12,259	44,198
Net change in cash and cash equivalents		607,262	513,360
Cash and cash equivalents at the beginning of the year		2,475,031	1,961,935
<i>Effect of exchange rate fluctuations on cash and cash equivalents held</i>		112	-264
Cash and cash equivalents at the end of the year		3,082,405	2,475,031
On demand deposits with central banks		2,955,787	2,269,983
On demand deposits with banks		126,618	205,048
Cash and cash equivalents at the end of the year		3,082,405	2,475,031
Additional information on operational cash flows from interest and dividends			
Interest paid		-24,257	-29,622
Interest received		216,686	215,533
Dividend received		449	679

Notes to the consolidated financial statements

General

Corporate information

Triodos Bank, having its legal address in Nieuweroordweg 1 in Zeist, The Netherlands, is a public limited liability company (N.V.) under Dutch law (Chamber of Commerce 30062415). 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.

The consolidated financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 17 March 2021.

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union. These consolidated financial statements relate to the fortieth financial year of Triodos Bank N.V.

The principal accounting policies are summarised below and have been applied consistently throughout the year, unless stated otherwise.

The pandemic has great impact on people, companies and the economy at large, including Triodos Bank. The expected impact for Triodos Bank relates to credit risk and has a downward effect on profitability. Measures to mitigate the operational risks are in place. Triodos Bank has a resilient capital base. Our capital and liquidity ratios currently remain well above the minimum required levels and are expected to stay above the minimum. Although the continuing impact of COVID-19 on result, liquidity and capital position remain unpredictable, based on the current knowledge and scenario analysis made there is currently no material uncertainty with respect to the financial condition of the company. Based on the aforementioned these financial statements have been prepared on the basis of the going concern assumption.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets and liabilities at fair value through profit or loss (FVPL) all of which have been measured at fair value, and investments securities of which the participating interests are at fair value through other comprehensive income and the participating debt is mandatorily measured at fair value through profit or loss. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

Functional and presentation currency

These consolidated financial statements are presented in Euro, which is Triodos Bank's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

New and amended standards and interpretations

The following changes to IFRS are effective after 1 January 2020 and relevant for Triodos Bank:

- Interbank offered rate (IBOR) reform and its effects on financial reporting—Phase 1; and
- Amendments to IAS 1 and IAS 8: 'Definition of Material; and
- Amendments to References to the Conceptual Framework in IFRS Standards.

These changes have no impact on the financial statements.

IBOR reform and its effects on financial reporting—Phase 1

In response to the IBOR reform undertaken by many international organizations, the IASB is considering the financial reporting implications of the reforms.

In September 2019, the IASB issued Phase 1 amendments related to some of its requirements

for hedge accounting in IFRS 9 and IAS 39, as well as the related standard on disclosures, IFRS 7 Financial Instruments: Disclosures. The amendments modify some specific hedge accounting requirements, including the 'highly probable' requirement, prospective assessments, and eligibility of risk components. The Phase 1 amendments are mandatory and effective from 1 January 2020, with early adoption permitted.

Triodos Bank has adopted the Phase 1 amendments as of 1 January 2020. There was no material impact upon adoption of the Phase 1 amendments.

Upcoming changes to IFRS relevant for Triodos Bank

The following changes to IFRS are effective after 1 January 2021 and relevant for Triodos Bank:

- IBOR reform and its effects on financial reporting—Phase 2; and
- Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current (issued on 23 January 2020, effective 1 January 2023).

IBOR reform - Phase 2

Phase 2 of the IBOR reform project focuses on financial reporting implications after the date of IBOR reform, particularly regarding the modification of financial instruments. In August 2020 the IASB issued amendments on IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as part of Phase 2 of the IBOR reform, which are effective for annual periods beginning on or after 1 January 2021. There is no material impact expected with the adoption of the IBOR reform - Phase 2 amendments.

Change in accounting principles

Fair value hedge accounting

At the beginning of the year 2020 Triodos Bank made changes in its risk management strategy towards interest rate risk and we have updated our hedge strategy accordingly. As of 1 January 2020 Triodos Bank applies the EU carve-out under IAS 39. This means that going forward, Triodos Bank changed from designating individual hedged items and hedging instruments into

fair value hedge relationships to portfolio designation, or, macro fair value hedge accounting. The hedging instruments and hedged items remain unchanged. The existing hedge relationships have been terminated and as of 2020 these have been designated in a hedge relationship on a portfolio basis.

Under macro fair value hedge accounting, we continue to apply fair value hedge accounting. This means that the hedging instruments (interest rate swaps) are measured at fair value through profit and loss and an offsetting fair value hedge adjustment is recognised on the hedged items (business loans). As both hedge accounting models are fair value hedges, no change in result or balance sheet value is recorded due to this change. Additionally, the sources of ineffectiveness remain the same.

Hedge relationships designated under this policy are expected to be highly effective. However, some amount of ineffectiveness is expected due to:

- Discounting of assets with curve of the payment frequency where the swaps are discounted using the OIS curve
- Fair value changes in the floating leg of the swaps due to discounting using the OIS curve

The differences between micro and macro hedge accounting are the designation of the relationship and the effectiveness testing.

DESIGNATION

Triodos Bank designated interest rate swaps in qualifying hedging relationships. On initial designation of the hedge, Triodos Bank formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

Under macro hedge accounting the designation of the hedge relationship is changed. Full macro hedge documentation has been set up in order to support the designation. The current interest rate swap portfolio is designated as hedging instrument and the business

loan portfolio of the Netherlands branch has been designation as hedged items. The period for which Triodos Bank designates these hedges is one month. From an operational point of view, Triodos Bank de-designates the previous hedge relationships and replaces them with new hedge relationships on a monthly basis.

EFFECTIVENESS TESTING

Under micro hedge accounting, Triodos Bank prospectively assessed effectiveness at the start of the reporting period by testing the critical terms. Retrospectively a dollar offset test was performed by calculating the fair value of the hedged items and hedging instruments with the curves applicable as at that date (month end). Any ineffectiveness in the hedge relationship was recognised in profit or loss.

At the time of designation of the hedge relationship for macro hedge accounting, a prospective test of the hedge relationship is performed to evidence the existence of an economic relationship. Fair value of hedged items and hedging instruments is calculated as at the designation date. In addition, the fair values are recalculated by applying at +/-50bps shift on the 6M EURIBOR zero-curve and the OIS zero-curve. If the change in fair value of hedged item and hedging instrument is within 80-125% of each other, the hedge relationship can be expected to be highly effective.

The retrospective test is periodically performed by calculating the fair value of the hedged items and hedging instruments with the curves applicable as at that date (month end). The hedge relationship is considered to be highly effective if the delta in fair value between hedging instrument and hedged item as per designation date and as per period end date is in the 80% - 125% bandwidth, which is the so-called dollar offset method.

When ineffectiveness is outside of the bandwidth, the hedge relationship for the tested month is discontinued. This means that the fair value changes of the hedging instruments continue to be recorded through profit and loss, but no offsetting fair value adjustment is booked on the hedged items.

Critical judgements and estimates

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. Triodos Bank uses estimates, assumptions and judgements which can have a significant impact on the amounts recognised in the financial statements in applying these accounting policies. These estimates and assumptions are based on the most recent information available, and the actual amounts may differ in the future. The principal estimates and assumptions relate to impairments on financial instruments measured at amortised cost and fair value through other comprehensive income, fair values of financial assets and financial liabilities, vitality leave provision, employee benefit provisions, incremental borrowing rate leases, impairment Triodos Bank Head Offices, and residual value Reehorst.

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.

The judgements and assumptions involved in the accounting policies that are considered by the Board of Directors to be the most important to these financial statements are discussed below.

Impairment of financial assets

This chapter should be read in conjunction with the impairment accounting principles for financial instruments, including in the corresponding paragraph below.

Triodos Bank records an allowance for expected credit loss for all loans and other financial assets not held at fair value through profit and loss, together with loan commitments and financial guarantee contracts.

The measurement of credit impairment under the expected credit loss model depends on management's assessment of whether a significant increase in credit risk has occurred for each financial asset, its economic forecasts including the probability of each of these, and its modelling of expected performance of each financial asset and its associated collateral in each economic scenario. Significant increase in credit risk requires critical judgement, whereas the economic forecasts and the expected performance are significant estimates that are reflected in the probability of default and the loss given default.

Significant increase in credit risk

As explained in the accounting policy on financial instruments section impairment of financial assets below, Triodos Bank's approach to determining whether a significant increase in credit risk has occurred is, in large part, based on its internal credit rating system. See the aforementioned paragraph in Financial instruments (see page 119) for further details on the determination of significant increase in credit risk.

During 2020 several clients made use of general moratoria that have been provided by Triodos Bank without any conditions. The use of these measures have helped clients in these uncertain times. Making use of general moratoria without conditions, is in itself not a trigger for significant increase in credit risk, but it could indicate a significant increase of credit risk. Triodos Bank assessed the usage of these moratoria in the different sectors within the portfolio and moved the clients of six sectors with a high dependency on these measures into Stage 2 in full.

This determination of what downgrade in internal credit rating constitutes a significant increase in credit risk is a significant judgement.

Economic forecasts

Triodos Bank formulates three economic recovery scenarios: a base case, which is the base scenario, and two less likely scenarios, one upside and one downside. The base case is aligned with information used by Triodos Bank for other purposes such as strategic planning and budgeting. External information

considered includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

Any impact of future outlook is calculated with the use of macro-economic scenarios. In developing these macro-economic scenarios Triodos Bank uses significant judgement. Triodos Bank has incorporated the current economic environment, including its expected future outlook into the macro-economic scenarios. This is done by using external market information and adding internal specific information. In these macro-economic scenario's, Triodos Bank has taken into account that some sectors are expected to be more impacted by the COVID-19 pandemic than others. Under normal circumstances the macro-economic scenarios are updated on a yearly basis.

The economic scenarios used as at 31 December 2020 included the following GDP growth for the years ending 31 December 2021 to 2023 and for the long-term. This is a critical estimate.

	Weight	2021	2022	2023
Recovery scenario 1	55%	4.5%	3.9%	2.0%
Recovery scenario 2	15%	6.2%	5.0%	2.5%
Recovery scenario 3	30%	3.9%	5.0%	1.5%

The weighting of the scenarios has changed in 2020, changes in the economic forecasts also triggered reconsideration of the weighting. The 2019 weightings were recovery 1 (60%), recovery scenario 2 (15%) and recovery scenario 3 (25%).

Triodos Bank performed a sensitivity analysis related to the macro economic forecasts, focussing on the key driver, GDP growth. The sensitivity analysis had the following outcome:

in thousands of EUR	Impact on ECL
GDP Growth +1%	-929
GDP Growth -1%	404

Loan performance in different macro-economic conditions

The performance of each loan in Stages 1 and 2 in the different macro-economic scenarios is

determined by its sector. The table shows by sector the correlation between the macro-economic indicator and the PD of the client. As mentioned above the dependency of clients on general moratoria impacted the significant increase in credit risk classification for clients in several sectors. The global pandemic has also impacted the considerations on the correlation, resulting in increasing the correlations from low to medium or medium to high. The correlation used for the year end ECL calculation is provided in the below table.

Sector	Branches				
	The Netherlands	Belgium	United Kingdom	Spain	Germany
Organic farming	Low	Low	Medium	Low	Low
Organic food	Low	Low	Low	Low	Low
Renewable energy	None	None	Low	None	None
Sustainable property	Medium	Medium	Medium	Medium	Medium
Environmental technology	Low	Low	Low	Low	Low
Retail non-food	High	High	High	High	High
Production	Medium	Medium	Medium	Medium	Medium
Professional services	High	Low	Low	Low	Low
Recreation	High	High	High	High	High
Social housing	None	None	None	None	None
Education	Low	Low	Medium	Low	Low
Child care	Low	Low	Low	Low	Low
Health care	Low	Low	Low	Low	Low
Art and culture	Medium	Medium	High	Medium	Medium
Philosophy of life	Medium	Medium	Medium	Medium	Medium
Social projects	Low	Low	Low	Low	Low
Fair trade	Medium	Medium	Medium	Medium	Medium
Development cooperation	Low	Low	Low	Low	Low
Other	None	High	High	None	High

Impacted variable	Macroeconomic variable (delta)	Measurement unit of impact	Low	Medium	High
PD	GDP growth (-1%) or Market rate (+2%)	Number of notches	+1 notch	+2 notch	+3 notch

For example, if GDP correlation is low and the GDP growth is -1% rating of loans in that sector are impacted by 1 notch. Impact of notches can be seen in section financial instruments in the table where PD percentages are shown.

Predicted relationships between GDP and default and loss rates on various portfolios of financial assets are critical estimates that have been developed based on management judgement and analysis of historical data.

Fair values of financial assets and financial liabilities

Triodos Bank determines the fair values of those financial instruments measured at FVOCI and FVTPL periodically. Additionally, the fair values of all financial instruments are disclosed. For more details on the measurement of fair values refer to Fair value of financial instruments (see page 257),

Vitality leave provision

Triodos Bank offers its employees employed by its Dutch legal entities and its UK subsidiary (Triodos Bank UK Limited) a long term benefit referred to as vitality leave.

Under the vitality leave program, employees who have worked for Triodos Bank for at least 7 full calendar years are eligible to take 2 months of vitality leave in addition to their annual vacation days. During the vitality leave employees receive reduced salaries, 70% of their usual monthly salary in the first month and 40% of their usual monthly salary in the second month.

In accordance with IAS 19 Employee Benefits Triodos Bank calculates a provision for the vitality leave as it is a long term benefit. There are multiple estimates and judgements included in this provision calculation, for example about the number of employees eligible for the

leave, the probability of eligible employees taking the leave, retention rate of employees and salary increases.

Defined benefit plans

Defined benefit plans were present for Belgium during 2020. In Belgium, legislation prescribes a minimum yield 1.75% and requires the employer to compensate for this yield, in case the Insurer does not meet the minimum legal requirements. This minimum yield requirement results in an actuarial provision as recorded for the Belgian Branch.

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, staff turnover rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates. Staff turnover is based upon historic data and are reviewed annually.

Incremental borrowing rate leases

Triodos Bank can't readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that Triodos Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what Triodos Bank 'would have to pay', which requires estimation when no observable rates are available. Triodos Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as Triodos Bank's stand-alone credit rating).

Impairment Triodos Bank Head Offices

The Executive Board of Triodos Bank decided in December 2020 to sell the buildings located at the Nieuweroordweg 1 and Utrechtseweg 60 in Zeist and related to Triodos Head Office. See note 7 for further details and the basis for the estimate of carrying value to calculate the impairment.

Residual value Reehorst

In December 2019 Triodos Bank Netherlands and Investment Management moved in to the newly developed office the Reehorst. The innovative design is based on principles of the circular economy and biomimicry. The design and production of materials are based on the structure derived from nature. The building is remountable and modular, build with sustainable and reusable materials.

Within common accounting policies the residual value of owned offices is set at zero, because this is standard and information on residual value is lacking. As this building is circular and set up to have value in the future, Triodos Bank has investigated the residual value. This was captured in a report from a third party circular demolishing company, in which the value of several reuseable components has been calculated. The value is achieved if the components are remounted as a whole in a new building, considering costs for removing. Based on this report Triodos Bank currently estimated the residual value of the Reehorst at EUR 3 million.

The residual value gets its value from the market in which components from the building can be reused. At this moment in time this market is in development and new building initiatives using reuseable materials as a starting point are few. Developments on these fronts and other changes (e.g. CO2-tax) can impact the residual value of the Reehorst in the future.

Comparison with previous years

Triodos Bank changed the accounting principles from Dutch GAAP to IFRS as approved by the EU as of 1 January 2018. The impact of this change is disclosed in the Pro forma IFRS consolidated financial statements of Triodos Bank NV as at 31 December 2019, in the chapter Effect of IFRS adoption on the consolidated balance sheet. The IFRS valuation principles and method of determining the result have been consistently applied over 2018, 2019 and 2020 unless it is stated that there was a change in accounting policy.

After the 2019 implementation of IFRS, Triodos Bank has refined its accounting policy in respect to the modification of financial assets. For comparability, the refinements are applied retrospectively in the 2019 comparative figures. The refinement has the following impact on the comparative figures:

Balance sheet	Original balance	Refinement adjustment	Adjusted balance
Loans and advances to customers	8,205,862	3,151	8,209,013
Deferred Tax Assets	17,040	-942	16,098
Retained earnings	204,459	1,127	205,586
Result for the period	37,923	1,082	39,005
Profit and loss accounts			
Interest income calculated using the effective interest method	213,506	-131	213,375
Impairment losses on financial instruments	5,353	-1,671	3,682
Taxation on operating result	-14,628	-458	-15,086
Net profit	37,923	1,082	39,005

Consolidation Principles

The consolidated financial statements include the financial data of Triodos Bank and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

List of consolidated entities of Triodos Bank N.V.

Equity participations:

- Kantoor Buitenzorg B.V. in Zeist, participating interest 100%, group company, fully consolidated. This entity was liquidated in 2019;
- Kantoor Nieuweroord B.V. in Zeist, participating interest 100%, group company, fully consolidated. This entity was liquidated in 2019;
- Stichting Triodos Beleggersgiro in Zeist, group company, fully consolidated;
- Legal Owner Triodos Funds B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Finance B.V. in Zeist, participating interest 100%, group company, fully consolidated. This entity is in liquidation;
- Triodos IMMA BVBA in Brussel, participating interest 100%, group company, fully consolidated;
- Triodos Investment Management B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Investment Advisory Services B.V. in Zeist, participating interest 100%, group company, fully consolidated. This entity was liquidated in 2020;
- Triodos Nieuwbouw B.V. in Zeist, participating interest 100%, group company, fully consolidated. This entity was liquidated in 2019;
- Triodos Bank UK Ltd in Bristol, participating interest 100%, group company, fully consolidated.

Other controlled entities:

- Sinopel 2019 B.V. in Amsterdam established June 6, 2019, fully consolidated.

Securitisation

In 2019, Triodos executed its first retained residential mortgage backed securitisation (RMBS) transaction called Sinopel 2019 B.V. ("Sinopel").

A securitisation is a transaction where a pool of assets is sold to a special purpose vehicle. The special purpose vehicle issues notes with different tranches to finance the purchase price of the assets. With Sinopel Triodos Bank structured a retained RMBS whereby Triodos Bank is the sole buyer of the issued notes and has as such not transferred any credit risk. Through the retained RMBS, Triodos Bank strengthens its financial resilience and gains additional access to (central bank) liquidity by pledging the notes as collateral with the Dutch Central Bank. The Sinopel RMBS is collateralised by Dutch residential mortgages loans. The structure is fully compliant with the new Simple Transparent Standardised EU regulation. For notes issued by Sinopel 2019 B.V., the following ECAs were involved: DBRS Ratings Limited and S&P Global Ratings Europe. As there is no risk transfer with the Sinopel transaction, the securitisation exposures (notes) are not risk weighted separately. The securitised assets (mortgage loans) are taken into account as if they were not securitised. Triodos Bank consolidates Sinopel in its annual accounts.

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

The notes of the securitisation are pledged as collateral. The carrying amount of the financial assets pledged as collateral is EUR 638.7 million (2019: 683.8 million).

Transactions in foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising from translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in Other Comprehensive Income (OCI):

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see hedge of net investment in a foreign operation); and
- qualifying cash flow hedges to the extent that the hedge is effective.

Business operations abroad

The assets and liabilities of foreign operations are translated into euro at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to Non Controlling Interest (NCI).

Hedging of the net investment in business operations abroad

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. The effective portion of the change in fair value of the hedging instrument is computed with reference to the functional currency of the parent entity against whose functional currency the hedged risk is measured. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

Financial instruments

Triodos Bank recognises financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers initially on the trade date, i.e., the date on which Triodos Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. Triodos Bank recognises deposits from customers when funds are transferred to the Bank.

On initial recognition, financial instruments are measured at fair value. Subsequently they are classified in one of the following categories. Financial liabilities cannot be reclassified. Financial assets are only reclassified where there has been a change in the business model.

Designated as at fair value through profit or loss

A financial instrument may be designated as at fair value through profit or loss (hereafter 'FVTPL') only if such designation:

- eliminates or significantly reduces a measurement or recognition inconsistency;
- applies to a group of financial assets, financial liabilities or both, that Triodos Bank manages and evaluates on a fair value basis; or
- relates to a financial liability that contains an embedded derivative which is not evidently closely related to the host contract.

Financial assets that are designated on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss, and are subsequently measured at fair value. Gains and losses are recognised in profit or loss as they arise.

Amortised costs financial assets

A financial instrument may be measured at amortised cost if:

- the asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the outstanding balance.

Triodos Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective, being the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the original expectations, Triodos Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing the newly originated or newly purchased financial assets

going forward. Triodos Bank solely reclassifies financial assets when and only when its business model for managing assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

As a second step of the classification process is the assessment of the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, Triodos Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Equity instruments at fair value through other comprehensive income

Upon initial recognition, Triodos Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at fair value through other comprehensive income (hereafter 'FVOCI') when they meet the definition of definition of Equity and are not held for trading. This classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when Triodos Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded

in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Fair value through profit or loss

A financial liability is measured at fair value if it arises from: a financial guarantee contract; a commitment to lend at below market rates; an obligation arising from the failed sale of an asset; or a contingent consideration for a business acquisition. Fair value through profit or loss is the default classification for a financial asset.

Amortised cost financial liabilities

All financial liabilities that are not subsequently measured at fair value are measured at amortised cost, with interest accounted for using the effective interest rate method.

Application

To determine the appropriate method for subsequent measurement, an assessment is made of the business model of each portfolio of financial instruments. Business models are assessed at portfolio level, being the level at which they are managed. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives of the portfolio, its risk management and the ability to monitor sales of assets from a portfolio. The criteria for classifying cash flows as solely principal and interest are assessed against the contractual terms of a facility, with attention to leverage features; prepayment and extension terms; and triggers that might reset the effective rate of interest.

Impairment of financial assets

Allowances for expected credit losses (ECL) are calculated for all financial assets at amortised cost or FVOCI, regardless of whether they are in default.

Triodos Bank calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation of the EIR. A cash shortfall is the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

The allowance for expected credit losses is the outcome of the formula: $PD \times LGD \times EAD$.

Assets are classified into the following categories in line with IFRS 9:

- Stage 1: Assets that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month expected credit loss (ECL) is recognised and interest revenue is calculated on the gross carrying amount of the asset. 12-month ECLs are the expected credit losses that result from default events that are expected within 12 months after the reporting date.
- Stage 2: For assets that have experienced a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment, lifetime ECLs are recognised and interest income is still calculated on the gross carrying amount of the asset. Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3: For assets that have objective evidence of impairment at the reporting date, lifetime ECLs are recognised and interest income is calculated on the net carrying amount.

- Purchased or originated credit impaired (POCI): For assets that have objective evidence of impairment at purchase or origination, lifetime ECLs are recognised and interest income is calculated using the credit adjusted effective interest rate on the net carrying amount.

Expected credit losses are a probability weighted estimate of credit losses, considering various scenarios. For doubtful debtors scenarios are specific to the circumstances of the debtor, whereas for all other debtors the scenarios are based on macro-economic conditions.

Triodos Bank has different approaches in determining the ECL. For corporate loans ECL for stages 1 and 2 Triodos Bank uses a model for calculating ECL, same goes for financial guarantees and loan commitments issued. For Stage 3 on business lending individual assessments are done. ECL for stages 1 to 3 for mortgage loans is calculated with the use of a model. The ECL on debt securities at amortised cost, loans and advances to banks are also calculated through a model, differing from the corporate loan and mortgage loan models. Refer to the sections Critical judgements and estimates (see page 112) and Credit risk (see page 216) for further information.

Significant increase in credit risk

When a financial instrument has a significant increase in credit risk since initial recognition, Triodos Bank transfers the instrument from Stage 1 to Stage 2. In determining whether the risk of default on a financial instrument has increased significantly since initial recognition, Triodos Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Triodos Bank's historical experience and expert credit assessment and including forward-looking information, resulting in a credit risk grade, with an internal rating for larger corporate clients.

Triodos Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying judgement

of experienced credit risk professionals. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1

and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate Exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.	Internally collected data on customer behaviour – e.g. utilisation of overdraft facilities.	Payment record – this includes overdue status as well as a range of variables about payment ratios. Overdue payments can increase credit risk grade, with days past due over 90 days resulting in default status.
Data from credit reference agencies, press articles, changes in external credit ratings.	Affordability metrics.	Utilisation of the granted limit.
Quoted bond and credit default swap (CDS) prices for the borrower where available.	External data from credit reference agencies, including industry-standard credit scores.	Requests for and granting of forbearance.
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.		Existing and forecast changes in business, financial and economic conditions.

The internal credit rating system comprises 14 ratings as explained in the impairment of financial assets accounting policy:

- Loans with initial ratings 1-3 are considered to exhibit a significant increase in credit risk if they are downgraded by four grades;
- Loans with initial ratings 4-7 are considered to exhibit a significant increase in credit risk if they are downgraded by three grades;
- Loans with initial ratings 8-9 are considered to exhibit a significant increase in credit risk if they are downgraded by two grades;

- Loans with initial ratings 10-12 are considered to exhibit a significant increase in credit risk if they are downgraded by one grade; and
- Loans with ratings of 14 are considered to be in default. Therefore a downgrade of a loan with rating 13 would put it in default.

Within the credit risk policy clients with total business loans above EUR 250 thousand are rated on an individual basis at least annually. Clients with retail mortgage loans and or total business loans below EUR 250 thousand have no rating appointed. The

frequency depends on the debtor's creditworthiness, the degree of market exposure and the market in which the debtor operates. The credit committee 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 defaulted and will be managed intensively.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Triodos Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators, for example placement of a loan on a watchlist; and
- a backstop of 30 days past due.

Triodos Bank determines probability of default based on its internal credit rating system for its larger corporate client, which comprises 14 grades. The table below includes the weighted average PD used in the ECL calculation per internal credit rating as determined at the end of current year.

Grading	12-month weighted-average PD
Grade 1	0.04%
Grade 2	0.09%
Grade 3	0.22%
Grade 4	0.54%
Grade 5	1.37%
Grade 6	2.39%
Grade 7	4.65%
Grade 8	8.68%
Grade 9	13.46%
Grade 10	23.18%
Grade 11	50.08%
Grade 12	53.61%
Grade 13	69.26%
Grade 14	In default

Loans are assessedd at inception and subsequently periodically reassessed. Movements in the internal credit rating provide the basis to determine whether a significant increase in credit risk has occurred. The credit quality of all counterparties is reviewed and rated at least annually. In addition, Triodos Bank's focus on relationship management supports early identification of risk factors.

Definition of default

Triodos Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to Triodos Bank in full, without recourse by Triodos Bank to actions such as realising security (if any is held); or
- The borrower is more than 90 days past due on any material credit obligation to Triodos Bank.

Overdrafts are considered as being past due when:

- The customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or

- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, Triodos Bank considers indicators that are:

- Qualitative: e.g. breaches of covenant;
- Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to Triodos Bank; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. Triodos Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

Triodos Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Write-offs

Impaired loans are written off when Triodos Bank concludes that there is no longer any realistic prospect of recovery of part or all of the loan. For loans that are individually assessed for impairment, the timing of write-off is determined on a case-by-case basis. Such loans are reviewed regularly and write-off will be prompted by bankruptcy, insolvency, renegotiation and similar events. For all other financial instruments write-offs, if any, are also determined on a case-by-case basis.

Derecognition of financial assets and liabilities

FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. Triodos Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Triodos Bank has transferred the financial asset if, and only if, either:

- Triodos Bank has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement. Pass-through arrangements are transactions whereby Triodos Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- Triodos Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- Triodos Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- Triodos Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, Triodos Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- Triodos Bank has transferred substantially all the risks and rewards of the asset

Or

- Triodos Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset. Control is transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of continuing involvement, in which case, the associated liability is also recognised. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that have been retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that could be required to pay.

FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Modified assets and liabilities

Triodos Bank can make concessions or modifications to original terms of loans as a response to the borrower's request or financial difficulties.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, Triodos Bank records a modification gain or loss. A modification is considered to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial asset of, or greater than, ten percent. Modified loans that had a prepayment clause with no or insignificant prepayment fee in their original terms, and modified loans for which the contractual prepayment fee was paid upon modification are considered to be prepaid and are therefore derecognised.

DERECOGNITION DUE TO SUBSTANTIAL MODIFICATION OF TERMS AND CONDITIONS

Triodos Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at recognition date triggering POCL classification.

When assessing whether or not to derecognise a loan to a customer, amongst others, Triodos Bank considers the following qualitative factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion
- Restructuring

If the difference between the net present value of the modified cash flows using the original effective interest rate and the carrying value is equal to or greater than ten percent of the carrying value, the modification is also deemed substantial.

When the loan has been renegotiated or modified but not derecognised, Triodos Bank also reassesses

whether there has been a significant increase in credit risk, including classification as Stage 3.

FORBEARANCE

When the borrower is in financial difficulty, rather than taking possession or to otherwise enforce collection of collateral, terms of the loan(s) can be modified. Triodos Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and Triodos Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period, and;
- The customer does not have any contracts that are more than 30 days past due.

Hedge Accounting

Triodos Bank designates certain derivatives held for risk management as well as certain non derivative financial instruments as hedging instruments in

qualifying hedging relationships. On initial designation of the hedge, Triodos Bank formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. Triodos Bank makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the effective range.

Triodos Bank uses derivatives (principally interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that risk exposure.

In addition to economic hedging, Triodos Bank also applies hedge accounting. The hedge accounting types are discussed below.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate. If the hedged item is derecognised any remaining adjustment to the carrying amount is recognised as part of the derecognition gain/loss.

Fair value hedges

Triodos Bank applies macro fair value hedge accounting to the hedges that are in place to hedge the interest rate risk of its longer term fixed-rate financial assets since 1 January 2020. See Change in accounting principles for further details. Under this hedging strategy the hedging instruments are in an economic hedge relationship with a portfolio of loans to cover interest rate risks.

Net investment hedge of a foreign operation

Triodos Bank hedges its net investment in Triodos Bank UK Limited, its subsidiary in England. The hedged risk is the foreign currency exposure arising from the net investment. Triodos Bank designates the hedged risk as the risk of the GB pound spot changes against the Euro, in order to reduce fluctuations in the value of the net investment in its subsidiaries due to movements in the GBP exchange rate. Triodos Bank makes use of foreign exchange forward contracts to hedge this risk. The derivatives are recorded at fair value on the balance sheet.

The fair value movements of these contracts are determined by the changes in spot foreign exchange rate, changes in the forward foreign exchange rate and the basis spread. The basis spread is identified as the transaction price of the foreign exchange forward contract, being the difference between the spot and forward rate in the contract. This is recorded on a systematic basis through profit or loss. Triodos Bank elects to use the cost of hedging method for the forward foreign exchange rate change and records these in a separate component within equity. The spot rate changes is, together with the changes in the hedge risk, recognized in the translation reserve.

Derivatives

Derivative financial instruments, consisting of foreign currency forward contracts and interest rate swaps, are initially recognized at fair value, with subsequent fair value movements at each balance sheet date in profit and loss. Triodos Bank uses interest rate swaps and foreign exchange forwards as derivatives. Interest rate swaps fair values are determined by discounted cash flow analysis against prevailing market interest rates. Foreign exchange forwards fair values are determined by the movement of the foreign exchange rate. Changes in the fair value are included in the profit and loss account, as result on financial transactions.

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

- The host contract is not a financial asset in scope of IFRS 9;

- The hybrid contract is not measured at fair value through profit and loss;
- The embedded derivative would meet the definition of a stand alone derivative;
- The embedded derivative is not closely related to the host contract.

Cash and cash equivalents

On the balance sheet, cash and cash equivalents comprise cash with central banks and cash in ATM machines. Cash and cash equivalents are carried at amortised cost on the balance sheet.

Loans and advances to banks

Loans and advances to banks are financial instruments initially measured at fair value plus incremental direct transaction costs, and subsequently at amortised cost less impairment allowance, using the effective interest method in accordance with the Financial Instruments paragraph in these accounting principles.

Loans and advances to customers

Loans and advances to customers are financial instruments initially measured at fair value plus incremental direct transaction costs, and subsequently at amortised cost less impairment allowance, using the effective interest method in accordance with the Financial Instruments paragraph in these accounting principles.

Debt securities at amortised cost

All debt securities at amortised cost are held in the investment portfolio. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method in accordance with the Financial Instruments paragraph in these accounting principles.

Investment securities

Investment securities include participating interests in other financial institutions either in equity or debt form. The participating interests in equity form are measured at FVOCI. The participating interest in debt

form are measured at FVTPL. Triodos Bank classifies a participating interest as debt.

For securities that are listed on an active stock exchange, the fair value will be deemed to be equal to the most recently published stock exchange price. If the security is 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 independent auditor, interim financial information from the institution and any other relevant data provided to Triodos Bank. Unrealised and realised changes in the value of investment securities at FVOCI are recognised in the other comprehensive income and will not be recycled to profit or loss. Unrealised and realised changes in the value of investment securities at FVPL are recognised in the profit or loss.

Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss over the asset's estimated economic life using methods that best reflect the pattern of economic benefits. These estimated useful economic lives are:

- Internally developed assets: 5 to 10 years
- Computer software: 3 to 5 years
- Management contracts: 20 years

Direct costs relating to internally developed assets are capitalised once technical feasibility and economic viability have been established. These costs include co-worker costs and the costs of materials and services. Capitalisation of costs ceases when the asset is capable of operating as intended.

Research costs are recognised in the income statement.

During and after development, accumulated costs are reviewed for impairment against the benefits that the asset is expected to generate. Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred.

The development costs for the banking system will be amortised over the estimated useful life from the moment the system is used, to a maximum of 10 years.

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 till October 2026. The remaining depreciation period is six years as of the end of 2020.

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

Property and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of each item of property, plant and equipment over its estimated useful life. The depreciable amount is the cost of an asset less its residual value. Land for own use is not depreciated.

The estimated useful lives of Triodos Bank's property and equipment are:

- Property and leasehold property: 40 years (or lease term if shorter)
- Machinery: 3 to 5 years
- Furniture and fixtures: 5 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

Property under development is valued at the lower of the expenditure and the expected realised value upon completion. The expenditure consists of payments made to third parties. The difference between the proceeds on disposal of equipment and net carrying value is recognised in the profit and loss account under Other income.

Impairments expected on the balance sheet date are recorded in the profit and loss accounts. With regard to the determination as to whether a tangible fixed asset is subject to an impairment, please refer to note 7.

Investment Property

Investment property is initially measured at cost and subsequently stated at cost less accumulated depreciation and impairment losses. Depreciation is determined in accordance with the accounting principles as stated in Property and equipment.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Leases

As a lessee

Triodos Bank assesses whether a contract is or contains a lease, at inception of a contract. Triodos Bank recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, Triodos Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Triodos Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- Lease payments to be made under reasonably certain extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Triodos Bank remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease

payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever Triodos Bank incurs an obligation for costs to restore a leased asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that Triodos Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The periodic impact in the profit or loss accounts are the depreciation charges on the right of use assets and the interest charges on the lease liability.

As a lessor

Triodos Bank enters into lease agreements as a lessor with respect to some of its office space.

Leases for which Triodos Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Triodos Bank does not act as a lessor for any finance leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Impairment of intangible assets, property and equipment, right of use assets, and investment properties

At each balance sheet date, Triodos Bank assesses whether there is any indication that its intangible assets, property, plant and equipment, right of use assets, or investment properties are impaired. If any such indication exists, it estimates the recoverable amount of the asset and the impairment loss if any.

If an asset does not generate cash flows that are independent from those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been taken into account in estimating future cash flows. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill cannot be reversed.

Other assets

Other assets are recognised initially at fair value and subsequently measured at amortised cost. For trade receivables an impairment provision is calculated in accordance with the simplified method detailed in IFRS 9 Financial Instruments.

Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Non-current assets classified as held for sale are initially measured as the lower of;

- carrying amount; and
- fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Provisions and contingent liabilities

Triodos Bank recognises a provision when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Tax

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in profit or loss or equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the asset will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Deferred tax assets and liabilities are offset where Triodos Bank has a legally enforceable right to offset, and where they relate to income taxes levied by the same taxation authority.

Deposits from banks and customers

Deposits from banks and customers are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Triodos Bank designates liabilities at FVTPL in accordance with the Financial Instruments paragraph in these accounting principles.

Other liabilities

On initial recognition other liabilities are recognised at fair value. After initial recognition other liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

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.

The Dutch Central Bank, as supervisor, grants permission on the request of Triodos Bank on a yearly basis the maximum amount of own depository receipts that may be acquired for market making purposes. For 2020 that maximum amount was determined at EUR 36.0 million (2019: EUR 28.3 million).

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.

Revaluation reserve

If revaluations have been recognised in the revaluation reserve after the deduction of relevant (deferred) tax liabilities, the gross result of the realised revaluations is recognised in the income statement. The corresponding release of the (deferred) tax liabilities is charged to the operating result as tax on the result.

Contingent liabilities and irrevocable facilities

Triodos Bank issues guarantees to clients which can be split in credit substitute and non-credit substitute guarantees. Credit substitute guarantees are similar to the financial guarantees identified under IFRS 9.

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance.

The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

Irrevocable facilities are undrawn debit limits on current accounts and credit cards, accepted loans not yet paid out, valid loan offers not yet accepted and other facilities.

For undrawn loan commitments (accepted loans not yet paid out and valid loan offers not yet accepted), similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the consolidated balance sheet.

Revenue recognition

Net interest income recognition

Interest income or expense on financial instruments is determined using the effective interest rate method. The effective interest rate allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount.

Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Triodos Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the effective interest rate to the gross

carrying amount. When a financial asset becomes credit impaired and is therefore regarded as 'Stage 3', the interest income is calculated by applying the effective interest rate to the net amortised cost.

Fee and commission income

Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer, in line with the requirements of IFRS 15. The arrangements are always contractual and the cost of providing the service is incurred as each service is performed. The price is usually fixed and always determinable. In note 24 Net fee and commission income the different fee and commission income categories are explained, including when income is recognised.

Investment income

Investment income includes the net result on investments in equity instruments designated at fair value through other comprehensive income. This income includes dividend income.

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in investment income based on the underlying classification of the equity investment.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

Net income from other financial instruments at FVTPL

Net income from other financial instruments at FVTPL includes the ineffective parts of applied hedge accounting, transactions results on foreign exchange forwards and net result on investments in debt instruments designated at fair value through profit and loss. The latter includes interest and dividend income.

Personal expenses

Pension schemes

Triodos Bank has a number of pension schemes. Premiums are paid based on contractual and voluntary

basis to insurance companies on a defined contribution basis. Premiums are recognised as employee cost when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities. For more information please go to note 27.

The Belgian Branch has a minimum yield requirement to their pension scheme which results in an actuarial provision which is determined on each reporting date. Changes to the actuarial provision are charged to the profit or loss. The increase in the provision due to the passage of time is recognised as interest expense.

Short-term employee cost

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

Taxation on operating result

Taxes are calculated on the pre-tax result on the basis of the applicable profit tax rates taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets). 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 insofar these may be recovered through future profits (temporary differences).

Deferred tax assets arising from operating losses are reviewed at each reporting date. To the extent that future taxable profits do not exceed the tax losses recognised, an impairment loss is recognised.

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 and gives details of the source of cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arise from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

Segment reporting

The segments (branches and subsidiaries) are reported in a manner consistent with the internal reporting provided to the Executive Board. This board is responsible for allocating resources and assessing performance. All transactions between segments are eliminated as intercompany revenues and expenses in Group Functions. Segment assets, liabilities, income and results are measured based on our accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length. The geographical analyses are based on the location of the office from which the transactions are originated.

Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control Triodos Bank are considered to be a related party. In addition, statutory directors and close relatives are regarded as related parties. Transactions with related parties are disclosed in the note 31. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Segregation of capital

Triodos Bank NV holds by its related parties Stichting Triodos Beleggersgiro and Triodos Nominees Ltd on behalf of their customers segregated from the assets and liabilities of the bank the following securities:

Amounts in thousands of euros	2020	2019
Triodos Fair Share Fund	313,125	363,220
Triodos Groenfonds NV	533,700	465,394
Triodos Sicav I	885,520	775,372
Triodos Sicav II	18,041	21,342
Triodos Vastgoedfonds NV	–	1,517
Triodos Impact Strategies NV	21,750	21,216
Triodos Impact Strategies II NV	64,325	54,952
Total as at 31 December	1,836,461	1,703,013

Triodos Impact Strategies N.V. holds on behalf of its sub-fund Triodos Multi Impact Fund as at 31 December 2020 EUR 6,513 thousand (2019: 6,151 thousand) of securities Triodos Fair Share Fund and EUR 3,956 thousand (2019: 4,476 thousand) of securities Triodos Groenfonds N.V.. These securities are included in the above mentioned values of securities in Triodos Fair Share Fund and Triodos Groenfonds N.V.

Notes to the consolidated balance sheet

Assets

1 Cash and cash equivalents

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

	2020	2019
On demand deposit Dutch Central Bank	1,961,432	1,406,709
On demand deposit Belgian Central Bank	167,249	228,736
On demand deposit German Central Bank	183,657	100,700
On demand deposit Spanish Central Bank	224,358	247,031
On demand deposit United Kingdom Central Bank	419,467	279,463
Cash in ATM's	16	7,585
Interest receivable	-392	-241
Balance sheet value as at 31 December	2,955,787	2,269,983

Interest payable regarding cash and cash equivalents was recognised as other liabilities but are transferred to cash and cash equivalents. The comparative figure in the amount of EUR 241 are adjusted accordingly.

2 Loans and advances to banks

	2020	2019
On demand deposits with banks	126,618	205,048
Deposits with banks	23,948	22,513
Interest receivable	15	72
Allowance for ECL	-18	-42
Balance sheet value as at 31 December	150,563	227,591

An amount of EUR 22.1 million of the deposits is encumbered (2019: EUR 21.7 million). These are on demand deposits at Cecabank in the amount of EUR 1.0 million (2019: EUR 1.0 million), ING Bank EUR 13.0 million (2019: EUR 13.0 million), Banco Cooperativo EUR 7.5 million (2019: EUR 7.0 million) and Mastercard EUR 0.6 million (2019: EUR 0.7 million). A deposit of EUR 1.0 million (2019: EUR 1.0 million) is subordinated. All other deposits can be freely disposed of.

By residual maturity:

	2020	2019
On demand	126,615	205,078
1 to 3 months	8,948	7,513
3 months to 1 year	15,000	15,000
1 to 5 years	-	-
Longer than 5 years	-	-
Balance sheet value as at 31 December	150,563	227,591

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

	2020	2019
ABN AMRO Bank	6,654	-
Banco Cooperativo	8,595	8,131
Caja de Ingenieros	1,062	604
Cecabank	4,000	4,111
DZ Bank	24,304	51,873
Euroclear Bank	2,248	2,595
ING Bank	57,681	103,281
National Westminster Bank (Natwest)	21,897	29,906
Rabobank	15,884	20,790
Other	8,238	6,300
Balance sheet value as at 31 December	150,563	227,591

3 Loans and advances to customers

Loans and advances to customers at amortised cost

	2020			2019		
	Gross carrying amount	Allowance for ECL	Carrying amount	Gross carrying amount	Allowance for ECL	Carrying amount
Corporate loans	5,987,800	-46,524	5,941,276	5,829,505	-32,093	5,797,412
Mortgage lending	2,739,930	-1,650	2,738,280	1,977,175	-838	1,976,337
Municipality loans	332,713	-	332,713	360,053	-	360,053
Current accounts and credit cards	122,593	-2,796	119,797	54,102	-848	53,254
Fair value hedge accounting	5,286	-	5,286	2,424	-	2,424
Interest receivables	19,358	-	19,358	19,534	-	19,534
Balance sheet value as at 31 December	9,207,680	-50,970	9,156,710	8,242,793	-33,779	8,209,014

Loans and advances to customers classified by residual maturity:

	2020	2019
Payable on demand	132,435	218,894
1 to 3 months	615,256	470,833
3 months to 1 year	832,317	554,765
1 to 5 years	3,202,127	2,311,366
Longer than 5 years	4,374,575	4,653,156
Balance sheet value as at 31 December	9,156,710	8,209,014

EUR 16.9 million (2019: EUR 24.9 million) of the loans are subordinated. EUR 252.7 million (2019: EUR 271.0 million) of the loans relates to loans to local authorities with a maximum original maturity of one year and one day.

As part of the interest rate risk management Triodos Bank entered into interest rate swaps to hedge the interest risk on fixed interest rate loans. Please see Non-trading derivatives and hedge accounting (see page 263) for additional information.

