Triodos Bank

Annual Report 2018

Triodos Bank produces a printed version of the English Annual Report. We do this because some of our stakeholders want to read the report in this format and because we are legally required to provide the Annual Report as a comprehensive, single document.

However, we have chosen to put more energy into producing the Annual Report online. The online Annual Report includes content that is not in this document including films highlighting the extraordinary work of the sustainable enterprises we finance and an interview with our CEO.

However you choose to read or view the Annual Report, we hope it provides you with a rich picture of Triodos Bank's values-based mission, strategy and impact in the wider world.

www.annual-report-triodos.com

Triodos Bank

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	17 May 2019
Ex-dividend date	21 May 2019
Dividend payment date	24 May 2019

Annual Report 2018
Triodos Bank N.V.

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

Interview with Peter Blom, CEO
Annual Report 'at a glance' – A brief summary of our performance
Europe's sustainable bank – Integrated summary of branch 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 2018

Key figures

Amounts in millions of EUR	2018	2017	2016	2015	2014
Financial					
Equity	1,131	1,013	904	781	704
Funds entrusted	9,558	8,722	8,025	7,283	6,289
Loans	7,274	6,598	5,708	5,216	4,266
Balance sheet total	10,870	9,902	9,081	8,211	7,152
Funds under management[1]	4,673	4,604	4,373	4,087	3,480
Total assets under management	**15,543**	**14,506**	**13,454**	**12,298**	**10,632**
Total income	266.2	240.3	217.6	211.6	189.6
Operating expenses	–211.8	–190.2	–171.9	–150.2	–138.4
Impairments loan portfolio	–3.5	–1.8	–5.7	–7.6	–11.1
Value adjustments to participating interests	–0.5	1.3	–1.5	0.2	0.2
Operating result before taxation	50.4	49.6	38.5	54.0	40.3
Taxation on operating result	–11.8	–12.2	–9.3	–13.3	–10.2
Net profit	**38.6**	**37.4**	**29.2**	**40.7**	**30.1**
(Common) equity tier 1 ratio	17.7%	19.2%	19.2%	19.0%	19.0%
Leverage ratio	8.7%	8.9%	8.8%	8.4%	8.8%
Operating expenses/total income	80%	79%	79%	71%	73%
Return on equity in %	3.6%	3.9%	3.5%	5.5%	4.4%
Return on assets in %	0.4%	0.4%	0.3%	0.5%	0.4%
Real Economy assets/Balance sheet total[3]	77.6%	80.2%	80.6%	83.3%	72.2%
Triple Bottom Line assets/Balance sheet total[3]	76.5%	75.3%	77.0%	77.9%	76.9%
Per share (in EUR)					
Net asset value at year end	84	83	82	81	78
Net profit[2]	2.99	3.19	2.83	4.40	3.41
Dividend	1.95	1.95	1.95	1.95	1.95
Number of depository receipt holders	42,416	40,077	38,138	35,735	32,591
Number of accounts – retail	839,242	808,090	759,738	707,057	628,321
Number of accounts – business	68,751	60,339	50,765	44,418	36,320

	2018	2017	2016	2015	2014
Social					
Number of co-workers at year end	1,427	1,377	1,271	1,121	1,017
Co-worker turnover	9%	9%	8%	14%	10%
Women as percentage of management	39%	44%	40%	38%	40%
Ratio of highest to median salary[4]	5.6	5.7	5.7	5.7	5.6
Environment					
Triodos Bank's own emissions, 100% compensation (in ktonne CO_2 eq.)	2.8	3.1	3.1	3.0	3.1
Net emissions in outstanding loans and investments (in ktonne CO_2 eq.)[5]	152	–	–	–	–
Avoided emissions in renewable energy loans and investments (in ktonne CO_2 eq.)[5]	–985	–	–	–	–

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

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

3 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 committed to the Real Economy and to the Triple Bottom Line for the years 2014-2016 have not been reviewed.

4 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. The ratio of the highest to the lowest salary is reported in the co-worker report on page 41.

5 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 lies with the Executive Board. The Executive Board is formally responsible for the management of Triodos Bank. 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, it 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 depositary receipts.

More information about Triodos Bank's Boards is available at www.triodos.com and at the end of the Corporate Governance chapter of this annual report.

Triodos Bank Group structure

Foundation for the Administration of Triodos Bank Shares

Triodos Bank N.V.

Retail & Business Banking
The Netherlands | Belgium | Germany | Spain | United Kingdom

Private Banking
The Netherlands | Belgium

Triodos Investment Management B.V.
Europe | Emerging markets

Retail Banking

Through our European branch network, our goal is to offer our customers a credible set of services 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:

- Nature & Environment
- Culture & Welfare
- Social 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 & Climate
- Emerging Markets
- Sustainable Real Estate
- Arts & Culture
- Sustainable Food & Agriculture
- Socially Responsible Investment (SRI)

Our purpose: sustainable banking

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

Triodos Bank's mission is

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

Ambition

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

Market and core activities

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

As a relationship bank

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

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

As a sustainable service provider

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

Triodos Bank's commitment to meaningful relationships as a key strategic objective, leads to the development of innovative products which directly reflect the mission and values at the core of its work. Product development takes place in all countries.

As a reference point

Triodos Bank wants to stimulate public debate on issues such as quality of life, corporate social responsibility and sustainable banking. Its stakeholders have also encouraged it to focus on its role as a thought leader. Triodos Bank wants to use almost 40 years' experience to encourage society to promote more sustainable development. The implications of this public debate extend well beyond the activities of Triodos Bank itself. Triodos Bank's vision and approach has led to international recognition. Its participation in the public debate, often through high impact events that it hosts and participates in, means people can see what Triodos Bank stands for and hear its opinions about important social trends. Triodos Bank's identity is crucial in this respect, strengthening the Triodos Bank brand and reputation.