4 Debt securities at amortised cost

	2020	2019
Dutch government bonds	69,983	70,292
Belgian government bonds	141,697	168,222
Spanish government bonds	63,209	72,182
United Kingdom government bonds	63,120	78,068
Other bonds	968,775	634,658
Interest receivable	9,434	9,223
Fair value hedge accounting	1,146	1,680
Allowance for ECL	-63	-34
Balance sheet value as at 31 December	1,317,301	1,034,291

The movement in debt securities at amortised cost is as follows:

	2020	2019
Balance sheet value as at 1 January	1,034,291	1,270,624
Purchase	527,238	141,558
Repayments	-225,689	-368,610
Sale	-	-
Amortisation difference between acquisition price and redemption value	-10,752	-9,512
Exchange rate results on foreign currencies	-7,435	1,770
Interest receivable movement	211	-2,186
Fair value hedge accounting movement	-534	650
Net movement in allowance for ECL	-29	-3
Balance sheet value as at 31 December	1,317,301	1,034,291

The increase in the debt securities are in the other bonds. The other bonds consists of European regional government and corporate bonds, listed and non-listed. The debt securities including the other bonds are specified below.

The interest bearing securities in the statement below, as at 31 December, are valued at amortised cost. This is the book value without the interest receivable, fair value hedge accounting and the allowance for the ECL.

Issuer	2020				
	Listed	Non-listed	Maturity <1 year	Maturity >1 year	Of which Green bond ¹⁾
Public sector entities					
Belgium, government	141,697	-	32,882	108,815	-
Comunidad Autonoma de Madrid, Spain	125,350	-	25,108	100,242	14,486
Hessen, Germany	86,319	-	-	86,319	-
Region Wallonne, Belgium	71,128	20,001	30,001	61,128	-
The Netherlands, government	69,983	-	-	69,983	-
Kingdom of Spain, government	63,209	-	10,038	53,171	-
United Kingdom, government	63,120	-	17,414	45,706	-
European Investment Bank	50,935	-	4,932	46,003	-
Berlin, Germany	41,607	-	-	41,607	-
Autonomous Community of Basque Country, Spain	41,495	-	-	41,495	-
Instituto de Crédito Oficial (government guaranteed), Spain	37,396	-	31,398	5,998	-
Schleswig-Holstein, Germany	30,080	-	10,004	20,076	-
Xunta de Galicia, Spain	28,027	-	-	28,027	-
Niedersachsen, Germany	24,711	-	-	24,711	-
Junta de Castilla y Leon, Spain	24,127	-	-	24,127	-
Ayuntamiento de Madrid, Spain	23,672	-	8,153	15,519	-
Gemeinsame Deutsche Bundeslaender, Germany	21,920	-	-	21,920	-
Nordrhein-Westfalen, Germany	20,019	-	-	20,019	-
Region Ile de France	17,986	-	-	17,986	17,986
Rheinland-Pfalz, Germany	15,116	-	-	15,116	-
Transport for London, United Kingdom	5,729	-	-	5,729	5,729
Comunidad Autónoma de Andalucía, Spain	3,729	-	-	3,729	-

Issuer	2020				
Deutschsprachige Gemeinschaft Belgiens, Belgium	-	20,005	20,005	-	-
Brussels Region, Belgium	-	17,301	-	17,301	-
Fonds régional bruxellois de refinancement des trésoreries communales, Belgium	-	10,026	-	10,026	-
La Commanauté Francaise de Belgique, Belgium	-	10,000	-	10,000	-
Provincie Vlaams-Brabant, Belgium	-	6,000	6,000	-	-
Total public sector entities	1,007,355	83,333	195,935	894,753	38,201

¹ These are Green/sustainable bonds of which the proceeds are invested by the issuer in areas such as sustainable energy, energy efficiency and microfinance.

Issuer	2020				
Non-public sector entities	Listed	Non-listed	Maturity <1 year	Maturity >1 year	Of which Green bond ¹⁾
Adif Alta Velocidad, Spain	48,125	-	-	48,125	-
Coöperative Rabobank U.A., The Netherlands	24,996	-	24,996	-	24,996
NRW Bank (government guaranteed), Germany	24,939	-	-	24,939	19,891
Kreditanstalt für Wiederaufbau (government guaranteed), Germany	21,820	-	-	21,820	-
Unibail-Rodamco-Westfield, France	15,941	-	-	15,941	-
Landwirtschaftliche Rentenbank, Germany	11,549	-	-	11,549	-
Nationwide Building Society, United Kingdom	11,171	-	-	11,171	-
Anglian Water Services Financing Plc, United Kingdom	10,522	-	-	10,522	10,522
ABN AMRO Bank N.V., The Netherlands	10,497	-	-	10,497	10,497
Bank Nederlandse Gemeenten (BNG), The Netherlands	6,037	-	6,037	-	-
Cofinimmo SA N.V., Belgium	4,999	-	-	4,999	4,999
Ethias Vie, Belgium	500	-	-	500	-
Société Régionale Wallonne du Transport (government guaranteed), Belgium	-	15,000	15,000	-	-
Aquaflin NV, Belgium	-	10,000	2,000	8,000	10,000
Total non-public sector entities	191,096	25,000	48,033	168,063	80,905

¹ These are Green/sustainable bonds of which the proceeds are invested by the issuer in areas such as sustainable energy, energy efficiency and microfinance.

Issuer		2019			
Public sector entities	Listed	Non-listed	Maturity <1 year	Maturity >1 year	Of which Green bond ¹⁾
Belgium, government	168,222	-	25,228	142,994	-
Comunidad Autonoma de Madrid, Spain	114,355	-	2,873	111,482	11,107
United Kingdom, government	78,069	-	10,631	67,438	-
Kingdom of Spain, government	72,182	-	28,829	43,353	-
The Netherlands, government	70,292	-	-	70,292	-
Region Wallonne, Belgium	40,000	20,000	10,000	50,000	-
Instituto de Crédito Oficial (government guaranteed), Spain	38,708	-	6,500	32,208	-
Junta de Castilla y Leon, Spain	24,558	-	-	24,558	-
Ayuntamiento de Madrid, Spain	24,019	-	-	24,019	-
Autonomous Community of Basque Country, Spain	20,629	-	-	20,629	-
Xunta de Galicia, Spain	15,000	-	-	15,000	-
European Investment Bank	11,828	-	11,828	-	11,828
Transport for London, United Kingdom	6,096	-	-	6,096	6,096
Deutschsprachige Gemeinschaft Belgiens, Belgium	-	20,017	-	20,017	-
Brussels Region, Belgium	-	10,044	-	10,044	-
La Communauté Française de Belgique, Belgium	-	10,000	-	10,000	-
Provincie Vlaams-Brabant, Belgium	-	6,000	-	6,000	-
Total public sector entities	683,958	66,061	95,889	654,130	29,031

¹⁾ These are Green/sustainable bonds of which the proceeds are invested by the issuer in areas such as sustainable energy, energy efficiency and microfinance.

Issuer	2019				
	Listed	Non-listed	Maturity <1 year	Maturity >1 year	Of which Green bond ¹⁾
Non-public sector entities					
Landwirtschaftliche Rentenbank, Germany	50,000	-	50,000	-	50,000
Adif Alta Velocidad, Spain	45,305	-	-	45,305	-
ABN AMRO Bank N.V., The Netherlands	26,487	-	15,992	10,495	26,487
Coöperative Rabobank U.A., The Netherlands	24,991	-	-	24,991	24,991
NRW Bank (government guaranteed), Germany	19,872	-	-	19,872	19,872
Kreditanstalt für Wiederaufbau (government guaranteed), Germany	17,165	-	5,907	11,258	5,907
ING Bank N.V., The Netherlands	13,009	-	13,009	-	13,009
Nationwide Building Society, United Kingdom	11,820	-	-	11,820	-
Anglian Water Services Financing Plc, United Kingdom	11,174	-	-	11,174	11,174
Bank Nederlandse Gemeenten (BNG), The Netherlands	6,082	-	-	6,082	-
Cofinimmo SA N.V., Belgium	4,998	-	-	4,998	4,998
Ethias Vie, Belgium	500	-	-	500	-
Société Régionale Wallonne du Transport (government guaranteed), Belgium	-	30,000	15,000	15,000	-
Aquaflin NV, Belgium	-	12,000	2,000	10,000	12,000
Total non-public sector entities	231,403	42,000	101,908	171,495	168,438

¹ These are Green/sustainable bonds of which the proceeds are invested by the issuer in areas such as sustainable energy, energy efficiency and microfinance.

Part of the value of securities is used as collateral for a possible debit balance, amounting to EUR 177.5 million at the Dutch Central Bank (2019: EUR 89.4 million).

As part of the interest rate risk management Triodos Bank entered into interest rate swaps to hedge the interest risk on fixed interest rate bonds. Triodos Bank changed its risk management strategy by using portfolio fair value hedging. The remaining fair value hedge accounting movement will amortise over the remaining lifetime.

5 Investment securities

	2020	2019
Shares S.W.I.F.T. SCRL	80	20
Participating interests designated at fair value through OCI	26,673	19,542
Participating debt at mandatory fair value through profit and loss	4,461	4,737
Balance sheet value as at 31 December	31,214	24,299

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.

	2020	2019
Balance sheet value as at 1 January	20	20
Purchase	60	-
Sales	-	-
Balance sheet value as at 31 December	80	20

As part of its mission, Triodos Bank wishes sustainable banking to create more and more impact over the world. In this respect, Triodos Bank provides equity funding to like minded financial institutions in order to increase growth of the sustainable banking sector. No significant influence can be exercised on our participating interests. The value of these interests is based on the published share price. In absence of a public share price or if such a public share price is established in a non active stock exchange market (low trading activity) Triodos Bank estimates the fair value through the net asset value. The other participating interests can be broken down as follows.

	2020		2019	
	Participating interest	Amount in thousands of EUR	Participating interest	Amount in thousands of EUR
Participating interests at fair value through OCI				
Amalgamated Bank, New York ¹⁾	2.3%	8,156	2.3%	12,569
Merkur Bank KGaA, Copenhagen ¹⁾	6.2%	3,150	3.0%	1,210
Cultura Bank Sparebank, Oslo ¹⁾	1.2%	95	1.2%	102
GLS Gemeinschaftsbank eG, Bochum ¹⁾	1.8%	10,050	0.0%	50
Banca Popolare Etica Scpa, Padova ¹⁾	0.2%	133	0.2%	133
Ekobanken Medlemsbank, Järna ¹⁾	0.6%	52	0.6%	49
Social Enterprise Finance Australia Limited, Sydney	4.5%	1	4.5%	1
Bpifrance Financement S.A., Maisons-Alfort.	0.0%	140	0.0%	140
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO), The Hague ¹⁾	2.0%	702	2.0%	861
Thrive Renewables Plc, Bristol	5.8%	3,275	5.7%	3,434
Transactie Monitoring Nederland BV, Purmerend	3.0%	210	0.0%	-
La Société d'Investissement France Active (SIFA), Montreuil	0.1%	300	0.1%	302
Visa Inc, San Francisco ¹⁾	0.0%	309	0.0%	591
La Bolsa Social, plataforma de financiación participativa, S.A., Madrid	6.0%	100	6.0%	100
Balance sheet value as at 31 December		26,673		19,542
Participating debt at fair value through profit and loss				
Sustainability – Finance – Real Economies SICAV-SIF public limited liability company, Luxembourg	12.8%	4,150	13.0%	4,737
Visa Inc, San Francisco ¹⁾	0.0%	311	0.0%	-
Balance sheet value as at 31 December		4,461		4,737

¹ Credit institution

The movement of the participating interest at fair value through OCI is as follows:

	2020	2019
Balance sheet value as at 1 January	19,542	19,018
Acquisitions	210	-
Increase of capital	12,099	349
Revaluation	-4,138	-279
Repayment of capital	-	-
Divestments	-	-
Conversion*	-292	-
Exchange rate results on foreign currencies	-748	454
Balance sheet value as at 31 December	26,673	19,542

The movement of the participating debt at fair value through profit and loss is as follows:

	2020	2019
Balance sheet value as at 1 January	4,737	3,430
Acquisitions	-	-
Increase of capital	-	877
Revaluation	-208	352
Repayment of capital	-	-
Divestments	-	-
Conversion*	292	-
Exchange rate results on foreign currencies	-360	78
Balance sheet value as at 31 December	4,461	4,737

* A portion of the shares held in Visa were converted and are therefore derecognised as participating interest at fair value through OCI and recognised as participating debt at fair value through profit and loss.

6 Intangible assets

	2020	2019
Development costs for information systems	43,274	38,212
Management contracts	1,159	1,360
Computer software	1,330	1,971
Balance sheet value as at 31 December	45,763	41,543

The development costs for information systems

The development costs for information systems contain costs for the development of the Bank's ICT systems in The Netherlands, Spain and Germany.

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

	2020	2019
Purchase value as at 1 January	70,628	58,524
Cumulative amortisation as at 1 January	-32,416	-24,416
Balance sheet value as at 1 January	38,212	34,108
Internal development	14,732	12,901
Acquisitions	-	-
Amortisation	-9,577	-7,931
Impairments	-	-891
Exchange rate results on foreign currencies	-93	25
Balance sheet value as at 31 December	43,274	38,212
Purchase value as at 31 December	69,830	70,628
Cumulative amortisation as at 31 December	-26,556	-32,416
Balance sheet value as at 31 December	43,274	38,212

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 in 2006, Triodos Bank paid EUR 4 million for this to Stichting Triodos Holding. No impairment was recognised based on the remaining usefulness of the contracts.

The movement in management contracts is as follows:

	2020	2019
Purchase value as at 1 January	4,030	4,030
Cumulative amortisation as at 1 January	-2,670	-2,468
Balance sheet value as at 1 January	1,360	1,562
Amortisation	-201	-202
Balance sheet value as at 31 December	1,159	1,360
Purchase value as at 31 December	4,030	4,030
Cumulative amortisation as at 31 December	-2,871	-2,670
Balance sheet value as at 31 December	1,159	1,360

Computer software

Computer software relate to software that has been purchased. The movement in computer software is as follows:

	2020	2019
Purchase value as at 1 January	4,573	5,256
Cumulative amortisation as at 1 January	-2,602	-2,502
Balance sheet value as at 1 January	1,971	2,754
Internal development	-	-
Acquisitions	245	514
Amortisation	-882	-1,260
Impairment	-	-37
Exchange rate results on foreign currencies	-4	-
Balance sheet value as at 31 December	1,330	1,971
Purchase value as at 31 December	3,903	4,573
Cumulative amortisation as at 31 December	-2,573	-2,602
Balance sheet value as at 31 December	1,330	1,971

7 Property and equipment

	2020	2019
Property for own use	72,537	86,150
Equipment	28,953	34,546
Balance sheet value as at 31 December	101,490	120,696

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

	2020	2019
Purchase value as at 1 January	95,495	96,365
Cumulative revaluation as at 1 January	-1,596	-1,596
Cumulative depreciation as at 1 January	-7,749	-6,629
Balance sheet as at 1 January	86,150	88,140
Purchase	152	3,724
Depreciation	-2,322	-1,043
Revaluation	-	-
Impairment	-4,971	-
Transfer to equipment *	-	-4,663
Transfer to held for sale	-5,764	-
Exchange rate differences	-708	-8
Balance sheet value as at 31 December	72,537	86,150
Purchase value as at 31 December	79,196	95,495
Cumulative revaluation as at 31 December	-1,596	-1,596
Cumulative depreciation as at 31 December	-5,063	-7,749
Balance sheet value as at 31 December	72,537	86,150

* With the realisation of a new office building in The Netherlands in 2019 a part of the development cost of this building in the amount of EUR 4,663 has been transferred to equipment.

The Executive Board of Triodos Bank decided in December 2020 to sell the buildings located at the Nieuweroordweg 1 and Utrechtseweg 60 in Zeist and related to Triodos Head Office. The decision to sell the buildings was made in December 2020 and is a consequence of the new way of working within Triodos Bank during 2020 resulting from the COVID-19 pandemic. This way of working entails a combination of working from home and working from the office. Triodos Bank believes that this is a more efficient way of working and it is in line with the Triodos Bank values of lowering the carbon footprint which will be continued after the COVID-19 pandemic such that less office space is required.

This decision triggered an impairment because the carrying value of the buildings will no longer be recovered through its continuing use, but through the sale of the property. An impairment loss of EUR 5.1 million for property and equipment related to Triodos Head Offices combined is recorded in profit or loss statement. The impairment is recognised to adjust the carrying value to the fair value less cost of disposal.

An external valuation report is used to estimate the fair value less cost of disposal. Therefore the fair value less cost of disposal is categorised as a level 3 valuation within the fair value hierarchy. This valuation report estimated a market price of EUR 6.2 million for the buildings. Disposal costs are costs that are incremental and directly attributable to the disposal of the buildings and are estimated at 4% of the market price and an additional EUR 90 thousand moving costs need to be taken into account. The buildings are expected to be sold during 2021, such that the buildings located at the Nieuweroordweg 1 and Utrechtseweg 60 in Zeist will be reclassified to assets held for sale. Refer to note 12 Non-current Assets Held for Sale for further details.

The movement in equipment is as follows:

	2020	2019
Purchase value as at 1 January	60,460	36,982
Cumulative depreciation as at 1 January	-25,914	-24,085
Balance sheet value as at 1 January	34,546	12,897
Purchase*	2,856	21,638
Sale**	-1,226	-4
Depreciation**	-6,954	-4,614
Impairment	-83	-60
Transfer from property for own use ***	-	4,663
Transfer to held for sale	-97	-
Exchange rate differences	-89	26
Balance sheet value as at 31 December	28,953	34,546
Purchase value as at 31 December	56,736	60,460
Cumulative depreciation as at 31 December	-27,783	-25,914
Balance sheet value as at 31 December	28,953	34,546

* The purchase in 2019 mainly relates to the investment in the installation and the inventory of the new office building in The Netherlands.

** Excluding disposal in the amount of EUR 4.1 million (2019: EUR 3.0 million).

*** With the realisation of a new office building in The Netherlands in 2019 a part of the development cost in the amount of EUR 4,663 has been transferred from property for own use to equipment.

8 Investment property

Triodos Bank sometimes repossesses assets which come from acquisition in public auctions. These assets are collaterals of an executed loan. A part of the repossessed assets however will not be sold immediately because Triodos Bank has opted to add value by renting out these assets and are therefore presented as investment property.

The movement in the investment property is as follows:

	2020	2019
Acquisition value as at 1 January	12,630	12,589
Cumulative depreciation as at 1 January	-1,618	-1,265
Balance sheet as at 1 January	11,012	11,324
New foreclosed assets	158	41
Depreciation	-234	-239
Impairments	-22	-114
Balance sheet value as at 31 December	10,914	11,012
Purchase value as at 31 December	12,788	12,630
Cumulative depreciation as at 31 December	-1,874	-1,618
Balance sheet value as at 31 December	10,914	11,012

Leases as lessor

Triodos Bank leases out its investment properties for the purpose of adding value to the repossessed assets. Triodos Bank has recognised the following items in the profit and loss account.

	2020	2019
Rental income	181	246
Operating expenses	-46	-262
Total result on investment properties	135	-16

9 Leases

Triodos Bank leases many assets including land and buildings, vehicles, and IT equipment. Information about leases for which Triodos Bank is a lessee is presented below.

Right-of-use assets

	2020				2019			
	Property	Vehicles	Other	Total	Property	Vehicles	Other	Total
Balance at 1 January	19,357	1,656	342	21,355	19,260	1,674	14	20,948
Depreciation	-2,541	-687	-68	-3,296	-3,633	-579	-8	-4,220
Additions	859	433	174	1,466	3,653	561	336	4,550
Exchange rate difference	-119	-	-	-119	77	-	-	77
Disposals	-18	-42	-	-60	-	-	-	-
Balance at 31 December	17,538	1,360	448	19,346	19,357	1,656	342	21,355

Lease liabilities

Maturity analysis – contractual undiscounted cash flows	2020				2019			
	Property	Vehicles	Other	Total	Property	Vehicles	Other	Total
Less than one year	2,418	397	72	2,887	2,336	435	62	2,833
One to five years	8,042	1,041	242	9,325	8,097	1,199	244	9,540
More than five years	12,082	-	144	12,226	13,649	34	54	13,737
Total undiscounted lease liabilities at 31 December	22,542	1,438	458	24,438	24,082	1,668	360	26,110
Current	1,912	463	72	2,447	1,611	453	59	2,123
Non-current	16,207	929	380	17,516	18,429	1,242	284	19,955
Lease liabilities included in the statement of financial position at 31 December	18,119	1,392	452	19,963	20,040	1,695	343	22,078

Amounts recognised in profit or loss

	2020	2019
Interest on lease liabilities	216	465
Expenses of short-term leases	61	111
Expenses of low-value assets	212	392
Sub-lease income	48	42

Amounts recognised in the statement of cash flows

	2020	2019
Total cash outflow for leases	3,578	4,297

Real estate leases

Triodos Bank leases land and buildings for its office space. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some leases provide for additional rent payments that are based on changes in local price indices.

Other leases

Triodos Bank leases vehicles and equipment, with lease terms of generally three to five years. Triodos Bank also leases IT equipment with contract terms of generally one to three years. Leases with a contract term of less than one year and/or a value of less than EUR 5.000 are considered short-term and/or leases of low-value items.

Triodos Bank has elected not to recognise right-of-use assets and lease liabilities for these leases.

10 Non-trading derivatives

Additional hedge accounting disclosures are part of the financial risk management paragraph, please see note Non-trading derivatives and hedge accounting (see page 263) for additional information.

As part of the interest rate risk management Triodos Bank entered into interest rate swaps to hedge the interest risk on fixed interest rate loans. The fair value of the interest rate swaps with a positive value at the end of the year is represented on the asset side of the balance sheet and the interest rate swaps with a negative value on the liability side.

Breakdown of derivatives by remaining term to maturity and fair value:

Non-trading derivative assets

		Notional amount			Fair value
2020	Total	<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	4,908	-	4,908	-	176
Non deliverable forwards	9,191	5,013	4,178	-	1,595
Swap	-	-	-	-	-
Other OTC contracts:					
Interest rate swaps	70,000	-	-	70,000	24
Total derivatives	84,099	5,013	9,086	70,000	1,795
Average IRS rates:				0.00%	
		Notional amount			Fair value
2019	Total	<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	14,206	8,863	5,343	-	1,965
Non deliverable forwards	43,380	33,079	10,301	-	5,840
Swap	387	387	-	-	9
Other OTC contracts:					
Interest rate swaps	33,500	-	-	33,500	908
Total derivatives	91,473	42,329	15,644	33,500	8,722
Average IRS rates:				-0.25%	

Triodos Bank entered into currency contracts with Triodos Investment Management in order to manage the currency risk of the investment funds. Triodos Bank hedges these positions directly in the market. Therefore the long and short position are almost the same. The decline of the nominal amount from 2019 to 2020 relates to the fact that at the end of 2017 Triodos Bank stopped entering into new currency contract with Triodos Investment Management because of new regulation.

Non-trading derivative liabilities

		Notional amount			Fair value
2020	Total	<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	206,008	201,100	4,908	-	2,584
Non deliverable forwards	9,191	5,013	4,178	-	1,524
Swap	-	-	-	-	-
Other OTC contracts:					
Interest rate swaps	295,175	24,975	187,500	82,700	6,344
Total derivatives	510,374	231,088	196,586	82,700	10,452
Average IRS rates:		-0.12%	0.24%	0.18%	
		Notional amount			Fair value
2019	Total	<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	206,726	201,383	5,343	-	4,460
Non deliverable forwards	43,380	33,079	10,301	-	5,583
Swap	387	387	-	-	8
Other OTC contracts:					
Interest rate swaps	270,975	6,500	208,475	56,000	5,012
Total derivatives	521,468	241,349	224,119	56,000	15,063
Average IRS rates:			0.21%	0.55%	

The forward currency contracts relates mainly to GBP contracts that Triodos Bank entered for a notional amount of EUR 201.1 million (2019: EUR 192.5 million) for hedging the currency risk of the UK subsidiary equity participation of Triodos Bank. The other currency contracts relates to contracts that Triodos Bank entered into with Triodos Investment Management in order to manage the currency risk of the investment funds. Triodos Bank hedges these positions directly in the market. Therefore the long and short position of these contracts are almost the same.

11 Other assets

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

	2020	2019
Receivable regarding the deposit guarantee scheme	3,916	3,916
Other prepayments and accrued income	22,702	44,596
Other	35,296	38,275
Balance sheet value as at 31 December	61,914	86,787

12 Non-current Assets Held for Sale

The balance sheet value of the assets held-for-sale as at 31 December can be broken down as follows:

	2020	2019
Repossessioned assets	10,343	10,197
Own property held for sale	5,860	-
Shares in investment funds held for sale	2,769	-
Balance sheet value as at 31 December	18,972	10,197

Triodos Bank can acquire the collateral under non performing loans, all assets acquired are real estate. It is the intention of Triodos Bank to dispose of these assets as they are not part of the primary business of the Bank. If permitted by the underlying contracts of the acquired assets, these assets are presented as real estate for sale, using a realtor.

Triodos Investment Management has provided seed capital to a new investment fund in November 2020 to improve the product offering and with the intention to exit within a year.

The disclosure regarding the addition to the assets held for sale as required by IFRS 5 is included in note 7, Property and Equipment, on page 148 of the financial statements.

	2020	2019
Impairments recorded in other income	-594	-135
Total for the year	-594	-135

Equity and liabilities

13 Deposits from banks

	2020	2019
Deposits from banks	66,965	70,023
Deposits from Central Banks (TLTROIII.5)	750,000	-
Interest payable	-1,825	697
Balance sheet value as at 31 December	815,140	70,720

The deposits from banks concerns credits held by Kreditanstalt für Wiederaufbau, Germany and Landwirtschaftliche Rentenbanken, Germany for interest-subsidised loans in the renewable energy sector.

Triodos Bank entered into TLTROIII (hereafter 'TLTRO') funding with the ECB, with early repayment option after 1 year, on 30 September 2021. The interest rate on the TLTRO depends on the lending volumes granted to corporates (excluding financial institutions) and households (excluding mortgages).

Under the conditions of the program, if a bank shows growth in its lending volumes equal to or above 0% between 1 March 2020 and 31 March 2021, the interest rate applied on all TLTRO operations outstanding over the period between 24 June 2020 and 23 June 2021 will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than -1%. In subsequent years the interest will be between the Deposit Facility and Main Refinancing Operations interest rates, depending to what lending growth conditions Triodos Bank meets within the TLTRO program. The amount of interest to be recognised on the TLTRO depends on a reasonable expectation of whether the conditions will be met over the life of the loan. Triodos Bank expects that the conditions will be met. Interest on TLTRO is presented as part of net interest margin.

Deposits from banks classified by residual maturity:

	2020	2019
Payable on demand	87	697
1 to 3 months	-	1,425
3 months to 1 year	753,067	5,267
1 to 5 years	13,378	27,484
Longer than 5 years	48,608	35,847
Balance sheet value as at 31 December	815,140	70,720

14 Deposits from customers

	2020	2019
Savings	7,762,988	6,365,076
Other funds entrusted	3,979,681	4,324,929
Interest payable	4,538	3,694
Balance sheet value as at 31 December	11,747,207	10,693,699

Savings are defined as:

- savings accounts (with or without notice) of natural persons and non-profit institutions
- fixed term deposits of natural persons and non-profit institutions

Other funds entrusted are defined as:

- current accounts of natural persons and non-profit institutions
- all accounts of governments, financial institutions (excluding banks) and non-financial corporations

Deposits from customers classified by residual maturity:

	2020			2019		
	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	7,032,403	3,703,255	10,735,658	5,233,233	4,123,538	9,356,771
1 to 3 months	300,844	193,933	494,777	592,673	137,552	730,225
3 months to 1 year	241,029	37,005	278,034	270,145	36,029	306,174
1 to 5 years	162,358	41,743	204,101	238,907	26,818	265,725
Longer than 5 years	29,457	5,180	34,637	32,318	2,486	34,804
	7,766,091	3,981,116	11,747,207	6,367,276	4,326,423	10,693,699

15 Other liabilities

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

	2020	2019
Other liabilities	17,830	20,226
Other accruals and deferred income	37,964	29,518
Balance sheet value as at 31 December	55,794	49,744

Interest payable regarding cash and cash equivalents was recognised as other accruals and deferred income but are transferred to cash and cash equivalents. The comparative figure in the amount of EUR 241 are adjusted accordingly.

16 Debt issued and other borrowed funds

This relates to a 10-year GBP bond issued in 2020 by Triodos Bank UK Ltd. The bond was issued at nominal value. The nominal interest rate is 4% for the first five years after which there is an option to early redeem the bond. If the bond is not early redeemed, the interest rate is reset to maturity at 3.9% above the Bank of England base rate. The bonds are subordinated to all other liabilities.

The movement of the debt issued is as follows:

	2020	2019
Balance sheet value as at 1 January	-	-
Issuance	6,359	-
Interest payable	9	-
Exchange rate difference	-	-
Balance sheet value as at 31 December	6,368	-

17 Provisions

	2020	2019
ECL on financial guarantee contracts issued	14	19
ECL on loan commitments issued	2,233	676
Other provisions	2,137	4,782
Balance sheet value as at 31 December	4,384	5,477

A provision in the amount of EUR 0.6 million has been created regarding the conversion of regulated savings accounts. A provision regarding the internal reorganization was made of which EUR 0.4 million (2019: EUR 3.5 million) is still unutilised. Further provisions have been formed regarding disputes and claims.

An amount of EUR 4.1 million (2019: EUR 3.5 million) can be classified as shorter than one year.

The movement of the other provisions is as follows:

	2020	2019
Balance sheet value as at 1 January	4,782	5,259
Addition	1,179	5,024
Withdrawal	-1,952	-2,471
Release	-1,850	-3,113
Exchange rate differences	-22	83
Balance sheet value as at 31 December	2,137	4,782

18 Equity

Share capital

The equity stated on the consolidated balance sheet is equal to that stated on the parent company balance sheet. The authorised capital totals to an amount of EUR 1.5 billion and is divided into 30 million ordinary shares, each with a nominal value of EUR 50. At year-end, there were 14,467,056 ordinary shares (2019: 14,401,765 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 14,467,056 depository receipts (2019: 14,401,765 depository receipts), each with a nominal value of EUR 50.

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. More details on capital ratios are included in the Pillar 3 report which can be found on the internet site of Triodos Bank.

The movement of the number of shares is as follows:

	2020	2019
Number of shares as at 1 January	14,401,765	13,494,697
Increase of share capital	65,291	642,944
Stock dividend	-	264,124
Number of shares as at 31 December	14,467,056	14,401,765

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.

Translation reserve

The translation reserve includes the currency translation result of foreign operations and the effective portion of the net investment hedge on foreign operations.

Cost of hedging reserve

The cost of hedging reserve relates to the forward component of the net investment hedges which are recognised as cost of hedging.

Fair value reserve

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

	2020	2019
Development costs	43,806	38,914
Balance sheet value as at 31 December	43,806	38,914

Development costs

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

	2020	2019
Balance sheet value as at 1 January	38,914	34,715
Transfer of other reserve	4,892	4,199
Balance sheet value as at 31 December	43,806	38,914

Retained earnings

The movement in other reserves includes purchasing of own depository receipts. At year-end 2020, Triodos Bank had purchased 237,975 own depository receipts amounting to EUR 20,656 (2019: 1,321 own depository receipts amounting to EUR 126).

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.

The proposed appropriation of profit is based on the number of depository receipts issued as at 31 December 2020, minus the number of depository receipts purchased by Triodos Bank. The final proposal will be submitted at the Annual General Meeting.

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

Net profit	27,203
Addition to the retained earnings	-17,954
Dividend (EUR 0.65 per depository receipt)	9,249

Dividend proposal of 18 March 2020 as published in the annual accounts 2019 was revised. This was a direct response to the recommendation made by the European Central Bank and De Nederlandsche Bank (DNB) on 27 March to all banks, not to pay out dividend in order to prioritise supporting the real economy by lending to customers during the COVID-19 pandemic. For the year result of 2020 Triodos Bank proposes a dividend of EUR 0.65 per share, equivalent to a 15% pay-out ratio (the percentage of total profit distributed as dividends) of 2019 and 2020 together in compliance with the latest guidelines of DNB following the instruction of the ECB.

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.

	2020	2019
Credit substitute guarantees	41,009	75,901
Non-credit substitute guarantees	32,095	31,594
	73,104	107,495

Credit substitute guarantees are guarantees to customers for loans provided to these customers by other banks. Non-credit substitute guarantees are guarantees to customers for all other obligations of these customers to third parties. For example:

- Obligations to purchase sustainable goods, such as wind turbines.
- Obligations to decommission equipment or reinstate property (mostly related to project finance provided by Triodos Bank).

The decrease of the credit substitute guarantees is mainly due to the repayment of two large loans which were guaranteed by Triodos Bank.

20 Irrevocable facilities

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

	2020	2019
Undrawn debit limits on current accounts and credit cards	385,280	252,564
Accepted loans not yet paid out	1,442,923	1,120,627
Valid loan offers not yet accepted	107,634	28,972
Other facilities	496	287
	1,936,333	1,402,450

The increase of the irrevocable facilities is mainly due to the increase in mortgage loan offers issued and outstanding construction mortgage accounts.

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 Financial

Supervision Act in the Netherlands. From May 2019 the funds entrusted from the United Kingdom are insured under the Financial Services Compensation Scheme as defined by the Financial Services and Markets Act 2000 in the United Kingdom. The funds entrusted insured under the deposit guarantee scheme in the Netherlands amounts to € 8,166 million (2019: € 7,211 million) and in the United Kingdom € 1,099 million (£ 985 million, 2019: € 990 million or £ 838 million). In 2016 the annually ex-ante contribution to the Deposit Guarantee Fund started in the Netherlands in order to reach a target level of 0.8% of the insured funds entrusted in The Netherlands in 2024. The contribution to the Deposit Guarantee Fund amount to EUR 12.2 million in 2020 (2019: EUR 10.5 million).

Commitments for software use

in thousands of EUR

The following commitments have been entered for software use:

- For a period of at least 1 year a fixed annual payment of EUR 168 regarding a mortgage tool.
- For a period of at least 1 year a fix annual payment of EUR 145 regarding a customer due diligence application.
- For a period of at least 1 year a variable annual charge of approximately EUR 662 regarding the use of a banking system.
- For a period of at least 4 year a fixed annual payment of EUR 470 regarding a regulatory reporting tool.
- For a period of at least 1 year a variable annual charge of approximately EUR 90 regarding an application and database server.
- For a period of at least 1 year a variable annual charge of approximately EUR 25 regarding the support of a customer engagement tool.
- For a period of at least 1 year an annual charge of EUR 78 regarding the support of a securities administration tool.
- For a period of at least 5 years a variable annual charge of approximately EUR 2,207 regarding the use of a banking system.
- For a period of at least 2 years a variable annual charge of approximately EUR 65 regarding the use of an asset management tool.

Other Commitments

in thousands of EUR

The following commitments have been entered:

- Services relating managing of mortgages for a period of at least 1 year with an annual charge of EUR 2,638
- Services relating payment transactions for a period of at least 2 years with a variable annual charge of approximately EUR 4,800.
- Services relating payment transactions for a period of at least 1 year with a variable annual charge of approximately EUR 100.
- Services relating payment transactions for a period of at least 1 year with a variable annual charge of approximately EUR 121.
- Services relating private banking for a period of at least 1 year with a variable annual charge of approximately EUR 600.
- Services relating payment transactions for a period of at least 1 year with an annual charge of approximately EUR 32.
- Services relating payment transactions for a period of at least 2 years with an annual charge of approximately EUR 32.

- Services relating payment transactions for a period of at least 1 years with an annual charge of approximately EUR 379.
- Services relating clearing and payment transactions for a period of at least 1 year with an annual charge of EUR 480.
- Services relating protection of payment systems for a period of at least 0.5 years with a variable annual charge of approximately EUR 550.
- Services relating to credit checks / business information searches with an estimated annual charge of EUR 212.
- Services relating to provision of debit cards with an estimated annual charge of EUR 391.
- Services relating maintenance of building equipment for a period of at least 0.5 year with an annual charge of EUR 42.
- Security services with an annual charge of EUR 93K.
- Services relating providing temporary co-workers for the customer contact centre for a period of at least 3 months with an variable annual charge of approximately EUR 1,075.
- Services relating to crowdfunding platforms for at least 1 year with an annual charge of EUR 53.
- Management of investment accounts until end of 2021 with an annual charge of EUR 259k including transaction charges.
- Audit services for at least a period of 3 years with a variable annual charge of approximately EUR 2,300.

Notes to the consolidated income statement

Income

21 Interest income calculated using the effective interest method

	2020	2019
Loans	202,201	196,632
Banks	2,442	1,864
Interest-bearing securities	12,043	13,182
Other investments	91	85
Negative interest expense other	3,964	1,612
Total interest income calculated using the effective interest method	220,741	213,375

The interest income includes revenues derived from loans and related transactions, as well as related commissions, which by their nature are similar to interest payments. The interest-bearing securities item does not include transaction results (2019: nil).

22 Interest expense

	2020	2019
Deposits from customers	-10,506	-16,743
Subordinated liabilities	-9	-
Deposits from banks	-782	-587
Negative interest income banks	-7,599	-7,770
Other	-2,719	-2,787
Negative interest income other	-973	-485
Total interest expense	-22,588	-28,372
Net interest income	198,153	185,003

23 Investment income

	2020	2019
Dividend from investment securities	449	679
Investment income	449	679

24 Net fee and commission income

Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fee and commission income with the Group's reportable segments.

The fees and commission presented in this note include income of € 13.6 million (2019: € 14.7 million) relating to financial assets and financial liabilities not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

Asset management fees include fees earned by Triodos Bank on trust and fiduciary activities in which the Triodos Bank holds or invests assets on behalf of its customers.

Triodos Bank doesn't have any contract assets or liabilities outstanding on balance sheet date.

<i>For the year ended 31 December</i>	Reportable							
	Bank Netherlands		Bank Belgium		Bank United Kingdom		Bank Spain	
	2020	2019	2020	2019	2020	2019	2020	2019
Transaction fee securities	2,159	1,936	-	-	-	-	51	75
Payment transactions	26,789	20,833	90	77	153	194	3,201	4,145
Lending	4,132	4,021	3,750	4,013	1,552	1,915	2,676	4,030
Asset Management	4,663	4,736	2,061	2,158	-	-	-	-
Management fees	-	-	2,347	1,406	525	478	215	178
Other commission income	-	-	-	-	1,345	1,066	3,723	3,380
Total fee and commission income from contracts with customers	37,743	31,526	8,248	7,654	3,575	3,653	9,866	11,808
Financial guarantee contracts and loan commitments	77	171	-	-	-	-	358	365
Total fee and commission income	37,820	31,697	8,248	7,654	3,575	3,653	10,224	12,173
Commission to agents	-	-	-121	-144	-	-	-2	-2
Asset Management	-614	-721	-	-	-	-	-	-
Other commission expense	-	-	-428	-328	-56	-382	-1,691	-1,872
Total Fee and commission expense	-614	-721	-549	-472	-56	-382	-1,693	-1,874
Net fee and commission income	37,206	30,976	7,699	7,182	3,519	3,271	8,531	10,299

Business segments									
Bank Germany		Total banking activities		Investment Management		Other		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
-	-	2,210	2,011	-	-	-	-	2,210	2,011
1,681	1,123	31,914	26,372	-	-	-	-	31,914	26,372
917	66	13,027	14,045	-	-	-	-	13,027	14,045
-	-	6,724	6,894	-	-	-	-	6,724	6,894
-	-	3,087	2,062	49,464	54,046	1,387	1,583	53,938	57,691
710	515	5,778	4,961	-	-	2	19	5,780	4,980
3,308	1,704	62,740	56,345	49,464	54,046	1,389	1,602	113,593	111,993
163	174	598	710	-	-	-	-	598	710
3,471	1,878	63,338	57,055	49,464	54,046	1,389	1,602	114,191	112,703
-	-	-123	-146	-	-	-	-	-123	-146
-	-	-614	-721	-3,907	-2,865	-	-	-4,521	-3,586
-1,192	-1,099	-3,367	-3,681	-55	50	-	-	-3,422	-3,631
-1,192	-1,099	-4,104	-4,548	-3,962	-2,815	-	-	-8,066	-7,363
2,279	779	59,234	52,507	45,502	51,231	1,389	1,602	106,125	105,340

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. Triodos Bank recognises revenue when it transfers control over a service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Transaction fee securities	Fee charged to customers for processing security transactions. Fee is charged when the transaction is settled.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
Payment transactions	Fee charged for processing payment transactions of customers. Fee is charged when the transaction is processed.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
Lending	Fee charged as part of the lending process, not an integral part of the effective interest rate. These fees are charged either at the start of the loan or during the lifetime.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
Asset Management	Asset management fees include fees earned by Triodos Bank on trust and fiduciary activities in which the Triodos Bank holds or invests assets on behalf of its customers. Payment is due on at least quarterly basis.	Revenue from account service and servicing fees is recognised over time as the services are provided, at the latest on the moment of payment.
Management fees	Asset management fees include fees earned by Triodos Investment Management on asset management activities for clients or Triodos Investment Funds. Payment is due on at least quarterly basis.	Revenue from account service and servicing fees is recognised over time as the services are provided, at the latest on the moment of payment.
Other	These are other fees charged to clients. Payment is mostly due when transactions are settled.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

25 Net result from other financial instruments at FVTPL

	2020	2019
Net result on investment debt mandatorily at fair value through profit and loss:	-361	430
Net result from other financial instruments at FVTPL	-361	430

26 Other income

	2020	2019
Exchange results for foreign currency transactions	35	-138
Transaction results on currency forward contracts	56	108
Realized results assets not in use *	-	239
Income assets not in use *	181	246
Hedge accounting ineffectiveness	111	-15
Other income	350	300
Other income	733	740

* Assets not in use relates to acquired collateral on written off loans.

The other income relates to fees for other services performed and results from asset disposals.

Expenses

27 Personnel and other administrative expenses

	2020	2019
Personnel expenses		
• salary expenses	89,097	83,414
• pension expenses	11,893	11,146
• social security expenses	15,362	16,281
• temporary co-workers	18,610	18,619
• other staff costs	7,655	10,255
• capitalised co-worker costs	-7,981	-5,828
Personnel expenses	134,636	133,887
Other administrative expenses:		
• office costs	5,686	5,844
• IT costs	16,965	16,125
• external administration costs	11,028	9,846
• travel and lodging expenses	1,180	3,407
• fees for advice and independent auditor	10,133	10,363
• advertising charges	6,435	7,449
• accommodation expenses	5,525	6,063
• regulatory expenses	16,649	14,391
• other expenses	8,471	6,432
Other administrative expenses	82,072	79,920
	216,708	213,807
Average number FTE's during the year	1,408.7	1,345.6

Pension expenses

	2020	2019
Pension expenses, defined contribution schemes	11,893	11,146
Pension expenses, defined benefit pension schemes	-	-
	11,893	11,146

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 defined contribution scheme. The commitment to the participating co-workers consists of paying the outstanding contribution to a maximum of the gross annual salary of EUR 110,111.

In The Netherlands, co-workers of related parties also participate in the pension scheme. The total pension commitment and the resulting expenses are reported here in note 27. Part of the expenses are charged to the respective related parties, based on their share of the total salaries of the participating co-workers.

The Triodos Bank pension schemes in 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 any outstanding contribution. Participation in the pension scheme is obligatory for co-workers in Belgium, Spain and the United Kingdom. In Belgium the pension scheme is considered a defined benefit scheme for which co-workers' contribution is 2% of salary and the employer's contribution is 6%. In Spain, the pension contribution is 1.5% of salary, paid in full by the employer. In the United Kingdom, the co-workers' contributions are optional with those who opt to do so contributing between 1% and 20% of their salary, and the employer's contribution amounts to 8% or 10% of salary depending on length of service.

In Germany, participation in the pension scheme is voluntary. The co-workers' contribution is 3.33% of the salary and the employer's contribution is 6.67%. In Germany 98% of the co-workers participate in the pension scheme.

Independent auditor's fees

The table below specifies the fees of the PricewaterhouseCoopers Accountants N.V. ('PwC Accountants NV') audit firm that relates to services concerning the financial year.

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

2020	PwC Accountants NV	Other PwC network	Total PwC network
Audit of the financial statements	1,568	592	2,160
Other audit-related engagements	229	274	503
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
Total	1,797	866	2,663
2019	PwC Accountants NV	Other PwC network	Total PwC network
Audit of the financial statements	1,149	582	1,731
Other audit-related engagements	144	8	152
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
Total	1,293	590	1,883

The increase of the audit fees mainly relates to the start of the subsidiary Triodos Bank UK Ltd and the preparation for the implementation of the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our independent auditor, PwC Accountants NV, has rendered, for the period to which our statutory audit 2020 relates, in addition to the audit of the statutory financial statements the following services to the company and its controlled entities.

Other audit services required by law or regulatory requirements:

- Statutory audits of controlled entities
- Audit of Pro forma IFRS consolidated Financial Statements 2019
- Audit of the regulatory returns to be submitted to the Dutch Central Bank and the National Bank of Belgium
- Assurance engagement on cost price models to be submitted to the AFM
- Assurance engagement on segregation of assets to be submitted to the AFM
- Assurance engagement on TLTRO reporting to be submitted to the ECB
- Client Money and Custody Asset (CASS) Assurance Report
- Agreed upon procedures on interest rate risk to the Dutch Central Bank
- ISAE type II on DGS reporting to the Dutch Central Bank

Other audit services:

- Assurance engagement on the sustainability report
- ISAE type II engagement relating to Triodos Investment BV
- Assurance engagement on credit claims to the Dutch Central Bank
- Assurance engagement on credit claims to the Spanish Central Bank -
- Consent letter prospectus
- Review engagement on the interim condensed consolidated financial statements as of and for the six month period ended 30 June 2020

Regulatory expenses

The regulatory expenses can be broken down as follows:

	2020	2019
Bank tax	3,273	3,043
Depository Guarantee Scheme	12,196	10,488
Single resolution fund	1,180	860
	16,649	14,391

28 Depreciation, amortisation and value adjustments of property and equipment, and intangible assets

	2020	2019
Amortisation of intangible fixed assets	10,646	9,391
Impairment of intangible fixed assets	-	928
Amortisation & impairment charge for the year	10,646	10,319
Depreciation of property and equipment	12,812	10,119
Impairment of property and equipment	5,244	174
Depreciation & impairment charge for the year	18,056	10,293

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

29 Impairment losses on financial instruments

	2020	2019
Allowance for expected credit loss	23,915	3,324
Modification result	7	34
Correction on addition to provision doubtful debts regarding interest that has been invoiced but not received	-	-28
Other impairments financial instruments	291	352
Impairment losses on financial instruments for the year	24,213	3,682

30 Taxation on operating result

	2020	2019
Taxation to be paid	10,583	13,021
Origination and reversal of temporary differences	-3,101	1,675
Changes in tax rates	791	390
Deferred taxation	-2,310	2,065
Total taxation expense	8,273	15,086

	2020	2019
Corporate tax receivable	1,764	-
	2020	2019
Corporate tax payable	5,283	4,629
Other tax payable	11,257	10,186
Current tax payable	16,540	14,815

Amounts recognised in OCI

	2020			2019		
	Before tax	Tax (- expense) benefit	Net of tax	Before tax	Tax (- expense) benefit	Net of tax
<i>Items that will not be reclassified to profit or loss</i>						
Revaluation gains/(losses) on equity instruments designated at fair value through other comprehensive income	-4,821	1,161	-3,660	174	-123	51
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Foreign operations – foreign currency translation differences	-1,209	-	-1,209	120	-	120
Total amounts recognised in OCI	-6,030	1,161	-4,869	294	-123	171

The other comprehensive income for Triodos Bank consists of revaluations of equity instruments at fair value through OCI and foreign currency translation differences. Investment securities are the related balance sheet account for the revaluations, for which any realised result will not subsequently be taken into the profit or loss. The foreign currency translation difference relates to the UK subsidiary for the part not subject to the net investment hedge. Tax on both of these items can be subject to the participation exemption under Dutch Tax Law.

Reconciliation of effective tax rate

	2020	2019
Result before taxation	35,476	54,091
Statutory tax rate	25.0%	25.0%
Statutory tax amount	8,869	13,523
Income Non Taxable	-401	-284
Tax Deduction Not Expensed	-	-45
Expenses Non Deductible	1,146	1,831
Impact tax rate differences - stat rate foreign jurisdictions	-656	358
Restatement of deferred taxation items as the result of amended tax rates	791	390
Incentives for gifts, community investment and innovation	-1,084	-550
Other reconciling items	-392	-137
Effective tax amount	8,273	15,086
Effective tax rate	23.3%	27.9%

Triodos Bank is subject to income taxes in the Netherlands and several other jurisdictions which levy corporate income tax at different rates.

The effective tax rate ('ETR') amounted to 23.3% (2019: 27.9%) and differs from the theoretical rate that would arise using only the Dutch corporate tax rate (25%). Other than mentioned differences and changes in applicable local corporate income tax rates, the difference can partly be attributed to the non-taxable release of a provision regarding the closure of the credit intermediation office in France ad EUR 1.7 million in 2020.

Following the decision not to establish a banking branch in France, a provision was recognized of EUR 3.4 million in 2019. This provision was treated as a non-tax deductible expense under local tax legislation and therefore resulted in a higher ETR. The subsequent release of a part of the provision of EUR 1.7 million in 2020, following lower expenditure than originally anticipated, results in non-taxable income and therefore a lower ETR in 2020.

Movement in deferred tax balances

2020	Balance at 31 December					
	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
Property and equipment, and intangible assets	-4,657	-203	-	-4,860	1,093	5,953
Investment securities at FVOCI	-573	77	1,161	665	76	-589
Effective interest method application	5,121	-578	-	4,543	2,901	-1,642
Allowance for expected credit losses	1,002	2,226	-	3,228	2,703	-524
Employee benefits	139	42	-	181	-	-181
Lease liability	208	-80	-	128	77	-51
Loan modifications	85	-38	-	47	46	-1
Tax losses carried forward	6,318	-200	-	6,118	7,488	1,372
Other	-584	1,064	-	480	480	-
Tax assets (liabilities)	7,059	2,310	1,161	10,530	14,864	4,337

2019	Balance at 31 December					
	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
Property and equipment, and intangible assets	-3,740	-917	-	-4,657	1,699	6,356
Investment securities at FVOCI	-428	-21	-124	-573	194	767
Effective interest method application	5,644	-523	-	5,121	5,295	174
Allowance for expected credit losses	1,060	-58	-	1,002	1,002	-
Employee benefits - Vitality leave	99	40	-	139	139	-
Lease liability	90	118	-	208	208	-
Loan modifications	119	-34	-	85	85	-
Tax losses carried forward	6,897	-579	-	6,318	7,802	1,485
Other	-493	-91	-	-584	-326	283
Tax assets (liabilities)	9,248	-2,065	-124	7,059	16,098	9,065

Deferred tax balances

	2020		2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current balance	1,300	-219	1,431	1,092
Non-current balance	13,564	4,556	14,667	7,973
Total	14,864	4,337	16,098	9,065

The deferred tax asset relates for an amount of EUR 6.8 million (2019: EUR 7.3 million) to tax losses incurred by the German branch for which it is expected that these will be fully recovered against future profits. Compensation is expected in the coming years. Under the German corporate income tax code tax losses have no expiration date. The remaining deferred tax asset relates to temporary differences because of differences between accounting rules and tax rules.

The deferred tax liability relates for an amount of EUR 1.4 million (2019: 1.5 million) to a taxable temporary difference following the tax losses incurred by the German branch over the period 2009 – 2011 amounting to EUR 6.8 million which have been offset against taxable income in the Triodos Dutch corporate income tax return over the same period. The Dutch corporate income tax act 1969 allowed income tax deduction on losses incurred by foreign branches of a Dutch resident taxpayer in so far that these tax losses could not be recovered in the country of residence till 2011. This Dutch income tax deduction is subsequently reversed when the branch recovers profitability and the incurred tax losses are offset in the local income tax return, resulting in a taxable temporary difference. Under the German corporate income tax code tax losses have no expiration date.

Fiscal unity

Triodos Bank, as a parent company, forms a tax unity for corporate income tax purposes with Triodos Investment Management as subsidiary. The method chosen for the taxation set-off between Triodos Bank and its subsidiary 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 fiscal unity.

31 Related Parties

Triodos Bank enters into various transactions with related parties, as part of the normal course of business,

Related parties of Triodos Bank include, among others, its subsidiaries, associates and key management personnel. Transactions between related parties include rendering or receiving of services, deposits, transfers under finance arrangements and provisions of guarantees or collateral. All transactions with related parties took place at arm's length.

There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Overview of related parties transactions

	Other related parties	Associates and joint ventures
Commission income	49,295	
Commission expenses	3,695	
Deposits	149,439	
Interest income	400	
Loan facilities and loan commitments (off balance)	100,000	
Loans	6,135	1,000

Transactions with related parties

The commission income and commission expenses are related to fund management activities. The deposits and interest income are transactions following from regular banking activities, which are offered to the related parties at competitive rates. These transactions are interest free and unsecured and are to be settled in cash.

Loans

The loan granted to associates is a subordinated loan provided to Merkur Bank. The maturity date of this loan is 30th of April 2026, to be settled in cash. The interest rate charged is 5%.

The loans granted to other related parties are provided to Hivos-Triodos Fund Foundation. The 6.135K consists of two loans that both mature on the 1st of January 2022, to be settled in cash. The interest rates on the loans are 2.63% and 3% respectively.

Loan commitments and facilities off balance

The loan commitments and facilities are off balance sheet credit facilities of TBNL that can be drawn upon by the other related parties.

These facilities are secured by means of collateral in the form of fund assets that cover the facility provided in full.

Key management personnel compensation

Transactions with key management personnel are transactions with related parties. The members of the Executive Board, supervisory board and the board of SAAT are considered to be key management personnel and their compensation is therefore included in the tables below.

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

	2020	2019
Fixed salary expenses	1,091	803
Pension expenses	90	73
Pension allowance for salary above € 100.000	136	115
Private use company car	4	4
Social security expenses	48	41
Severance payment ¹⁾	320	263
	1,689	1,299

¹⁾In consultation with the Supervisory Board, Peter Blom announced to step down from his position as a Member of the Executive Board of Triodos Bank N.V. at the AGM 2021. A severance payment of 100% of his yearly salary was granted. This is in line with applicable regulations and will be paid out in 2021. Also in consultation with the Supervisory Board, Pierre Aeby stepped down from his position as a Member of the Executive Board of Triodos Bank N.V. on 18 May 2019. A severance payment of 100% of his yearly salary was granted. This was also in line with applicable regulations. The severance payment was paid out in 2020.

Other emoluments of the Executive Board:

	2020	2019
Total other emoluments	38	-

The other emoluments relate to costs associated with relocation to the Netherlands.

Remuneration paid to the Supervisory Board:

	2020	2019
Total compensation	172,000	149,681

Remuneration paid to the Board of SAAT

	2020	2019
Total compensation	40,750	62,834

Loans and advances to key management personnel

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

	2020	2020	2020	2019	2019	2019
	Amount	Average		Amount	Average	
	outstanding	interest rate	Repayments	outstanding	interest rate	Repayments
Jellie Banga	421	1.7%	12	433	1.7%	31

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

32 Subsequent events

The end of 2020 was marked by an increasing number of Covid-19 infections across Europe leading to additional measures taking in the affected countries. The economic consequences for vulnerable individuals and firms resulted into additional governmental support. Triodos Bank monitors the potential and social implications for the countries and sectors where it is active. Mitigating actions have been taken and will be adapted as necessary as we keep on supporting our customers. The uncertainties and sensitivity that accompanies the pandemic is captured in the allowance for expected credit losses as calculated by Triodos Bank. The reflection of this ongoing event has therefore been captured in the financial valuations as per 31 December.

Triodos Bank has temporarily stopped offering depository receipts as from 5 January 2021. A trade pattern has emerged where the number of sell orders outweighs the number of buy orders for Depository Receipts. This trend emerges despite the financial health of the bank, as our capital and liquidity ratios remain well above regulatory minimum levels. The ongoing uncertainty around the Corona crisis and its longer-term economic effects have not disappeared, on the contrary, further lockdown and other restrictions are seen globally. Relevant measures are investigated to achieve balanced trading. The details of possible new measures are considered relevant information for making an informed investment decision.

Peter Blom, our CEO, has decided to step down from his role, having worked at Triodos Bank for forty years. He will leave Triodos Bank at the end of this year's Annual General Meeting, on 21 May 2021.

Jellie Banga decided to step down from her role as Vice-Chair of the Executive Board and the Chief Operating Officer effective May 1, 2021. In reviewing the scope of Jellie's role, Triodos Bank has decided to split her role into a COO role – focusing on the operating side of the bank – and a Chief Commercial Officer (CCO) role - focusing on the commercial side of the bank. This will bring the total number of Executive Board members to five.

Fitch Ratings (Fitch) announced on 16 February 2021 it has assigned Triodos Bank a Long-Term Issuer Default rating at 'BBB' with a stable outlook and a Viability Rating at 'bbb'. Fitch's rating analysis was done at the request of Triodos Bank. The rating gives Triodos Bank a better position on the financial markets should the need arise. It will improve access to institutional debt funding and potentially reduce the cost of funding. Therefore, it supports the bank's financial health. The Stable Outlook reflects Fitch's view that Triodos Bank's ratings have sufficient headroom at their current level to absorb significant shocks under various scenarios to Fitch's baseline economic forecast.

Segment reporting

Key figures by banking entity and business unit

Basis for segmentation

Triodos Bank has the following branches and subsidiaries, which are reportable segments. These branches and subsidiaries operate in different countries and therefore are managed separately based on Triodos Bank's management and internal reporting structure.

Reportable segments	Operations
Bank Netherlands	<i>Retail Banking, Business Banking and Private Banking</i>
Bank Belgium	<i>Retail Banking, Business Banking and Private Banking</i>
Bank United Kingdom	<i>Retail Banking and Business Banking</i>
Bank Spain	<i>Retail Banking and Business Banking</i>
Bank Germany	<i>Retail Banking and Business Banking</i>
Investment Management	<i>Impact investing taking place through investment funds or investment institutions bearing the Triodos name</i>
Other	<i>Head office, TRMC and an agency in France</i>

Retail Banking: offer our customers products with a purpose including savings, payments, lending, private banking and investments.

Business Banking: lend money to organisations working to stimulate positive and lasting change.

Head office is organised into the following main departments: ICT, Finance, Treasury, Risk Management, Compliance, HR, Group Audit, Corporate Strategy, Legal, Marketing & Communications. The majority of Group Functions' costs are allocated to the businesses.

TRMC: The primary objective is to manage non-consolidated entities that lend, invest or donate money that has as its main goal to make pioneering, transformative initiatives possible.

An Agency in France was established with the intention to set up a banking branch. In December 2019 Triodos Bank announced its decision to stop activities in France and decided not to establish a banking branch in France.

Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group's Management Committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

Segment income statement for the year 2020

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank Netherlands
External revenue			
Material items of income and expense			
- Net interest income	74,609	41,871	
- Investment income			
- Net fee and commission income	37,206	7,700	
- Net income from other financial instruments at FVTPL			
- Other revenue	160	1	
Net intercompany revenue	682	9	
Total segment revenue	112,657	49,581	
Personnel and other administrative expenses	-79,832	-34,224	
- Depreciation and amortisation;	-699	-1,428	
Impairment losses on financial instruments	-4,442	-4,430	
Segment profit before tax	27,684	9,499	
Taxation on operating result	-6,365	-2,755	
Net profit	21,319	6,744	
Operating expenses/total income	71%	72%	

Bank United Kingdom	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
36,602	36,045	11,002	200,129	-125	-1,851	-	198,153
					449		449
3,519	8,531	2,280	59,236	45,502	1,387	-	106,125
	-1		-1		-360	-	-361
-20	274	58	473	-19	279	-	733
-175	-558	-6	-48	-	48	-	-
39,926	44,291	13,334	259,789	45,358	-48	-	305,099
-30,027	-34,391	-12,176	-190,650	-36,223	10,165	-	-216,708
-1,009	-4,640	-491	-8,267	-456	-19,979	-	-28,702
-3,349	-10,994	-1,009	-24,224	10	1	-	-24,213
5,541	-5,734	-342	36,648	8,689	-9,861	-	35,476
-439	1,717	-274	-8,116	-2,222	2,065	-	-8,273
5,102	-4,017	-616	28,532	6,467	-7,796	-	27,203
78%	88%	95%	77%	81%			80%

Segment income statement for the year 2019

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank Netherlands
External revenue			
Material items of income and expense			
- Net interest income	64,505	40,701	
- Investment income			
- Net fee and commission income	30,976	7,186	
- Net income from other financial instruments at FVTPL			
- Other revenue	-16	2	
Net intercompany revenue	538	-193	
Total segment revenue	96,003	47,696	
Personnel and other administrative expenses	-71,917	-32,125	
- Depreciation and amortisation;	-1,365	-1,646	
Impairment losses on financial instruments	1,782	-1,411	
Segment profit before tax	24,503	12,514	
Taxation on operating result	-5,748	-3,929	
Net profit	18,755	8,585	
Operating expenses/total income	76%	71%	

Bank United Kingdom	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
32,437	37,835	12,101	187,579	-54	-2,522		185,003
			-		679		679
3,271	10,297	779	52,509	51,231	1,600		105,340
			-		430		430
119	463	55	623	-10	127		740
267	-266	-5	341	-50	3,500	-3,791	-
36,094	48,329	12,930	241,052	51,117	3,814	-3,791	292,192
-27,910	-35,006	-12,260	-179,218	-34,793	-3,587	3,791	-213,807
-964	-4,476	-518	-8,969	-731	-10,912		-20,612
-115	-3,566	-367	-3,677	-15	10		-3,682
7,105	5,281	-215	49,188	15,578	-10,675	-	54,091
-1,233	-1,486	-262	-12,658	-3,957	1,529		-15,086
5,872	3,795	-477	36,530	11,621	-9,146	-	39,005
80%	82%	99%	78%	69%			80%

Selected assets and liabilities per segment 2020

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank Luxembourg
Loans and advances to customers	3,987,316	1,815,425	
Number of loans	35,980	5,134	
Total assets	6,696,893	2,354,844	
Funds under management	791,061	845,356	
Total assets under management	7,487,954	3,200,200	
Deposits from customers	5,271,173	2,082,155	
Number of accounts	462,714	85,254	
Total liabilities	6,241,472	2,097,279	
Average number of FTE's during the year	269.4	143.5	

Bank United Kingdom	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
1,195,193	1,636,375	560,349	9,194,658	-	-	-37,948	9,156,710
5,950	20,540	14,124	81,728			-2	81,726
1,830,507	2,434,715	787,177	14,104,136	33,122	1,782,579	-2,031,440	13,888,397
			1,636,417	5,449,248	67,288	-791,061	6,361,892
1,830,507	2,434,715	787,177	15,740,553	5,482,370	1,849,867	-2,822,501	20,250,289
1,577,467	2,216,340	613,518	11,760,653	-	-	-13,446	11,747,207
84,170	201,016	34,223	867,377	-	-	-	867,377
1,628,010	2,245,571	689,325	12,901,657	14,012	569,752	-805,236	12,680,185
188.1	272.8	58.0	931.8	179.9	297.0		1,408.7

Selected assets and liabilities per segment 2019

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank Luxembourg
Loans and advances to customers	3,328,292	1,823,199	
Number of loans	34,586	4,933	
Total assets	5,299,578	2,441,784	
Funds under management	800,293	618,093	
Total assets under management	6,099,871	3,059,877	
Deposits from customers	4,667,266	2,129,446	
Number of accounts	443,173	87,740	
Total liabilities	4,872,994	2,139,788	
Average number of FTE's during the year	241.5	135.3	

Bank United Kingdom	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
1,153,902	1,416,334	530,109	8,251,836			-42,822	8,209,014
4,342	21,586	12,539	77,986			-2	77,984
1,628,131	2,265,034	696,169	12,330,696	37,476	1,817,288	-2,103,872	12,081,588
			1,418,386	4,973,533	79,413	-800,293	5,671,039
1,628,131	2,265,034	696,169	13,749,082	5,011,009	1,896,701	-2,904,165	17,752,627
1,370,870	2,044,238	504,484	10,716,304			-22,605	10,693,699
71,694	203,816	24,393	830,816				830,816
1,420,673	2,071,042	581,986	11,086,483	13,833	612,507	-832,162	10,880,661
177.2	282.2	56.3	892.5	167.6	285.5		1,345.6

Reconciliations of information on reportable segments to IFRS measures

	2020	2019
i. Revenues		
Total revenue for reportable segments	305,974	295,983
Unallocated amounts	-	-
Elimination of inter-segment revenue	875	-3,791
Consolidated revenue	306,849	292,192
ii. Profit before tax		
Total profit or loss for reportable segments	35,476	54,091
Unallocated amounts	-	-
Consolidated profit before tax	35,476	54,091
iii. Assets		
Total assets for reportable segments	13,888,397	12,081,588
Other unallocated amounts	-	-
Consolidated total assets	13,888,397	12,081,588
iv. Liabilities		
Total liabilities for reportable segments	12,680,185	10,880,661
Other unallocated amounts	-	-
Consolidated total liabilities	12,680,185	10,880,661

Key figures 2020 by country

in thousands of EUR	The Netherlands	Belgium	United Kingdom
Names	Triodos Bank NV, Stichting Triodos Beleggersgiro, Legal Owner Triodos Funds B.V, Triodos Finance BV, Triodos Investment Management BV, Triodos Investment Advisory Services BV, Sinopel 2019 BV	Triodos Bank NV, Triodos IMMA BVBA	Triodos Bank UK Ltd
Nature of activities	Bank, Private Banking and Investment management	Bank and Private Banking	Bank
Geographical location	Zeist	Brussel	Bristol
Total income	157,947	49,581	39,926
Operating expenses	-128,497	-35,652	-31,036
Impairment losses on financial instruments	-4,431	-4,430	-3,349
Segment profit before tax	25,019	9,499	5,541
Taxation on operating result	-6,522	-2,755	-439
Net profit	18,497	6,744	5,102
Public subsidies received	-	-	1
Average number of FTE's during the year	741.2	143.5	188.1

Spain	Germany	France	Elimination intercompany transactions	Total
Triodos Bank NV	Triodos Bank NV	Triodos Finance BV		
Bank	Bank	Agency for branch Belgium and market research		
Madrid	Frankfurt	Paris		
44,291	13,334	20	-	305,099
-39,031	-12,667	1,473	-	-245,410
-10,994	-1,009	-		-24,213
-5,734	-342	1,493	-	35,476
1,717	-274	-		-8,273
-4,017	-616	1,493	-	27,203
-	-	-		1
272.8	58.0	5.1		1,408.7

Key figures 2019 by country

in thousands of EUR	The Netherlands	Belgium	United Kingdom
Names	Triodos Bank NV, Kantoor Buitenzorg BV, Kantoor Nieuweroord BV, Stichting Triodos Beleggersgiro, Legal Owner Triodos Funds B.V, Triodos Finance BV, Triodos Investment Management BV, Triodos Investment Advisory Services BV, Triodos Nieuwbouw BV, Sinopel 2019 BV	Triodos Bank NV, Triodos IMMA BVBA	Triodos Bank UK Ltd
Nature of activities	Bank, Private Banking and Investment management	Bank and Private Banking	Bank
Geographical location	Zeist	Brussel	Bristol
Total income	147,538	47,696	36,094
Operating expenses	-120,109	-33,771	-28,874
Impairment losses on financial instruments	1,777	-1,411	-115
Segment profit before tax	29,206	12,514	7,105
Taxation on operating result	-8,176	-3,929	-1,233
Net profit	21,030	8,585	5,872
Public subsidies received	-	-	1
Average number of FTE's during the year	680.2	135.3	177.2

Spain	Germany	France	Elimination intercompany transactions	Total
Triodos Bank NV	Triodos Bank NV	Triodos Finance BV		
Bank	Bank	Agency for branch Belgium and market research		
Madrid	Frankfurt	Paris		
48,329	12,930	3,396	-3,791	292,192
-39,482	-12,778	-3,196	3,791	-234,419
-3,566	-367	-		-3,682
5,281	-215	200	-	54,091
-1,486	-262	-		-15,086
3,795	-477	200	-	39,005
-	-	-		1
282.2	56.3	14.5		1,345.6

Tax paid by country

in thousands of EUR	The Netherlands	Belgium	United Kingdom	Spain	Germany	France	Total
2020							
Tax on Profit	5,050	5,216	874	-179	-	-	10,961
Value Added Tax (VAT)	9,210	824	3,750	1,819	312	-	15,915
Banking Tax	-	2,657	-	616	-	-	3,273
2019							
Tax on Profit	4,478	2,955	332	549	-	38	8,352
Value Added Tax (VAT)	12,612	896	1,265	2,009	373	150	17,305
Banking Tax	-	2,444	-	599	-	-	3,043

Triodos Bank's approach to tax reflects its values. It sees paying taxes not as a burden, but as a contribution to the societies that the bank operates in. Taxes are an important instrument to fund education, infrastructure and systems. As such, companies should pay taxes as an important part of their role as a responsible business. The VAT included in the table above are the non-deductible VAT paid on invoices to suppliers.

Lending by sector in 2020 after intercompany eliminations

in thousands of EUR	Total			The Netherlands			Be
	amount	%	number	amount	%	number	
Environment							
Organic farming	145,348	1.6	842	50,951	1.3	352	4,433
Organic food	135,893	1.5	837	20,731	0.5	235	22,004
Renewable energy	1,653,747	18.1	1,071	254,062	6.4	242	564,197
Sustainable property	865,488	9.5	631	337,997	8.6	295	288,419
Environmental technology	154,111	1.7	351	5,293	0.1	24	25,431
	2,954,587	32.4	3,732	669,034	16.9	1,148	904,484
Social							
Retail non-food	32,191	0.4	241	7,299	0.2	77	11,439
Production	23,626	0.2	166	3,813	0.1	36	8,475
Professional services	64,855	0.7	656	41,143	1.0	141	9,202
Social housing	486,016	5.3	430	43,318	1.1	135	72,794
Healthcare	1,190,812	13.0	1,746	397,649	10.1	682	229,064
Social projects	184,143	2.0	634	2,957	0.1	25	26,739
Fair trade	5,059	0.1	52	869	-	18	2,374
Development cooperation	24,485	0.3	38	8,775	0.2	6	12,819
	2,011,187	22.0	3,963	505,823	12.8	1,120	372,906
Culture							
Education	312,928	3.4	627	19,581	0.5	77	99,925
Child care	11,730	0.1	74	4,630	0.1	38	3,626
Arts and culture	496,967	5.4	1,560	273,066	6.9	385	63,570
Philosophy of life	86,879	0.9	311	17,928	0.5	72	6,066
Recreation	202,304	2.2	533	69,560	1.8	224	31,833
	1,110,808	12.0	3,105	384,765	9.8	796	205,020
Private loans	2,747,024	30.0	70,901	2,152,403	54.5	32,900	325,491
Municipality loans	333,104	3.6	25	237,342	6.0	14	7,523
Total	9,156,710	100.0	81,726	3,949,367	100.0	35,978	1,815,424

Belgium		United Kingdom			Spain			Germany		
%	number	amount	%	number	amount	%	number	amount	%	number
0.3	70	39,155	3.3	224	50,717	3.1	191	92	0.0	5
1.2	164	14,109	1.2	40	77,719	4.7	380	1,330	0.2	18
31.1	348	271,967	22.8	245	359,641	22.0	171	203,880	36.4	65
15.9	158	25,564	2.1	32	126,368	7.7	118	87,140	15.6	28
1.4	70	19,028	1.6	46	34,091	2.1	189	70,268	12.5	22
49.9	810	369,823	31.0	587	648,536	39.6	1,049	362,710	64.7	138
0.6	36	8,768	0.7	16	4,684	0.3	99	1	0.0	13
0.5	33	5,718	0.5	6	5,615	0.3	71	5	0.0	20
0.5	95	9,385	0.8	64	5,025	0.3	148	100	0.0	208
4.0	47	352,786	29.5	234	17,118	1.0	14	-	0.0	-
12.6	317	236,765	19.8	125	207,757	12.7	536	119,577	21.4	86
1.5	105	38,685	3.2	101	114,815	7.0	391	947	0.2	12
0.1	11	1,104	0.1	7	707	-	14	5	0.0	2
0.7	12	212	-	10	2,679	0.2	9	-	0.0	1
20.5	656	653,423	54.6	563	358,400	21.8	1,282	120,635	21.6	342
5.5	216	58,934	4.9	54	95,860	5.9	233	38,628	6.9	47
0.2	18	492	-	3	2,888	0.2	14	94	0.0	1
3.5	245	45,321	3.8	56	114,492	7.0	834	518	0.1	40
0.3	25	43,452	3.7	141	19,433	1.2	69	-	0.0	4
1.8	63	23,619	2.0	61	48,506	3.0	175	28,786	5.1	10
11.3	567	171,818	14.4	315	281,179	17.3	1,325	68,026	12.1	102
17.9	3,100	130	-	4,485	268,026	16.4	16,875	974	0.2	13,541
0.4	1	-	-	-	80,234	4.9	9	8,005	1.4	1
100.0	5,134	1,195,194	100.0	5,950	1,636,375	100.0	20,540	560,350	100.0	14,124

Lending by sector in 2019 after intercompany eliminations

in thousands of EUR	Total			The Netherlands			Be
	amount	%	number	amount	%	number	amount
Environment							
Organic farming	154,944	1.9	843	40,820	1.2	341	5,191
Organic food	116,094	1.4	870	21,748	0.7	279	26,808
Renewable energy	1,599,677	19.5	955	192,032	5.8	123	609,152
Sustainable property	881,605	10.7	639	419,520	12.7	324	254,744
Environmental technology	120,366	1.5	275	5,692	0.2	23	37,561
	2,872,686	35.0	3,582	679,812	20.6	1,090	933,456
Social							
Retail non-food	31,535	0.4	222	6,163	0.2	84	11,834
Production	25,833	0.3	146	3,995	0.1	41	12,058
Professional services	61,084	0.7	657	33,639	1.0	176	12,428
Social housing	473,777	5.8	412	45,685	1.4	140	74,854
Healthcare	1,110,057	13.5	1,638	367,814	11.2	703	231,981
Social projects	175,586	2.1	637	3,088	0.1	32	25,842
Fair trade	4,498	0.1	54	645	-	17	2,077
Development cooperation	23,854	0.3	49	8,491	0.3	11	12,068
	1,906,224	23.2	3,815	469,520	14.3	1,204	383,142
Culture							
Education	290,751	3.5	596	21,843	0.7	101	95,497
Child care	18,151	0.2	86	6,235	0.2	49	3,579
Arts and culture	483,677	5.9	1,299	293,870	8.9	372	65,956
Philosophy of life	90,644	1.1	321	19,358	0.6	85	6,518
Recreation	192,810	2.4	478	77,646	2.4	231	34,493
	1,076,033	13.1	2,780	418,952	12.8	838	206,043
Private loans	1,997,756	24.3	67,785	1,449,332	44.1	31,438	300,558
Municipality loans	356,315	4.4	22	267,854	8.2	14	-
Total	8,209,014	100.0	77,984	3,285,470	100.0	34,584	1,823,199

Belgium	United Kingdom					Spain			Germany		
	%	number	amount	%	number	amount	%	number	amount	%	number
	0.3	70	45,613	4.0	235	63,208	4.5	190	112	-	7
	1.5	171	10,402	0.9	46	55,583	3.9	354	1,553	0.3	20
	33.4	305	287,711	24.9	261	284,852	20.1	194	225,930	42.6	72
	14.0	158	27,895	2.4	27	103,507	7.3	108	75,939	14.3	22
	2.1	78	2,499	0.2	5	33,528	2.4	163	41,086	7.8	6
	51.3	782	374,120	32.4	574	540,678	38.2	1,009	344,620	65.0	127
	0.6	29	9,310	0.8	15	4,224	0.3	81	4	-	13
	0.7	47	6,070	0.5	6	3,706	0.3	38	4	-	14
	0.7	85	11,112	1.0	52	3,819	0.3	102	86	-	242
	4.0	42	343,035	29.7	220	10,203	0.7	10	-	-	-
	12.7	280	193,847	16.8	104	191,610	13.5	468	124,805	23.6	83
	1.4	114	47,023	4.1	106	98,632	7.0	370	1,001	0.2	15
	0.1	12	1,237	0.1	7	533	-	13	6	-	5
	0.7	20	243	-	8	3,052	0.2	9	-	-	1
	20.9	629	611,877	53.0	518	315,779	22.3	1,091	125,906	23.8	373
	5.2	219	50,865	4.4	49	85,518	6.0	185	37,028	7.0	42
	0.2	18	5,485	0.5	4	2,712	0.2	13	140	-	2
	3.6	362	44,282	3.8	53	79,002	5.6	484	567	0.1	28
	0.4	27	47,892	4.2	148	16,876	1.2	56	-	-	5
	1.9	61	19,245	1.7	51	40,755	2.9	125	20,671	3.9	10
	11.3	687	167,769	14.6	305	224,863	15.9	863	58,406	11.0	87
	16.5	2,835	136	-	2,945	246,553	17.4	18,615	1,177	0.2	11,952
	-	-	-	-	-	88,461	6.2	8	-	-	-
	100.0	4,933	1,153,902	100.0	4,342	1,416,334	100.0	21,586	530,109	100.0	12,539

Risk management

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

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

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

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

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

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

Risk governance structure

Risk statement

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

Objective

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

The Three Lines of Defence

The Three Lines of Defence (LoD) model is a prominent organizational risk concept that is integrated in the internal governance and organization of Triodos Bank. The concept strengthens Triodos Bank's risk control by consistently assigning and embedding clearly defined risk management roles and responsibilities across the bank. The fundamental rationale behind the three lines concept is that risk management can only be effective when it is embedded and exercised in all constituent parts of the bank. For the same reason that risks may, in principle,

surface and manifest themselves anywhere within the bank, risk awareness and consciousness is to be maintained at all levels throughout the bank. Only then can risks be timely identified and adequately responded to. As the management of risks is therefore not reserved to the 'risk management' role, the three lines concept offers an effective way of structuring and arming the organisation as a whole against all risks that may jeopardize the realization of the purpose and strategy of the bank. Contributing to a sound risk culture directed at embedding intended norms, attitude and behaviour related to risk awareness, risk-taking and risk management is a shared responsibility of all co-workers.

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

The second line contains the Risk Management and Compliance functions. Both functions are present at local business unit level and at group level. Whereas the first line exercises '*risk ownership*', the second LoD exercises '*risk control*'. In order to control and manage risks accordingly, the second line supports and facilitates a sound risk management and control framework throughout the bank, oversees the control processes and controls in place at the 1st LoD to ensure proper design and effectiveness and actively engages with the 1st LoD to jointly enhance the functioning of the risk management and control framework of the bank.

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

Risk organisation

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

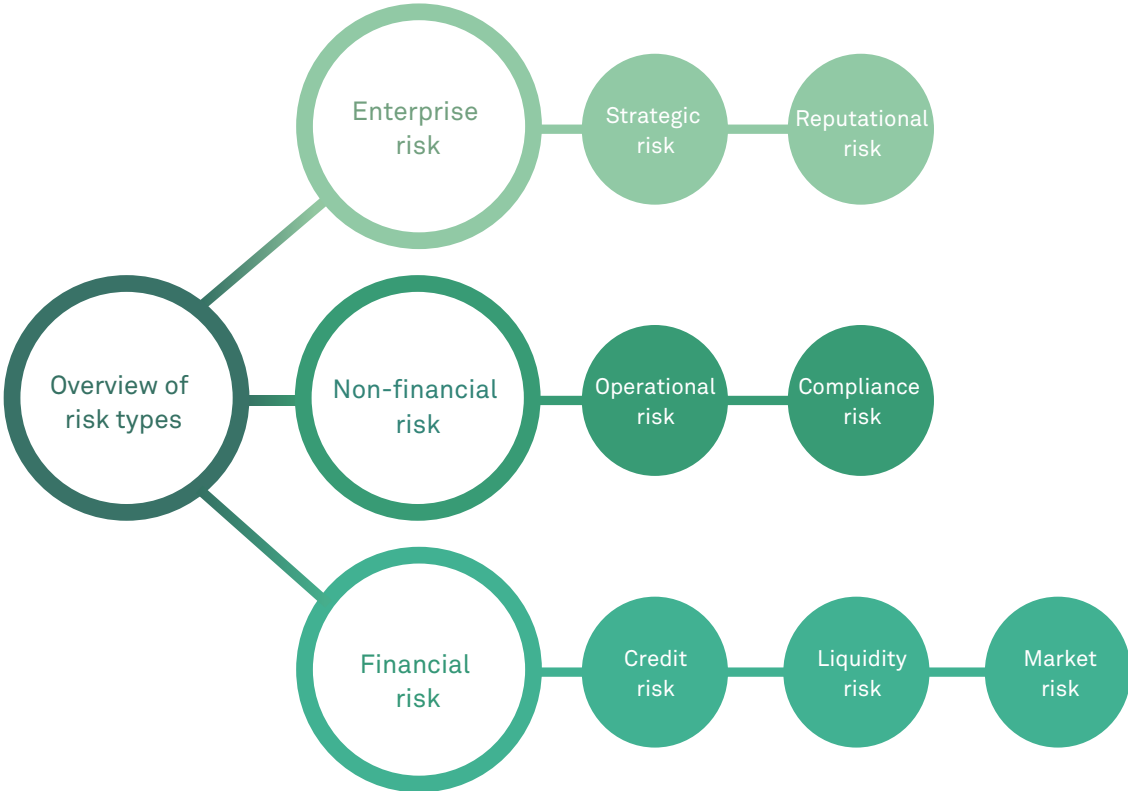
The Risk and Compliance functions provide relevant independent information, analyses and expert judgement on risk exposures, and advise on proposals and risk decisions to be made by the Executive Board and business or support units as to whether they are consistent with the institution's risk appetite. The Risk and Compliance functions recommend improvements to the risk management framework and options to remedy breaches of risk policies, procedures and limits.

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

Risk culture

The essence of Triodos Bank's mission and business model supports the mitigation of its risks. In addition, the risk management framework promotes that co-workers at all levels share the same risk perspective and appreciate

the formal structures and policies in a unified and congruent manner across the bank. Triodos Bank strives for a risk culture that is both robust and embedded. An environment of open communication and effective challenge, in which decision- making processes encourage a broad range of views and a constructive critical attitude, such that sound and informed decisions can be made, are important to such a culture. Risk conscious leadership is key in establishing and enhancing the risk attitude and behaviour. Leading by example and setting the tone at the top are preconditional requisites for the aspired risk culture.



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

- For Financial Risk, the Central Credit Committee has authority to take decisions on credit risks, both on an individual debtor level and on a credit portfolio level; the Asset & Liability Committee has authority to decide on market risks and liquidity risk;
- For Non-financial Risk, the Non-Financial Risk Committee has authority to decide on operational and compliance risk matters. The Group Product Governance Committee has the authority to approve new products and review existing products and the Anti-Money Laundering and Counter-terrorist financing risk Committee oversees the regulatory and associated topics regarding anti-money laundering and counter-terrorist financing risk; and
- For Enterprise Risk, the Enterprise Risk Committee has authority to decide on strategic and reputational risk issues.

Each committee is chaired by an Executive Board member or the Director Banking to ensure consistent decision making on material risks within Triodos Bank's wider strategy.

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

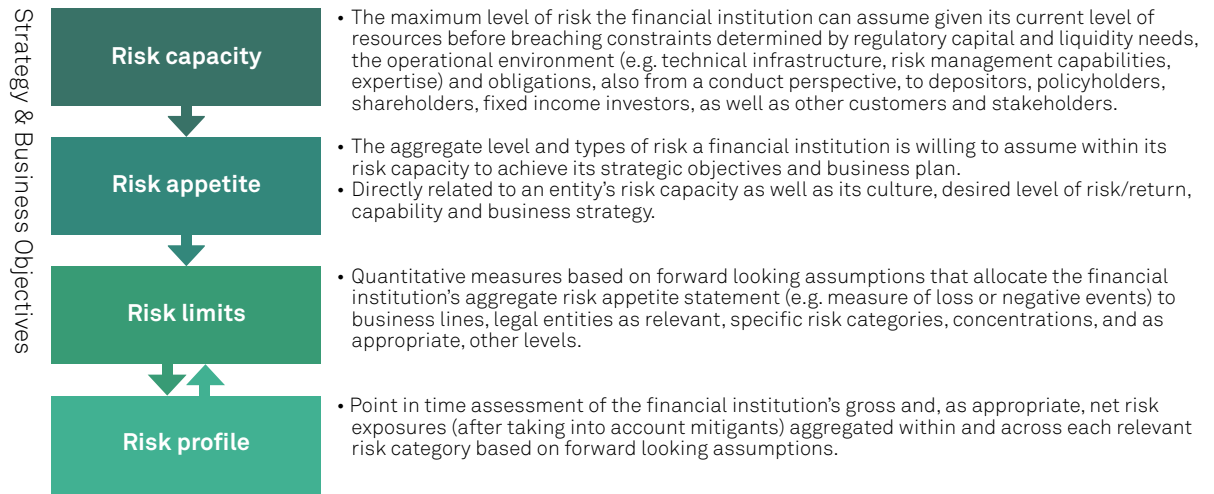
The Supervisory Board's Audit and Risk Committee supervises the activities of the Executive Board with respect to the operation and adequacy of internal risk management and control systems. The group heads of Risk and the group director Compliance report directly to the Chief Risk Officer. The head of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

Enterprise risk

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

Risk appetite

A risk appetite process is implemented across Triodos Bank to align its risk profile with the willingness to take risk in delivering its business objectives. The Risk Appetite Statement is reviewed yearly and is endorsed by the Supervisory Board upon advice by the Audit and Risk Committee. The general concept of risk appetite and the link to the Strategy and Business objectives is illustrated below:



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

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

Reputational risk

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

Being a mission-driven bank, Triodos Bank's reputation is vital to its ability to pursue its mission. As such, Triodos Bank's reputation is managed in a proactive manner, for the most part by 'doing things right' and 'doing right in line with Triodos Bank's mission'. Generally, proactively managing its reputation implies for Triodos Bank (i) to attract and retain qualified employees with a strong affinity with Triodos Bank's mission and values; (ii) to maintain a sound risk governance structure, enabling the execution and control of the bank-related processes correctly; and (iii) to actively position Triodos Bank's identity, its positive impact (for the longer term) and connection to society.

Enterprise risk reporting

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

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

Strategic risk

Strategic Risks relate to inadequate initial strategy selection, execution or modification over time and may impact the realization of the organisation's purpose. Therefore, Strategic Risk Assessments (SRA) are performed at Executive Board level for Triodos Bank as a whole and at business unit level for each business unit. The SRA contains an assessment of the strategic risk exposures that can ultimately affect shareholder value or the viability of the organization.

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

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

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

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

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

Climate risk contains two important elements:

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

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

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

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

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

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

Stress testing

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

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

Given the selected scenarios, Triodos Bank is sensitive to a long lasting, low interest environment scenario. It shows that profitability would be under pressure in the coming years. This risk will be mitigated by a focus on cost efficiency, pricing and by diversification of income. Finally, Triodos Bank is sensitive to scenarios relating to reputational risk. To prevent such an event, it is essential to communicate clearly about the mission and to act accordingly.

Recovery

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

Non-financial risk

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

Operational risk

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

monitoring the risks within several subcategories including Information Security, Business Continuity, Tax risk and Financial reporting risk.

Activities to manage risks related to these subjects are, from a second line perspective, executed under the responsibility of the Chief Risk Officer (CRO) in line with the operational risk framework. At Triodos Bank HO, the Group Head of Operational Risk reports to the CRO. The Group Risk Management function is mirrored locally in each of the BUs as much as possible, taking into account the level of proportionality. At BU level, the Local Head of Operational Risk reports hierarchically to the Local Head of Risk and functionally to the Group Head of Operational Risk. The Local Head of Risk reports hierarchically to the Managing Director and functionally to the Chief Risk Officer.

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

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

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

The Operational Risk Framework uses several tools and technologies to identify, measure and monitor risks and monitors the level of control on an operational, tactical and strategic level. During 2020 control testing and key control management was extended to also support the monitoring DGS related control objectives. The Operational Risk Management department performs analyses on a continuous basis due to a risk event management process and strong reporting and communication lines between the Local Operational Risk departments and Group Operational Risk Management.

Information security

Cyber threats are still high across the financial sector. Triodos Bank performs periodic cyber threat assessments to determine its strategy to limit these risks. The information security management system includes the Dutch Central Bank (DNB)'s framework for Information Security which is based on COBIT. In order to detect and respond to cybersecurity events a Security Operations Centre (SOC) is in place within Triodos Bank. Business Units follow both the central security plan but also have their own responsibility when setting up awareness training specific to local needs as strong security awareness among co-workers is also an essential part of security.

Tax risk

Triodos Bank is subject to international tax risks due to its operations in several West-European countries. The local tax risks are managed by the respective local Triodos Bank business units, in close cooperation on tax matters supported by the tax department at group level.

Financial reporting risk

Triodos Bank is subject to financial reporting risk which is mainly related to estimates and assumptions applied as further disclosed in the financial statements. Triodos Bank is continuously working on improving its reporting. Projects and improvement programs have been set up to ensure effective and efficient usage and analysis of data in order to support its decision processes.

Compliance risk

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

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

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

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

In 2018, the DNB conducted a thematic, sector wide survey among Dutch banks, focussing on the measures that the banks have taken to prevent money laundering and terrorism financing. Following this survey, DNB concluded that Triodos Bank is required to implement enhanced measures concerning customer due diligence and monitoring of customer transactions. On 6 March 2019 the Dutch Central Bank imposed on Triodos Bank N.V.

a formal instruction (aanwijzing) to remedy shortcomings in the compliance with provisions of the anti-money laundering and counter-terrorist financing laws and the financial supervision laws. Triodos Bank accepted this instruction and is implementing mitigating measures. Following the formal instruction Triodos Bank received an administrative penalty on 14 December 2020 that was paid without delay.

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

Financial risk

Financial risk is an umbrella term for multiple types of risk associated with financing the balance sheet. To manage this, financial risk is subdivided in three categories: credit risk, liquidity risk and market risk.

Credit risk

Credit risk management

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

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

Credit risk organisational structure

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

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

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

Concentration risk

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

Triodos Bank focus primarily on the quality and diversification of its loan portfolio. We put extra effort into identifying loans to front-runners in their fields; the entrepreneurs developing the sustainable industries of the future.

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

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

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

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

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

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

Sector concentrations

Triodos Bank is active in well-defined sectors where it has extensive expertise, and which are in line with its mission. It has set limits on sectors, based on Actual Own Funds, at group and banking entity level. Sector studies have shown relatively low correlations of risk drivers in sectors that Triodos Bank finances in multiple countries. A specification of the lending by sector can be found from page 202 onwards.

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

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

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

Country concentrations

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

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

Credit risk loan book

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

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

Obligor risk

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

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

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

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

Group exposures

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

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

Credit risk investment portfolio

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

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

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

Credit risk banks

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

The Capital Requirements Regulation Large Exposures Regime limits the maximum exposure to a bank at 25% of its Tier 1 capital plus (if available) Tier 2 with a maximum of one third of Tier 1 capital. To avoid the interbank exposure exceeding the regulatory maximum, Triodos Bank applies a maximum exposure below the limit based on the Large Exposures Regime. The limits are furthermore adapted to the external rating of the counterparty and also deposits on banks are limited to a maximum maturity of one year.

Credit risk related to derivatives

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

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

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

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

Triodos Bank entered into FX deals with Triodos Investment Funds and these deals are hedged by deals with a few banks. Wrong-way risk is the risk that the exposure to a counterparty is adversely correlated with the credit

quality of that counterparty. The FX deals with the Triodos Investment Funds do not cause wrong-way risk as these FX deals hedge the FX risk of the underlying assets of the Investment Funds. At the end of 2017 Triodos Bank stopped entering into new FX deals with Triodos Investment Funds because of new regulation. In addition, the wrong-way risk of transactions with banks is mitigated by only using banks with a sufficient credit rating and by having collateral agreements in place.

Additional disclosure related to the credit quality of assets

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

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

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

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

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

Qualitative disclosure requirements on institutions' use of external credit ratings under the standardised approach for credit risk.

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

Credit risk quantitative disclosures

Credit quality analysis

The following tables set out information about the credit quality of financial assets, loan commitments and guarantee contracts. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

The following table shows the loans and advances to banks at amortised cost, which are all in stage 1.

	2020	2019
Loans and advances to banks at amortised cost	Stage 1	Stage 1
Gross amount	150,581	227,633
allowance for expected credit losses	-18	-42
Carrying amount	150,563	227,591

Triodos Bank applies ratings to its loans and advances to customers based on its credit risk policy. Within the policy clients with total business loans above EUR 250 thousand are rated. Clients with retail mortgage loans and or total business loans below EUR 250 thousand have no rating appointed. These are represented in the not rated category. The below table shows the loans and advances to customers within the rating categories.

	2020			
Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total
Rating 1-9: Normal risk	5,315,917	611,226	-	5,927,143
Rating 10-13: Increased risk	39,664	119,416	-	159,080
Rating 14: Default	-	-	214,649	214,649
Not rated	2,697,674	209,134	-	2,906,808
Gross amount	8,053,255	939,776	214,649	9,207,680
allowance for expected credit losses	-8,148	-9,384	-33,438	-50,970
Carrying amount	8,045,107	930,392	181,211	9,156,710

2019				
Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total
Rating 1-9: Normal risk	5,221,112	126,178	-	5,347,290
Rating 10-13: Increased risk	55,990	88,815	-	144,805
Rating 14: Default	-	-	190,836	190,836
Not rated	2,018,922	540,940	-	2,559,862
Gross amount	7,296,024	755,933	190,836	8,242,793
allowance for expected credit losses	-4,475	-1,000	-28,304	-33,779
Carrying amount	7,291,549	754,933	162,532	8,209,014

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

2020				
Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total
Current	8,050,729	285,271	-	8,336,000
Overdue < 90 days	2,526	654,505	-	657,031
Overdue > 90 days	-	-	214,649	214,649
Total	8,053,255	939,776	214,649	9,207,680

2019				
Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total
Current	7,259,658	739,613	-	7,999,271
Overdue < 90 days	36,366	16,320	-	52,686
Overdue > 90 days	-	-	190,836	190,836
Total	7,296,024	755,933	190,836	8,242,793

All debt securities at amortised cost are within stage 1 The below table sets out the debt securities per rating.

	2020	2019
Debt securities at amortised cost	Stage 1	Stage 1
AAA	67,941	177,102
AA	390,372	425,926
A	428,501	55,894
BBB	430,550	375,403
allowance for expected credit losses	-63	-34
Carrying amount	1,317,301	1,034,291

Loan commitments are not (yet) rated and the ECL is determined based on the business loans and mortgage loans portfolios. The outcome is presented in the table below.

	2020		
Loan commitments	Stage 1	Stage 2	Total
Gross carrying amount	1,301,301	141,622	1,442,923
allowance for expected credit losses	-1,025	-1,209	-2,234
Carrying amount (provision)	-1,025	-1,209	-2,234

	2019		
Loan commitments	Stage 1	Stage 2	Total
Gross carrying amount	943,411	177,216	1,120,627
allowance for expected credit losses	-570	-107	-677
Carrying amount (provision)	-570	-107	-677

All financial guarantee contracts are within stage 1 as shown in the table below.

	2020	2019
Financial guarantee contracts	Stage 1	Stage 1
Gross carrying amount	41,009	75,901
allowance for expected credit losses	-14	-19
Carrying amount (provision)	-14	-19

Cash and cash equivalents Triodos Bank held cash and cash equivalents of €2.956 million at 31 December 2020 (2019: €2.270 million). The cash and cash equivalents are held with central banks.

Collateral held and other credit enhancements

Triodos Bank can hold collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	2020	2019	
Non trading derivatives	100	100	Cash Collective
Loans and advances to customers			
<i>Mortgage lending</i>	97	96	Residential Property
<i>Business lending</i>	61	76	Commercial Property, Other
<i>Current accounts</i>	-	-	None

The following tables stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals.

LTV ratio	2020	2019
Less than 65%	1,400,205	978,172
65-75%	338,468	405,268
75-90%	458,956	218,329
More than 90%	542,301	375,406
Total residential mortgage lending	2,739,930	1,977,175

Details of financial and non-financial assets obtained during the year by taking possession of collateral held as security against loans and advances and held at the year end are shown below.

	2020	2019
Property	874	4,304

Triodos Bank sometimes repossesses assets which come from acquisition in public auctions. These assets are collaterals of an executed loan. A part of the repossessed assets however will not be sold immediately because Triodos Bank has opted to add value by letting these assets and are therefore presented as investment properties.

Allowance for expected credit losses

The following tables show reconciliations from the opening to the closing balance of the allowance for expected credit losses by class of financial instrument.

Triodos Bank uses three stages to classify the expected credit loss (hereafter “ECL”) for financial instruments. Stage 1 includes the financial instruments that have (close to) similar credit risk since origination. For this category the ECL is determined by looking forward for 12 months. Stage 2 includes the financial instruments which have had a significant increase in credit risk since origination. The ECL for stage 2 is determined looking over the entire lifetime of the financial instrument. The ECL for stages 1 and 2 is determined by the PD, LGD and EAD per exposure, which are determined with the use of a model that includes several drivers. These drivers can be client specific or based on macro-economic scenarios. Stage 3 includes the financial instruments which are in default. The ECL for this stage is also determined over the entire lifetime, considering default specific scenarios.

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

Net portfolio growth captures all additions and full loans repayments. New loans are initially included in Stage 1. Additions in Stage 2 are caused increases in loans already in Stage 2 or sector overlays for significant increases in credit risk. Changes in ratings of clients may trigger classifications into different categories. When a rating declines significantly, the loan is transferred from Stage 1 to Stage 2, if the decline persists the loan can go into default and

is subsequently moved into Stage 3. Furthermore, the defaults may be cured, and credit ratings may go up, such that loans can be transferred back to Stage 2 or Stage 1. The changes in stages is represented in the transfers.

When the drivers of the PD and LGD are changed, ECL amounts per financial instrument are recalculated. This is captured in the net remeasurement of allowance for expected credit losses. The net remeasurement can be broken down into several items: (1) Remeasurement in calculated ECL of individual loans which have transferred between stage 1 and stage 2. (2) Changes in forward looking macro-economic scenarios. (3) Updates and refinements of the used ECL model. And, (4) changes in individual loan or advance behaviour such as changes in rating not triggering stage transfer or loan amount due to repayment.

Loans and advances to banks at amortised cost have no changes in rating, and therefore credit risk, from issuance of current outstanding balance and therefore everything is within stage 1.

ECL loans and advances to banks at amortised cost	2020	2019
Balance at 1 January	42	42
Transfer to Stage 1	-	-
Transfer to Stage 2	-	-
Transfer to Stage 3	-	-
Net remeasurement of allowance for expected credit losses*	-24	2
Net portfolio growth	-	-2
Balance at 31 December	18	42

* The allowance for expected credit losses in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts, because the Group cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

The following table shows the movements within the ECL for business loans and current accounts.

ECL loans and advances to customers at amortised cost - Business loans and current accounts	2020			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January	4,102	828	28,011	32,941
Transfer to Stage 1	237	-237	-	-
Transfer to Stage 2	-316	316	-	-
Transfer to Stage 3	-59	14	45	-
Net remeasurement of allowance for expected credit losses	1,796	7,000	10,002	18,798
<i>of which:</i>				
- Effect of transition between stages	-1,420	5,264	-	3,844
- Macro-economic forward looking impact	7,356	1,228	-	8,584
- Update ECL model	-36	-40	-	-76
- Individual loan or advance behaviour	-4,104	548	10,002	6,446
Net portfolio growth	1,545	1,202	-	2,747
Other transfers	-	-	-696	-696
Write-offs	-	-	-4,287	-4,287
Exchange rate differences	-18	-62	-103	-183
Balance at 31 December	7,287	9,061	32,972	49,320

The allowance for expected credit losses in this table includes ECL on off balance loan commitments for certain retail products such as credit cards and overdrafts, because Triodos Bank cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

ECL loans and advances to customers at amortised cost - Business loans and current accounts	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	4,185	851	33,515	38,551
Transfer to Stage 1	57	1	-58	-
Transfer to Stage 2	-158	179	-21	-
Transfer to Stage 3	-34	25	9	-
Net remeasurement of allowance for expected credit losses	-767	-264	10,020	8,989
<i>of which:</i>				
- Effect of transition between stages	-20	71	-	51
- Macro-economic forward looking impact	644	86	-	730
- Update ECL model	-	-	-	-
- Individual loan or advance behaviour	-1,391	-421	10,020	8,208
Net portfolio growth	819	36	-6,416	-5,561
Other transfers	-	-	-	-
Write-offs	-	-	-9,137	-9,137
Exchange rate differences	-	-	99	99
Balance at 31 December	4,102	828	28,011	32,941

The following table shows the movements within the ECL for mortgage loans.

ECL loans and advances to customers at amortised cost – Mortgages	2020			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January	373	169	296	838
Transfer to Stage 1	47	-47	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-2	-11	13	-
Net remeasurement of allowance for expected credit losses	111	132	157	400
<i>of which:</i>				
- Effect of transition between stages	-46	2	-	-44
- Macro-economic forward looking impact	197	109	-	306
- Update ECL model	6	13	-	19
- Individual loan or advance behaviour	-46	8	157	119
Net portfolio growth	332	80	-	412
Balance at 31 December	861	323	466	1,650

ECL loans and advances to customers at amortised cost – Mortgages	2019			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January	339	167	230	736
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-2	-18	20	-
Net remeasurement of allowance for expected credit losses	-95	-20	46	-69
<i>of which:</i>				
- Effect of transition between stages	-	19	-	19
- Macro-economic forward looking impact	-14	-8	-	-22
- Update ECL model	-	-	-	-
- Individual loan or advance behaviour	-81	-31	46	-66
Net portfolio growth	131	40	-	171
Balance at 31 December	373	169	296	838

The following table shows the movements within the ECL for debt securities at amortised cost.

ECL debt securities at amortised cost	2020	2019
	Stage 1	Stage 1
Balance at 1 January	34	31
Net remeasurement of allowance for expected credit losses	6	9
Net portfolio growth	23	-
Foreign exchange and other movements	-	-6
Balance at 31 December	63	34

The following table shows the movements within the ECL for financial guarantees.

	2020	2019
ECL financial guarantees	Stage 1	Stage 1
Balance at 1 January	19	91
Net remeasurement of allowance for expected credit losses	-5	-
Net portfolio growth	-	-
Foreign exchange and other movements	-	-72
Balance at 31 December	14	19

The following table shows the movements within the ECL for loan commitments.

	2020		
ECL loan commitments issued	Stage 1	Stage 2	Total
Balance at 1 January	570	106	676
Net remeasurement of allowance for expected credit losses	271	1,067	1,338
<i>of which:</i>			
- <i>Macro-economic forward looking impact</i>	<i>469</i>	<i>1,825</i>	<i>2,294</i>
- <i>Update ECL model</i>	<i>-4</i>	<i>-2</i>	<i>-6</i>
- <i>Individual commitment behaviour</i>	<i>-194</i>	<i>-756</i>	<i>-950</i>
Net portfolio growth	184	35	219
Balance at 31 December	1,025	1,208	2,233

Loan commitments issued for the most significant part result in issued loan when offers are signed or when commitments are used. The table therefore shows the totals of the loan commitment ECL per stage.

ECL loan commitments issued	2019		Total
	Stage 1	Stage 2	
Balance at 1 January	678	119	797
Net remeasurement of allowance for expected credit losses	-96	-10	-106
<i>of which:</i>			
- <i>Macro-economic forward looking impact</i>	55	5	60
- <i>Update ECL model</i>	-	-	-
- <i>Individual commitment behaviour</i>	-151	-15	-166
Net portfolio growth	-12	-3	-15
Balance at 31 December	570	106	676

Allowance for expected credit losses reconciliation to income statement

The following table provides a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of allowance for expected credit losses per class of financial instrument; and
- the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

Impairment losses on financial instruments	2020			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to banks	-24	-	-	-24
Loans and advances to customers	3,723	8,414	10,221	22,358
Debts securities at amortised cost	29	-	-	29
Financial guarantees	-5	-	-	-5
Loan commitments issued	455	1,102	-	1,557
Impairment losses on financial instruments for the year	4,178	9,516	10,221	23,915

Impairment losses on financial instruments	2019			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to banks	1	-	-	1
Loans and advances to customers	-49	-21	3,582	3,512
Debts securities at amortised cost	3	-	-	3
Financial guarantees	-72	-	-	-72
Loan commitments issued	-108	-12	-	-120
Impairment losses on financial instruments for the year	-225	-33	3,582	3,324

Credit-impaired financial assets

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers.

	2020	2019
Credit-impaired loans and advances to customers at 1 January	28,304	33,742
Addition	14,128	10,016
Write-off	-4,287	-9,137
Release	-3,908	-6,416
Other transfers	-696	-
Exchange rate differences	-103	99
Balance sheet value as at 31 December	33,438	28,304

Modified financial assets

The following table provides information on financial assets that were modified during the reporting period. The net modification loss comprises the modification result minus modification fees or penalty interest received.

	2020	2019
Financial assets modified during the period		
Amortised cost before modification	65,730	11,764
Net modification loss	7	34

Offsetting financial assets and financial liabilities

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

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

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

The impact of potential collateral requirements is increasing at Triodos Bank. The amount pledged with central and commercial banks, for payment system purposes, increased in 2020 and is expected to increase with the further growth of Triodos Bank.

The collateral needs stemming from FX forwards decreased in 2020 because the FX forward portfolio of Triodos Bank decreased. At the end of 2020 total net amount of EUR 7.1 million cash collateral was posted (2019: EUR 16.4 million).

Interest Rate Swaps which are centrally cleared, increased the potential collateral needs as well during the year. At the end of 2020 total net amount of EUR 6.9 million cash collateral was posted (2019: EUR 9.3 million). This cash collateral is posted as part of the ISDA agreement as mentioned above, eligible for the counterparty in case of default.

Part of the value of debt securities at amortised is used as collateral for a possible debit balance, amounting to EUR 177.5 million at the Dutch Central Bank (2019: EUR 89.4 million). This will serve as collateral when Triodos Bank obtains a line of credit from the Dutch Central Bank and cover this line in case of default. Triodos Bank did not make use of this in 2019 and 2020.

Liquidity risk

Liquidity risk management

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

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

As a mid-sized European bank with total Funds Entrusted of EUR 11,747 million per the end of December 2020, liquidity risk is an important risk for Triodos Bank. The Bank has intensively worked on the development of a solid liquidity framework to have always sufficient funds to meet sudden and (un)expected short-term liquidity needs. The high cash liquidity buffer in combination with a high-quality investment portfolio, reflects the low risk appetite for liquidity risk.

For its funding Triodos Bank mainly depends on funds entrusted from retail and business banking clients, consisting of current accounts, saving accounts and fixed term accounts.

The liquidity portfolio increased in 2020 due to the participation in the Targeted Longer-Term Refinancing Operation (TLTRO) of the Euro system to anticipate potential (temporary) higher credit demand from our clients. Our policy is to hold a sound liquidity buffer. Liquidity is invested within our minimum standards on sustainability, in highly liquid assets and (short-term) cash loans which count as inflow in the LCR 30 days before maturity, if the risk-return is more favourable than having the liquidity at the central banks. Around one third of the liquidity is invested, mainly in bonds and to a small extent in cash loans. The rest of the liquidity is mainly at the current account of the national central banks of our local entities and to some extent at sight with commercial banks to facilitate payments. The amount invested in (regional government) bonds (in Belgium and Germany) slightly increased due to favourable investment circumstances in Q2 2020. Most bonds qualify as high-quality liquid assets and are issued by central governments, regional governments and/or agencies in the Netherlands, Belgium, Spain, Germany and the UK without a solvency weight. There are small positions in some green bonds issued by banks and corporates for diversification.

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

The total amount of funds entrusted is EUR 11,747 million of which 79% are deposits insured by the Deposit Guarantee Scheme.

In 2020 Triodos Bank increased its collateral position at DNB to the participate in the Targeted Long-Term Refinancing Operation of the Euro system. This collateral is mainly provided by the retained RMBS Sinopel and mobilized credit claims. The impact of potential collateral requirements from payment system purposes decreased significantly at Triodos Bank in 2020 due to the cancelation of some payment activities that required a high amount

of collateral (collection of pension premiums). Other collateral needs mainly stem from market value changes in Interest Rate Swap positions (to manage the interest rate risks) and in FX forwards (because of hedging the currency risk of the UK subsidiary equity participation of Triodos Bank).

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

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

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

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

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

Liquidity risk management organisation

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

Reporting and measurement systems.

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

Liquidity risk management policy

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

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

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

Contingency funding plans

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

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

Stress testing

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

Triodos Bank conducts liquidity stress tests on a monthly basis.

Declaration

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

Securitisation

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

With Sinopel Triodos Bank structured a retained RMBS whereby Triodos is the sole buyer of the issued notes and as such has not transferred any credit risk. Through the retained RMBS, Triodos strengthens its financial resilience and gains additional access to (central bank) liquidity by pledging the notes as collateral with the Dutch Central Bank. The Sinopel RMBS is collateralised by Dutch residential mortgages loans. The structure is fully compliant with the new Simple Transparent Standardised EU regulation. For notes issued by Sinopel 2019 B.V., the following ECAs were involved: DBRS Ratings Limited and S&P Global Ratings Europe.

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

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

Quantitative liquidity risk disclosures

Maturity analysis for financial liabilities and financial assets

The following tables set out the earliest possible contractual maturities of Triodos Bank's financial liabilities and financial assets.

2020

Financial asset by type

Cash and cash equivalents
Loans and advances to banks
Loans and advances to customers
Debt securities at amortised cost
Investment securities
Non-trading derivatives
Other assets ²

Total assets

Financial liability by type

Deposits from banks
Deposits from customers
Non-trading derivatives
Debt issued and other borrowed funds
Other liabilities ³

Total liabilities

Contingent liabilities
Irrevocable facilities

Total off balance sheet liabilities

¹ Includes assets and liabilities on demand.

² Includes intangible assets, property and equipment, investment property, right-of-use assets, deferred tax assets, other assets and non-

³ Includes lease liabilities, deferred tax liabilities, current tax liability and other liabilities as presented in the consolidated balance sheet.

	Less than 1 month ¹	1–3 months	3 months –1 year	1–5 years	More than 5 years	No maturity	Total
	2,955,787	-	-	-	-	-	2,955,787
	126,615	8,948	15,000	-	-	-	150,563
	132,435	615,256	832,317	3,202,127	4,374,575	-	9,156,710
	9,015	36,149	206,436	857,992	207,709	-	1,317,301
	-	-	-	-	-	31,214	31,214
	-	-	877	894	24	-	1,795
	26,310	12,258	3,840	2,113	19,376	211,130	275,027
	3,250,162	672,611	1,058,470	4,063,126	4,601,684	242,344	13,888,397
	87	-	753,067	13,378	48,608	-	815,140
	10,735,658	494,777	278,034	204,101	34,637	-	11,747,207
	476	714	4,912	869	3,481	-	10,452
	-	-	9	-	6,359	-	6,368
	61,842	4,034	11,775	12,002	9,936	1,429	101,018
	10,798,063	499,525	1,047,797	230,350	103,021	1,429	12,680,185
	3,336	794	4,834	22,957	41,183	-	73,104
	94,364	53,844	208,909	1,111,268	467,948	-	1,936,333
	97,700	54,638	213,743	1,134,225	509,131	-	2,009,437

-current assets held for sale as presented in the consolidated balance sheet.

2019

Financial asset by type

Cash and cash equivalents

Loans and advances to banks

Loans and advances to customers

Debt securities at amortised cost

Investment securities

Non-trading derivatives

Other assets ²

Total assets

Financial liability by type

Deposits from banks

Deposits from customers

Non-trading derivatives

Other liabilities ³

Total liabilities

Contingent liabilities

Irrevocable facilities

Total off balance sheet liabilities

¹ Includes assets and liabilities on demand.

² Includes intangible assets, property and equipment, investment property, right-of-use assets, deferred tax assets, other assets and non-

³ Includes lease liabilities, deferred tax liabilities, current tax liability and other liabilities as presented in the consolidated balance sheet.

	Less than 1 month ¹	1–3 months	3 months –1 year	1–5 years	More than 5 years	No maturity	Total
	2,269,983	-	-	-	-	-	2,269,983
	205,078	7,513	15,000	-	-	-	227,591
	218,894	470,833	554,765	2,311,366	4,653,156	-	8,209,014
	20,312	15,051	162,407	663,024	173,497	-	1,034,291
	-	-	-	-	-	24,299	24,299
	552	-	5,035	2,227	908	-	8,722
	50,249	508	18,925	19,408	13,269	205,329	307,688
	2,765,068	493,905	756,132	2,996,025	4,840,830	229,628	12,081,588
	697	1,425	5,267	27,484	35,847	-	70,720
	9,356,771	730,225	306,174	265,725	34,804	-	10,693,699
	578	-	7,429	4,629	2,427	-	15,063
	39,455	8,518	24,493	12,637	14,558	1,518	101,179
	9,397,501	740,168	343,363	310,475	87,636	1,518	10,880,661
	2,468	882	1,071	61,413	41,661	-	107,495
	68,713	68,414	138,097	617,951	509,275	-	1,402,450
	71,181	69,296	139,168	679,364	550,936	-	1,509,945

-current assets held for sale as presented in the consolidated balance sheet.

The amounts in the table above have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Contingent and irrevocable facilities	Contractual maturity date of the off balance facility. Contingent facilities relate to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees to customers for loans provided to these customers by other banks. Non-credit substitute guarantees are guarantees to customers for all other obligations of these customers to third parties. Many of these guarantees are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. Irrevocable facilities mainly constitute accepted loans not yet paid out. Many of these facilities are for a fixed duration and bear interest at a floating rate.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

Triodos Bank's expected cash flows on some financial assets and financial liabilities can vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase;
- unrecognised loan commitments are not all expected to be drawn down immediately; and
- retail mortgage loans have an original contractual maturity of up to 35 years, end of 2019 this resulted in an average contractual maturity of 15.5 years and an average expected maturity of 10.1 years because customers take advantage of early repayment options.

Liquidity reserves

	2020	2019
	Carrying amount	Carrying amount
Balances with central banks	2,955,787	2,269,983
Cash and balances with other banks	150,563	227,591
Unencumbered debt securities issued by sovereigns	877,246	613,518
Undrawn credit lines granted by central banks*	139,143	787,627
Other assets eligible for use as collateral with central banks	245,977	313,773
Total liquidity reserves	4,368,716	4,212,492

* The amount is the actual credit line available.

Financial assets available to support future funding

2020	Pledged as collateral		Total
	Encumbered	Unencumbered	
Cash and cash equivalents	-	2,955,787	2,955,787
Loans and advances to banks	22,110	128,453	150,563
Debt securities at amortised cost	178,526	1,138,775	1,317,301
Loans and advances to customers	793,749	8,362,961	9,156,710
Investment securities	-	31,214	31,214
Non-financial assets	-	276,822	276,822
Total assets	994,385	12,894,012	13,888,397
2019	Pledged as collateral		Total
	Encumbered	Unencumbered	
Cash and cash equivalents	-	2,269,983	2,269,983
Loans and advances to banks	21,706	205,885	227,591
Debt securities at amortised cost	92,826	941,465	1,034,291
Loans and advances to customers	889,580	7,319,434	8,209,014
Investment securities	-	24,299	24,299
Non-financial assets	-	316,410	316,410
Total assets	1,004,112	11,077,476	12,081,588

In addition, in some Triodos Bank N.V. has an obligation to maintain a reserve with central banks. As at 31 December 2020, the minimum mandatory reserve deposits with various central banks amount to EUR 102,245 (2019: EUR 91,752).

Market risk

Market risk management

Market risk is the risk of losses in on and off-balance positions arising from movements in market prices. For Triodos Bank this means changes in interest rates and foreign exchange rates in particular. Triodos Bank doesn't have a trading book, but interest rate risk is present in the banking book.

Foreign exchange risk is the current or prospective risk to earnings and capital that arises from adverse movements in foreign exchange rates. Triodos Bank's base currency is the euro. The base currency of the UK subsidiary of Triodos Bank is GBP.

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

The foreign exchange position is monitored daily and discussed in the Asset and Liability Committee on a monthly basis. Limits are agreed by the ALCo.

Market risk structure and organisation

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

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

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

Market risk measurement systems

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

Triodos Bank entered into FX deals with Triodos Investment Funds and these deals are hedged by deals with a few banks. Wrong-way risk is the risk that the exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The FX deals with the Triodos Investment Funds do not cause wrong-way risk as these FX deals hedge the FX risk of the underlying assets of the Investment Funds. At the end of 2017 Triodos Bank stopped entering into new FX deals with Triodos Investment Funds because of new regulation. In addition, the wrong-way risk of transactions with banks is mitigated by only using banks with a sufficient credit rating and by having collateral agreements in place.

Interest rate risk in the Banking Book

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

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

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

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

The ALCo is delegated by the Executive Board to monitor and take decisions related to the management of the IRRBB. Additionally, the ALCo approves material changes to IRRBB models and changes to important model assumptions. Finally, the ALCo decides on approval of and monitors adherence to the group-wide pricing framework for retail and business banking products.

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

Interest Rate Risk management and mitigation strategies

Triodos Bank defines interest rate risk in the banking book (IRRBB) as the risk that changes in prevailing interest rates will adversely affect the market value of assets versus that of liabilities and/or income versus expenses.

Triodos Bank identifies the following three main sources of IRRBB:

- Gap risk, the risk of adverse consequences due to differences in timing of the impact of interest rate changes on the value and interest of assets and liabilities, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by tenor (non-parallel risk).

- Basis risk, the risk of adverse consequences which result from changes in the difference between two or more rates for different instruments with the same interest maturity but different benchmark rates on which the pricing is based.
- Option risk, the risk that changes in market interest rates prompt changes in the value or maturity of instruments, due to explicit or implicit optionality embedded in the bank's products.

Main measures

Triodos Bank uses various indicators to measure interest rate risk. The interest rate risk position is monitored by the ALCo monthly and reported quarterly to the Executive Board. The main IRRBB indicators used are Earnings at Risk, Economic Value of Equity at Risk, Modified Duration of Equity, and Gap analysis. Below follows a brief description:

- Earnings at Risk: a short-term indicator which shows the effect of an interest rate shock on Triodos Bank's net interest income over a one year and two-year horizon.
- Economic Value of Equity at Risk: a long-term indicator which represents the change of the Economic Value of Equity (which is the net present value of the future cash flows of all assets netted with the net present value of the future cash flows of the liabilities) in the event of an interest rate shock.
- Modified Duration of Equity: an indicator that expresses the sensitivity of the Economic Value of Equity in the event of parallel interest rate changes.
- Gap analysis: allows to get a quick and intuitive sense of how Triodos is positioned by comparing the values of the assets and liabilities that roll over – or reprice – at various time periods in the future. While a Gap analysis is a good measure of repricing risk, it is not able to measure interest rate risk stemming from option risk and basis risk. Therefore, Triodos Bank monitors the sensitivity of economic value of the banking book items to interest rate changes for different parts of the yield curve, by calculation of key rate durations.

Option risk is typically present in the form of caps and/or floors on floating interest rates and as a result of client and bank behaviour, i.e. due to prepayments on loans and mortgages, withdrawal of funds entrusted, and the discretion to change the interest rate on savings and current accounts. Both embedded options and behavioural characteristics are considered in the IRRBB measures.

Due to the growth of the mortgage portfolio, Triodos has also worked (and continues working) on improving the data on off-balance commitments. Especially fixed rate commitments (which are often present in new mortgages to be paid out) add to the interest rate position of the Bank.

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

Modelling and parametric assumptions

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

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

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

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

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

Explanation of the risk measures significant variations of those risk measures

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

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

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

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

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

Quantitative market risk disclosures

Interest Rate Risk in the Banking Book

The following table shows the interest rate risk within Triodos Bank:

2020	Floating-rate	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
Interest-bearing assets						
Cash	2,956,179	-	-	-	-	2,956,179
Banks	134,112	1,453	-	14,000	1,000	150,565
Loans	1,174,082	998,082	1,510,417	2,759,799	2,757,857	9,200,237
Hedged loans	12,500	159,000	165,900	-195,500	-141,900	-
Interest-bearing securities	-	53,923	214,299	840,055	199,652	1,307,929
Total	4,276,873	1,212,458	1,890,616	3,418,354	2,816,609	13,614,910
Interest-bearing liabilities						
Banks	750,220	1,312	9,264	24,258	31,910	816,964
Subordinated loan	-	-	-	-	6,369	6,369
Funds entrusted	12,472	1,385,853	1,943,651	5,877,833	2,521,691	11,741,500
Total	762,692	1,387,165	1,952,915	5,902,091	2,559,970	12,564,833

2019	Floating- rate	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
Interest-bearing assets						
Cash	2,270,224	-	-	-	-	2,270,224
Banks	212,087	474	15,000	-	-	227,561
Loans	1,106,829	887,460	1,451,037	2,469,173	2,326,996	8,241,495
Hedged loans	-	82,800	67,400	-114,700	-35,500	-
Interest-bearing securities	-	55,226	161,072	640,717	166,407	1,023,422
Hedged interest-bearing securities	-	89,500	55,475	-104,975	-40,000	-
Total	3,589,140	1,115,460	1,749,984	2,890,215	2,417,903	11,762,702
Interest-bearing liabilities						
Banks	212	1,359	5,819	28,634	33,999	70,023
Funds entrusted	26,333	1,217,498	1,776,985	5,329,176	2,333,269	10,683,261
Total	26,545	1,218,857	1,782,804	5,357,810	2,367,268	10,753,284

Only interest-bearing assets and liabilities are reported in this table, which results in differences with the balance sheet figures. No allowance for expected credit losses, net modification of amortised cost or interest amounts are showed in this table above. Interest bearing securities 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.

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 base currency of the UK subsidiary of Triodos is GBP.

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

2020	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	1,792,659	1,585,255	-	192,519	14,885	-
USD	13,995	434	4,908	4,908	13,561	-
NOK	95	-	-	-	95	-
AUD	1	-	-	-	1	-
SEK	51	-	-	-	51	-
INR	-	-	9,191	9,191	-	-
IDR	-	-	-	-	-	-
CNY	-	-	-	-	-	-
Total	1,806,801	1,585,689	14,099	206,618	28,593	-

Net open foreign currency position (total of net positions debit and credit): 28,593

2019	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	1,577,785	1,372,842	-	192,519	12,424	-
USD	20,083	1,676	9,708	9,708	18,407	-
NOK	101	-	-	-	101	-
AUD	1	-	-	-	1	-
SEK	49	-	-	-	49	-
INR	-	-	38,786	38,786	-	-
IDR	-	-	6,172	6,172	-	-
CNY	-	-	3,309	3,309	-	-
Total	1,598,019	1,374,518	57,975	250,494	30,982	-

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

Capital management

Triodos Bank wants to be strongly capitalised to support our growth strategy and to be a strong counterparty for our clients. Therefore, we maintain a relatively high equity base, which as a consequence puts downward pressure on the Return on Equity.

The objective of Triodos Bank's capital strategy is to ensure its viability by:

- Maintaining sufficient capital to absorb current and future business losses, also in extreme situations ('stress');
- Adequately allocate capital to its business units; and
- Ensuring compliance to all applicable capital legislation and regulation at all times.

All of Triodos Bank's solvency comes from common equity.

Regulation

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

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

There is no difference in the scope of consolidation for accounting and for prudential reporting purposes. Except for transfer of own funds of Triodos Bank UK Ltd, there is not any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among Triodos Bank and its consolidated companies.

Internal capital

The capital strategy of Triodos Bank is captured in its Internal Capital Adequacy Assessment Process ('ICAAP'). The ICAAP covers, for example, the measurement of risks requiring an adequate capital buffer, stress testing, capital contingency and the allocation of available capital to the different Triodos Bank banking entities and business units. The ICAAP is subjected to the Supervisory Review and Evaluation Process (SREP) of the Dutch Central Bank on a yearly basis.

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

Capital allocation and monitoring

Equity is allocated to banking entities, in proportion to the outcome of the internal capital calculation. Triodos Bank works with a rolling three-year capital forecast. The Asset and Liability Committee monitors Triodos Bank's capital position and advises the Executive Board on the capital adequacy. The Asset and Liability Committee also assesses whether available capital is sufficient to support current and future activities on a monthly basis. During 2020

available capital has been at sufficient levels at all times in line with external regulatory minimum requirements. A retained portion of the 2020 profit will be added to its reserves.

Capital requirements

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

The total capital ratio increased by 0.9% from 17.9% at the year end 2019 to 18.8% at the year end 2020. This ratio is still well above the regulatory requirement. In December 2020 Triodos Bank issued Tier 2 capital in the amount of EUR 6.4 million. Further quantitative information is disclosed in the Pillar 3 report which can be found on the website of Triodos Bank.

Minimum capital requirements (pillar I)

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

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

Additional capital requirements

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

Management of excessive leverage

The risk of excessive leverage is managed inclusively in our capital management policy and procedures. We aim for a strong capital base, avoiding high leverage risks. Triodos' risk appetite level related to the leverage ratio is set at 7%, which is significantly above all regulatory requirements.

At year end the relevant capital used to calculate the leverage ratio consists only of CET1 capital. Our capital base is therefore not subject to refinancing risks. The leverage ratio is part of our three-year budget. Compliance with our risk appetite level is part of the budget requirements.

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

Fair value of financial instruments

Valuation models

Triodos Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Triodos bank determines the fair value of its financial instruments using the following bases. The fair value of listed debt securities at amortised cost is the market value. The fair value of unlisted debt securities at amortised cost is public quoted information if available or nominal value. The fair value of loans and advances to banks, lease liabilities, deposits from banks, deposits from customers and debt issued and other borrowed funds 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 loans and advances to customers (including mortgages) has been determined by calculating the net present value of the interest and redemption cashflows, taken into account expected prepayment behavior. The net present value is calculated by using market data, i.e. zero coupon rates, as at the end of the year, which are adjusted with a Triodos Bank-specific spread. The spread is based on the expected margin the business units expect to make over the market base rates in the coming years on their production of business loans and mortgages. Part of the corporate loans and mortgages include caps and/or floors on the interest rates. The fair value of the other asset and liabilities are assumed to be equal to the balance sheet value.

Investments securities comprise participating interests and debt where no significant influence can be exercised and are carried at fair value through either comprehensive income or profit and loss. In the case of an investment security 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 an investment security 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 independent auditor, interim financial information from the institution and any other relevant data provided to Triodos Bank.

Derivatives held for risk management are carried at fair value through profit and loss. These instruments are split between interest rate swaps and foreign exchange rate forward contracts. The interest rate swaps are valued using the appropriate discount curve to calculate the net present value of expected cashflows under the contracts. This curve is openly observable from market data. See Financial instruments for further information on the valuation. The foreign exchange rate forward contracts are valued using the forward exchange rate for the corresponding currency, as observable from market data.

Financial instruments measured at fair value – Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

2020	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management				
Interest rate	-	24	-	24
Foreign exchange	-	1,771	-	1,771
Total	-	1,795	-	1,795
Investment securities				
Equities	8,601	13,694	4,458	26,753
Debt	-	4,461	-	4,461
Total	8,601	18,155	4,458	31,214
Derivative liabilities held for risk management				
Interest rate	-	6,344	-	6,344
Foreign exchange	-	4,108	-	4,108
Total	-	10,452	-	10,452

2019	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management				
Interest rate	-	908	-	908
Foreign exchange	-	7,814	-	7,814
Total	-	8,722	-	8,722
Investment securities				
Equities	13,160	1,442	4,960	19,562
Debt	-	4,737	-	4,737
Total	13,160	6,179	4,960	24,299
Derivative liabilities held for risk management				
Interest rate	-	5,012	-	5,012
Foreign exchange	-	10,051	-	10,051
Total	-	15,063	-	15,063

Level 3 valuations relate to participating interest which are valued at fair value through other comprehensive income. Total fair value changes amount to EUR -420 (2019: EUR -272).

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

2020	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying
Assets					
Debt securities at amortised cost	1,221,053	119,160	-	1,340,213	1,317,301
Loans and advances to banks	-	-	150,601	150,601	150,563
Loans and advances to customers	-	-	9,395,422	9,395,422	9,156,710
Liabilities					
Deposits from banks	-	-	813,457	813,457	815,140
Deposits from customers	-	-	11,935,701	11,935,701	11,747,207
Debt issued and other borrowed funds	-	-	7,194	7,194	6,368
Lease liabilities	-	-	24,182	24,182	19,963
2019	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying
Assets					
Debt securities at amortised cost	948,403	109,798	-	1,058,201	1,034,291
Loans and advances to banks	-	-	227,611	227,611	227,591
Loans and advances to customers	-	-	8,315,161	8,315,161	8,209,014
Liabilities					
Deposits from banks	-	-	68,714	68,714	70,720
Deposits from customers	-	-	10,695,702	10,695,702	10,693,699
Debt issued and other borrowed funds	-	-	-	-	-
Lease liabilities	-	-	23,822	23,822	22,078

Fair value of the cash and cash equivalents approximates the total carrying amount as these are on demand balances and therefore not included in the above table.

Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

2020	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	-	-	-	2,955,787	2,955,787
Debt securities at amortised cost	-	-	-	1,317,301	1,317,301
Loans and advances to customers	-	-	-	9,156,710	9,156,710
Loans and advances to banks	-	-	-	150,563	150,563
Investment securities	4,461	-	26,753	-	31,214
Other assets	-	-	-	275,027	275,027
Derivative assets held for risk management	1,795	-	-	-	1,795
Total financial assets	6,256	-	26,753	13,855,388	13,888,397
Derivative liabilities held for risk management	10,452	-	-	-	10,452
Deposits from banks	-	-	-	815,140	815,140
Deposits from customers	-	-	-	11,747,207	11,747,207
Lease Liabilities	-	-	-	19,963	19,963
Other liabilities	-	-	-	87,423	87,423
Total financial liabilities	10,452	-	-	12,669,733	12,680,185

2019	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	-	-	-	2,269,983	2,269,983
Debt securities at amortised cost	-	-	-	1,034,291	1,034,291
Loans and advances to customers	-	-	-	8,209,014	8,209,014
Loans and advances to banks	-	-	-	227,591	227,591
Investment securities	4,737	-	19,562	-	24,299
Other assets	-	-	-	307,688	307,688
Derivative assets held for risk management	8,722	-	-	-	8,722
Total financial assets	13,459	-	19,562	12,048,567	12,081,588
Derivative liabilities held for risk management	15,063	-	-	-	15,063
Deposits from banks	-	-	-	70,720	70,720
Deposits from customers	-	-	-	10,693,699	10,693,699
Lease Liabilities	-	-	-	22,078	22,078
Other liabilities	-	-	-	79,101	79,101
Total financial liabilities	15,063	-	-	10,865,598	10,880,661

Non-trading derivatives and hedge accounting

Non-trading derivatives

The following table describes the fair values of derivatives held for risk management purposes by type of instrument.

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Instrument type				
Interest rate				
Designated in fair value hedges	-	6,344	908	5,012
Other derivatives	24	-	-	-
Foreign exchange				
Designated in a net investment hedge	-	2,407	-	2,565
Other derivatives	1,771	1,701	7,814	7,486
Total foreign exchange	1,771	4,108	7,814	10,051
Total non-trading derivatives	1,795	10,452	8,722	15,063

Fair value hedges of interest rate risk

Triodos Bank uses interest rate swaps to hedge its exposure to changes in the fair values of fixed- rate euro loans and advances in respect of a benchmark interest rate (mainly Euribor). At the beginning of the year 2020 Triodos Bank made changes in its risk management strategy towards interest rate risk and has updated our hedge strategy accordingly. As of 1 January 2020 Triodos Bank applies the EU carve-out under IAS 39.

This means that Triodos Bank changed from designating individual hedged items and hedging instruments into fair value hedge relationships to portfolio designation, or, macro fair value hedge accounting. The types of hedging instruments and hedged items remain unchanged. The existing hedge relationships have been terminated and as of 2020 these have been designated in a hedge relationship on a portfolio basis.

Triodos Bank determines hedged items by identifying portfolios of homogenous loans based on their contractual interest rates, maturity and other risk characteristics. Loans within the Identified portfolios are allocated to repricing time buckets based on expected, rather than contractual, repricing dates. The hedging instruments (pay fix/receive floating rate interest rate swaps) are designated appropriately to those repricing time buckets. Hedge effectiveness is measured on a monthly basis, by comparing fair value movements of the designated proportion of the bucketed loans due to the hedged risk, against the fair value movements of the derivatives, to ensure that they are within an 80% to 125% range.

At the time of designation of the hedge relationship for macro hedge accounting, a prospective test of the hedge relationship is performed to evidence the existence of an economic relationship. Fair value of hedged items and

hedging instruments is calculated as at the designation date. In addition, the fair values are recalculated by applying at +/-50bps shift on the EURIBOR zero-curve and the OIS zero-curve. If the change in fair value of hedged item and hedging instrument is within 80-125% of each other, the hedge relationship can be expected to be highly effective.

The retrospective test is periodically performed by calculating the fair value of the hedged items and hedging instruments with the curves applicable as at that date (month end). The hedge relationship is considered to be highly effective if the delta in fair value between hedging instrument and hedged item as per designation date and as per period end date is in the 80% – 125% bandwidth, which is the so-called dollar offset method.

When the outcome of the effectiveness test is outside of the bandwidth, the hedge relationship for the tested month is discontinued. This means that the fair value changes of the hedging instruments continue to be recorded through profit and loss, but no offsetting fair value adjustment is recognised on the hedged items. At dedesignation, the fair value hedge accounting adjustments are amortised on a straight-line basis over the original hedged life. The Bank has elected to commence amortisation at the date of de-designation.

Triodos Bank discloses its risk management relates to interest rate risk in Market risk management.

Hedge relationships designated under this policy are expected to be highly effective. However, some degree of ineffectiveness is expected due to:

- Discounting of assets with the curve of the payment frequency where the swaps are discounted using the OIS curve
- Fair value changes in the floating leg of the swaps

2020		Carrying amount			
Hedging instruments	Nominal amount	Assets	Liabilities	Change in fair value	Ineffectiveness
Interest rate swaps – portfolio hedge accounting	295,175	-	6,344	-2,216	111
Hedged item	Carrying amount	Fair value hedge adjustments			
	Assets	Assets	Liabilities	Change in fair value	
Loans and advances to customers	295,975	5,286	-	2,327	

Net investment hedge

Triodos Bank entered into GBP foreign currency forward contracts as of april 2019 hedging the currency risk of the UK subsidiary equity participation of Triodos Bank. In order to maintain an effective hedging relationship, not the full value of the UK subsidiary equity participation is hedged. Triodos Bank hedges up to a maximum of 95% of the UK subsidiary.

Triodos Bank discloses its risk management relates to foreign exchange risk in Market risk management.

Triodos Bank ensures that the foreign currency in which the hedging instrument is denominated is the same as the functional currency of the net investment. This qualitative assessment is supplemented quantitatively using the hypothetical derivative method for the purposes of assessing hedge effectiveness. Triodos Bank assesses effectiveness by comparing past changes in the fair value of the derivative with changes in the fair value of a hypothetical derivative. The hypothetical derivative is constructed to have the same critical terms as the net investment designated as the hedged item and a fair value of zero at inception. The net investment is held for a period longer than the maturity of the forward foreign exchange contracts, Triodos Bank hedges the net investment only to the extent of the nominal amount of the foreign exchange leg of the derivative.

2020		Carrying amount			
Hedging instruments	Nominal amount	Assets	Liabilities	Change in fair value	Ineffectiveness
Foreign currency forward contracts (EUR:GBP)	180,100	-	2,407	-10,200	-
		Carrying amount			
Hedged item	Nominal amount	Assets	Liabilities	Change in fair value	Foreign currency translation reserve
GBP net investment in UK subsidiary	181,351	202,497	-	11,408	-4,440
2019		Carrying amount			
Hedging instruments	Nominal amount	Assets	Liabilities	Change in fair value	Ineffectiveness
Foreign currency forward contracts (EUR:GBP)	163,000	-	2,565	3,004	-
		Carrying amount			
Hedged item	Nominal amount	Assets	Liabilities	Change in fair value	Foreign currency translation reserve
GBP net investment in UK subsidiary	175,894	207,748	-	3,247	3,247

Parent company financial statements

The company balance consist of Triodos Bank N.V. including the branches.

Parent company balance sheet as at 31 December 2020

in thousands of EUR	Reference*	31.12.2020	31.12.2019
ASSETS			
Cash and cash equivalents		2,536,320	1,990,520
Loans and advances to banks	33	107,510	173,939
Loans and advances to customers	34	7,999,465	7,097,903
Debt securities at amortised cost	35	1,146,456	896,996
Investment securities	36	255,023	257,099
Intangible fixed assets	37	43,121	38,194
Property and equipment	38	87,710	105,627
Investment property	39	10,914	11,012
Right-of-use assets	40	17,648	19,976
Non-trading derivatives		1,795	8,722
Deferred Tax Assets		14,684	15,933
Current tax receivable		1,723	-
Other assets	41	61,692	97,461
Non-current Assets Held for Sale	42	16,203	10,197
Total assets		12,300,264	10,723,579
LIABILITIES			
Deposits from banks	43	815,140	70,595
Deposits from customers	44	10,183,171	9,344,998
Lease liabilities	40	18,252	20,680
Non-trading derivatives		10,452	15,063
Deferred Tax Liabilities		4,346	8,957
Current tax liabilities		8,394	14,815
Other liabilities	45	49,059	46,482
Provisions	46	3,238	1,062
		11,092,052	9,522,652

in thousands of EUR	Reference*	31.12.2020	31.12.2019
Capital	47	723,353	720,088
Share premium reserve	48	200,811	198,626
Translation reserve		-4,385	-3,354
Cost of hedging reserve		-55	123
Fair value reserve		-2,025	1,938
Other reserve	49	43,806	38,914
Retained earnings	50	219,504	205,587
Result for the period		27,203	39,005
Equity		1,208,212	1,200,927
Total equity and liabilities		12,300,264	10,723,579
Contingent liabilities	51	90,286	104,518
Irrevocable facilities		1,740,444	1,208,690
		1,830,730	1,313,208

* References relate to the notes starting on page 274. These form an integral part of the parent company annual accounts.

Parent company profit and loss account 2020

in thousands of EUR	Reference*	2020	2019
Income			
Interest income calculated using the effective interest method	52	178,163	185,290
Interest expense	53	-16,311	-21,980
Interest		161,852	163,310
Investment income	54	449	679
Fee and Commission income	55	61,149	56,056
Fee and Commission expense	56	-4,046	-4,534
Net fee and commission income		57,103	51,522

in thousands of EUR	Reference*	2020	2019
Net income from other financial instruments at FVTPL	57	-361	430
Other income	58	753	603
Other income		392	1,033
Total income		219,796	216,544
EXPENSES			
Personnel expenses	59	100,419	103,589
Other administrative expenses	59	52,756	55,159
Amortisation and value adjustments of intangible assets	60	10,072	9,534
Depreciation and value adjustments of property and equipment	60	17,164	9,175
Operating expenses		180,411	177,457
Impairment losses on financial instruments	61	20,875	3,644
Total expenses		201,286	181,101
Operating result before taxation		18,510	35,443
Taxation on operating result	62	-5,612	-10,286
Result on participating interests after taxation		14,305	13,848
Net profit		27,203	39,005

*References relate to the notes starting on page 274. These form an integral part of the parent company annual accounts.

Parent company statement of changes in equity 2020

in thousands of EUR	Share capital
Equity as at	
1 January 2019	674,734
Result for the period	
Foreign operations – foreign currency translation differences	
Net gain (loss) on hedges of net investments in foreign operations	
Equity investments at FVOCI – net change in fair value	
Total comprehensive income	-
Increase of share capital	32,148
Stock dividend	13,206
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 other reserve for development costs	
Purchasing or sale of own depository receipts	
Equity as at	
31 December 2019	720,088

Share premium	Translation reserve	Cost of hedging reserve	Fair value reserve	Other reserve	Retained earnings	Result for the period	Total equity
190,324	-3,474	-	1,887	34,715	179,760	35,187	1,113,133
						39,005	39,005
							-
	120	123					243
			51		-		51
-	120	123	51	-	-	39,005	39,299
21,508							53,656
-13,206							-
					8,231	-8,231	-
						-26,956	-26,956
					21,921		21,921
				4,199	-4,199		-
					-126		-126
198,626	-3,354	123	1,938	38,914	205,587	39,005	1,200,927

in thousands of EUR	Share capital
Equity as at	
1 January 2020	720,088
Result for the period	
Foreign operations – foreign currency translation differences	
Net gain (loss) on hedges of net investments in foreign operations	
Debt instruments at FVOCI – net change in fair value	
Conversion Visa shares	
Equity investments at FVOCI – net change in fair value	
Total comprehensive income	-
Increase of share capital	3,265
Stock dividend	-
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 other reserve for development costs	
Purchasing or sale of own depository receipts	
Equity as at	
31 December 2020	723,353

Share premium	Translation reserve	Cost of hedging reserve	Fair value reserve	Other reserve	Retained earnings	Result for the period	Total equity
198,626	-3,354	123	1,938	38,914	205,587	39,005	1,200,927
						27,203	27,203
							-
	-1,031	-178					-1,209
							-
			-303		303		-
			-3,660				-3,660
-	-1,031	-178	-3,963	-	303	27,203	22,334
2,185							5,450
-							-
					39,005	-39,005	-
						-	-
					-		-
				4,892	-4,892		-
					-20,499		-20,499
200,811	-4,385	-55	-2,025	43,806	219,504	27,203	1,208,212

Notes to the parent company financial statements

General

The general information is the same as those for the consolidated Annual Accounts. For the general information, please refer to the general information in the consolidated financial statements.

Basis of preparation

The parent company's financial statements are prepared in accordance with the legal requirements for the Annual Accounts of banks contained in Title 9 Book 2 of The Netherlands Civil Code and the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board, with application of the IFRS recognition and measurement principles. Except for the participating interests in group companies, which are recognised at net asset value. Triodos Bank complies with article 362 of Title 9 Book 2 of The Netherlands Civil Code, also known as combination 3.

The accounting principles for recognition and measurement are the same as for the consolidated financial statements. For the relevant accounting principles and the information regarding risk management, please refer to the accounting principles and the risk management section in the consolidated financial statements.

Accounting principles

Participating interests

Participating interests are valued based on the equity method. On initial recognition, the investment in the participating interest is recognized at cost. In subsequent periods, the carrying amount of the investment is adjusted for the following:

- Increase (or decrease) in the value of the investment for Triodos Bank's share of the participating interest's Net Income (or Net Loss) for the period
- Decrease in the value of the participating interest for distribution of dividends received from the participating interest, where dividends received from the participating interest are not recorded in the Profit & Loss account
- Increase (or decrease) in the value of the investment for Triodos Bank's share of the participating interest's Other Comprehensive Income for the period.

In 2019 Triodos Bank N.V. transferred the assets and liabilities of the branch in the United Kingdom to the wholly-owned subsidiary Triodos Bank UK Ltd. against book value at the moment of transfer.

The wholly-owned subsidiaries Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V. and Triodos Nieuwbouw B.V. were liquidated in 2019 and Triodos Investment Advisory Services B.V. was liquidated in 2020. The assets and liabilities of these entities were transferred to Triodos Bank N.V. against book value at the moment of transfer.

For those items not included in the Notes to the parent company financial statements, please see the Notes to the consolidated financial statements.

Notes to the parent company balance sheet

33 Loans and advances to banks

	2020	2019
On demand deposits with banks	85,017	151,911
Deposits with banks	22,495	22,039
Interest receivable	-1	1
Allowance for ECL	-1	-12
Balance sheet value as at 31 December	107,510	173,939

An amount of EUR 22.1 million of the deposits is encumbered (2019: EUR 21.7 million). These are on demand deposits at Cecabank in the amount of EUR 1.0 million (2019: EUR 1.0 million), ING Bank EUR 13.0 million (2019: EUR 13.0 million), Banco Cooperativo EUR 7.5 million (2019: EUR 7.0 million) and Mastercard EUR 0.6 million (2019: EUR 0.7 million). A deposit of EUR 1.0 million (2019: EUR 1.0 million) is subordinated. All other deposits can be freely disposed of.

34 Loans and advances to customers

	2020	2019
Loans	8,046,008	7,129,694
Provision for doubtful debts	-46,543	-31,791
Balance sheet value as at 31 December	7,999,465	7,097,903

	2020			2019		
	Gross carrying amount	Allowance for ECL	Carrying amount	Gross carrying amount	Allowance for ECL	Carrying amount
Corporate loans	4,912,146	-42,137	4,870,009	4,814,132	-30,105	4,784,027
Mortgage lending	2,739,930	-1,650	2,738,280	1,977,175	-838	1,976,337
Municipality loans	252,700	-	252,700	271,000	-	271,000
Current accounts and credit cards	118,907	-2,756	116,151	47,611	-848	46,763
Municipality loans	5,286	-	5,286	2,424	-	2,424
Interest receivables	17,039	-	17,039	17,352	-	17,352
Balance sheet value as at 31 December	8,046,008	-46,543	7,999,465	7,129,694	-31,791	7,097,903

Loans classified by residual maturity:

	2020	2019
Payable on demand	129,353	193,915
1 to 3 months	583,095	452,546
3 months to 1 year	739,036	500,356
1 to 5 years	2,754,583	2,013,585
Longer than 5 years	3,793,398	3,937,501
Balance sheet value as at 31 December	7,999,465	7,097,903

EUR 252.7 million (2019: EUR 271.0 million) of the loans relates to loans to local authorities with a maximum original maturity of one year and one day.

The loans and advances to customers includes an amount of EUR 37.9 million (2019: EUR 42.8 million) regarding loans provided to consolidated participating interests.

A breakdown related to received collateral, relevant industries, sectors and per geographic region can be found in the pillar 3 report 2020 which can be found on the website of Triodos Bank.

35 Debt securities at amortised cost

	2020	2019
Dutch Government bonds	69,983	70,292
Belgian Government bonds	141,697	168,222
Spanish Government bonds	63,209	72,182
Other bonds	861,978	576,574
Interest receivable	8,494	8,072
Fair value hedge accounting	1,146	1,680
Allowance for ECL	-51	-26
Balance sheet value as at 31 December	1,146,456	896,996

The movement in interest-bearing securities is as follows:

	2020	2019
Balance sheet value as at 1 January	896,996	1,270,624
Purchase	458,031	112,417
Repayments	-199,002	-362,823
Sale	-	-
Transfer*	-	-111,822
Amortisation difference between acquisition price and redemption value	-9,432	-8,718
Exchange rate results on foreign currencies	-	-
Interest receivable movement	422	-3,337
Fair value hedge accounting movement	-534	650
Net movement in allowance for ECL	-25	5
Balance sheet value as at 31 December	1,146,456	896,996

*This relates to the transfer of the interest-bearing securities from the branch in the UK to the subsidiary Triodos Bank UK Ltd.

36 Investment securities

	2020	2019
Participating interests in group companies	223,810	232,800
Shares S.W.I.F.T. SCRL	80	20
Participating interests designated at fair value through OCI	26,673	19,542
Participating debt at mandatory fair value through profit and loss	4,460	4,737
Balance sheet value as at 31 December	255,023	257,099

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 of the participating interests in group companies is as follows:

	2020	2019
Balance sheet value as at 1 January	232,800	22,645
Acquisitions	-	-
Incorporations *	-	200,036
Increase of capital	-	2,500
Result on participating interests	14,305	13,848
Transfer from or to provision for negative equity of participating interests	-	-
Dividend paid	-11,222	-5,082
Revaluation	-	-
Repayment of capital	-686	-4,393
Sale	-	-
Exchange rate result on foreign currency	-11,387	3,246
Balance sheet value as at 31 December	223,810	232,800

* The incorporation relate to the transfer of the assets and liabilities from the branch in the UK to the subsidiary Triodos Bank UK Ltd.

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 movement in shares is as follows:

	2020	2019
Balance sheet value as at 1 January	20	20
Purchase	60	-
Sales	-	-
Balance sheet value as at 31 December	80	20

The movement of the participating interest at fair value through OCI is as follows:

	2020	2019
Balance sheet value as at 1 January	19,542	19,018
Acquisitions	210	-
Increase of capital	12,099	349
Revaluation	-4,138	-279
Repayment of capital	-	-
Divestments	-	-
Conversion*	-292	-
Exchange rate results on foreign currencies	-748	454
Balance sheet value as at 31 December	26,673	19,542

* A portion of the shares held in Visa were converted and are therefore derecognised as participating interest at fair value through OCI and recognised as participating debt at fair value through profit and loss.

The movement of the participating debt at fair value through profit and loss is as follows:

	2020	2019
Balance sheet value as at 1 January	4,737	3,430
Acquisitions	-	-
Increase of capital	-	877
Revaluation	-209	352
Repayment of capital	-	-
Divestments	-	-
Conversion*	292	-
Exchange rate results on foreign currencies	-360	78
Balance sheet value as at 31 December	4,460	4,737

* A portion of the shares held in Visa were converted and are therefore derecognised as participating interest at fair value through OCI and recognised as participating debt at fair value through profit and loss.

37 Intangible fixed assets

	2020	2019
Development costs for information systems	41,839	36,354
Computer software	1,282	1,840
Balance sheet value as at 31 December	43,121	38,194

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:

	2020	2019
Purchase value as at 1 January	66,307	57,442
Cumulative amortisation as at 1 January	-29,953	-23,758
Balance sheet value as at 1 January	36,354	33,684
Capitalised expenses	14,737	12,894
Amortisation	-9,252	-7,465
Impairments	-	-890
Transfer*	-	-1,869
Exchange rate result on foreign currency	-	-
Balance sheet value as at 31 December	41,839	36,354
Purchase value as at 31 December	65,633	66,307
Cumulative amortisation as at 31 December	-23,794	-29,953
Balance sheet value as at 31 December	41,839	36,354

* This relates to the transfer of the bookvalue of the development costs for information systems from the branch in the UK to the subsidiary Triodos Bank UK Ltd.

Computer software

Computer software relates to software that has been purchased.

The movement in computer software is as follows:

	2020	2019
Purchase value as at 1 January	3,825	4,612
Cumulative amortisation as at 1 January	-1,985	-2,004
Balance sheet value as at 1 January	1,840	2,608
Purchase	276	474
Amortisation	-834	-1,142
Impairments	-	-37
Transfer*	-	-63
Balance sheet value as at 31 December	1,282	1,840
Purchase value as at 31 December	3,191	3,825
Cumulative amortisation as at 31 December	-1,909	-1,985
Balance sheet value as at 31 December	1,282	1,840

* This relates to the transfer of the bookvalue of the development costs for information systems from the branch in the UK to the subsidiary Triodos Bank UK Ltd.

38 Property and equipment

	2020	2019
Property for own use	60,558	73,114
Equipment	27,152	32,513
Balance sheet value as at 31 December	87,710	105,627

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

	2020	2019
Purchase value as at 1 January	80,930	29,800
Cumulative revaluation as at 1 January	-1,595	-1,595
Cumulative depreciation as at 1 January	-6,221	-2,385
Balance sheet value as at 1 January	73,114	25,820
Purchase	139	3,517
Depreciation	-1,960	-487
Revaluation	-	-
Impairment	-4,971	-
Transfer*	-5,764	44,264
Exchange rate differences	-	-
Balance sheet value as at 31 December	60,558	73,114
Purchase value as at 31 December	65,413	80,930
Cumulative revaluation as at 31 December	-1,595	-1,595
Cumulative depreciation as at 31 December	-3,260	-6,221
Balance sheet value as at 31 December	60,558	73,114

The transfer in 2020 relates to by the decision of the Executive Board of Triodos Bank to sell the buildings located at the Nieuweroordweg 1 and Utrechtseweg 60 in Zeist. These buildings are expected to be sold during 2021, such that these buildings will be reclassified to assets held for sale. Refer to note 7 Property and equipment and 12 Non-current Assets Held for Sale of the consolidated financial statements for further details. In 2019 properties for own use were transferred in from the liquidated subsidiaries Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V. and Triodos Nieuwbouw B.V. in the amount of EUR 60,848 and the transfer out of the Property for own use from the branch in the UK to the subsidiary Triodos Bank UK Ltd in the amount of EUR 13,084.

The movement in equipment is as follows:

	2020	2019
Purchase value as at 1 January	55,353	34,490
Cumulative depreciation as at 1 January	-22,840	-22,350
Balance sheet value as at 1 January	32,513	12,140
Purchase*	2,344	21,432
Sale**	-887	-4
Depreciation**	-6,638	-4,252
Impairment	-83	-60
Transfer***	-97	3,257
Exchange rate differences	-	-
Balance sheet value as at 31 December	27,152	32,513
Purchase value as at 31 December	52,263	55,353
Cumulative depreciation as at 31 December	-25,111	-22,840
Balance sheet value as at 31 December	27,152	32,513

* The purchase mainly relates to the investment in the installation and inventory of the new office building in The Netherlands.

** Excluding disposal in the amount of EUR 3.5 million (2019: EUR 2.6 million).

*** This relates to the transfer in 2019 of the equipment from the liquidated subsidiaries Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V. and Triodos Nieuwbouw B.V. in the amount of EUR 4,911 and the transfer out of the equipment from the branch in the UK to the subsidiary Triodos Bank UK Ltd in the amount of EUR 1,654.

39 Investment property

Triodos Bank sometimes repossesses assets which come from acquisition in public auctions. These assets are collaterals of an executed loan. A part of the repossessed assets however will not be sold immediately because Triodos Bank has opted to add value by letting these assets and are therefore presented as investment property.

The movement in the investment property is as follows:

	2020	2019
Purchase value as at 1 January	12,630	12,589
Cumulative depreciation as at 1 January	-1,618	-1,265
Balance sheet as at 1 January	11,012	11,324
New foreclosed assets	158	41
Depreciation	-234	-239
Impairments	-22	-114
Balance sheet value as at 31 December	10,914	11,012
Purchase value as at 31 December	12,788	12,630
Cumulative depreciation as at 31 December	-1,874	-1,618
Balance sheet value as at 31 December	10,914	11,012

40 Leases

Triodos Bank leases many assets including land and buildings, vehicles, and IT equipment. Information about leases for which Triodos Bank is a lessee is presented below.

Right-of-use assets

	2020				2019			
	Property	Vehicles	Other	Total	Property	Vehicles	Other	Total
Balance at 1 January	18,220	1,413	343	19,976	17,955	1,358	15	19,328
Depreciation	-2,473	-601	-68	-3,142	-3,358	-616	-8	-3,982
Additions	333	367	174	874	3,623	671	336	4,630
Disposals	-18	-42	-	-60	-	-	-	-
Balance at 31 December	16,062	1,137	449	17,648	18,220	1,413	343	19,976

Lease liabilities

	2020				2019			
	Property	Vehicles	Other	Total	Property	Vehicles	Other	Total
Maturity analysis – contractual undiscounted cash flows								
Less than one year	2,418	397	72	2,887	2,248	352	62	2,662
One to five years	8,042	1,041	242	9,325	7,839	1,019	245	9,103
More than five years	12,082	-	144	12,226	12,553	-	54	12,607
Total undiscounted lease liabilities at 31 December	22,542	1,438	458	24,438	22,640	1,371	361	24,372
Current	1,767	376	72	2,215	1,813	394	59	2,266
Non-current	14,865	792	380	16,037	17,092	1,038	284	18,414
Lease liabilities included in the statement of financial position at 31 December	16,632	1,168	452	18,252	18,905	1,432	343	20,680

41 Other assets

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

	2020	2019
Receivable regarding the deposit guarantee scheme	3,916	3,916
Other prepayments and accrued income	9,789	32,897
Other	47,987	60,648
Balance sheet value as at 31 December	61,692	97,461

Of the other assets, EUR 40,172 thousand has a maturity of less than one year (2019: EUR 79,862 thousand). Due to the nature and the maturity of the other assets, the fair value approximates the carrying value.

The other assets includes an amount of EUR 68 thousand (2019: EUR 3.0 million) regarding receivables from consolidated participating interests.

42 Non-current Assets Held for Sale

The balance sheet value of the assets held-for-sale as at 31 December can be broken down as follows:

	2020	2019
Reposessed assets	10,343	10,197
Own property held for sale	5,860	-
Balance sheet value as at 31 December	16,203	10,197

Triodos Bank can acquire the collateral under non performing loans, all assets acquired are real estate. It is the intention of Triodos Bank to dispose of these assets as they are not part of the primary business of the Bank. If permitted by the underlying contracts of the acquired assets, these assets are presented as real estate for sale, using a realtor.

The disclosure regarding the addition to the assets held for sale as required by IFRS 5 is included in note 7, Property and equipment, on page 148 of the financial statements.

43 Deposits from banks

	2020	2019
Deposits from banks	66,965	70,023
TLTROIII	750,000	-
Interest payable	-1,825	572
Balance sheet value as at 31 December	815,140	70,595

44 Deposits from customers

	2020	2019
Savings accounts	6,525,824	5,432,087
Other funds entrusted	3,655,845	3,910,241
Interest payable	1,502	2,670
Balance sheet value as at 31 December	10,183,171	9,344,998

The Other funds entrusted item includes an amount of EUR 13.4 million (2019: EUR 22.2 million) for deposits from consolidated participating interests.

Savings are defined as:

- savings accounts (with or without notice) of natural persons and non-profit institutions
- fixed term deposits of natural persons and non-profit institutions

Other funds entrusted are defined as:

- current accounts of natural persons and non-profit institutions
- all accounts of governments, financial institutions (excluding banks) and non-financial corporations

Funds entrusted classified by residual maturity:

	2020			2019		
	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	6,084,890	3,569,661	9,654,551	4,872,636	3,840,835	8,713,471
1 to 3 months	78,469	14,639	93,108	102,609	16,553	119,162
3 months to 1 year	193,035	26,265	219,300	228,854	26,197	255,051
1 to 5 years	141,003	40,572	181,575	197,223	25,287	222,510
Longer than 5 years	29,457	5,180	34,637	32,318	2,486	34,804
	6,526,854	3,656,317	10,183,171	5,433,640	3,911,358	9,344,998

45 Other liabilities

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

	2020	2019
Other liabilities	17,014	20,866
Other accruals and deferred income	32,045	25,616
Balance sheet value as at 31 December	49,059	46,482

Of the other liabilities, EUR 47,700 thousand has a maturity of less than one year (2019: EUR 45,802 thousand). Due to the nature and the maturity of the other liabilities, the fair value approximates the carrying value.

The other liabilities includes an amount of EUR 2.4 million (2019: EUR 8.5 million) regarding payables to consolidated participating interests.

46 Provisions

	2020	2019
Financial guarantee contracts issued	13	18
Loan commitments issued	1,724	529
Other provisions	1,501	515
	3,238	1,062

The movement of the provisions is as follows:

	2020	2019
Balance sheet value as at 1 January	515	4,847
Addition	998	915
Withdrawal	-12	-1,944
Release	-	-2,682
Transfer*	-	-698
Exchange rate differences	-	77
Balance sheet value as at 31 December	1,501	515

47 Capital

The authorised capital totals to an amount of EUR 1.5 billion and is divided into 30 million ordinary shares, each with a nominal value of EUR 50. At year-end, there were 14,467,056 ordinary shares (2019: 14,401,765 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 14,467,056 depository receipts (2019: 14,401,765 depository receipts), each with a nominal value of EUR 50.

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.

The movement in the number of shares is as follows:

	2020	2019
Number of shares as at 1 January	14,401,765	13,494,697
Increase of share capital	65,291	642,944
Stock dividend	-	264,124
Number of shares as at 31 December	14,467,056	14,401,765

48 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.

49 Other reserve

	2020	2019
Development costs	43,806	38,914
Balance sheet value as at 31 December	43,806	38,914

Development costs

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

	2020	2019
Balance sheet value as at 1 January	38,914	34,715
Transfer from retained earnings	4,892	4,199
Balance sheet value as at 31 December	43,806	38,914

50 Retained earnings

The movement in retained earnings includes purchasing of own depository receipts. At year-end 2020, Triodos Bank had purchased 237,976 own depository receipts (2019: 1,321).

51 Contingent liabilities

During 2020, Triodos Bank has provided a guarantee with a maximum of EUR 20 million to Triodos Investment Management relating to a transaction that was made on behalf of an investment fund managed by Triodos Investment Management. Triodos Bank receives a fee of 0.1% per annum over the maximum guarantee.

Notes to the parent company profit and loss account

52 Interest income calculated using the effective interest method

	2020	2019
Loans	162,060	171,383
Banks	1,856	406
Interest-bearing securities	10,192	11,804
Other investments	91	85
Negative interest expense other	3,964	1,612
Total interest income calculated using the effective interest method	178,163	185,290

The interest income includes revenues derived from loans and related transactions, as well as related commissions, which by their nature are similar to interest payments. The interest-bearing securities item does not include transaction results (2019: nil).

The interest income includes revenues derived from loans provided to consolidated participating interest in the amount of EUR 175 thousand (2019: EUR 160 thousand).

53 Interest expense

	2020	2019
Funds entrusted	4,408	10,620
Banks	657	534
Negative interest income banks	7,599	7,770
Other	2,674	2,571
Negative interest income other	973	485
	16,311	21,980

54 Investment income

	2020	2019
Dividend from other participations	449	679
Realized result from other participations	-	-
	449	679

55 Fee and commission income

	2020	2019
Guarantee commission	598	710
Transaction fee securities	2,210	2,011
Payment transactions	31,761	26,265
Lending	11,475	13,077
Asset Management	6,723	6,894
Management fees	3,949	2,885
Other commission income	4,433	4,214
	61,149	56,056

56 Fee and commission expense

	2020	2019
Commission to agents	123	146
Asset Management	613	721
Other commission expense	3,310	3,667
	4,046	4,534

57 Net income from other financial instruments at FVTPL

	2020	2019
Net result on investment debt mandatorily at fair value through profit and loss:	-361	430
	-361	430

58 Other income

	2020	2019
Exchange results for foreign currency transactions	115	-107
Transaction results on currency forward contracts	56	108
Realized results assets not in use *	-	239
Income assets not in use *	181	246
Hedge accounting ineffectiveness	111	-15
Other income	290	132
	753	603

* Assets not in use relates to acquired collateral on written off loans.

The other income relates to fees for other services performed and results from asset disposals.

59 Personnel and other administrative expenses

	2020	2019
Co-worker costs:		
• salary expenses	65,462	63,068
• pension expenses*	8,558	8,166
• social security expenses	12,162	12,888
• temporary co-workers	16,495	17,410
• other staff costs	5,723	7,885
• capitalised co-worker costs	-7,981	-5,828
	100,419	103,589
Other administrative expenses:		
• office costs	3,503	4,220
• IT costs	14,751	14,323
• external administration costs	10,358	9,482
• travel and lodging expenses	901	2,014
• fees for advice and auditor*	7,206	8,087
• advertising charges	4,700	5,817
• accommodation expenses	4,466	5,027
• other expenses	6,871	6,190
	52,756	55,159
	153,175	158,748
Average number FTE's during the year**	1,035.6	1,068.2

*The details of the pension scheme and of the auditor fees are included in note 27 Personnel and other administrative expenses of the financial statements.

** Of which 474.8 FTE (2019: 557.9 FTE) works outside of the Netherlands.

60 Depreciation, amortisation and value adjustments of property and equipment, and intangible assets

	2020	2019
Amortisation of intangible fixed assets	10,072	8,606
Impairment of intangible fixed assets	-	928
Amortisation & impairment charge for the year	10,072	9,534
Depreciation of property and equipment	11,920	9,001
Impairment of tangible fixed assets	5,244	174
Amortisation & impairment charge for the year	17,164	9,175

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

61 Impairment losses on financial instruments

This item consists of expenses associated with write-downs on loans and other receivables.

	2020	2019
Allowance for expected credit loss	20,582	3,314
Modification result	7	34
Correction on addition to provision doubtful debts regarding interest that has been invoiced but not received	-	-7
Impairments other receivables	286	303
Total expense	20,875	3,644

62 Taxation on operating result

	2020	2019
Taxation to be paid	7,940	8,166
Deferred taxation	-2,328	2,120
	5,612	10,286

Prior year taxation on operating results have been adjusted for an amount of EUR 1,409. For further explanation see the general accounting principles.

Reconciliation of effective tax rate

	2020	2019
Result before taxation	18,510	35,443
Statutory tax rate	25.0%	25.0%
Statutory tax amount	4,628	8,861
Income Non Taxable	17	-283
Tax Deduction Not Expensed	-	-44
Expenses Non Deductible	1,095	1,089
Impact tax rate differences - stat rate foreign jurisdictions	-293	726
Restatement of deferred taxation items as the result of amended tax rates	815	329
Incentives for gifts, community investment and innovation	-330	-214
Other reconciling items	-320	-178
Effective tax amount	5,612	10,286
Effective tax rate	30.3%	29.0%

63 Subsequent events

The end of 2020 was marked by an increasing number of Covid-19 infections across Europe leading to additional measures taking in the affected countries. The economic consequences for vulnerable individuals and firms resulted into additional governmental support. Triodos Bank monitors the potential and social implications for the countries and sectors where it is active. Mitigating actions have been taken and will be adapted as necessary as we keep on supporting our customers. The uncertainties and sensitivity that accompanies the pandemic is captured

in the allowance for expected credit losses as calculated by Triodos Bank. The reflection of this ongoing event has therefore been captured in the financial valuations as per 31 December.

Triodos Bank has temporarily stopped offering depository receipts as from 5 January 2021. A trade pattern has emerged where the number of sell orders outweighs the number of buy orders for Depository Receipts. This trend emerges despite the financial health of the bank, as our capital and liquidity ratios remain well above regulatory minimum levels. The ongoing uncertainty around the Corona crisis and its longer-term economic effects have not disappeared, on the contrary, further lockdown and other restrictions are seen globally. Relevant measures are investigated to achieve balanced trading. The details of possible new measures are considered relevant information for making an informed investment decision.

Peter Blom, our CEO, has decided to step down from his role, having worked at Triodos Bank for forty years. He will leave Triodos Bank at the end of this year's Annual General Meeting, on 21 May 2021.

Jellie Banga decided to step down from her role as Vice-Chair of the Executive Board and the Chief Operating Officer effective May 1, 2021. In reviewing the scope of Jellie's role, Triodos Bank has decided to split her role into a COO role – focusing on the operating side of the bank – and a Chief Commercial Officer (CCO) role – focusing on the commercial side of the bank. This will bring the total number of Executive Board members to five.

Fitch Ratings (Fitch) announced on 16 February 2021 it has assigned Triodos Bank a Long-Term Issuer Default rating at 'BBB' with a stable outlook and a Viability Rating at 'bbb'. Fitch's rating analysis was done at the request of Triodos Bank. The rating gives Triodos Bank a better position on the financial markets should the need arise. It will improve access to institutional debt funding and potentially reduce the cost of funding. Therefore, it supports the bank's financial health. The Stable Outlook reflects Fitch's view that Triodos Bank's ratings have sufficient headroom at their current level to absorb significant shocks under various scenarios to Fitch's baseline economic forecast.

Zeist, 17 March 2021

Supervisory Board,

Aart de Geus, Chair
Fieke van der Lecq, Vice-Chair
Ernst Jan Boers
Sébastien D'Hondt
Mike Nawas
Dineke Oldenhof

Executive board,

Peter Blom, Chair
Jellie Banga, Vice-Chair
André Haag
Carla van de Weerd

Other information

Profit appropriation

The appropriation of profit as set in the articles of association is presented under note 18 Equity on page 160.

The appropriation of profit in the Articles of Association 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.

Banking entities

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

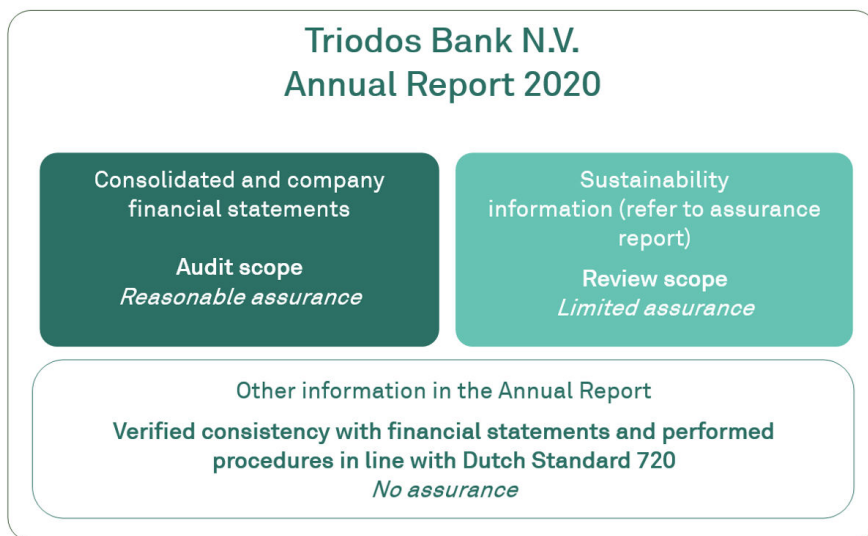
Combined independent auditor's and assurance report

General

The purpose of Triodos Bank N.V. ('the Bank'), as disclosed in the annual report on page 10, is to connect depositors and investors with socially responsible businesses to build a movement for a sustainable, socially inclusive society, built on the conscious use of money. This purpose makes that customers and other stakeholders are interested in more than just the financial performance of the Bank.

Our assurance procedures consisted of an audit of the annual accounts ('financial statements') of Triodos Bank N.V. and limited assurance procedures (review procedures) over the sustainability information in the Bank's annual report.

Our scope can be summarised as follows:



Independent auditor's report

To: the general meeting and the supervisory board of Triodos Bank N.V.

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of Triodos Bank N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020, and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;

- the parent company financial statements of Triodos Bank N.V. ('the Bank') give a true and fair view of the financial position of the Bank as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Triodos Bank N.V., Zeist. The financial statements include the consolidated financial statements of the Group and the parent company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2020;
- the following statements for 2020: the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement; and
- the notes, comprising significant accounting policies and other explanatory information.

The parent company financial statements comprise:

- the parent company balance sheet as at 31 December 2020;
- the parent company profit and loss account for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the parent company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of Triodos Bank N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

The Group is comprised of several components (refer to the consolidation principles on page 117 of the annual report for an overview of the companies included in the consolidation) and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group.

We note that the Group adopted EU-IFRS as of 1 January 2018 and the impact of the transition from Dutch generally accepted accounting principles (Dutch GAAP) to EU-IFRS was disclosed in the pro forma consolidated financial statements for the years ended 31 December 2019 and 31 December 2018 and audited by us. These pro forma financial statements did not replace the 2019 financial statements as presented in the 2019 annual report. The financial statements for the year ended 31 December 2020 are therefore the first statutory financial statements in accordance with EU-IFRS.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the section 'Critical judgements and estimates' of the financial statements, the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Of the estimates and judgements mentioned in this section, we considered the allowance for expected credit losses on loans and advances to customers and the fair value measurement of level 2 and level 3 financial instruments as key audit matters as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered as key audit matters, were reliability and continuity of IT systems and compliance with laws and regulation.

We ensured that the audit teams at both group and component level included the appropriate skills and competences, which are needed for the audit of a bank. We therefore included specialists in the areas of amongst others IT, taxation and accounting, as well as experts in the areas of valuation and credit modelling in our team.

Impact of COVID-19 on our 2020 audit approach

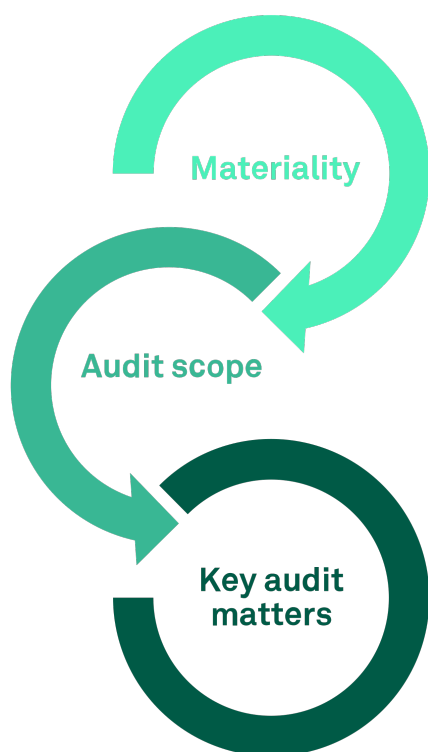
As explained in the executive board report on pages 12 to 13 of the annual report, the COVID-19 outbreak impacted, amongst others, the business operations of Triodos Bank and its credit customers and caused suspension of the trade in depository receipts. The COVID-19 outbreak caused challenges in performing our audit as well. In response to that, we have considered the impact of COVID-19 on our audit approach and in the execution of our audit. Inquiries and meetings with management were done via video conferencing. Teams and team members were reminded of the importance of staying alert to the quality of evidence and to perform sufficient and appropriate tests over the audit evidence obtained to be satisfied that the Group's records are complete, accurate and authentic. The following highlights the areas of focus in our audit that were primarily impacted by COVID-19:

- the impact on our Group audit. Under normal circumstances, we would have performed local site visits to the component teams to review a selection of working papers and attend closing meetings with local management. With travel restrictions in place, we have considered alternative procedures in our review and evaluation of the component auditors, such as organising video conference meetings with local management and component teams and remote review of selected working papers of the work performed by component auditors. Furthermore, active dialogues, clear communication and effective use of technology have allowed us to direct and supervise the performance of our component teams. Also refer to the section 'The scope of our Group audit';
- the impact on the Group's control environment due to remote working. We have carried out video conferencing meetings with screen-sharing as part of procedures in evaluating the Group's controls design, implementation and operational effectiveness. We also have paid specific attention to the reliability and continuity of IT systems;
- the impact on the Group's fraud risks exposure and operational incidents.
- the impact on the Group's capital and liquidity position; and

- the Group's allowance for expected credit losses on loans. Uncertainty of the current environment and the continuously changing nature of the impact of the COVID-19 pandemic has added further complexity and challenges when auditing accounting estimates. Our procedures included assessment of these accounting implications and the relevant disclosures in the financial statements in accordance with the financial reporting framework applied by the Bank. Reference is made to the section 'Key audit matters'.

The outline of our audit approach

The outline of our audit approach was as follows:



Materiality

- Overall materiality: €3.0 million.

Audit scope

- We conducted audit work on Triodos Bank N.V.'s head office activities (hereafter: head office), three of its branches, Triodos Bank UK Ltd. and Triodos Investment Management B.V.
- With travel restrictions in place due to the COVID-19 pandemic, we attended the closing meetings of head office, the three branches, Triodos Bank UK Ltd. and Triodos Investment Management B.V. via video conferencing. In addition, we remotely reviewed selected working papers of our component auditors.
- Audit coverage: 95% of consolidated total income, 92% of consolidated total assets and 94% of consolidated profit before tax

Key audit matters

- Allowance for expected credit losses on loans and advances to customers
- Fair value measurement of level 2 and level 3 financial instruments

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€3.0 million (2019: €2.6 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 0.25% of equity (prior year: 5% of profit before tax).
Rationale for benchmark applied	Based on our stakeholders analysis we concluded that equity rather than profit before tax is a more meaningful benchmark to represent the interests of the stakeholders for the statutory audit. Equity is an important input in the capital ratio, is more reflective of the growth in operations and links better to the Bank's objective to be a resilient financial institution in order to fulfil its purpose to connect depositors and investors with socially responsible businesses to build a movement for a sustainable, socially inclusive society, built on the conscious use of money. To ensure, in switching benchmarks, we determine an appropriate level of materiality, we assessed this benchmark against other benchmarks such as: total income, profit before tax and total assets. We consider € 3.0 million to be the appropriate overall materiality level.
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between €0.8 million and €2.9 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €150 thousand (2019: €130 thousand) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. For balance sheet only reclassifications, we agreed with the Group's supervisory board to report on misstatements above €6.9 million (2019: €6 million).

The scope of our group audit

Triodos Bank N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Triodos Bank N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focussed on the significant components: head office, three branches (in the Netherlands, Belgium and Spain), Triodos Bank UK Ltd. and Triodos Investment Management B.V. We subjected these six components to audits of their financial information, as those components are individually financially significant to the Group.

The German branch was not in full audit scope as opposed to prior years, because this branch is not considered to be a significant component based on its financial impact to the Group as a whole.

In total, in performing these procedures, we achieved the following coverage on the financial statement line items:

Total income	95%
Total assets	92%
Profit before tax	94%

None of the remaining components represented more than 6% of total group income or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work for the head office. For components Triodos Investment Management B.V. and the Dutch branch, we used component auditors from the Netherlands. For the other branches and Triodos Bank UK Ltd., we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach.

Through video conference meetings, we were in active dialogue with all component audit teams throughout the year. During these calls, we discussed the instructions, the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements. In addition, we remotely reviewed a selection of working papers of our component auditors. During the virtual closing meetings with local management and the component auditors, we discussed the strategy and financial performance of the local businesses, as well as the audit plan and execution, significant risks and other relevant audit topics and findings.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office. These included derivative financial instruments, hedge accounting, impairment of loans to customers (stage 1 and 2) and fair value disclosures.

Banks in general depend heavily on an effective and efficient information technology ('IT') environment. We engaged our IT specialists to assist us in assessing, for the purpose and to the extent relevant for our audit, the information technology general controls ('ITGCs') within the Group. This includes the policies and procedures used by the Group

to ensure IT operates as intended and provides reliable data for financial reporting purposes. Furthermore, our IT specialists supported us in our key report testing and application controls testing.

We tailored our approach towards the fact that the Group operates an in-house developed IT system as well as off-the-shelf IT systems throughout the Group.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Our focus on the risk of fraud and non-compliance with laws and regulations

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the executive board with the oversight of the supervisory board. We refer to section 'Risk and compliance' of the executive Board report and the section 'Risk management' of the financial statements, where the executive board included their risk assessment and risk control measures. We also refer to the supervisory board report, where the supervisory board reflects on this assessment. Below we explain our procedures with respect to fraud and non-compliance with laws and regulations.

Fraud

The objectives of our audit with respect to fraud are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls, performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias. Finally, we incorporated elements of unpredictability in our audit.

We refer to the key audit matters 'allowance for expected credit losses of loans and advances to customers' and 'fair value of level 2 and level 3 financial instruments', that are examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

Non-compliance with laws and regulations

The objectives of our audit with respect to non-compliance with laws and regulations are:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

We performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Group. We performed audit procedures on laws and regulations that have a direct effect on the determination

of material amounts and disclosures in the financial statements, such as the financial reporting framework and tax and pension laws and regulations.

In addition, we identified laws and regulations that do not have a direct effect on the financial statements, but where compliance may be fundamental to the operating aspect of the business, to the Bank's ability to continue its business or to avoid material penalties (e.g. Anti-money laundering and anti-terrorist financing act (Wwft)). We inquired with management and/or those in charge with governance as to whether the Bank is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities. We refer to the formal instruction imposed by the Dutch Central Bank in 2019 to remedy shortcomings in the compliance with provisions of the anti-money laundering and counter-terrorist financing laws and the financial supervision laws, as disclosed on page 78 and 214 of the annual report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we describe the key audit matters and include a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Our key audit matters are 'allowance for expected credit losses of loans and advances to customers' and 'fair value of level 2 and level 3 financial instruments'. These relate to the Group's primary business process and objectives, and did not change significantly compared to prior year, except that it now includes the requirements of EU-IFRS (as opposed to Dutch GAAP in prior year) and the (estimated) effects of the COVID-19 pandemic. In addition, as of 1 January 2020, the Group changed from designating individual hedged items and hedging instruments into fair value hedge relationships, to portfolio designation, or macro fair value hedge accounting. The hedging instruments (interest rate swaps) are measured at fair value through profit and loss. An offsetting fair value hedge adjustment is recognised on the hedged items (loans and advances to customers). This is part of the fair value of level 2 and level 3 financial instruments key audit matter.

Key audit matter

Allowance for expected credit losses of loans and advances to customers

Refer to paragraphs 'Critical judgements and estimates' and 'Financial instruments' of the accounting policies section, note 3 'Loans and advances to customers' and paragraph 'Credit risk' as part of 'Financial risk' in the Risk management section.

As at 31 December 2020, the gross loans and advances to customers amount to €9,208 million (2019: € 8,243 million) and the total impairment amounts to € 50.97 million (2019: € 33.78 million).

In accordance with the requirements of IFRS 9 'Financial instruments', the Bank applies a three-stage expected credit loss impairment model:

- stage 1: assets that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month expected credit losses (ECLs) are recognised;
- stage 2: for assets that have experienced a significant increase in credit risk since initial recognition, but that do not have objective evidence of impairment, lifetime ECLs are recognised; and
- stage 3: for assets that have objective evidence of impairment at the reporting date, lifetime ECLs are recognised.

The Bank developed two different models for business loans and mortgage loans, based on the differences in characteristics. For business loans, the lifetime ECL in stage 3 is determined on a loan-by-loan basis. As at 31 December 2020, the business loans represented a gross carrying amount of €6.0 billion (allowance for ECL of €46.5 million), the mortgage loans represented a gross carrying amount of €2.7 billion (allowance for ECL of €1.7 million) and current account and credit cards represented a gross carrying amount of €0.1 billion (allowance for ECL of €2.8 million). Based on our risk assessment and amounts involved we mainly focused on the ECL for business loans in this key audit matter.

Our audit work and observations

Control design and operating effectiveness

Our audit procedures over the allowance for expected credit losses for loans and advances to customers started with gaining an understanding of the Bank's internal controls over the credit risk management and impairment processes. We evaluated the governance framework over the development, validation, calibration and implementation of the ECL models. We assessed the validation and back-testing procedures performed by the Bank. We evaluated the design and tested the operating effectiveness of the Group's key controls in the following areas:

- the loan origination and administration process;
- the internal credit rating system;
- the methodology in measuring and determining significant increase in credit risk; and
- the review and approval process that management has in place for timely, accurate and complete determination of stage 3 loan-by-loan ECL allowances.

We determined that we could rely on these controls for the purpose of our audit.

Assessment of model-based ECL (stage 1 and 2)

With support of our internal credit modelling experts, we performed the following procedures on the model-based ECL as at 31 December 2020:

- evaluation of the reasonableness of the applied model methodology (including the assumptions regarding PD, LGD and EAD, applied criteria for significant increase in credit risk, assumptions for the measurement of ECL, and the number and relative weightings of forward-looking scenarios) in line with EU-IFRS and market practice;
- evaluation of the applied definition of default and assessing the conceptual soundness of the approach;

Model methodology and inputs (stage 1 and 2)

In the models the Bank utilises amongst others probability of default (PD), loss given default (LGD) and exposure at default (EAD). For the definition of these variables, refer to note 'Impairment of financial assets' on page 120 of the financial statements. The critical data elements as input for these models are retrieved from the core banking source systems. Next to these elements, three global macro-economic scenarios (base, upside and downside) are incorporated into the models and the probability of the scenarios is weighted in order to determine the expected credit losses. When data limitations or other inherent model limitations are identified, expert judgement is applied to the model inputs.

Stage 3 ECL allowance

For each individually impaired business loan the Group determines an impairment allowance based on management's most likely scenarios taking into account assumptions and data like timely identification of impairment triggers, expected future cash flows, discount rates and the value and recoverability of the corresponding collateral. The recorded ECL is the probability weighted average of the different identified scenarios.

Judgements and estimation uncertainty

The judgements and estimation uncertainty in the allowance for expected credit losses for loans and advances to customers are primarily linked to the following aspects:

- determining criteria for significant increase in credit risk;
- establishing the number and relative weightings of (forward-looking) scenarios;

- evaluation of the macro-economic scenarios and macroeconomic variables applied by challenging these with observable market data;
- testing the input data and data lineage in respect of the critical data elements through testing of IT dependencies and a reconciliation of a sample of input data to the source systems;
- challenging management on the reasonableness of their provided explanations and evidence supporting the key model parameters by benchmarking them to other market participants; and
- partial re-performance of the model assessment procedures performed by the model developers focusing on the more significant tests such as back-testing procedures on PD.

We challenged management on the implications of COVID-19 on the ECL models by performing the following:

- enquiries with group and local management, central and local credit risk managers, asset & liability management and modelling department, and group and local finance and control departments;
- we verified whether changes were needed and whether appropriate changes were made to models, underlying assumptions and/or staging policy following the implications of COVID-19;
- we reconciled the applied macro-economic scenarios with the latest publications of external parties (i.e. CPB and DNB); and
- we assessed the sensitivity analysis performed by management related to, amongst others, the applied macro-economic forecasts.

Based on the above we assessed the methodology and inputs of the stage 1 and 2 ECL allowance to be in line with market and industry practice.

- predicting relationships between macro-economic variables and credit risk and credit losses for each industry;
- the determination of the future cash flows based on the appropriate use of key parameters (such as forward-looking information) and the valuation of the recoverable collateral; and
- the uncertainties related to the incorporation of the implications of COVID-19 in the ECL models (macro-economic scenarios and predictions, model performance, etc.).

The complexity of the models, the assessment of the (un)suitability of the models in the COVID-19 environment, the significance of the assumptions applied and judgements made by management and the overlay adjustments applied to data inputs (due to inherent limitations and COVID-19 adjustments), increases the risks of material misstatement. Therefore, we consider this a key audit matter in our audit.

Assessment of loan by loan ECL allowance (stage 3)

We examined the methodology applied by the Group in determining loan-by-loan ECL allowances. Based on a risk assessment, we tested a sample of loans included in the specific loan loss provision to verify the judgemental elements such as:

- the reason for classification in stage 3 (impairment trigger);
- the nature and accuracy of the expected future cash flows based on the source from which the cash flows arise;
- the accuracy of the applied discount rate given the applicable latest interest rate and expected timing of the future cash flows; and
- the valuation of the corresponding collateral based on appraisal reports and other external information.

Furthermore, we assessed the watch list, past due listings and loans with low credit ratings and compared these to the loans actually provided for in the specific loan loss provision to determine whether the loans were adequately classified as performing or non-performing.

In the selection of our risk-based sample and procedures over completeness of the stage 3 ECL allowance we specifically considered the implications of COVID-19 for certain industries deemed to be at higher-risk (e.g. recreation, art & culture and retail non-food).

Based on the above we assessed the methodology and inputs in determining the stage 3 ECL allowance to be in line with market and industry practice.

Furthermore, we assessed the adequacy of the disclosures, including disclosures on estimation uncertainty and judgements, and observed that the disclosures comply with the disclosure requirements included in EU-IFRS.

Fair value of financial instruments

Refer to paragraphs 'Financial Instruments,' 'Derivatives' and 'Investment securities' of the accounting policies section, note 3 'Loans and advances to customers' (fair value hedge accounting), note 5 'Investment securities,' note 10 'Non-trading derivatives, and paragraphs 'Fair value of financial instruments' and 'Non-trading derivatives and hedge accounting' as part of 'Financial Risk' in the Risk management section.

As at 31 December 2020, the items carried at fair value in the financial statements concern:

- Investment securities amounting to €31.2 million (2019: €24.3 million);
- Derivatives amounting to €1.8 million (2019: €8.7 million) on the asset side and €10.5 million (2019: €15.1 million) on the liability side of the balance sheet; and
- Fair value hedge accounting adjustment recorded under loans and advances to customers amounting to €5.3 million (2019: €2.4 million).

Loans and advances to customers and debt securities at amortised cost are valued at amortised cost. The fair values, disclosed in the risk management section on page 260 of the financial statements, amount to €9.4 billion and €1.3 billion respectively.

In the determination of the fair value of financial instruments, the fair value hierarchy is applied:

- level 1: valuations based on quoted prices (unadjusted) in active markets for identical instruments;
- level 2: valuations based on other than quoted market prices within level 1 that are observable either directly or indirectly;
- level 3: valuations based on unobservable inputs for the asset.

The areas that involved significant audit effort and judgement relate to the level 2 and level 3 investments, since these are valued using model valuations instead of quoted prices in an active market.

Our audit procedures included an assessment of the overall governance of the treasury and investment process of the Group and the testing of design and operational effectiveness of the key controls with respect to financial instrument deal capturing and source data management. We determined that we could rely on these controls for the purpose of our audit.

For a sample of the investment securities we performed the following substantive procedures:

- testing the mathematical accuracy of the valuation performed by management;
- reconciling the applied share price at year-end to supporting documentation and assessed the appropriateness of the share price applied; and
- assessing the classification as participating interest based on the level of influence.

We found that the estimates made by management were in line with market practice.

For our substantive audit procedures with respect to derivatives, the fair value hedge accounting adjustment and the fair value disclosures of loans and debt securities at amortised cost we used our valuation specialists and experts to assist us in testing the outcome of management's valuations of these financial instruments by:

- evaluating the appropriateness of the valuation models used considering market practices;
- comparing on a sample basis the observable input data against externally available market data and evaluating the reasonableness of the unobservable inputs applied; and
- independently re-performing management's valuation using our own valuation tools for the full portfolio of derivatives, debt securities, the mortgage loan portfolio and a sample of embedded derivatives.

We found no material differences in the re-performance of the valuation of the financial instruments nor in the testing of the input data. With respect to our independent valuation procedures performed, we found that the estimates made by management were within an acceptable range considered in the context of the estimation uncertainty in the fair valuation of these financial instruments.

Of the investment securities, an amount of €8.6 million falls within level 1, € 18.1 million within level 2 and €4.5 million within level 3 of the fair value hierarchy.

The Group's derivatives fall within level 2 of the fair value hierarchy. Of the debt securities, an amount of €1,221.1 million falls within level 1 and € 119.2 million within level 2 of the fair value hierarchy. No level 3 debt securities are held as at 31 December 2020.

The fair value of loans and advances to customers and the fair value hedge accounting adjustment all fall within level 3 of the fair value hierarchy.

The fair value of level 2 and level 3 financial instruments is determined using valuation techniques (such as discounted cash flow models) and the use of assumptions and estimates. The judgement applied by management mainly relates to:

- the price used for the level 2 and level 3 investment securities and debt securities;
- the discount rates used in the valuation of the (embedded) derivatives; and
- prepayment rate and spread applied in the valuation of loans and advances to customers.

Given the level of judgement and the related estimation uncertainty around fair valuation with respect to level 2 and level 3 valuations in combination with the size of the portfolios, we consider the fair value valuation of level 2 and level 3 financial instruments as a key audit matter.

Furthermore, we assessed the adequacy of the disclosures, including disclosures on estimation uncertainty and judgements, and observed that the disclosures comply with the disclosure requirements included in EU-IFRS.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- key figures;
- governance structure
- Triodos Bank group structure 2020;
- our purpose: the conscious use of money;
- executive board report;
- supervisory board report;
- corporate governance;
- remuneration report 2020;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- report by the Foundation for the Administration of Triodos Bank Shares (SAAT);
- about this report;
- appendices;
- addresses; and
- production.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the executive board report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Triodos Bank N.V. by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 22 May 2015 for a total period of four years. We were re-appointed as auditors for another period of four years on 20 March 2019 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 17 May 2019, representing a total period of uninterrupted engagement appointment of five years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Bank and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 'Independent auditor's fees' to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Group's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going-concern basis of accounting unless the executive board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the Group's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Group's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Assurance report of the independent auditor

To: the general meeting and the supervisory board of Triodos Bank N.V.

Assurance report on the sustainability information 2020

Our conclusion

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information included in the annual report 2020 of Triodos Bank N.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2020

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied supplemental reporting criteria as included in the section 'reporting criteria'.

What we have reviewed

We have reviewed the sustainability information included in the annual report for the year ended 31 December 2020 as included in the following sections in the annual report (hereafter: "the sustainability information"):

- Key figures
- Our purpose: the conscious use of money
- Executive board report sections:
 - Our stakeholders and material topics
 - Strategic objectives
 - Impact and financial results
 - Understanding impact
 - Co-worker report
 - Environmental report
- About this report
- Appendix: Triodos Bank business model: creating value
- Appendix: Global Alliance for Banking on Values scorecard - Quantitative evidence of our impact
- Appendix: Co-worker and environmental statistics

The sustainability information comprises a representation of the policy and business operations of the Bank with regard to corporate social responsibility and the thereto related business operations, events and achievements for the year ended 31 December 2020.

The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'). This review is aimed at obtaining a limited level of assurance.

Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of this assurance report.

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

Independence and quality control

We are independent of the Bank in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The sustainability information needs to be read and understood in conjunction with the reporting criteria. The executive board of the Bank is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria, as disclosed in chapter 'About this report' of the annual report 2020. The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. Inherently, the actual results are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the sustainability information.

The links to external sources or websites in the sustainability information are not part of the sustainability information reviewed by us. We do not provide assurance over information outside of the annual report.

Responsibilities for the sustainability information and the review

Responsibilities of the executive board and supervisory board

The executive board of the Bank is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in section 'reporting criteria', including the identification of stakeholders and the definition of material matters. The choices made by the executive board regarding the scope of the sustainability information and the reporting policy are summarised in chapter 'About this report' of the annual report 2020. The executive board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The executive board is also responsible for such internal control as the executive board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The supervisory board is responsible for overseeing the Bank's reporting process on the sustainability information.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of the Bank.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the the executive board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors.
- Designing and performing further assurance procedures aimed at determining the plausibility of sustainability information responsive to this risk analysis.
- These procedures consisted amongst others of:
 - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
 - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
 - Obtaining assurance evidence that the sustainability information reconciles with underlying records of the Bank;
 - Reviewing, on a limited test basis, relevant internal and external documentation;
 - Performing an analytical review of the data and trends
- Reconciling the relevant financial information with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information.
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the supervisory board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Rotterdam, 17 March 2021

PricewaterhouseCoopers Accountants N.V.

M.D. Jansen RA

Appendix to our auditor's report on the financial statements 2020 of Triodos Bank N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluding on the appropriateness of the executive board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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

This report of the Board of SAAT accounts for the Board of SAAT's voting and activities in 2020.

This report is integrated within Triodos Bank N.V.'s annual report 2020. However, the Board of SAAT does not see Triodos Bank N.V.'s annual report prior to publication. This ensures that depository receipt holders and the Board of SAAT have access to this information simultaneously. Consequently, this Board of SAAT report does not contain an opinion on or an assessment of Triodos Bank's 2020 annual report. The Board of SAAT will account for its voting regarding the annual accounts and annual report of Triodos Bank N.V. 2020 at the Annual General Meeting (AGM) 2021, where depository receipt holders will have the opportunity to ask questions about the voting at that meeting.

Introduction

The Board of SAAT observed during 2020 that the demand on Triodos Bank was - following 2019 - greater than before to realise its mission and ambition in the context of market circumstances, impact, risk and return. Due to the ongoing objective of Triodos Bank to create impact, to the stressed macro-economic developments due to COVID-19 pandemic and to increasing regulatory costs, SAAT observes how Triodos Bank's business model is being challenged.

Triodos Bank's annual report 2019 and the half year report 2020 reflect the Executive Board's view on developments in society - taking into account the impact of the COVID-19 pandemic - and in the financial sector and their strategic, tactical and operational actions to maintain healthy financial results and increase Triodos Bank's impact.

Regarding the developments in society, the COVID-19 pandemic unveils increasing imbalances and societal gaps. These unveiled gaps underpin the imbalances mentioned in earlier Triodos reports and are based on highly interrelated problems, which call on Triodos Bank to increase its efforts to realise its mission and ambition and to maintain robust financial parameters. The financial sector in general expressed its ambitions to be part of the solutions of the problems caused by COVID-19. Triodos Bank in particular, intends to

steer the flow of the money for the greater good of rebalancing and closing societal gaps in the urgency of these problems. This is at the heart of the mission of Triodos Bank which enables Triodos Bank to build on its 40 years engagement and practices to actively contribute to the needs of society. The half year report 2020 reflect the results of the bank are consistently tilted to contribute to these needs.

Regarding the developments in the financial sector Triodos Bank was challenged by the difficult macroeconomic environment on the one hand and on the other hand Triodos Bank's responsibility to comply with the regulatory requirements while maintaining a healthy cost-income ratio. The Board of SAAT is aware of the gravity of this challenge and will continue to follow and review the developments from its own perspective.

In the context of these developments SAAT noted that the Executive Board strived to implement its strategy and to respond to the COVID-19 context from the twin angles of finance change and change finance. Triodos Bank's focus areas are in line with the document "Reset the Economy", showing Triodos' vision on the approach towards a post corona, inclusive and sustainable society.

Voting in 2020

General Meeting 29 June 2020 and assessment of the Annual Report / Annual Accounts 2019

The Board of SAAT exercised the voting rights at Triodos Bank's AGM which took place on 29 June 2020. Unfortunately, the meeting could not be held physically due to the COVID-19 pandemic. In accordance with the provisions of the Dutch temporary law, the meeting was held electronically.

The Board of SAAT approved at the AGM the following proposals:

- adoption of the 2019 Annual Accounts, including the revised dividend proposal not to distribute a dividend.
- discharge of the members of the Executive Board of responsibility for their management during the financial year 2019;

- discharge of the members of the Supervisory Board of responsibility for their supervision during the financial year 2019;
- amendment of the articles of association of Triodos Bank N.V.
- granting a power of attorney to the members of the Executive Board to obtain depository receipts in Triodos Bank and to issue shares and to exclude or limit pre-emptive rights.

The approval is based on the assessment of the annual report 2019 taking into account the introductory remarks above and taking into account the following paragraphs regarding mission, the interests of the depository receipt holders and the independence of the bank. The annual report 2019 accounts for the policy of the Executive Board and the supervision of the Supervisory Board in 2019.

The mission

Regarding SAAT's policy to safeguard the mission, the Board of SAAT with regard to the Annual Report ('AR')/Annual Accounts ('AA') 2019 pays more specific attention to the strategy of Triodos Bank, its implementation and the effects in terms of impact. More specifically, SAAT sought better appreciation of the development of Triodos Bank's impact in the context of the overall strategy. As highlighted in SAAT's voting declaration at the Annual General Meeting 2020 SAAT observed that the AR/AA 2019 reflect the challenges on the banking sector in general coming from low interest rates and increasing regulatory costs and the consistent efforts of Triodos Bank to increase its impact. At the Annual General Meeting 2020 SAAT referred to various elements to illustrate its observations.

- Triodos Bank succeeded in growing the loan to deposits ratio, which is an indication that the Bank succeeded to finance change. SAAT noticed that a significant part of the growth is represented by eco mortgages.
- Triodos Bank succeeded in initiating and in taking part in initiatives which change finance; the PCAF reporting, the UN principles for responsible banking, the leadership on the climate table, the

Spanish Sustainable Finance Lab and the German Finance council;

- The AR/AA 2019 did show impact, but did not specify as clear impact goals as SAAT would have liked, nor disclosed its theory of change supporting impact goals in terms of finance change and change finance, despite the ongoing call from SAAT to express these impact goals in a topical manner;
- The AR/AA 2019 report should preferably mention more specifically information regarding the contribution of the strategic goals to the impact (finance change and change finance) of Triodos Bank;
- The parameters and methods by which Triodos Bank reports its impact are increasingly detailed, innovative and expanded. However, according to SAAT, it would facilitate transparency and insight in the evolution of the Bank's impact over the years if Triodos Bank reports using consistent impact parameters. This transparency could also be supported by an integrated interpretation of Triodos Bank of the outcome of the various impact parameters used;
- Although not yet supported by data, Triodos Bank forecasts that its impact tool Prism will enable the Bank to better express its impact in the future in a more consistent and meaningful manner - including its evolution over time - and to steer on impact in the midterm more effectively, which SAAT highly welcomes;
- Triodos Bank disclosed its ambitions regarding the focus areas in its vision papers. The implementation of the vision papers on the focus areas has yet to start and SAAT would like to see a clear connection to finance change and change finance agenda;
- Triodos Bank interacts with a variety of stakeholders on various occasions. The materiality matrix reflects Triodos integration of its stakeholder meeting. To the regret of SAAT it does not disclose more topical the kind and variety of the stakeholders involved and the considerations of Triodos Bank supporting the Bank's priorities. For years on end, SAAT has been inviting Triodos Bank to increase the various stakeholder interactions and give more information about these and their impact on Triodos Bank's strategy and policy.

The Interest of the Depository Receipt Holders and the financial interest of the Bank

Regarding SAAT's policy to safeguard the interest of the depository receipt holders in the context of the financial interests of Triodos, the Board of SAAT pays attention to the combination of financial return for the depository receipt holders and impact. SAAT tracked the extent to which the AR/AA 2019 reflects solid financial parameters and transparent impact reporting. SAAT observed:

- Triodos Bank's shows a stable financial performance - compared to the 2018 figures - as reflected in the various parameters of return on equity, net profit per share, the BIS ratio, as described in Triodos Bank's Annual Accounts 2019 and in the half year report 2019;
- Despite the goal to decrease the cost/ income ratio, this ratio increased;
- Although Triodos Bank's financial performance is stable, SAAT's is concerned regarding the mid-term profitability. The Board of SAAT would like to better understand how realistic the expectations are concerning the financial performance given the current circumstances (Corona);
- Regarding the impact, SAAT refers to the paragraph "the mission";
- The AR/ AA 2019 did not yet show material results of Triodos Bank's aim to increase fee income and integrate the operational activities to become more cost effective;
- The risk appetite paragraph shows a prudent risk approach;
- With regard to the dividend payout, SAAT approved the proposal to refrain from dividend considered of the imperative advice of the Dutch central bank.

Triodos Bank's independence

Regarding SAAT's policy to safeguard Triodos Bank's independence the Board of SAAT paid more specific attention to the extent to which Triodos Bank is successful in implementing its strategic, tactical and operational goals. These goals aim to strengthen the combination of impact, risk and return and should therefore bolster the sustainability and uniqueness of Triodos Bank. As set out in the sections regarding mission and the interest of the Depository Receipt

Holders the SAAT's Board challenged the Executive Board and Supervisory Board to set clear impact goals supported by consistent and coherent impact reporting on top of realistic financial goals and would welcome enhanced accountability vis-à-vis stakeholders. Based on its assessment of the AR/AA 2019, SAAT also challenged the Supervisory Board to disclose more topically its traceable standards to assess the degree to which Triodos Bank achieved its targets and stimulate Triodos Bank to further substantially engage in projects that may create a sustainable financial and non-financial return for the Depository Receipt Holders.

Annual Meeting of depository receipt holders

The Annual Meeting of depository receipt holders was also held electronically on 29 June 2020. The Board of SAAT articulated the rationale underlying its voting decisions as set out in the section "Decisions at the General Meeting" and entered into relatively free-format dialogues with depository receipt holders.

The Annual Meeting of depository receipt holders approved the appointment of Jolande Sap as a member of the Board of SAAT.

Activities/meetings of the Board of SAAT and topics discussed

The context of COVID-19 and the generic challenges for the financial sector set the scene for Triodos Bank in 2020 as well. The COVID-19 occurrence confirmed the relevance and long standing commitment of Triodos Bank to pay attention to human dignity and the environment in holistic approach. Yet, the present circumstances, more than ever pose challenges for the banking industry to create a fair and reasonable return on investment. The Board of SAAT experiences that its role as a committed shareholder calls for special attention for the various transitional topics Triodos Bank is facing: e.g the leadership transition, COVID-19 and the urgency to increase tradability of the Depository Receipts ("DR"). These topics are critical for the future of Triodos Bank in the mid and long term. Consequently, the Board of SAAT substantially increased the number of its Board meetings and intensified its interaction with the Executive Board and

the Supervisory Board. The Board of SAAT is of the opinion that these transitional topics are essential and in the interests of the DRH. Board of SAAT finds it very painful that - partly due to the COVID-19 pandemic - its interaction with the Depository Receipt Holders ("DRH") has been so limited.

During 2020, the Board of SAAT convened:

- with The Executive Board to discuss the annual report and Annual Accounts 2019, as set out in paragraph "Decisions at General Meeting" of this report (31 March 2020);
- with the Supervisory Board, together with an Executive Board guest, to discuss the annual report and Annual Accounts 2019, as set out in paragraphs regarding the AR 2019 "Decisions at General Meeting" of this report (1 May 2020);
- with the Executive Board (30 September and 15 October 2020), together with an SB guest, to discuss the half year results 2020. The assessment of the half year results will be integrated in the reporting on the Annual Accounts and annual report 2020 at the AGM 2021 and in the SAAT annual report 2020;
- with the Executive Board 15 December 2020, together with an SB guest to discuss the developments regarding the trade of the DR and to discuss topics related to depository receipts, capital and DRH interaction;
- with the Executive Board 26 November 2020 to discuss the CEO succession process;
- with the Supervisory Board 27 November 2020 to discuss the CEO succession process;
- with a delegation of the Executive Board and the Supervisory Board 3 December 2020 to discuss the CEO succession process.
- internally for nine assessment meetings.

The agenda of all meetings in 2020 has been dominated by three topics. First, SAAT considered the impact of the COVID-19 pandemic on Triodos Bank, as shown in the half year figures, and the impact on society at large. Second, we discussed the interest of the DRH, the dividend pay-out and particularly the liquidity of the DR (selling and buying of DR), the suspension of the trade and the capitalisation of Triodos Bank in the mid

and long term. Third, we closely followed the leadership transition of Triodos Bank.

HALF YEAR RESULTS: TRIODOS AND COVID-19

SAAT discussed the half year figures with the Executive Board. SAAT has from the perspective of the interest of Triodos Bank been probing what temporized the implementation of the strategy and of the increasing cost/ income ratio. The EB explained that the implementation of the strategy is moving forward and a number of measures have been taken to safeguard the profitability of the bank.

SAAT noted that:

- In order to reduce costs and attribute costs to the relevant products, the Bank introduced negative interest rates and the fee for accounts. Stakeholders response has been overall positive.
- Despite the the negative interest rates and fee for accounts bold measures taken, SAAT believes that the profitability of Triodos Bank is still under pressure due to high costs and lagging income. The costs are related to regulation, to projects to integrate operations, to the relatively time-consuming efforts to finance SME frontrunners and to some remaining inefficiencies. The slow down in income is due to the low interest rate environment and the negative impact of the COVID-19 pandemic on collected investment management fees.
- It is SAAT's opinion that the pace of translating the vision papers into actions needs improvement and in order to overcome the COVID-19 effects. Otherwise, Triodos Bank's differentiating profile and unique selling proposition as a frontrunner is being challenged.
- Triodos Bank's insights in the interest of the DR and subsequently SAAT's insight in the DR's interest should be bolstered by deepening and intensifying the interaction of the bank with the DRH.

With regard to the interest of the DRH SAAT concluded:

- SAAT and the DRH have been confronted with the suspension of the trade of DR (spring 2020). The decision regarding the suspension is at the sole discretion of Triodos Bank. SAAT took notice of the rationale of this decision.

- SAAT probed the rationale of the decision to suspend the trade of DR from the perspective of the interest of the DRH. The interest of the DRH is to be treated equally and is served by continuity of Triodos Bank, by a stable NAV of the DR, by paying a stable dividend and by tradability of the DRs. The conclusion of SAAT is that the suspension of the trade was in the interest of continuity, stable NAV, dividend payout and is supporting equal treatment of the DRH. However, SAAT acknowledges that for some individual DRH this may have adverse consequences.
- SAAT monitored closely the engagement of Triodos Bank and its DRH, regarding the suspension. SAAT has been informed by TB on a monthly basis regarding the informal and formal complaints of DRH (anonymized). From this information SAAT learned that a limited number of DRH have been in close contact with Triodos Bank regarding their concerns and need to divest.
- SAAT and Triodos Bank discussed the draft version of the DRH survey to be able to align on a more detailed and deeper level with the interests of the DRH.
- SAAT and the DRH have been informed regarding the re-opening of the selling and buying of the DR and the new trading regulations. SAAT monitored closely on a weekly basis the sell and buy orders as well as Triodos Bank's DR engagement.

The three Chairs of Executive Board, Supervisory Board and the Board of SAAT convened on four occasions. In these meetings topics were discussed in order to align and/or coordinate the discussions in the respective boards.

Composition of the Board of SAAT and independence of its members

SAAT's articles of association stipulate that the Board of SAAT shall consist of three or more members. At present, the Board has five members three of which from the countries where Triodos Bank operates: (Belgium, Spain and the Netherlands). The composition of the Board of SAAT changed in 2020 because of the appointment of Jolande Sap by the Annual Meeting of depository receipt holders of 29 June 2020 and the resignation of Nikolai Keller due to personal circumstances on 30 September 2020.

The Board of SAAT expresses its gratitude to Nikolai Keller for his contributions to the Board, his positive and reflective approach and his personal dedication to the mission of Triodos Bank.

For information about the remuneration of the members of the Board of SAAT, please refer to the Remuneration Report 2020 (see page 90) of the Annual Report 2020.

The Board of SAAT expects that the transitional challenges faced by Triodos Bank will require ongoing intensified attention and meetings of the Board of SAAT. In good cooperation with the Executive Board and the Supervisory Board, SAAT aims intensify its role in 2021. Maintaining and deepening the dialogue between Triodos Bank, the Board of SAAT and the depository receipt holders will be an essential part of this effort. SAAT will make a beginning with this during the General Meeting and at meetings of depository receipt holders in The Netherlands, Belgium, Spain, Germany, and at an additional meeting in The Netherlands, where informal (electronic) meetings for depository receipt holders will take place. The perspective and performance of the role of the Board of SAAT will also be guided by the lessons learned from a wider group of stakeholders.

Additional information

SAAT's Policy

Triodos Bank's Articles contain a clear choice to issue all shares to an independent Foundation in order to safeguard the mission of the Bank. As a consequence of that the Board of SAAT upholds the following principles in exercising its voting rights:

- safeguarding Triodos Bank's mission;
- safeguarding Triodos Bank's independence and continuity;
- safeguarding the economic interests of the depository receipt holders and balance these with the interests of the economic interests of Triodos Bank.

SAAT has defined its vision on how to fulfil its role guided by these principles. This vision is published at triodos.com.

Because of its independence and the principles guiding its voting rights, there is an ongoing dialogue in the Board of SAAT itself about societal developments and their relevance for Triodos Bank. Based on its observations and this internal dialogue the Board of SAAT challenges the Supervisory Board and the Executive Board on its strategy and implementation as reflected by the annual report. The Board of SAAT gives its opinion on the Executive Board policy and the Supervisory Board supervision by executing its voting rights at the AGM.

The Role of SAAT in the Corporate Governance of Triodos Bank

All shares of Triodos Bank are held by SAAT. SAAT issues depository receipts to finance the shares. Depository receipt holders benefit from the economic rights associated with these shares, such as the right to dividends, but do not exercise the voting rights related to the shares. Voting rights are vested in SAAT.

A more detailed description of the corporate governance structure of Triodos Bank, and the rights and responsibilities of SAAT and the depository receipt holders, can be found in the chapter on Corporate Governance (see page 87).

SAAT fulfils its role according to its policy as described in the document “SAAT’s vision on fulfilling its role” which can be found at www.triodos.com/governance. For an overview of the shares taken in trust and the issued depository receipts of Triodos Bank, as at 31 December 2020, please refer to SAAT statement of shares (see page 327).

Zeist, 17 March 2021

Board of SAAT,

Josephine de Zwaan, Chair
Willem Lageweg, Vice-Chair
Jolande Sap
Koen Schoors
Mercedes Valcarcel

SAAT’s registered office is Nieuweroordweg 1, 3704 EC, Zeist, The Netherlands.

This report is available in full, including additional context for the Board of SAAT’s work, online at www.annual-report-triodos.com.

SAAT statement of shares

Statement of the shares taken in trust and the issued depository receipts of Triodos Bank N.V. as at 31 December 2020.

in thousands of EUR	31.12.2020	31.12.2019
Triodos Bank NV shares taken in trust, having a nominal value of EUR 50 each	723,353	720,088
Issued depository receipts of Triodos Bank NV, having a nominal value of EUR 50 each	723,353	720,088

Basis of preparation

The SAAT statement of shares as at 31 December 2020 of Stichting Administratiekantoor Aandelen Triodos Bank ('SAAT') is based on the nominal value of the total number of issued shares by Triodos Bank N.V. that are held in custody by SAAT, versus the total number of issued depository receipts of Triodos Bank shares by SAAT to the depository receipt holders.

The purpose of this statement is to provide the depository receipts holders insight to whether the total issued shares by Triodos Bank reconcile to the total issued depository receipts by SAAT.

Zeist, 17 March 2021

Board of SAAT

Josephine de Zwaan, Chair
Willem Lageweg, Vice-Chair
Jolande Sap
Koen Schoors
Mercedes Valcarel

Independent auditor's report

To: the board of Stichting Administratiekantoor Aandelen Triodos Bank ('SAAT')

Report on the SAAT statement of shares 2020

Our opinion

In our opinion, the accompanying SAAT statement of shares as at 31 December 2020 is prepared, in all material respects, in accordance with the accounting principles as included in the basis of preparation note to the SAAT statement of shares.

What we have audited

We have audited the accompanying SAAT statement of shares as at 31 December 2020, initialised by us for identification purposes, of Stichting Administratiekantoor Aandelen Triodos Bank, Zeist ('SAAT' or 'the foundation').

The financial reporting framework that has been applied in the preparation of the SAAT statement of shares 2020 is the number of shares and certificates respectively times the nominal value as set out in the basis of preparation note to the SAAT statement of shares 2020.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the SAAT statement of shares 2020' of our report.

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

Independence

We are independent of Stichting Administratiekantoor Aandelen Triodos Bank in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant

independence requirements in the Netherlands.

Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Emphasis of matter - Basis of accounting and restriction on use

We draw attention to the basis of preparation note to the SAAT statement of shares 2020, which describes the basis of accounting. Our opinion is not modified in respect of this matter. Our auditor's report is addressed to and intended for the exclusive use by the board of SAAT in connection with their reporting to the depository receipt holders and may not be used for any other purpose. We do not accept or assume and deny any liability, duty of care or responsibility to parties other than the board of SAAT.

Responsibilities for the SAAT statement of shares 2020 and the audit

Responsibilities of the board for the SAAT statement of shares 2020

The board is responsible for:

- the preparation of the SAAT statement of shares 2020 in accordance with the accounting principles as included in the basis of preparation note to the SAAT statement of shares; and for
- such internal control as the board determines is necessary to enable the preparation of the SAAT statement of shares 2020 that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the SAAT statement of shares

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the SAAT statement of shares 2020 as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high, but not absolute level of assurance, which makes it possible that we may not detect all material misstatements.

Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the SAAT statement of shares 2020.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 17 March 2021

PricewaterhouseCoopers Accountants N.V.

M.D. Jansen RA

Appendix to our auditor's report on the SAAT statement of shares 2020 of Stichting Administratiekantoor Aandelen Triodos Bank

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the SAAT statement of shares 2020 and explained what an audit involves.

The auditor's responsibilities for the audit of the SAAT statement of shares 2020

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the SAAT statement of shares 2020 as a whole is free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the SAAT statement of shares 2020, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 foundation's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board.
- Evaluating the overall presentation, structure and content of the SAAT statement of shares 2020, including the disclosures, and evaluating whether the SAAT statement of shares 2020 represents the underlying transactions and events free from material misstatement.

We communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

7. About this report

This section at-a-glance:

- Triodos Bank always reports financial and non-financial information in an **integrated report** because we are, and always have been, an integrated sustainable business
- Our annual report is available as a hard-copy document and pdf in English, and in summary form in the languages of the countries where Triodos Bank operates. The English version is the **legally leading document**. This is also available online with additional detail, as unaudited content (www.annual-report-triodos.com)
- The **report's structure** and key content is derived from finding out what's most important, or material, to Triodos Bank and its stakeholders
- Triodos Bank combines qualitative and quantitative evidence of our impact. We have our impact data verified externally to better understand, manage and report on our non-financial impact.

An integrated report

Triodos Bank's annual report is integrated. That means it combines sustainability-related, or 'corporate social responsibility' (CSR), topics with everything else you would expect from a traditional annual report, such as key financial targets and performance information. As well as the Global Reporting Initiative (GRI) and other frameworks (see below), Triodos Bank uses the International Integrated Reporting Council's Integrated Reporting Framework as a reference for our report.

For Triodos Bank, integrating reporting doesn't just mean reporting on how the organisation behaves as a responsible corporate citizen – by using renewable energy to power our buildings, for example, important though this is. It extends to in-depth reporting on the impact of our activity in the widest sense – from the greenhouse gas emissions of our loans and investments to a deeper understanding of the sustainability value of our work.

The annual report – online and offline

This annual report is produced as a hard copy document that's available as a pdf and as an online annual report, in English, at www.annual-report-triodos.com.

The English offline report is Triodos Bank's legally leading document. It is reproduced, in its entirety, in the online report. But the online report also includes much more information, such as stories highlighting Triodos Bank's qualitative impact during the year.

Shorter, more focused on- and offline summaries in Dutch, French, German and Spanish are also provided for stakeholders.

Report structure

The report's content is informed by what Triodos Bank and our stakeholders think are our most important, or material, issues.

Triodos Bank's stakeholders, and our interactions with them, are explored in depth online and in the Executive Board report. But in brief, these are:

- People and organisations that engage in economic transactions with Triodos Bank; for instance, customers, depository receipt holders, co-workers and suppliers.
- Those that are predominantly connected to the social, cultural and environmental context Triodos Bank operates in, such as regulators, other institutions and associations in the financial sector, non-governmental organisations, governments, local communities and media.
- Advisors and inspirers who provide us with new insights, opportunities and knowledge.

Triodos Bank identifies material topics through research and structured conversations with these groups. You can find these material topics in the Material topics (see page 24).

Some of the material topics are also reflected in Triodos Bank's strategic objectives, where the organisation's

key priorities are described in detail, including progress against them. As an organisation, we want to help our stakeholders understand how we are doing. We aim to use only meaningful indicators that are genuinely relevant and provide context for what they actually say about the health of the business.

The report aims to provide a coherent thread throughout. Some material issues are explored further in the Executive Board report, including both financial and non-financial performance. Reports from Triodos Bank's Supervisory Board and Board of SAAT reflect these topics and describe issues that were discussed with the Executive Board during the year. As a values-based, integrated bank, these topics often relate to sustainability and how it is integrated into business strategy.

As well as our impact on society, the environment and culture via external finance, the report includes information about the organisation's environmental and co-worker responsibilities and developments during the year. Our financial performance is also described in detail in the Financials section.

Reporting on indicators

While meaningful indicators are included, readers should expect to see limited 'hard metrics' in Triodos Bank's annual report. Instead, we are developing 'theories of change' in key sectors to help structure our impact-driven activity and deliver goals that reflect real needs in society. We have developed a tool to support these efforts. The Triodos Impact Prism helps us understand, monitor, and equip the business to steer and report on impact in service of the goals described in these theories of change. Triodos Bank's Impact Prism was implemented in 2019.

Triodos Bank is careful not to retrofit reporting to meet the requirements of benchmarks or initiatives. Our view is that meaningful sustainable developments that contribute to a fairer economy come from principle-based decision-making and not from rule-based compliance and 'box ticking'. By partnering with others, Triodos Bank hopes to co-create new reporting and disclosure approaches that better meet

the needs of stakeholders and businesses within a more sustainable economy. From this perspective, targets and benchmarks are only relevant in the context of a wider business purpose; one in which the needs of society and operating responsibly within planetary limits sit alongside financial sustainability concerns.

Triodos Bank has embraced the UN Sustainable Development Goals (SDGs), a universal set of targets and indicators designed to help countries end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Our stakeholders want us to position the organisation's impact in a global framework. The SDGs allow the bank to do just that. Triodos Bank addresses the SDGs in three main ways:

- An appendix to this annual report maps how Triodos Bank's activity relates to each of the 17 SDGs, using a three-tiered approach: describing baseline, direct and catalytic actions taken to meet the goals.
- Via SDG reporting at project and sector levels, achieved by mapping the results of the Triodos Impact Prism to the SDGs.
- Via links connecting Triodos Bank's activity to the SDGs throughout this report.

Triodos Bank is either a signatory or endorser of the following conventions:

- UNEP Finance Initiative
- European SRI Transparency Code
- UN Principles for Responsible Investment
- Global Reporting Initiative (GRI) framework.

In addition, we assess and follow:

- UN Global Compact
- Equator Principles
- Financial Action Task Force recommendations
- OECD guidelines for multinational enterprises
- Wolfsberg Principles
- International Finance Corporation Environmental and Social Performance Standards and Health and Safety Guidelines

Triodos Bank has had a fundamental commitment to respect human rights since inception. Our business principles clearly state our respect for people, society and different cultures and our support

for the goals of the United Nations Universal Declaration of Human Rights. Triodos Bank has published a detailed statement on human rights (triodos.com/humanrightsstatement).

By signing the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights, Triodos Bank became part of a broad coalition of banks, trade unions, civil society organisations, the Dutch Banking Association and the Dutch government. By acting together these organisations can have a greater positive impact on the current situation regarding human rights. The agreement applies to project finance and corporate lending activities.

Triodos Bank is working towards reporting in line with, or equivalent to, the UN Guiding Principles Reporting Framework as part of this agreement. Our Complaints Handling Policy applies to all our activities, products and services. This policy, which addresses the rights and the mechanisms for complaint for customers, employees and third parties, is publicly accessible via www.triodos.com. Triodos Bank has also started the process of identifying where our potential negative impacts on human rights are most severe (known as salience).

Who does Triodos Bank partner with to improve its reporting?

In addition to the dialogue with stakeholders described above, this year's report has been developed with the benefit of practitioner sessions with businesses, academics and experts in and outside the banking industry. In particular, Triodos Bank partners with specialists from sustainable banks in the Global Alliance for Banking on Values (GABV).

During the year Triodos Bank has also consulted, among others, with: the United Nations Environment Programme finance initiative (UNEP fi); the Partnership for Carbon Accounting Financials (PCAF); a number of specialist consultants and initiatives; and PricewaterhouseCoopers Accountants N.V. in their role as independent auditor. Triodos Bank is grateful for their contributions and insights.

Triodos Bank and the Global Reporting Initiative (GRI)

Triodos Bank has used the guidelines of the Global Reporting Initiative (GRI) since 2001. GRI was established in 1997 by the United Nations and Ceres (formerly the Coalition for Environmentally Responsible Economics) to organise reporting on sustainability in a consistent manner and to make performance objective and comparison easier. Triodos Bank is an organisational stakeholder of GRI.

Triodos Bank was one of the first to use GRI Standards. The Standards aim to make reporting more relevant to the sustainability impact of an institution and to improve how they are presented for its stakeholders. This report has been prepared in accordance with the GRI Standards: Core option. Previously, Triodos Bank reported using the Comprehensive option. These options do not relate to the quality of the information in the report or the magnitude of the organisation's impacts. Instead, they reflect the degree to which the GRI Standards have been applied. Triodos Bank believes the core option better meets our reporting needs and the information needs of our stakeholders, focusing more closely on the issues and disclosures that are most relevant to both. You can find more, including an index of GRI disclosures, at www.annual-report-triodos.com.

Stakeholder involvement and GRI Standards

We report on all of our stakeholder consultations using the Global Reporting Initiative (GRI) Standards. GRI requires reporting organisations to comply with their quality and content requirements to ensure a high standard of sustainability reporting. Triodos Bank's mission, vision and strategy are fully based on sustainability ambitions and a commitment to responsible banking. Therefore, many steps required to identify stakeholders and sustainability issues (material topics) for other organisations are standard practice for Triodos Bank. Stakeholder engagement and working together towards a fair and sustainable world are both integrated into Triodos Bank's daily business.

Consequently, not all theoretical steps towards integrated sustainable business and sustainability reporting are reported on explicitly. Instead, they are embedded in the process of sustainable banking. Examples of these steps include: stakeholder mapping, mapping of topics and assigning proper GRI denominations to variables such as ‘influence’, ‘importance’ or ‘impact’ or the definition of clear thresholds and boundaries of all topics. With some material topics, there is no data connected to the progress of the specific topic, as this is integrated in the general progress of our strategic theme's (see Strategic objectives for 2021 (see page 35)). In practice, Triodos Bank and our stakeholders understand each other well and are aligned in jointly achieving the goals of financing change and changing finance.

In our surveys and other stakeholder consultations we continuously discuss the influence of material topics on their decisions and the impact of these topics on Triodos Bank. As part of this ongoing dialogue, ‘influence on’ / ‘importance of’ / ‘impact on’ are used interchangeably by both Triodos Bank and our stakeholders. GRI Standards use the formal denominations of ‘Influence on stakeholder assessments and decisions’ for the y-axis and ‘Significance of economic, environmental and social impacts for Triodos Bank’ for the x-axis. Our stakeholders are more familiar with, and continue to use, the expressions ‘importance of’ and ‘influence on’ (and they are not always familiar with GRI). Therefore, Triodos Bank has chosen to continue using these descriptors in our communications, including in the annual report.

Impact measurement and reporting

The annual report aims to provide a clear and compelling picture of how Triodos Bank delivers long-term, sustainable change through our operations as a sustainable bank. In practice that means sharing qualitative information supported by relevant impact data. Almost uniquely among banks, this impact data is verified by an independent auditor to a limited assurance level. That's because Triodos Bank believes financial and non-financial information should be treated in a similar way.

In recent years there has been growing attention on how organisations manage, measure and report on their non-financial impact. This is an important area for a mission-driven organisation that was created to use money to make positive social, environmental and cultural change happen.

The section [Understanding impact](#) (see page 58) gives more detailed information on this topic and on our approach to impact management and reporting.

Some facts and figures about the report

The 2020 annual report covers banking entities and business unit activities of Triodos Bank N.V. in The Netherlands, Belgium, the UK, Spain and Germany, as represented in the Triodos Bank Group Structure. The report covers the period from 1 January to 31 December 2020. Triodos Bank's previous integrated report was published in March 2020 and covered the 2019 calendar year.

The reporting on the 2020 financial year is based on the same principles as the 2019 report. Any changes in the methods of calculation used are explained in the text. While the financial accounts are audited to the level of reasonable assurance, the report includes limited assurance on the Executive Board chapter. This incorporates 2020 impact data including detailed greenhouse gas emissions data and measures required for the GABV Scorecard, which provides a structured approach for capturing the vision, strategy and results of any bank relative to values-based banking. PricewaterhouseCoopers Accountants N.V. audits the financial statements.

Disclosure requirements

Disclosures are required both to meet Dutch law and to comply with other regulation, in particular the Capital Requirements Regulation and the Capital Requirements Directive. Capital Requirements Regulation is direct regulation from the European Union. The Capital Requirements Directive has been translated by the Dutch Government into various laws and regulations that apply to Triodos Bank. See our pillar 3 report for more information.

Triodos Bank complies with the EU Directive on the disclosure of non-financial and diversity information. The main part of these disclosures appears in this annual report. Additional required disclosures are published on our websites locally and on the corporate website: www.triodos.com and www.annual-report-triodos.com.

Related parties

Triodos Bank has links with the following legal entities:

- Triodos Bank provides services to Triodos Fair Share Fund at competitive rates. The services relate to thesecondment 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, Triodos Investment Management and Triodos Investment Advisory Services carry outmanagement activities for investment funds and receive a competitive management fee for these activities.
- Stichting Triodos Beleggersgiro acts as intermediary for investment funds.
- Legal Owner Triodos Funds 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 ofTriodos Bank, at competitive rates.
- Triodos Bank performs currency transactions for investment funds and international funds at competitive rates.

Appendix I – Triodos Bank business model: creating value

Capital inputs

Human (capital)

- Skilled and committed co-workers motivated by mission
- Expertise in social, cultural and environmental sectors
- Strong emphasis on development as individuals and as a co-worker community

Social and relationship (capital)

- Foster relationships that enable cross-sectoral knowledge sharing within the bank
- Establish and participate in networks, within and between sustainable sectors, including the banking sector Inspirational and intellectual (capital)
- Regular internal reflection sessions
- Engage in two-way dialogue with stakeholders
- Specialist expertise and track record in delivering, assessing and communicating sustainable finance and banking services

Financial (capital)

- Finance from like-minded customers who choose to use their money positively
- Fair returns to attract loyal, values-aligned customers

The Triodos essence

- A values-based bank, enabling people to use money consciously to create a healthy society with human dignity at its heart

Our role

- Our mission fully integrated in our strategy
- Only financing sustainable enterprises in the real economy all of which are published openly
- Meaningful, human relationships with customers and wider stakeholders
- First bank, offering comprehensive sustainable products and services
- Financial resilience including high capital ratios
- Managing both risk and balanced growth (targeted sustainable loans to deposits ratio of 75-85%)
- Offering fair financial returns with sustainable impact
- Acting as a reference point for sustainable banking through our own approach to sustainability, innovation and leadership

The changing world

- Responding to an evolving landscape of societal challenges and innovative enterprises addressing them



Value outputs

People

- A positive contribution to the healthy development of society
- Convening a community of interest to bring about social change
- Enabling values-driven entrepreneurs to fulfil their potential
- Transparent finance so stakeholders see how money is used

Planet

- Finances for sustainable and inclusive enterprise
- Development of a sustainable, circular economy
- Sustainably sourced and managed suppliers. Carbon neutral business
- Development of concrete initiatives and proposals to deepen impact of sustainable finance

Prosperity

- Fair Return on Equity of 3-5%
- Leverage ratio of at least 7% ensuring resilience
- Developing compelling visions for the future of finance

Triodos Bank business model and value creation in brief

Our business model and value creation process is illustrated in the diagram on the left.

This model creates value by transforming capital inputs. These inputs include the skills and entrepreneurship of the people within our organisation and money from customers, via our core products and services. It transforms these inputs into value outputs so that they make a positive contribution to the development of a healthy society that's able to flourish within our planetary limits.

We aim to reflect the capitals described by the International Integrated Reporting Council in our business and value creation model. However, we make a conscious choice not to include 'manufactured capital', such as tangible assets like buildings, or 'natural capital', such as the natural resources used to deliver our work. While both are significant for some companies, they are less material to a service industry like ours whose principle capitals relate to people, ideas and money.

The financial resilience of this model is built on fair (but not inflated) interest rates to savers; reasonable long-term returns for investors both in our funds and in Triodos Bank itself; and deposits that are lent to sustainable entrepreneurs working in the real economy to deliver real impact.

In order to lend to sustainable enterprises we aim to use deposits rather than borrow from other banks. And we endeavour to deliver a healthy balance between loans and deposits so we're able to mobilise as much of our deposits as possible. We also maintain healthy levels of capital, well above regulatory requirements. This makes us more resilient over the long-term.

Importantly, Triodos Bank develops through cycles of reflection and dialogues where our inner essence as an organisation meets our interaction with society's evolving needs.

Appendix II – Executive Board, Supervisory Board and Board of SAAT biographies

Executive Board

Peter Blom (1956), CEO, Chair

Peter Blom has been a statutory member of the Executive Board of Triodos Bank N.V. since 1989 and is Chair of this Board. He is also a Statutory Director of Triodos Ventures B.V., member of the Board of Stichting Triodos Holding and Stichting Triodos Sustainable Finance Foundation, Chair of the Board of Stichting Global Alliance for Banking on Values, member of the Board of the Dutch Banking Association, co-Chair of the Board of Stichting Sustainable Finance Lab, member of the Board Stichting NatuurCollege and Chair of the Supervisory Board of MVO Nederland. Peter Blom is also a member of the Central Planning Committee of Netherlands Bureau for Economic Policy Analysis (CPB).

He is of Dutch nationality and owns one Triodos Bank N.V. depository receipt.

Jellie Banga (1974), COO, Vice-Chair

Jellie Banga has been a statutory member of the Executive Board of Triodos Bank N.V. since September 2014. She is Chief Operating Officer and was first appointed to the Executive Board as a non-statutory member in 2013. Jellie Banga is Statutory Director of Triodos Ventures B.V., member of the Board of Stichting Triodos Sustainable Finance Foundation and Stichting Triodos Holding and member of the Advisory Council of the “Finance and the Common Good” programme of the Sustainable Finance Lab.

She is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

André Haag (1982), CFO

André Haag has been a statutory member of the Executive Board and Chief Financial Officer of Triodos Bank N.V. since 1 January 2020. Prior to working at Triodos Bank, André was member of the Management Board and CFO of Deutsche Holdings (Luxembourg) S.à r.l.

André Haag is of German nationality and does not own any Triodos Bank N.V. depository receipts.

Carla van der Weerd (1964), CRO

Carla van der Weerd has been a statutory member of the Executive Board and Chief Risk Officer of Triodos Bank N.V. since 17 May 2019. Carla van der Weerd is currently a member of the Supervisory Board of DSW Zorgverzekeraar U.A. She is a former member of the Supervisory Board of Triodos Bank N.V.

She is of Dutch Nationality and does not own any Triodos Bank N.V. depository receipts.

Supervisory Board

Aart de Geus (1955), Chair

Aart de Geus is Chair of Triodos Bank's Supervisory Board and member of the Remuneration Committee and the Nomination Committee. He is Chairman of the Board of the Goldschmeding Foundation and Chairman of the Advisory Board of the Netherlands Bar (Nederlandse Orde van Advocaten). Aart de Geus is a member of the Advisory Boards of the Jacques Delors Institute (Berlin), NOW and Planbureau Leefomgeving and Chairman of the Advisory Board of Stichting SBI. Previously, he was Chairman and CEO of the Bertelsmann Foundation (Gütersloh), Deputy Secretary-General at the Organisation for Economic Cooperation and Development (Paris) and Minister of Social Affairs and Employment in the Dutch Government (2002-2007). He was also a partner at Boer & Croon Strategy & Management Group and worked for the Industriebond CNV and Vakcentrale CNV.

Aart de Geus was first appointed in 2014 and his present term expires in 2022. He is of Dutch nationality and does not own any Triodos Bank N.V. depository receipt.

Fieke van der Lecq (1966), Vice-Chair

Fieke van der Lecq is Vice-Chair of Triodos Bank's Supervisory Board, Chair of the Remuneration Committee and member of Audit and Risk Committee. Until 16 January 2021, she was also member of the Nomination Committee. Fieke van der Lecq graduated in economics and business economics, and holds a PhD in monetary economics from Groningen University. Currently, she is part-time Professor of Pension Markets at the Vrije Universiteit Amsterdam and Chair of the Editorial Board of Netspar, member of the Supervisory Board and Chair of the Audit and Risk Committee of Syntrus Achmea Real Estate & Finance, member of the Supervisory Board of Arriva Netherlands, member of the Supervisory Board and Chair of the Audit Committee of Air Traffic Control the Netherlands, member of the Audit Committee of the Pension Fund for the Security Industry, and Chair of the Board of Foundation KDP (KPMG Deferred Payments).

Prior to this Fieke van der Lecq held various positions in academia, business, and policy making.

Fieke van der Lecq was first appointed in 2017 and her present term expires in 2021. She is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

Dineke Oldenhof (1958)

Dineke Oldenhof is member of the Nomination Committee and the Remuneration Committee. She is member of the Supervisory Board of the regional health centre, Widar and senior consultant at ABGL/Geerts & Partners. Previously, she worked at the National Police, amongst others as HRM Director and Special Councilor and as director of Operations of the Police Academy. Before that she held various positions in a retail, political and educational environment as well as in financial services, such as holding director HR at Maxeda, director HR at Interpay, organisational consultant to the executive board of ING Group and trainer/manager at the Vrije Hogeschool.

Dineke Oldenhof was first appointed in 2018 and her present term expires in 2022. She is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

Ernst-Jan Boers (1966)

Ernst-Jan Boers is Chair of the Audit and Risk Committee. He is Chair of the Supervisory Board of Pensioenfonds Metaal en Techniek (PMT), member of the Supervisory Boards of Coöperatie Univé U.A. and Stichting Fonds Duurzaam Funderingsherstel, Chair of the Boards of AHOLD Delhaize Pension fund and Stichting Nationaal Energiebespaarfonds and member of the Board of Coöperatie Medische Staf Gelre U.A. He was Chief Executive Officer at SNS Retail Bank until March 2014 where he previously also held the position of Chief Financial Risk Officer. He worked at ABN AMRO Hypotheken Groep B.V. until March 2007 including a role as Chief Financial Officer. Prior to that he worked at Reaal Groep N.V. as the head of Internal Audit and as a Controller.

Ernst-Jan Boers was first appointed in 2014 and his present term expires in 2022. He is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

Mike Nawas (1964)

Mike Nawas is Chair of the Nomination Committee. Until 16 January 2021, he was member of the Audit and Risk Committee. He is co-founder of Bishopsfield Capital Partners Ltd (BCP), a financial consultancy based in London. Mike Nawas has been Associate Professor Financial Markets at Nyenrode Business University since 2011 and since 2013 he has been Chair of the Foundation Akademeia. Prior to that he worked at ABN AMRO Bank for twenty years in various positions, including from 2005 as group director worldwide responsible for helping clients access the credit markets via loans, bonds or structured finance. Mike Nawas is a former member of the Board of Stichting Administratiekantoor Aandelen Triodos Bank (SAAT).

Mike Nawas was first appointed in 2019 and his present term expires in 2023. He is of Dutch and US nationality and does not own any Triodos Bank depository receipts.

Sébastien D'Hondt (1964)

Sébastien D'Hondt is member of the Audit and Risk Committee. He is partner at Ernest Partners, a company advising companies on capital structuring and funding strategy, member of the Board of Nutway S.A., member of the Board of Cash Converters Belgium and Observer of the Board of Inoopa N.V. He is also investor in digital tech scale ups. Prior to that he worked at ING Bank for more than twenty years in Belgium and the Netherlands in various positions such as Head of Corporate Clients Belux and Managing Director Capital Structuring & Advisory at Wholesale Banking, as Head of M&A at Corporate Finance and as Director Business Center, ING Midcorps Belgium and in Risk Management. Sébastien D'Hondt started his career at Bank Brussel Lambert (BBL).

Sébastien D'Hondt was first appointed in December 2019 and his present term expires in 2024. He is of Belgian nationality and does not own any Triodos Bank N.V. depository receipts.

Board of SAAT

Josephine de Zwaan (1963), Chair

Josephine de Zwaan is Chair of the Supervisory Board of Stichting Triodos Holding. She is Chair of the Supervisory Boards of Stichting Cito, Fairphone B.V. and Buma/Stemra, Chair of the Foundation for the Register of Social Enterprises and Member of the Supervisory Board of the University of Applied Science "Avans". Josephine de Zwaan is member of the Board of Foundation Akademeia and an independent advisor to various organisations, in both the public and private sector (including social enterprises). 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 (owner) CMS. Derks Star Busmann. Since 2000 she has acted in various administrative and supervisory roles in education, health care and culture.

Josephine de Zwaan was first appointed in 2010 and her present term expires in 2022. She is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

Willem Lageweg (1951), Vice-Chair

Willem Lageweg is member of the Supervisory Board of Stichting Triodos Holding. He holds a number of administrative, supervisory and advisory positions, including at Transition Coalition Food, Louis Bolk Institute, SIB Kenya, Friends of the Maasia and Max Havelaar. Willem Lageweg was CEO of MVO Netherlands, a centre of excellence which encourages corporate social responsibility among companies until July 2016. Prior to that he worked for Rabobank Netherlands where he held various positions such as spokesperson & Communications Director, Director of Cooperation and Project Director for Major Cities. He began his career at the National Cooperative Council for Agriculture and Horticulture.

Willem Lageweg was first appointed in 2016 and his present term expires in 2022. He is of Dutch nationality and owns 192 Triodos Bank N.V. depository receipts.

Jolande Sap (1963)

Jolande Sap is an independent non-executive director who dedicates herself to making the business world and society at large more sustainable. She is member of the Board of the Dutch Emissions Authority, non-executive director of Renewi, member of the Supervisory Boards of KPMG and Royal KPN N.V., Chair of the Supervisory Board of Arkin, Chair of the Board of the Dutch Federation for Health, Chair of the Supervisory Board Fairfood and member of the Board of the National Greenfund. In addition, she is involved in a number of social initiatives, including Chair of the Smoke free table of the Dutch National Prevention Agreement, the Springtij Forum and the Dutch Sustainable Fashion Week.

Between 2008 and 2012, Jolande Sap represented the Dutch Green Party, GroenLinks, in the lower house of the Dutch parliament, she was party leader for the final two years of this period. Before that she worked as an economist in the fields of science, policy and business. She was, among other things, head of the Incomes Policy department at the Ministry of Social Affairs and Employment, and director of the LEEFtijd center of expertise, a consultancy for sustainable employment issues.

Jolande Sap was first appointed in 2020 and her present term expires in 2024. She is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

Koen Schoors (1968)

Koen Schoors is member of the Supervisory Board of Stichting Triodos Holding. He is professor of economics at Ghent University. His research focuses on banking and finance, law and economics, development economics, institutional economics and complexity. At Ghent University he is the current head of the newly founded Russia platform. Outside Ghent University Koen Schoors is Chair of the Board of Gigarant (loan guarantees) and Trividend (social investment fund) and is also a member of the Board of the Cooperative firm Energent (sustainable energy), and of the social-artistic collective *Bij de Veeze Gasten*. He also acted as an expert for the Fortis Commission of the Federal

Parliament, the Dexia Commission of the Flemish Parliament and the G1000. He actively participates in the policy debate, via colloquia, debate evenings, public lectures, columns, commentaries and interviews.

Koen Schoors was first appointed in 2017 and his present term expires in 2021. He is of Belgian nationality and does not own any Triodos Bank N.V. depository receipts.

Mercedes Valcarcel (1968)

Mercedes Valcarcel is Managing Director in Fundación Generation, Experts Forum's member of the Santalucía Institute (Spanish insurance company) for supporting them on sustainability and professor in economics in UNED (Spanish on-line public university) focused on social finance and social impact assessment. In the last years she participated in European Commission advisory groups on social entrepreneurship and on innovation. Previously, for 10 years, Mercedes Valcarcel held various management positions in a public foundation in charge of promoting employment in small and medium-sized enterprises (SME). Before that, she worked for 14 years in the financial sector in internal audit, consultancy and financial departments of various European banks and venture capital companies, such as Sepides, Najeti, SCR, Banco Espirito Santo and Deloitte.

Mercedes Valcarcel was first appointed in 2019 and her present term expires in 2023. She is of Spanish nationality and owns 156 Triodos Bank N.V. depository receipts.

Appendix III – UN Sustainable Development Goals

In 2015, the 17 Sustainable Development Goals (SDG) were launched by the United Nations. The SDGs, successors to the Millennium Development Goals, are a universal set of targets and indicators designed to help countries end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda.



The goals are principally focused on wide-ranging action by states, business and civil society. They resonate strongly with Triodos Bank and our essence as a values-based bank that has been working on this agenda since our founding in 1980.

Triodos Bank is clear about the path we want to take to use money consciously as a catalyst for sustainable change. And while we have our own path to take on a journey to a sustainable, low-carbon and inclusive future, we welcome a framework that enables us to communicate better with our fellow travellers. The SDGs do just that. They provide powerful language to communicate integrated sustainability goals that are more urgent now than ever.

The SDGs have quickly become an established framework with relevance for businesses, government and civil society alike. The goals play an increasingly important role for wider society and have the potential to be a powerful and positive agent of change in the financial industry. That's why Triodos Bank was one of 18 Dutch financial institutions to invite the Dutch Government and Central Bank to continue to make a concerted effort to help deliver the SDGs. The initiative was the first in the world to bring national pension funds, insurance companies and banks together around a shared SDG agenda, and included a report recommending priorities to maximise SDG investing.

Triodos Bank and the SDGs

The goals clearly articulate objectives that must be addressed at a global level. They reflect the importance of a joined-up, integrated approach to the multiple challenges we face – an approach that closely reflects our own. But the SDGs, like us all, are not perfect. For example, nurturing personal development, education and inspiration are a core part of Triodos Bank's mission. We lend, donate and invest in thousands of projects in the cultural sector as

a result. And we continue to believe this cultural aspect is both core to developing a more sustainable society and largely absent from the SDGs.

Triodos Bank is asked to describe its approach to the SDGs by various stakeholders. This is the fourth year that Triodos Bank will include the SDGs in its reporting. We do this in three distinct ways:

- Via the mapping exercise that follows in this appendix, including updates where we have made specific progress
- By linking relevant content throughout the report to specific SDGs with a visual besides the chapter
- By identifying and reporting against several specific targets, which underpin each of the SDGs.

This year, for the second time, we will include Sustainable Finance Platform indicators where they are relevant. These have been developed through a joint effort of representatives from Dutch financial institutions and companies, including Triodos Investment Management. The group is part of the Sustainable Finance Platform, chaired by De Nederlandsche Bank. Together they have tried to identify indicators that help to capture the positive impact of companies produced through their products and services, and not their operations. These are a starting point only and are expected to develop over time.

Where relevant we also highlight SDG targets (e.g. '1.5 resilience to external shocks' below) that underpin each of the goals. We have selected targets that are closest to our activity and aspirations, for readers with a more detailed interest in the specifics of each goal. These targets have been identified, in part, through collaborative work among businesses across sectors, with the support of the Global Reporting Initiative and United Nations Global Compact.

The table below lists the SDGs and Triodos Bank's contribution to them against three categories highlighting the depth of involvement in relation to each goal. Where our activity is less core to the SDG in question we describe the work we do in this area and our wider perspective on that goal in one column.

- Level 1 – Baseline activity to ensure we are not harming these goals
- Level 2 – Direct activity we take to positively influence them
- Level 3 – The catalysing role we can play to stimulate long-term, transformational change – where Triodos Bank is already, or can in the future, play a catalysing role helping to stimulate the lasting systemic change that the goals demand.

This last point is important because Triodos Bank aims to work with the SDGs to genuinely 'move the dial' on the goals. In creating this table, we have considered the spirit behind each goal and its supporting indicators as well as the text itself to produce a clear view of how Triodos Bank's activity maps against them. We hope it helps our stakeholders better understand how our work relates to the SDGs and we welcome your feedback.



No poverty

Relevant UN target: 1.5 ...build the resilience of the poor and those in vulnerable situations ... to ... economic, social and environmental shocks ...

Sustainable Finance Platform indicator:

Number of people provided with access to financial services via inclusive finance: 38.4 million

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

Our policy is to avoid predatory lending and to undertake good due diligence when making decisions about which inclusive finance institutions to invest in.

Level 2

What we do to make a meaningful difference

We invest in institutions working for inclusive finance in emerging markets, so they can serve people to build their assets gradually, develop small and medium-sized enterprises, improve their income-earning capacity, create employment and provide a financial cushion for the future. In 2020, we provided inclusive finance for 20.2 million savers and 18.2 million borrowers in emerging markets via 109 financial institutions. We have pioneered Fair Trade finance including partnering with key players such as Oxfam and Fairtrade Iberica and Fairtrade Belgium.

Triodos Bank has an active role in eradicating urban poverty in Europe, financing organisations devoted to care and social inclusion. In the United Kingdom, examples include the charity Emmaus or Nottinghamshire YMCA, who deliver frontline services and promote youth development and healthy living. We lend to a wide range of spiritual and religious groups that respect human freedom and nurture the spirit.

Via Triodos Foundation in The Netherlands we support Eigen Schuld, a theatre performance about the social problem of poverty. The challenging play is written by young people and performed in school classes.

The Triodos Foundation, Triodos Bank's grant-giving arm, also initiated a crowdfunding to raise money to buy oranges for refugees in camp Moria on Lesbos. Because we Carry Foundation delivered oranges for five months and improved sanitation by providing soap and medical supplies. This action sparked positive change with the military staff who run refugee camp Moria: they demanded that camp catering also hand out fresh fruit and this became routine.

In Spain, we have financed so called insertion companies, such as Llanero Solidario, who help and support people at risk of social exclusion to integrate and enter the job market, including with training and psychological support.

Co-workers are also involved directly in local initiatives. In Belgium, for example, Triodos Bank supports a local organisation in Brussels, Comité de la Samaritaine, to help provide vulnerable people in the local community with access to decent food.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

We integrate climate concerns and social issues, by advising financial institutions who specialise in inclusive finance on how to incorporate environmental issues in their business. This makes both the institutions and the entrepreneurs they finance and their families more resilient to outside shocks.

Where appropriate we responsibly exit from investments in institutions that build their capacity to the point where they do not need our support anymore, so we can focus on helping other institutions serving those most in need.

In social services, Triodos Bank Belgium, together with two other partners (VDK Bank and PMV), finances PARTE, a company that develops and operates the concept of MyTrustO, a form of 'Ethically Responsible Debt Collection'. MyTrustO radically reverses the current system around debts: it is the person with debts who takes the initiative, under the supervision of a bailiff, to pay off all debts over time. This gives debtors and creditors a new perspective on the future.

Zero hunger

Relevant target: 2.4 ... ensure sustainable food production ...

Sustainable Finance Platform indicator:

Number of people in Europe provided with safe, nutritious and sufficient food: 30,000

Level 1 Baseline policies and activity, to avoid doing any harm in relation to the goal	We do not finance intensive agriculture and, instead, only finance sustainable and organic agriculture.
Level 2 What we do to make a meaningful difference	We specialise in financing sustainable food production through our lending and investing activity in organic farming and sustainable trade. Our investment activity focuses around the Triodos Food Transition Europe Fund (EUR 48 million), formerly known as Triodos Organic Growth Fund, which invests in privately owned, sustainable consumer businesses in Europe and the Triodos Green Fund (EUR 1,082 million) that invests in green projects, including sustainable food and agriculture (EUR 134 million). We are the financial partner in Europe for social organisations delivering services for people struggling to meet their nutritional requirements. In Belgium, we finance Ethiquable Benelux, a cooperative with a social purpose, specialising in Fair Trade and organic products. In partnership with the French company Ethiquable SCOP, the cooperative directly partners with more than 40 cooperatives of small producers from the South, working exclusively on agricultural projects that benefit people living on low incomes. The climate, health and hunger in the world are all issues closely related to our eating habits. We finance entrepreneurs and initiatives that contribute to a cultural change by making plant-based food attractive and accessible to the general public, for example Mr. & Mrs. Watson, a plant-based food bar in The Netherlands. The Hivos-Triodos Fund finances Sol Organica, a Nicaraguan food processing company that sources, manufactures, and exports organic certified solar dried fruit, tropical fruit purees and juices. The trade finance facility allows Sol Organica to pay more than 800 smallholder farmers fairly and immediately upon delivery of their produce. In 2020, we launched additional initiatives related to the social emergency caused by the COVID-19 pandemic. For example, the Spanish Triodos Foundation promoted donation to the main NGO active in relieving the situation through diverse programmes delivering food assistance to the increased part of the population that needed it during the economic crisis.
Level 3 The catalysing role we can play to stimulate long-term, transformational change	At a systemic level our finance aims to inspire the financial sector, by showing that sustainable organic and Fair Trade agriculture can be successfully financed in European and emerging markets. We also work with others (see SDG 17) to promote sustainable food production. Since 2019, we have continued to work with partners to develop 'true cost accounting' for finance, food and farming, for example.



Good health and well-being

Relevant target: 3.5 Prevent and treat substance abuse

Sustainable Finance Platform indicator:

Number of people reached with improved health care: 45,000 (this figure relates to the people benefiting from elderly care homes).

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

We only finance healthcare providers with a human-centred approach to care, ensuring health and well-being, particularly for the elderly, people with learning and physical disabilities and other disadvantaged groups such as those recovering from drugs and substance abuse.

Level 2

What we do to make a meaningful difference

We finance large numbers of healthcare organisations whose emphasis is on quality of care, including clinics specialising in addiction treatment. Approximately 9% of our loans and funds' investments are in the health sector.

In Belgium, we finance Médecins du Monde: an NGO specialising in international medical aid. It provides medical assistance to vulnerable populations all over the world, including in Belgium. The organisation cares for victims of natural disasters, epidemics and armed conflicts, refugees, minorities, abandoned children and people without access to healthcare. Medical care is Médecins du Monde's main objective, but the organisation also fights to make access to healthcare a fundamental right.

Triodos Bank also finances many community health centres including Le Gué in Tournai, catering for up to 5,000 patients in Belgium.

In the United Kingdom, Triodos Bank supports Middlesbrough-based charity MAIN, which helps people with a range of disabilities, including autism and cerebral palsy, and Langham Court (Huntington House Limited), a specialist care home offering pioneering dementia care. Triodos Bank facilitated crowdfunding for charity Thera Trust that provides essential care, support and services for over 3,000 people with a learning disability.

In addition, Triodos Bank Netherlands finances Siza, providing support for people with disabilities, for example. In The Netherlands we also finance Ben Oude NijHuis, an affordable, small-scale home for elderly people centred around nurturing human dignity. It's also about education. That's why we finance CORPUS, a spectacular experience centre in The Netherlands around the human body. The visitor can see, feel and hear how the human body works and what role healthy eating, healthy living and lots of exercise play in this.

In numbers, 45,000 elderly people in Europe benefitted from care provided by initiatives financed by Triodos Bank and Triodos Investment Management in 2020, representing 22 days of healthcare financed for each Triodos Bank customer.

Overcoming the challenges posed by the pandemic, in Spain we have continued financing the opening of new elderly care centres by organisations as Fundación Rey Ardid, which foster its presence in rural provinces as Teruel.

The Triodos Pioneer Impact Fund (EUR 490 million) and other Triodos investment funds that invest in equities issued by listed companies also invest in medical technology pioneers in the theme of 'healthy people'.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

We can contribute more powerfully by financing scalable projects and we can further contribute to the debate about how to serve elderly people's financial needs in the future.



Quality education

Relevant targets: 4.4 ... increase the number of youth and adults who have relevant skills ... for employment, decent jobs and entrepreneurship

4.7 .. ensure that all learners acquire the knowledge and skills needed to promote sustainable development ...

Sustainable Finance Platform indicator:

Number of people receiving education services: 623,000

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

Our approach is to only finance education initiatives – from kindergartens to adult education – that benefit individuals' personal development and society in terms of social cohesion in general, and sustainable economic development in particular.

Level 2

What we do to make a meaningful difference

We lend to education initiatives that benefitted 623,000 individuals in 2020.

In the United Kingdom, we support green campus developments for universities like Winchester or long-term finance to specialist educational providers like Hartpury University to fund further investment in facilities and support continued growth in student numbers. Triodos also supports smaller projects like Strontian primary school set up as a community to benefit society and to serve a remote Highland community in Scotland or Ruskin Mill Educational Trust which provides education, training and care for young people with disabilities, learning or behavioural problems.

In Spain, we financed Imagine Montessori School (Zubi Real Estate SL), a new educational centre in Valencia. Sustainability is an integral part of this project through environmental education and the facilities themselves which are powered by renewable energy.

We also finance a number of music and dance schools, for example Het Nationaal Muziekkwartier with a Conservatory in The Netherlands.

We give dozens of conferences about ethical banking at schools, high schools and universities every year, including participating in the 'Bank voor de Klas' initiative in The Netherlands.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

We can contribute to the overall education 'mix' by focusing our finance on diversity in the education system – through progressive educational establishments and initiatives that serve the excluded.

We also provide long-term support and participate in initiatives beyond our role as a bank directly, through initiatives like HERA (Higher Education and Research Awards) in Belgium. The awards explore how Master's students integrate sustainable development principles into their work and recognise the importance of integrating sustainability concerns in a holistic way at an important stage in their development. Co-workers at all levels are regularly invited as guest speakers during Economy and Finance lessons to present the Triodos Bank vision on Finance and the bank's business model.

Co-workers in all countries regularly accept invitations to explain to students how sustainable finance and economics work for a better society.



Gender equality

Relevant target: 5.1 End all forms of discrimination against ... women ...

Level 1 Baseline policies and activity, to avoid doing any harm in relation to the goal	We treat all individuals equally, and particularly include people who are often excluded. In practice, this leads to an explicit focus on making access to finance available to women. We value a diverse community in Triodos Bank itself, including gender. In 2020 49.6% of Triodos Bank co-workers were women and 44% of management positions were held by women.
Level 2 What we do to make a meaningful difference	We finance financial institutions in developing countries and emerging economies that demonstrate a sustainable approach toward providing financial services to those traditionally excluded. In 2020, these institutions served 18.2 million loan clients, of which 76% are female. Giving women the freedom to manage their income and to support their families empowers their position. For over 30 years Triodos Investment Management has partnered with Women's World Banking, a global non-profit providing low-income women with access to financial tools and resources to build security and prosperity. We are a co-investment manager for the Women's World Banking equity fund (EUR 31 million). Additionally, Triodos Bank has offered banking finance to projects such as the documentary 'Mujereando', in Spain. This film has been produced by two women who offer a therapeutic theatre workshop to women that have suffered gender violence and homelessness. Mujereando reflects their experience, creates awareness and helps them overcome their personal situation. In The Netherlands we finance Yoni. Yoni is the first eco-cotton brand in the feminine hygiene market. Menstruation is still not a normal topic of conversation. Yoni produces not only sanitary pads and tampons made from organic cotton, but also wants to break the taboo surrounding menstruation.
Level 3 The catalysing role we can play to stimulate long-term, transformational change	The greatest contribution we can make is to both promote and extend healthy gender diversity as an important pre-condition for our work as an institution ourselves and in how we apply the money entrusted to us, both in Europe and in developing countries. In Belgium, Triodos Bank joined the Women in Finance initiative, a unique non-profit association to improve gender equality in the financial sector.



Clean water and sanitation

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

Level 2

What we do to make a meaningful difference

Level 3

The catalysing role we can play to stimulate long-term, transformational change

Clean water and sanitation are topics relevant around the world. While this is not a core loan or investment theme, much of our finance takes care of both, not least through entrepreneurs financed through inclusive finance and SME lending and in sectors such as organic agriculture which support water conservation and water health. We invest, via the Triodos Pioneer Impact Fund (EUR 490 million) in listed companies such as US-domiciled Xylem, a leading water technology company committed to creating innovative solutions for the world's water, wastewater and energy needs. Xylem improves water quality and reduces the environmental impact of human activities by cleaning used water for responsible discharge back into nature. The company is a global advocate for sustainable water policies.

In Spain we continued to work with Ongawa, an organisation primarily focused on providing clean drinking water for disadvantaged people in Africa and South America.

In Belgium we finance Shayp, a Brussels-based start-up, which has developed smart technology to detect water leaks and repair them efficiently. Shayp's software works just as well for large office buildings as for private homes in cities.



Affordable and clean energy

Relevant target: 7.2 ... increase ... renewable energy in the global energy mix

Sustainable Finance Platform indicator:

Renewable electricity produced that can be attributed to Triodos Bank's and Investment Management's finance: 2.5 million MWh. Avoided greenhouse gas emissions (in tonnes of CO₂ equivalent): 0.9 million

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

Our policy is not to finance fossil fuels and exclusively to finance renewable energy initiatives in the energy sector.

Whenever we can we generate or buy energy from renewable sources to power the buildings that we work from within our own network.

Level 2

What we do to make a meaningful difference

We finance sustainable energy via direct lending in all the countries where we operate (EUR 1,653 million) and via investments through Triodos Green Fund (EUR 1,082 million) and Triodos Energy Transition Europe Fund, formerly known as Triodos Renewables Europe Fund (EUR 152 million).

As well as having considerable impact in Europe, according to Clean Energy Pipeline, Triodos Bank has financed more renewable energy initiatives in Europe than any other financial institution each year for the last five years.

Triodos Bank extended its wind energy financing to offshore wind energy projects through its international Energy and Climate desk. While in Germany we financed a decentralised rooftop solar portfolio, with a loan that allows the project developer to easily structure and finance new projects in a short timeframe.

Triodos Bank's and Investment Management's renewable energy projects also extend to emerging markets, such as hydro projects in Latin America and wind projects in Kenya.

In Spain, we have continued promoting the advancement of renewal energies and, particularly, community projects as the one run by Ecoooo. This initiative promotes the installation of solar panels for self-consumption on private households and housing buildings.

In Belgium, Triodos Bank co-finances, the Brusol programme (Solarbuild 8000) to accelerate the installation of solar panels in the Brussels-Capital Region. Thanks to a 'third-party investor' scheme, families have solar panels installed free of charge. The electricity that is not used is sold locally to other households. This allows them to reduce their energy bills.

Triodos Bank UK funds community energy including projects such as Morvern Community Development Company hydro-power scheme on the Barr River in Scotland and the Heart of England Community Energy largest community-owned solar farm in the United Kingdom. Triodos Bank has also financed solar panels and LED lighting at some of the key sites for the charity RSPB, supporting their aim of being energy self-sufficient.

In The Netherlands, Triodos Bank is actively financing onshore and offshore wind energy, collective large-scale solar energy projects, energy from residual flows and energy-saving projects, like Slim Opgewekt. The latter improves the sustainability of schools, both by installing LED and solar panels and by teaching children more about energy; for example, through self-developed sustainable games. Another example of an innovative clean energy project we finance in The Netherlands is Hygro (Waterstofmolen Wieringermeer). Hygro is enabling hydrogen from wind. Uniquely, this produces hydrogen directly within the wind turbine, which has far-reaching positive effects.

Triodos Bank has developed a detailed programme to reduce the environmental impact of its own activities; its operations meet the highest environmental standards and it uses 100% renewable energy in its buildings.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

As well as its direct impact as a financier, Triodos Bank acts as an opinion leader in the energy space, including engaging in debate about the urgent importance of a low-carbon economy and how to move towards it. It published a vision paper (2019) describing its long-term view of energy and climate issues.

Triodos Bank continues to build on the implementation of a groundbreaking new methodology – co-created by the financial industry for the financial industry – to measure the carbon emissions of loans and investments by launching a global programme. The Partnership for Carbon Accounting Financials (PCAF) aims to encourage all financial institutions to account for their carbon emissions as a pre-condition for aligning their impact with the Paris climate goals. Several events and communication initiatives in The Netherlands, United Kingdom, Spain and Belgium took place during the year to share this approach with the wider banking sector.

We can contribute further by extending our work into new areas such as energy storage, energy-efficiency finance and electric-vehicle infrastructure via Triodos Bank's European network of energy-finance experts.

To support the development of sustainable transport we financed EV-charging infrastructure company Pod Point and Ember, the United Kingdom's first all-electric intercity coach service, and Ecomove, which specialises in the promotion of electric scooters and bikes.

As a partner bank in the Mayor of London's Energy Efficiency Fund (MEEF) Triodos Bank UK has provided finance to NHS hospital trusts to improve energy efficiency on site.

We collaborated on a white paper 'New Pathways' – arguing for concrete changes to build a more just and sustainable financial future, and actively communicated about them throughout the year. Since its publication there has been significant progress made at a European level on sustainable finance. This includes draft legislation on transparency and disclosure of environmental, social and governance (ESG) risks and impacts on all financial products. There is more open debate and exploration on levying additional capital charges for assets which could increase climate risk. And we continue to be an active participant in the debates in this field together with other organisations.

Triodos Bank was closely involved, as a lead negotiator, in developing a Dutch Climate Agreement. As part of the agreement, banks and other Dutch financials have committed themselves to substantially reduce CO₂ emissions on their balance sheets.

Triodos Bank is convinced it's time the energy transition becomes a matter for citizens themselves. In The Netherlands we are financing more and more energy initiatives from citizens as a result, including energy cooperatives such as Grunneger Power (Zonnepark Viervelaten) and Westeinde.



Decent work and economic growth

Relevant targets: 8.3 ... encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services
8.4 Improve ... global resource efficiency in consumption and production ... decouple economic growth from environmental degradation ...
8.9 ... implement policies to promote sustainable tourism ...
8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking ... and financial services for all

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

Triodos Bank considers how the mission of an organisation translates into the organisation itself before considering a loan or investment. It has over 20 years' experience financing microfinance and inclusive finance initiatives in emerging markets. As well as only financing the green economy in Europe, including developing lending in the sustainable tourism sector, all our banking products and services take the environment into consideration.

Our finance often leads to job creation and frequently, due to the sustainable focus of all our finance, to work that benefits the excluded – from people with disabilities to ex-offenders.

Level 2

What we do to make a meaningful difference

The inclusive finance activity we described in SDG 1 is delivered via Triodos Investment Management connecting thousands of investors with microfinance and SME institutions in developing countries. Of the 18.2 million borrowers reached with inclusive finance, more than 4.9 million are small and medium sized enterprises.

Inclusive finance is also relevant in The Netherlands where we work with Qredits, a Dutch initiative providing microfinance loans, mentoring and online tools to support entrepreneurs.

In Belgium, Triodos Bank is co-founder and member of the Solifin platform, a network of foundations and crowdfunding platforms specialising in impact investing. Solifin facilitates access to information and finance for entrepreneurs delivering social and environmental impact.

In Amsterdam, Triodos Bank finances WOW. Its founders have converted a former technical school in the Kolenkitbuurt, a district in the city, into a unique hostel and cultural hotspot. WOW provides a new impulse in the neighbourhood, combining tourism and art.

We are continuing to extend lending to certified green sustainable tourism projects, or those working towards it, across Europe.

Triodos Bank integrates resource efficiency and environmental concerns in products with a purpose; including sustainable mortgages, credit cards for spending on sustainable products and pensions linked to frontrunning sustainable companies.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

We intentionally look to finance companies that can act as a catalyst for deep-seated change within their industries, as inspirational examples of what's possible in the circular economy. Dick Moby, producers of sustainable sunglasses are one example.

We partner with others who share this agenda, including co-founding the Sustainable Finance Lab in The Netherlands and continuing the development of the Sustainable Finance Forum (Foro de Finanzas Sostenibles) in Spain. In The Netherlands we are also a founding partner of Social Enterprises NL. As a national membership body, Social Enterprise NL represents, connects and supports the growing community of social enterprises in The Netherlands.

Triodos Bank and the European Investment Fund (EIF) have also signed a significant guarantee agreement for social entrepreneurship. The agreement allows Triodos Bank to finance more than 400 social entrepreneurs across four EU countries over the next years for a total of EUR 65 million. This means that we can help more social entrepreneurs to add value to society in their own way and can accelerate the social transition that's so urgently needed in our economy.

We also celebrate and encourage frontrunners in social and sustainable entrepreneurship, through initiatives like the Heart Head prize; an awards programme delivered in several countries where we operate.

We have backed The Thriving Places Index in the United Kingdom, an approach that undertakes analysis of how well local authorities are doing at creating the conditions for people to thrive. It is a new Index seeking to create an alternative to GDP as a measure of success.



Industry, innovation and infrastructure

Relevant targets: 9.3 Increase the access of small-scale ... enterprises ... to financial services ...

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

Level 2

What we do to make a meaningful difference

In Germany, Triodos Bank invested for the first time in rural glass-fibre infrastructure. Triodos Bank sees glass-fibre networks as an important step in promoting the digital and social inclusion of rural regions. In terms of broadband internet, rural regions in Germany have been severely underserved up to now, which, among other things, makes these locations less attractive to companies, as well as disadvantaging the digital education and networking of residents.

We finance ecodesign initiatives as Cartonlab, in Spain. This project specialises in using cardboard for stands at events, as decorative elements or even toys, so that less sustainable materials are avoided.

Enric Majoral, financed by Triodos Bank in Spain, uses 100% fair-mined certified gold. A well-established jewellery brand, it promotes fairer labour conditions in a high-impact industry.

In the United Kingdom, we finance the furniture manufacturer Vitsoe that focuses on good design. It makes products that last a long time; that can be repaired and added to; and that are thoughtfully, responsibly and intelligently made.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

While we typically do not finance large-scale infrastructure projects, Triodos Bank promotes an inclusive, sustainable economy and fosters innovation; indeed, Triodos Bank itself is an example of innovation in the banking sector. Triodos Regenerative Money Centre was established in 2019 with the aim to finance innovation and to innovate finance.

Our work for the inclusive finance sector supports efforts to increase access of small-scale enterprises to financial services, including affordable credit.



Reduced inequalities

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

Our collective work is designed to contribute to a fairer and more equitable economy in Europe and around the world. One way we do this is via investment funds that promote inclusive finance, targeting small and medium-sized businesses in emerging markets. We also aim to be a reference point for values-based banking, working alongside partners in networks like the Global Alliance for Banking on Values (GABV), to promote and help deliver a fairer, more equitable society.

Level 2

What we do to make a meaningful difference

We have a comprehensive approach to inequality which includes financing groups at risk of social exclusion.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

During 2020, with the input of our senior leadership we shaped our ambition to be a more diverse and inclusive organisation. A Diversity and Inclusion Officer was appointed in December 2020. In The Netherlands, we have signed the Diversity Charter (see diversiteitinbedrijf.nl). We regularly report and take soundings on diversity and inclusion at stakeholder meetings. Diversity and inclusion will remain high on our list of priorities in 2021.

This work also translates into loans to businesses and organisations that serve and employ people with disabilities or who are otherwise at risk of exclusion. We actively support refugees financially through several initiatives across Europe. For example, PAX in The Netherlands: Peace organisation PAX has found refugees from Syria willing to tell their personal story.

In Spain, we work with the Fundación Secretariado Gitano, an organisation that defends the rights and culture of the minority travelling community.

In The Netherlands we finance 'Specialisterren' enabling people with autism to excel as software testers.



Sustainable cities and communities

Relevant targets: 11.1 ... access for all to ... affordable housing ...

11.4 ... protect and safeguard the world's cultural ... heritage

11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities

Sustainable Finance Platform indicator:

Number of people with access to safe and affordable housing: 59,000.

Floor space of green real estate: 830,000m²

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

We have a proactive policy to finance social and (the transition to) sustainable housing as well as arts and culture projects.

Level 2

What we do to make a meaningful difference

We have approximately EUR 511 million in loans and investments in the social housing sector, providing affordable homes for often excluded groups across Europe. We also finance 720 community projects, for example in not-for-profit employment programmes, youth help centres, integration programmes and other community projects.

We finance EUR 501 million in arts and culture projects, ranging from individual artists to large cultural institutions such as museums and theatres.

The sustainable property sector we finance via Triodos Bank and Triodos Investment Management amounts more than EUR 946 million.

We renovate and refurbish culturally significant buildings and monuments, like Amsterdam's Stadsherstel, and support social, cultural and creative hubs, such as the Bussey Building in Peckham, London.

Another example is a project in Frankfurt, where a building is being renovated for shared housing. This integrative project offers space for students and refugees.

In the United Kingdom, we financed the North Camden Housing Co-operative to redevelop apartments to the passive house retrofit standard and helped SSASSY Springfield Meadow sustainable residential development in Oxfordshire, to Bioregional sustainable certification.

We support community facilities and active spaces serving local people, such as Caterham Barracks Community Trust in Surrey.

In Spain, we finance and collaborate with Impact Hub Madrid, which offers a broad cultural programme in order to help entrepreneurs rethink our cities and communities to achieve a more sustainable life.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

We can contribute most powerfully by financing scalable, inspirational projects that change the perspective of the housing and arts and culture industries. These projects show that social, environmental and cultural objectives can and should be integrated in developing sustainable housing for the whole community.

We can also respond to urgent challenges in society. For example, refugees with the legal status to stay in The Netherlands for five years can now access a mortgage via a special product developed with the Triodos Foundation and a partner (see also SDG 17).

We can also work with partners to advise on how best to attract and apply finance for sustainable infrastructure projects in cities.



Responsible consumption and production

Relevant targets: 12.2 ... sustainable management ... of natural resources

12.5 ... reduce waste generation ...

12.6 Encourage companies ... to adopt sustainable practices ...

Level 1 Baseline policies and activity, to avoid doing any harm in relation to the goal	Our products and services (see qualitative elements in the GABV scorecard) have responsible consumption built in. We positively look to finance companies focused on reducing waste generation and promoting reuse and recycling. We also encourage listed companies to act more sustainably and actively promote responsible consumption.
Level 2 What we do to make a meaningful difference	The efficient use of natural resources is at the heart of much of our finance. We only finance organic agriculture projects for example, and proactively look to finance businesses operating in the circular economy. The farms we finance in Europe, produced the equivalent of 33 million organic meals in 2020. As well as direct lending we have the Triodos Food Transition Europe Fund (EUR 48 million), which invests in privately owned, sustainable consumer businesses. We proactively finance waste reduction and recycling businesses, including Le Champignon de Bruxelles (The Brussels Mushroom), an urban agriculture and circular economy project. Mushrooms are produced with the residue from brewing barley in beer manufacturing. Through Triodos Investment Management's Impact Equities and Bonds department, we engage with large companies, encouraging them to improve their sustainable practices, including by voting as an investor through the Impact Equities and Bonds funds (EUR 2,450 million). In Spain, we financed initiatives, such as ECOALF, a producer of sustainable fashion that uses materials such as used nets from fishermen and waste from the seas. In The Netherlands we finance MUD Jeans, which produces high-quality jeans in a sustainable and fair way. The company works according to the principles of a circular economy. New jeans are made from organic cotton and recycled 'MUD Jeans'. Customers can either buy or lease their jeans. The company believes in 'use' instead of 'ownership'. In this way, consumers can keep up with fashion trends with minimal impact on the environment. Sustainable practices have been an integral to our business from the outset. We integrate sustainability into our reporting cycle as a logical consequence of this focus.
Level 3 The catalysing role we can play to stimulate long-term, transformational change	Through events, articles and public affairs activity we aim to promote an integrated view that responsible consumption and production are closely connected to a better quality of life. We published a vision paper in 2019 on food and farming describing our long-term vision for this sector.



Climate action

Level 1 Baseline policies and activity, to avoid doing any harm in relation to the goal	While most of the specific SDG 13 targets do not relate directly to Triodos Bank's activity, much of our direct loans and investments' finance aims to combat climate change, particularly through finance of the sustainable energy sector, which generated green electricity, equivalent to the electricity needs of 0.7 million households worldwide, avoiding 0.9 million tonnes of CO ₂ emissions in 2020.
Level 2 What we do to make a meaningful difference	All our finance aims to integrate environmental concerns with social, cultural and economic considerations. We enable individuals and businesses to act to combat climate change through our products and services, including green mortgages that incentivise more sustainable homes, and personal loans for spending on sustainable products such as solar panels. We participate in public initiatives through advocacy activity and have built partnerships with others such as Climate Coalition in the United Kingdom.
Level 3 The catalysing role we can play to stimulate long-term, transformational change	In Spain, Triodos Bank has launched together with the Foro de Finanzas Sostenibles (local equivalent of the Sustainable Finance Lab) two new academic reports: 'Sustainable finance, status quo and motivations for its development' and 'Analysis methodology to align finance portfolios and climatic action'. These initiatives aim to mobilise a deep and structural commitment in academia and the banking sector. Triodos Bank became one of the signatories of the Belgian Alliance for Climate Action (BACA). The Belgian Alliance for Climate Action is a joint initiative from The Shift – the Belgian sustainability meeting point for companies, organisations and governmental entities – and WWF Belgium. Launched in October, BACA offers a platform and community for organisations that are serious about their climate ambitions and have chosen – or are willing to choose – the path towards Science Based Targets (SBTs). Triodos Bank supported several climate actions in The Netherlands during the year, including a major Climate March in Amsterdam in the Spring. We are also a member of 'Uitvoeringsoverleg Gebouwde Omgeving', a commission that, together with government ministries, is charged with the practical implementation of the Dutch Climate Agreement in the field of housing and building.



Life below water

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

Our finance in the organic sector aims to reduce marine pollution by focusing on soil quality, water conservation and health.

Triodos Bank's crowdfunding platform has raised finance for Fishtek Marine, an innovative company using new technology to help stop marine creatures becoming tangled in fishing nets.

Level 2

What we do to make a meaningful difference

Level 3

The catalysing role we can play to stimulate long-term, transformational change



Life on land

Relevant target: 15.5 ... halt the loss of biodiversity ...

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

Our policy is not to finance any projects that degrade natural habitats or diminish biodiversity.

Level 2

What we do to make a meaningful difference

Next to financing organic agriculture, we finance conservation organisations, which see agriculture as part of a natural system which encourages greater biodiversity, rather than one of extraction. Around EUR 505 million of our loans and investments were in the organic food and farming and nature development sectors during 2020. They include organisations like Riverford Organic Farmers, a leading United Kingdom organic 'veg box' distributor that has also taken the company into employee ownership.

In The Netherlands we have financed Tjermelan on the island of Terschelling who have created a dark 'sky park', an area where light pollution is eliminated so people can enjoy the darkness overnight.

We actively engage on issues that relate to sustainable investing on the stock market via our research team, on topics such as palm oil, tin mining, commodity scarcity and conflict minerals.

We partner with organisations such as WWF and Greenpeace in some of the countries where we are active and attract donations for their activities through the Triodos Foundation.

In The Netherlands, we have contributed to Radboud University's research into declining insect populations in protected natural reserves, an issue that prompted widespread international coverage.

In Spain, we have financed projects as Cantero de Letur, a pioneer in the production of organic dairy products that has just passed its 30th anniversary. This initiative avoids using pesticides, promoting biodiversity as well as the possibility of living and working in a rural area in the province of Albacete.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

We can contribute to systemic change by demonstrating that enterprises that are focused on greater biodiversity offer a financially viable alternative to the dominant extractive system.

We can also develop new, innovative approaches – such as crowdfunding initiatives increasing education about sustainable agriculture in schools – that punch above their weight, as powerful examples of what's possible.

In 2020, Triodos Bank signed the Finance for Biodiversity Pledge. The signatories commit themselves to collaborating, engaging, assessing their own biodiversity impact, setting targets and reporting on biodiversity matters by 2024 at the latest. We are also a member of the Partnership Biodiversity Accounting Financials, which works to develop a common accounting methodology for the sector's impact on biodiversity.

In the United Kingdom, we have invested resources and expertise in setting up viable financial projects to encourage sustainable private-sector investment in the natural environment to protect and restore biodiversity. This initial collaboration to support environmental projects aims to create sustainable funding models for nature-based investing.



Peace, justice and strong institutions

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

We believe peaceful and inclusive societies require fair and inclusive economies focused on improving quality of life for all. Our finance is firmly focused on this goal.

We finance faith organisations of all kinds that commit to non-coercive expressions of religious belief, from Buddhist centres to Presbyterian churches.

Level 2

What we do to make a meaningful difference

Level 3

The catalysing role we can play to stimulate long-term, transformational change



Partnerships for the goals

Relevant target: 17.3 Mobilise additional financial resources for developing countries ...

Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

We have an open culture that encourages partnerships to help strengthen sustainable financial institutions and mobilise financial resources in developing countries.

Level 2

What we do to make a meaningful difference

Our aim is to enter sustainable markets early and demonstrate that they are financially viable – as we did with the renewable energy industry, lending to some of Europe's first wind farms following the Chernobyl disaster in 1986.

Our work in developing countries is delivered principally through Triodos Investment Management, as described above.

We also run affiliate programmes in product partnership. In the United Kingdom, that includes organisations and charities aligned with our values, such as the Soil Association, Friends of the Earth and RSPB.

In Spain, we have worked together with the New Economy and Social Innovation Forum (NESI) and more than 300 social organisations in the creation of the 'B Plan'. This plan, which promotes a greener economy and has been presented to the Spanish Parliament, is in line with the 'Reset the Economy' Vision Paper from Triodos Bank and the Green Deal from the European Commission.

Level 3

The catalysing role we can play to stimulate long-term, transformational change

We can help promote systemic change by partnering with others. Triodos Bank hopes to co-create new collaborations that better meet the needs of a sustainable economy. We are already aligned with many of the global frameworks through our local activities across our operations. They include the following global initiatives:

- The Global Alliance for Banking on Values (GABV): the GABV uses a scorecard as a structured approach to capture the vision, strategy and results of any bank relative to values-based banking. The scorecard is based on the GABV's Principles of Values-based Banking. It allows a bank to self-assess, monitor, and communicate its progress on delivering values-based banking.
- UN Principles for Responsible Banking: The principles define the global banking industry's role and responsibilities in addressing current societal problems, including social inclusion and the climate emergency. Triodos Bank played a leading role in developing this global framework, as part of the core group of banks who developed the principles and shaped the framework.
- Paris Climate Agreement: Our energy generation portfolio consists of 100% renewable energies – such as wind and solar. This is a sector where we have been leaders and pioneers for four decades.
- We are a founding member of PCAF (the Partnership for Carbon Accounting Financials) and we report the climate contribution of our entire portfolio. PCAF is now a global initiative with over 100 financial institutions collaborating across the world to account for their portfolio climate impact as a first step towards setting targets.
- We have signed the Finance for Biodiversity Pledge that is launched during the Nature for Life Hub in the margins of the 75th UN General Assembly in New York. In the pledge, which was signed by 26 financial institutions from around the globe, the signatories call upon world leaders to reverse nature loss this decade and commit to collaborating, engaging, assessing their own biodiversity impact, setting targets and reporting on biodiversity matters by 2024 at the latest.
- Triodos Bank is also part of the Partnership for Biodiversity Accounting Financials (PBAF), which is working on a harmonised biodiversity accounting approach.

Beyond these collaborations, we are also committed to the following global initiatives: the Global Impact Investing network (GIIN); UN Principles for Responsible Investment (UN PRI); the Diversity Charter; Club of Rome Finance Impact Hub; the Sustainable Finance Lab; Business Principles on Human Rights.

We continue collaborating with networks of financial institutions and others on technical standards, and have good working relationships with many NGOs and civil society groups working on the transformation towards a sustainable financial system, including Finance Watch, Share Action and WWF.

We can, and do, partner selectively with individual thought-leaders and academic organisations to promote a growth-agnostic, sustainable economy that's fit for the 21st century.

Appendix IV– Global Alliance for Banking on Values scorecard – quantitative evidence of our impact

The Global Alliance for Banking on Values (GABV) scorecard provides qualitative and quantitative evidence of the sustainable impact of banks. You can find Triodos Bank's full scorecard here - www.gabv.org/the-impact/the-scorecard. Here, we report the quantitative impact of Triodos Bank, as a strong indicator of Triodos Bank's values-based agenda, not least because these measures are linked to Principles of Values Based Banking, established by the GABV and its members (available on the same page above).

These factors provide insights into the three key elements of a bank's activity, which are fundamental to understanding its focus on values-based banking:

- Focus on a triple bottom line of people, planet and prosperity
- Focus on the real economy, and
- Financial viability.

Triodos Bank's performance in relation to these factors, follows below. Figures for the years 2014-2016 have not been reviewed by the auditor. The 2018 year figures have been adjusted due changes in the accounting principles. For further explanation see the general accounting principles on page 80.

Assets Committed to the Triple Bottom Line to Total Assets

Quantitative factors ¹	2020	2019	2018	2017	2016
Assets Committed to the Triple Bottom Line to Total Assets ²	73.9%	74.5%	76.3%	75.3%	77.0%

1 IFRS - EU was adopted as of 1 January 2018, and therefore the figures for 2020, 2019 and 2018 are reported under / adjusted to IFRS. Figures for 2017 and 2016 are reported under Dutch Gaap.

2 The assets and revenues committed to the Real Economy and to the Triple Bottom Line for the year 2016 have not been reviewed.

This figure provides the best indication of a bank's commitment to sustainability. Triple Bottom line assets don't just mean assets in the real economy. They specifically refer to assets focused on positive social, environmental and economic benefits.

Not all assets will be committed, however, because some liquidity needs to be available for the bank to support its clients in case of disruptions in the market such as repaying savings deposited with it, for example. This figure relates to assets on the balance sheet only.

Assets Committed to the Real Economy to Total Assets

Quantitative factors ¹	2020	2019	2018	2017	2016
Assets Committed to the Real Economy to Total Assets ²	75.4%	75.7%	77.4%	80.2%	80.6%

1 IFRS - EU was adopted as of 1 January 2018, and therefore the figures for 2020, 2019 and 2018 are reported under / adjusted to IFRS. Figures for 2017 and 2016 are reported under Dutch Gaap.

2 The assets and revenues committed to the Real Economy and to the Triple Bottom Line for the year 2016 have not been reviewed.

Values-based banks are strongly and directly connected to financing the real economy because that's where they can have a positive impact on people's lives and safeguard the environment. Triodos Bank lends and invests in the real economy for this reason.

Real economy assets in a values-based bank should, therefore, be relatively high. By the same token financial economy assets should be relatively low because their impact on people's lives is, at best, indirect.

Triodos Bank targets a ratio of loans (all of which are in the real economy) to deposits of 75 to 85% to make sure it always has enough money available (or liquidity) to support its clients in case of disruptions in the market. Where it is possible to do so, and to have access to the banking services we need, this liquidity is invested in line with Triodos Bank's minimum standards. In 2020 most investments were in 'neutral' organisations like municipalities and sovereign debt.

Revenues from the Real Economy to Total Income

Quantitative factors ¹	2020	2019	2018	2017	2016
Revenues from the Real Economy to Total Income ²	97.6%	96.6%	92.3%	90.4%	86.9%

1 IFRS - EU was adopted as of 1 January 2018, and therefore the figures for 2020, 2019 and 2018 are reported under / adjusted to IFRS. Figures for 2017 and 2016 are reported under Dutch Gaap.

2 The assets and revenues committed to the Real Economy and to the Triple Bottom Line for the year 2016 have not been reviewed.

If a bank is earning more of its revenues from the real economy, it is both making more of a difference to people's lives and is a more resilient institution.

Revenues from the financial economy tend to be more volatile, are more removed from most people's lives, are highly unlikely to be sustainable and mean a bank is less resilient over the long term.

Bank Resiliency through Earnings – 3 year Average Return on Assets

Quantitative factors ¹	2020	2019	2018	2017	2016
Bank Resiliency through Earnings - 3 year Average Return on Assets	0.28%	0.32%	0.31%	0.37%	0.45%

1 IFRS - EU was adopted as of 1 January 2018, and therefore the figures for 2020, 2019 and 2018 are reported under / adjusted to IFRS. Figures for 2017 and 2016 are reported under Dutch Gaap.

Return on Assets figures tell you how profitable a bank is and are a good measure of a bank's operating performance. This is important because sustainable banks need to be resilient financially, in order to deliver long term, positive impact.

It's also reasonable to assume that if a bank's profits are excessively high they may be taking inappropriate risks and may be enjoying unreasonable profits at the expense of their customers.

The decline compared to last year is mainly related to the COVID-19 impact on our impairments and net profit, while the balance sheet total grew by 15% in 2020.

Bank Resiliency through Capital – Equity to Total Assets

Quantitative factors ¹	2020	2019	2018	2017	2016
Bank Resiliency through Capital - Equity to Total Assets	8.7%	9.9%	10.2%	10.2%	10.0%

1 IFRS - EU was adopted as of 1 January 2018, and therefore the figures for 2020, 2019 and 2018 are reported under / adjusted to IFRS. Figures for 2017 and 2016 are reported under Dutch Gaap.

The Equity to Total Assets ratio tells you how strong a bank is. It includes the total balance sheet, which means it provides a transparent and conservative measure of a bank's resiliency. This is important for values-based banks which are focused on lasting benefits to society, and want to develop strong capital positions that make them stronger over the long-term.

Other measures, such as risk weighted assets, are used for the same purpose but they are both more complex and less transparent, so the scorecard has chosen to use Equity to Total Assets instead.

As a guide, a benchmark figure of 8% is significantly higher than regulatory requirements. Triodos Bank's equity to total assets figure has consistently been well above this level. In 2020 Triodos Bank increased its equity by 1%, or EUR 7 million, from EUR 1.201 million to EUR 1.208 million. This increase includes net new capital by DR growth and retained net profit. Triodos Bank's balance sheet total grew by 15% to EUR 13.9 billion (2019: 12.1 billion) caused by a significant growth of funds entrusted and lending during the year in all banking entities.

Bank Resiliency through Asset Quality – Low-quality Assets to Total Assets

Quantitative factors ¹	2020	2019	2018	2017	2016
Bank Resiliency through Asset Quality - Low-quality Assets to Total Assets	1.5%	1.1%	1.3%	1.9%	2.5%

1 IFRS - EU was adopted as of 1 January 2018, and therefore the figures for 2020, 2019 and 2018 are reported under / adjusted to IFRS. Figures for 2017 and 2016 are reported under Dutch Gaap.

Low quality assets (such as loans to enterprises that struggle to repay them), at levels significantly above the market average, are generally a bad thing for banks because they represent the risk of financial losses in the future.

Values-based banks should have strong customer relationships, and have a deep understanding of their activities and the sectors they work in. Together this will limit the chances of loans and investments going wrong in the first place and should make working through challenges with clients easier when problems do occur. Meaningful relationships with customers and precisely this expertise, is at the core of Triodos Bank's approach to banking.

Triodos Bank's low-quality assets to total assets ratio is below the market average in all the countries where it operates. In 2020, the volume defaulted exposures was materially impacted by the effects of COVID-19, resulting in a higher Low-quality Assets to Total Assets ratio.

Bank Resiliency through Client Based Liquidity – Client Deposits to Total Assets

Quantitative factors ¹	2020	2019	2018	2017	2016
Bank Resiliency through Client Based Liquidity - Client Deposits to Total Assets	84.6%	88.5%	88.0%	88.1%	88.4%

¹ IFRS - EU was adopted as of 1 January 2018, and therefore the figures for 2020, 2019 and 2018 are reported under / adjusted to IFRS. Figures for 2017 and 2016 are reported under Dutch Gaap.

Banks finance their assets (such as loans, investments and their wider activities) with money that's either:

- deposited with them by customers,
- and/or borrowed from others (mostly other banks) and then lent on to clients,
- or sourced from investors.

A large amount of borrowing from the markets to finance a bank's activity is, by definition, riskier because markets are more volatile. Banks are both stronger and more values-based when more of the money they use to finance their activity comes from customers.

High levels of funding from customers' deposits suggests a strong connection with clients and the real economy – both important elements of a values- based bank.

Triodos Bank funds all its lending from customers' deposits.

Appendix V - The United Nations Principles for Responsible Banking

In September 2019 Triodos Bank signed the UN principles of Responsible Banking. The principles define the global banking industry's role and responsibilities in addressing current societal problems, including the climate emergency and inequality. They were launched, to some fanfare, during 'climate week' in New York during the summer. Triodos Bank played a leading role in developing this global framework, as part of the core group of banks who developed the Principles and shaped the framework. Currently over 200 banks globally had signed up to the Principles.

The participating banks promise to strategically align their business with the goals of the Paris Agreement on Climate Change and the Sustainable Development Goals and scale up their contribution to the achievement of both. By signing up to the Principles, banks said they believe that "only in an inclusive society founded on human dignity, equality and the sustainable use of natural resources", can help their clients, customers and businesses thrive.

Triodos Bank is one of them. And as part of this we are committed to provide an update on what we have done or are doing in relation to each principle. The summary below highlights this work.

Principle 1:

Identifying society's goals as expressed in the SDGs/ Paris Agreement/other relevant frameworks. Aligning the bank's business strategy with the identified goals

Triodos Bank is in business to help create a society that protects and promotes the quality of life of all its members, and that has human dignity at its core. Since 1980, we have enabled individuals, organisations and businesses to use their money in ways that benefit people and the environment. As a result, we only finance social, environmental and cultural sectors. Principle 1 is implemented as a logical consequence of this approach. Our annual report integrates relevant frameworks and goals throughout all chapters of the executive board report. Specifically, chapter Impact and financial results (see page 36), Understanding impact (see page 58), and the Appendix III – UN Sustainable Development Goals (see page 343) highlights our work in relation to the Paris Agreement and other frameworks. Prior to the creation of the SDGs, Triodos Bank has always produced an integrated annual report showing how sustainability is embedded in Triodos Bank's strategy (see www.triodos.com/vision-on-impact).

Principle 2:

Based on a portfolio impact analysis identifying the bank's most significant (actual and potential) positive and negative impacts. Setting SMART targets that address the bank's most significant impacts, and drive alignment with the SDGs/Paris Agreement/other relevant frameworks

Triodos Bank's focus is to deliver positive impact, as described above. We assess and manage our impact in a couple of ways:

Impact Prism

A prism breaks light up into its constituent spectral colours. In a similar way, Triodos Bank Impact Prism takes information about a project we finance, breaks it down and provides insights about its various parts. Relationship managers assess loans or investments at the outset and periodically against four different impact areas of the Prism: people, planet, prosperity and purpose.

The Prism scores awarded on all four areas provide insights into the sustainability value of our projects.

This mechanism uncovers opportunities to increase the impact of the customers and projects we finance. This analysis allows us to understand, monitor and steer on impact in a more deliberate way. Ultimately, we can work with our clients to have a greater – and more targeted – impact.

From 2019, we integrated the Prism into our daily business processes. Usage steadily increased during 2020. The tool was used for more new clients and the coverage of the total portfolio improved. Due to the focus on the COVID-19 pandemic, we have not yet made sufficient progress to be able to report aggregated results.

Next steps include improving added value for clients and relationship managers, adjustments for better usage of the tool and starting meaningful reporting on client, sector and – eventually – Group level. We intend to report the results of this work next year when the system has been embedded more thoroughly.

Our emissions & PCAF

Alongside our Impact Prism, we measure our own (direct) and financed (indirect) emissions during the lifecycle of a loan or investment. These results clearly indicate that financing a sustainable economy for many years has resulted in substantial avoided emissions relative to our generated and sequestered emissions. Our direct emissions are reported in our Environmental report. Our financed emissions are measured through PCAF and reported in the Climate impact of our loans and funds' investments (see page 53) section.

Although Triodos Bank believes that the emissions of our loans and investment portfolio are relatively low compared to other financial institutions, the analysis identifies high-emissions sectors in our portfolio that need effective plans to support a sustainable and inclusive transition towards a climate-neutral portfolio. Developing and setting science-based targets in 2021 will help develop ambitious but necessary plans.

Metrics

For our key sectors, we monitor positive impact in numbers our loans and investments we generate within our three main impact sectors (environmental, social and cultural impact). These metrics can be found in chapter Impact by sector (see page 49).

SDG reporting

We also define our aspirations in relation to the SDGs specifically, in the appendix, on three levels; our baseline activity, direct activity and where we can play a role as a catalyst for systemic change. More on the specifics and governance of our impact management can be found in Understanding impact (see page 58).

Principle 3: Working with clients and customers to achieve more sustainable outcomes

This principle is safeguarded through our policies and implemented through our business as this is key for reaching positive impact. Given the sustainable orientation of Triodos Bank's business we have always engaged in dialogue with clients about optimising sustainability impact.

Our policies:

Our lending criteria, business principles and minimum standards focus on working with clients to achieve more impact.

Implementation:

Given the sustainable orientation of Triodos Bank's business we have always engaged in dialogue with clients about optimising sustainability impact. With the Impact Prism we have a mechanism to talk to customers about opportunities to increase their impact. This analysis allows us to understand, monitor and steer on impact in a more deliberate way. This way, we can work with our clients to have a greater – and more targeted – impact. This includes working with clients to help them think more cross-sectorally to increase their positive social and environmental impact.

During 2020 we engaged with customers working in sectors with the largest greenhouse gas emissions, relative to our wider loans and investments, to improve carbon footprint data quality, and as a first step before discussions about footprint reductions in future years. We also offer products to incentivise more sustainable outcomes, such as a mortgage which offers a discounted interest rate for more energy efficient houses and additional discounts to help customers make environmental improvements to their home.

Since 2018, The European Investment Fund (EIF) and Triodos Bank have worked on the Social Entrepreneurship guarantee agreement in The Netherlands under the EU Programme for Employment and Social Innovation (EaSI). This new guarantee agreement allowed us to provide a total of EUR 65 million to 430 social entrepreneurs over 5 years in the Netherlands, Belgium, Spain and France. Social entrepreneurs benefit from loans at a reduced interest rate with lower collateral requirements under the EU supported programme. Triodos Bank provides financing to a vast range of social enterprise sectors, targeting innovative, socially-oriented start-ups, companies in the organic food supply chain, sustainable fashion, labour exclusion, as well as organic and sustainable hotels, and restaurants.

Principle 4:
Consulting, engaging and/or partnering with stakeholders in order to improve the bank's impacts. Developing a stakeholder engagement policy/process.

Triodos Bank was a co-founder of a number of initiatives which foster the development of approaches to improve the impact of the bank and the wider sector; they include the Dutch Sustainable Finance Lab (and a similar initiative developed in Spain in 2019), and the Global Alliance for Banking on Values, a network of independent sustainable banks, which Triodos Bank chairs.

In our section on Changing finance (see page 63), we report on our collaborations in the financial sector at a national and international level.

In addition, we engage with stakeholders throughout the year at a national, regional and sectoral level, including a stakeholder engagement meeting at Triodos Bank's Head Office, the process and results of which are reported in Our stakeholders and material topics (see page 20).

Principle 5:
Having an effective governance structure in place that will enable implementation of the Principles. Developing a culture of responsible banking within the bank.

Triodos Bank's governance structure stems from its sustainability agenda which is aligned, and in some

ways goes beyond the principles for responsible banking. Triodos Bank does not have shareholders, but Depository Receipt holders instead, and it is not listed on a stock exchange. This structure helps safeguard its mission and optimise its sustainability impact. Our values and our mission are continuously reinforced within our culture by being fully integrated into our operations. We have not separated sustainability as a department or a function – it is intrinsic to everything we do in the organisation. In 2020, impact management was explicitly embedded in our governance with the creation of the Triodos Group Impact Committee (TGIC). This was partially triggered by growth of our bank, together with the growing regulatory and non-financial reporting requirements. This committee is the Executive Board's delegated body overseeing the development of impact management. It is responsible for strategy and operational activity relating to impact and for creating a Group-level framework for managing impact. The TGIC supports and enables co-workers in pursuing their individual responsibilities within the organisation to manage and deliver impact. Since its establishment in September 2020, the TGIC focuses on target setting; streamlining our impact data capture; external commitments which are in line with our mission; and embedding growing regulatory requirements, resulting from the EU Action Plan on Sustainable Growth (Sustainable Finance Action Plan, SFAP). Triodos Bank's culture also stems from this mission and is detailed in Co-worker report (see page 66).

Principle 6:
Reporting on positive and negative impacts, and progress made on targets and implementation of the Principles.

This annual report, and this section of it in particular, details our progress in the implementation of our mission, which focuses on delivering positive impact for people and the environment. As such it meets these goals. We have made a deliberate choice to use impact-based targets sparingly to ensure that we 'hit the target without missing the point'. This approach is explored in more detail in Understanding impact (see page 58). We aim to assess both the positive and negative impacts on sustainability of all the loans and investments we make, via Triodos Bank's Impact Prism and our PCAF

report. In addition, we use negative screening criteria to avoid financing sectors we consider to be inherently 'unsustainable' such as the fossil fuel industry.

Appendix VI – Co-worker and environmental statistics

Co-worker statistics

Co-worker statistics are gathered through various HR systems and consolidated by Group HR throughout the

year. By setting group definitions for all countries, we assume all co-workers are in scope and statistics are calculated consistently.

Social key figures¹

	2020		2019		2018		2017		2016	
	Inside NL	Outside NL	Inside NL	Outside NL	Inside NL	Outside NL	Inside NL	Outside NL	Inside NL	Outside NL
Number of co-workers at year-end	889	703	791	702	737	690	700	677	631	640
Average number of ftes during the year ²	740.6	668.1	677.1	668.6	649.1	647.6	593.8	604.5	523.5	566.1
Number of ftes at year-end ²	792.6	670.5	703.3	667.1	658.0	659.4	618.5	630.5	560.5	594.8
Sickness rate	3.7%		4.3%		3.8%		3.3%		2.8%	

¹ The co-worker report includes everyone employed by Triodos Bank.

² Fte stands for full-time equivalents and is the number of co-workers calculated on a full-time basis per week. (For The Netherlands this is 40 hours, Belgium 37 hours, United Kingdom 37.5 hours, Spain 37 hours, for Germany 40 hours and for France 35 hours).

Training expenses per co-worker

	2020	2019	2018	2017	2016
The Netherlands ¹	1,287	2,237	1,242	1,681	1,745
Belgium	1,130	1,012	1,669	1,531	1,150
United Kingdom	1,162	1,431	1,124	968	1,095
Spain	459	626	565	554	467
Germany	941	1,375	1,288	1,055	741
France	3,025	2,722	3,906	2,323	1,327
Head office	1,341	2,321	2,901	2,101	2,328
Triodos Investment Management ²	2,143	3,715	2,173	2,298	2,261
Average	1,207	1,840	1,602	1,471	1,435
Increase	-34.4%	14.8%	8.9%	2.5%	-15.2%

1 All references to The Netherlands in the co-workers figures include the Dutch Private Banking department.

2 The co-workers figures of Triodos Investment Management includes TIAS as of 2019, since TIAS no longer exists as a separate entity.

Training days per co-worker

	2020	2019	2018	2017	2016
The Netherlands	1.9	4.0	3.3	2.9	2.9
Belgium	1.2	2.2	4.0	3.5	2.7
United Kingdom	2.0	1.7	6.9	4.3	1.8
Spain	5.2	9.6	7.8	8.1	7.3
Germany	2.6	4.1	4.9	2.5	1.4
France	-	4.8	6.6	4.9	2.4
Head office	2.7	4.0	6.2	3.8	3.8
Triodos Investment Management	1.7	4.2	3.4	2.0	1.8
Total	2.6	4.7	5.5	4.3	3.7

Age categories of co-workers of Triodos Bank at year end

	2020		2019		2018		2017		2016	
	#	%	#	%	#	%	#	%	#	%
< 28 yr	94	5.9%	85	5.7%	58	4.1%	72	5.2%	66	5.2%
28 – 35 yr	305	19.2%	283	19.0%	288	20.2%	295	21.4%	309	24.3%
35 – 42 yr	403	25.3%	415	27.8%	416	29.2%	406	29.5%	366	28.8%
42 – 49 yr	350	22.0%	326	21.8%	303	21.2%	315	22.9%	296	23.3%
49 – 56 yr	289	18.2%	250	16.7%	245	17.2%	198	14.4%	162	12.7%
>= 56 yr	151	9.5%	134	9.0%	117	8.2%	91	6.6%	72	5.7%
Total	1,592	100.0%	1,493	100.0%	1,427	100.0%	1,377	100.0%	1,271	100.0%
Average age	41.9		41.7		41.7		41.4		40.7	

Years of service of co-workers of Triodos Bank at year end

	2020		2019		2018		2017		2016	
	#	%	#	%	#	%	#	%	#	%
0-1 yr	230	14.4%	209	14.0%	173	12.1%	212	15.4%	238	18.7%
1-3 yr	342	21.5%	323	21.6%	374	26.2%	401	29.1%	348	27.4%
3-5 yr	293	18.4%	328	22.0%	297	20.8%	241	17.5%	218	17.2%
5-10 yr	454	28.5%	375	25.1%	367	25.7%	339	24.6%	312	24.5%
10-15 yr	192	12.1%	179	12.0%	140	9.8%	118	8.6%	96	7.6%
> 15 yr	81	5.1%	79	5.3%	76	5.3%	66	4.8%	59	4.6%
Total	1,592	100.0%	1,493	100.0%	1,427	100.0%	1,377	100.0%	1,271	100.0%
Average years of service ¹	5.2		5.2		5.0		5.1		4.9	

¹ The figures published in the 2018 annual report have been updated because they included inactive co-workers, in error. The average years of service in 2018 have been adjusted from 6.4 to 5.0 as a result.

Sickness rate

	2020	2019	2018	2017	2016
The Netherlands	4.0%	5.5%	5.1%	5.9%	3.7%
Belgium	6.5%	6.1%	3.6%	3.8%	3.5%
United Kingdom	2.5%	2.4%	2.4%	2.2%	2.2%
Spain	4.6%	5.8%	5.6%	3.4%	2.7%
Germany	4.5%	3.9%	2.8%	3.3%	2.7%
France	3.6%	2.2%	0.8%	0.0%	0.0%
Head office	3.1%	3.0%	2.7%	2.5%	3.0%
Triodos Investment Management	1.8%	2.7%	2.7%	2.1%	2.1%
Total¹	3.7%	4.3%	3.8%	3.3%	2.8%

1 Our sickness rate were above our target, which is not to exceed 3%. One of the reasons for this is reported as an increase in work load by co-workers. Our response to this is detailed in the co-worker report (page **) and focuses on promoting well-being, working more efficiently and flexible working.

Attrition

	2020	2019	2018	2017	2016
The Netherlands	8.2%	8.8%	11.3%	9.4%	5.1%
Belgium	10.1%	13.6%	9.4%	12.1%	12.3%
United Kingdom	7.7%	13.9%	15.0%	15.4%	11.9%
Spain	4.2%	5.7%	5.9%	6.2%	4.9%
Germany	10.3%	4.7%	10.6%	3.5%	7.7%
France	100.0%	46.7%	13.3%	10.0%	0.0%
Head Office	8.2%	8.0%	6.3%	5.5%	4.7%
Triodos Investment Management	8.2%	12.9%	7.6%	9.3%	15.8%
Total¹	8.2%	9.9%	8.9%	8.6%	7.9%

1 In some business entities our attrition rate exceeds our target of 5-10%. This is sometimes related to specific local circumstances and changes in the organisation. As the total is still within the 10% this is not our main concern.

Contract type

Contract type ¹	2020		2019		2018		2017	
	Fixed	Perma- nent	Fixed	Perma- nent	Fixed	Perma- nent	Fixed	Perma- nent
The Netherlands and Private Banking NL	7	333	55	238	46	215	44	203
Belgium	4	152	2	137	2	138	3	136
United Kingdom	10	195	18	178	21	159	8	159
Spain	5	269	15	271	13	268	10	280
Germany	1	67	-	68	6	58	3	63
France	-	-	-	10	-	15	2	13
Head Office	8	334	47	270	38	262	27	242
Triodos Investment Management	17	190	28	156	19	167	34	150
Total²	52	1,540	165	1,328	145	1,282	131	1,246

1 In the General Disclosures of the GRI Standards, Disclosure: 102-8, the requirement has been added: 'Total number of employees by employment contract (permanent and temporary), by region'. Therefore, as of 2016 we report the number of fixed and permanent contracts at year-end.

2 The majority of the organisation's work is performed by co-workers under contract with Triodos Bank. The majority of all co-workers under contract with Triodos Bank are covered by collective bargaining agreements.

Total number of co-workers by contract, by gender

	2020		2019		2018	
	Fixed	Permanent	Fixed	Permanent	Fixed	Permanent
Male	30	780	91	662	78	646
Female	22	760	74	666	67	636
Total	52	1,540	165	1,328	145	1,282

Total employees (payroll) covered by collective bargaining agreements

	2020				2019			
	Total	Non CBA	CBA		Total	Non CBA	CBA	
The Netherlands	889	4	885	99.6%	791	3	788	99.6%
Belgium	156	-	156	100.0%	140		140	100.0%
United Kingdom	205	205	-	0.0%	198	198	-	0.0%
Spain	274	-	274	100.0%	286		286	100.0%
Germany	68	68	-	0.0%	68	68	-	0.0%
France	-	-	-	0.0%	10	10	-	0.0%
Total	1,592	277	1,315	82.6%	1,493	279	1,214	81.3%

Environmental statistics

Environmental key figures

	2020	2019	2018	2017	2016
Energy consumption (in buildings)					
total electricity consumption in kWh	2,627,044	2,869,520	2,681,588	2,702,961	2,787,348
Electricity in kWh/fte	1,742	1,980	1,930	2,079	2,329
Total gas consumption in m ³	68,888	143,816	143,935	132,167	122,829
Gas in m ³ /fte	46	99	104	102	103
Business travel					
By aircraft in km/fte	760	3,622	3,452	3,920	4,113
By car in km/fte	414	888	1,036	1,020	1,188
By public transport km/fte	194	631	589	684	648
Commuting¹					
By car in km/fte	1,536	3,582	4,025	4,318	4,535
By carpool in km/fte	50	94	182	145	118
By public transport in km/fte	851	4,791	3,361	3,454	3,458
By bike or on foot in km/fte	317	1,282	606	591	601
Paper usage					
Total paper usage in kg/fte	34	67	81	85	112
Blank copy recycled paper in kg/fte	3	11	13	13	17
Letter head paper/leaflets/etc. in kg/fte	31	56	68	72	95
Letter head paper/leaflets/etc. in kg/customer	0.06	0.11	0.13	0.14	0.17
Co-workers					
Ftes	1,404	1,346	1,297	1,197	1,089
External, temporary co-workers	105	104	93	103	102
Buildings (absolute figures)					
Surface area in m ²	36,409	36,734	34,321	33,792	33,792
Volume in m ³	122,954	123,929	114,445	112,678	112,678

1 For commuting, we excluded data from external staff for extrapolation to the total of commuting kilometres for co-workers.

Emission of CO₂ (equivalents)

in thousands of kg	2020	2019	2018	2017	2016
scope 1					
Gas consumption (heating)	61	70	73	72	73
Fossil fueled company cars & lease cars	109	197	156	162	175
scope 2					
Electricity ¹	14	22	7	13	22
Electric company cars & lease cars ²	42	65	19	8	6
scope 3					
Privately owned cars, rental cars & taxi's	469	1,122	1,312	1,319	1,319
Public transport	34	173	105	268	243
Flights	215	1,129	997	1,082	1,083
Paper	65	123	143	140	203
TOTAL³	1,011	2,901	2,812	3,064	3,123
Minus: Compensation for CO ₂ credits	--1,011	--2,901	--2,812	--3,064	--3,123
CO₂ balance (neutral)	-	-	-	-	-
CO ₂ compensation costs per tonne (EUR)	10.95	8.40	8.40	8.40	8.40

1 Due to changes in the method of calculation, the CO₂ emissions of electricity has fluctuated in previous years.

2 As the source for electricity is not always clear, we assume grey electricity for charging.

3 For the calculation of the total emissions, the unrounded values of the items were used, which might give a different result than the sum of the rounded values.

Methodology

The data to calculate the final CO₂ footprint of Triodos Bank are collected by Local Environmental Managers (LEMs) in the various countries where Triodos Bank has its operations. They complete all data, including underlying evidence, in a CO₂ Management Application of the Climate Neutral Group (CNG). The Environmental manager in The Netherlands checks if the input of all data and evidence has been done correctly. After the completion of this phase, all data is consolidated by the Finance Division (using the four eyes principle). Finally, an external auditor checks if all relevant data has been entered accurately and approves the outcome. CNG determines conversion factors for the calculation of the amount of greenhouse gas emissions caused by Triodos Bank on an annual basis. The conversion factor multiplied by the outcome of the different components results in Triodos Bank's total CO₂ footprint.

The CO₂ footprint breakdown in different scopes is in line with international standards like the Greenhouse Gas protocol (GHG Protocol) and the Global Reporting Initiative (GRI).

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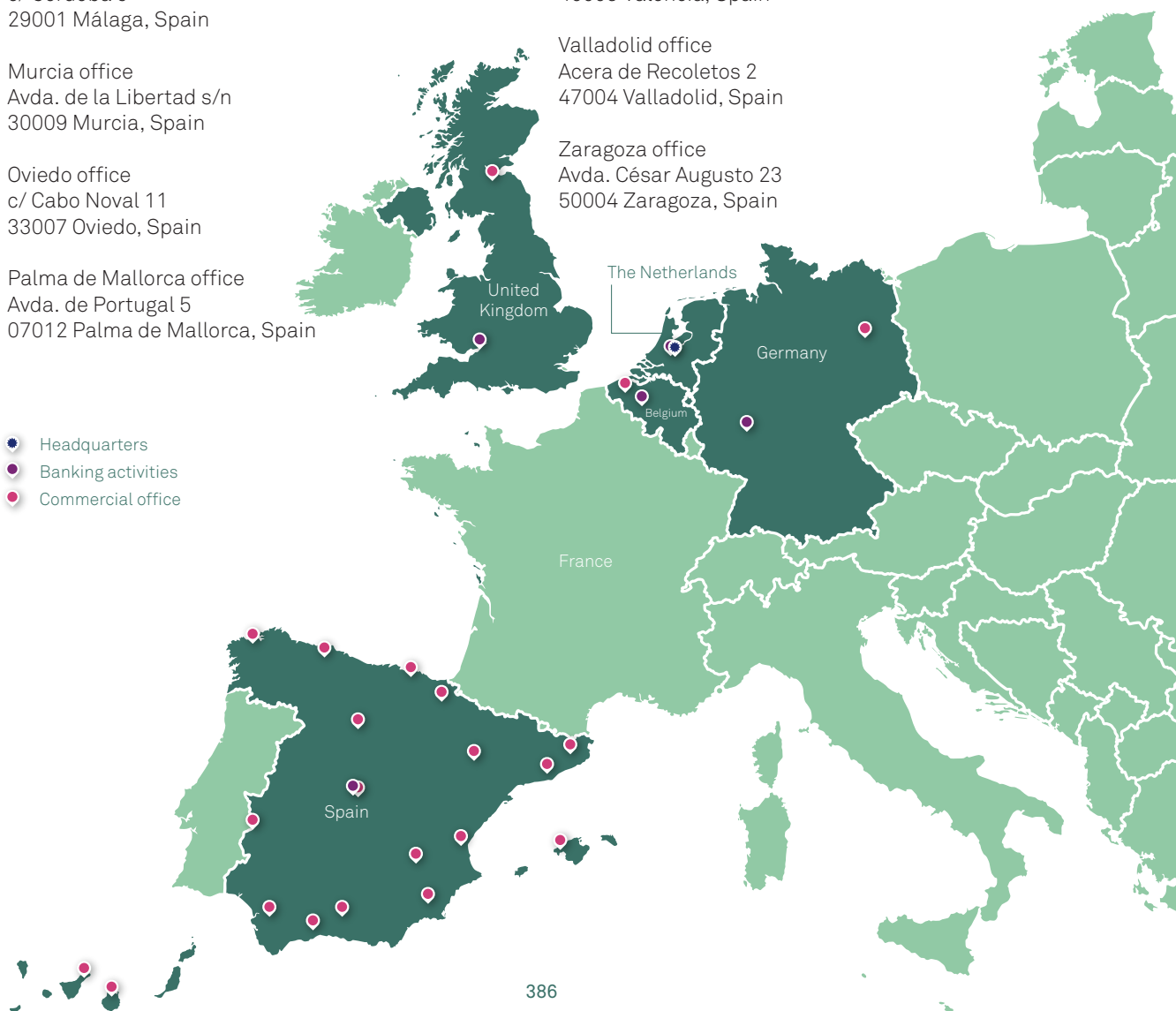
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Sustainable banking

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