Executive Board report

The report in short

The Executive Board chapter provides an overview of Triodos Bank's perspective on the wider world it operates in, its impact and activity in 2018 and its prospects for the future. To help make this chapter easier to navigate we have broken it down into its constituent parts. In essence the chapter is divided between:
- A narrative section: a high-level perspective on the world we're in and Triodos Bank's place in it
- An analysis of key or 'material' issues: these topics are defined by our stakeholders and Triodos Bank, and reported on throughout the report. They inform our strategic objectives, which are also described in this second section, including our progress against our goals and plans for the future
- A third section describes our results, both in terms of the impact our customers deliver and our financial performance. They include how we did across Triodos Bank's branches and Triodos Investment Management. We also describe our products and services and their impact on society, the environment and culture
- A fourth, and final, section summarises our approach and results as a company. This section includes a co-worker and environmental report as well as important risk and compliance information.

We welcome feedback on the annual report. Please tell us what you think by emailing arfeedback@triodos.com.

Ten years on from the financial crisis

Ten years on from the collapse of Lehman Brothers and the impact of the financial crisis, and much has changed in the financial and banking sector. There are powerful examples of positive change that will be necessary if we're to transition to a sustainable, new economy. But too little has been done, too slowly to meet the scale of the challenge. We are now at a stage where that simply has to change.

The International Panel on Climate Change's 2018 report argues forcefully that it is now clear that a 1.5 degree increase in temperature from pre-industrial levels is the threshold beyond which we should not go. That means rapid and far-reaching changes to how we go about our daily lives. And it has profound implications for what we choose to finance as banks, and what we choose not to.

The urgency of a challenge like this requires real choices. It requires banks, like Triodos, to move from being niche players to become front-runners of a mainstream where all banks choose to finance enterprise committed to a new, low carbon and sustainable economy. There should be no 'dark' green or 'light' green banking anymore; there should just be green banking. And it should be the norm.

Has values-based banking's time finally come?

Triodos Bank has always advocated financing the right things in a responsible way. For us that means a well-capitalised, financially sound bank; one that only lends to and invests in sustainable entrepreneurs and their enterprises. There is some evidence that the example that we, and others, have set is being genuinely embraced by others.

During 2018 a coalition of national central banks made an explicit connection between our climate and the stability of the financial system. This has important consequences. It forces real choices about what to finance, and what not. And it demands a clear understanding of the actual impacts of a financial institution, and the decisions it makes, on the climate.

Better decision-making needs better insight: more specifically this means, for example, that banks and others need to assess and understand the carbon footprint of their loans and investments. Triodos Bank has participated in the Platform for Carbon Accounting Financials (PCAF) since its launch at the Paris Climate Conference in 2015. PCAF has developed a methodology to make just these assessments. We report on the results of this work, for the first time, in this annual report. Such is the power of this idea that a US-based version of PCAF has been launched under the leadership of our fellow

Global Alliance for Banking on Values (GABV) member, Amalgamated Bank.

And there are other examples of Triodos Bank influencing the wider financial system, from across our European network. They include our active participation in the All Party Parliamentary Group on Business Banking in the UK, which aims to build a fairer banking system in the UK.

These developments are to be celebrated and encouraged. They are not, however, enough.

Our financial system, and our banks, must change. We failed to take the opportunity to reinvent established ownership structures and governance following the financial crisis. In much of the world we have returned to a shareholder-driven model far too quickly. It is our firm conviction that it is simply not possible to do the right thing as a bank – financing the real economy in a responsible way – and deliver double-digit returns. These profits have once again become the norm. In the immediate aftermath of the financial crisis many banks advocated 'fair returns', not the excessive returns that had in many ways driven the decisions that lead to the crisis itself. But those voices have faded. We need to hear them again and they need to result in fundamental changes in our banks.

From shareholder to stakeholder models

A shift from shareholder to stakeholder priorities, coupled with changes in regulation, can provide a powerful force for the transition to a sustainable economy.

Building on our work in 2017, Triodos Bank has advocated just such a change. Via meetings with regulators and government, public speaking opportunities, white papers, and through our networks, we have argued that the regulators insist on higher capital requirements if they continue to finance 'brown' assets. We believe these assets bring inherent risks with them, given the transition to a sustainable economy that is already underway. Higher capital requirements would be a disincentive to banks to continue to finance fossil fuels, a prerequisite for our economy to decarbonise. Banks need to stop financing brown assets, including fossil fuels. And they need to do it now. In The Netherlands Triodos Bank has played a pivotal role helping to develop a Climate Agreement that puts meaningful national carbon emission targets in place, including a 49% reduction of emissions from the financial sector by 2030.

We are not alone in arguing for these changes. We joined with mainstream banks to develop the UN Principles for Responsible Banking which were launched in Paris in November 2018. The principles are designed to encourage banks – particularly those who are at the start of the journey – to accelerate their transition towards aligning to society's needs and sustainability challenges such as the Paris Climate Agreement and the United Nations Sustainable Development Goals (SDGs). They call for all signatory banks to address the impacts that make the most difference, set public targets and be fully transparent and accountable about progress. And they call on banks to work together with clients and stakeholders to address sustainability challenges. We hope that initiatives like these will help to accelerate the cultural change that is needed within the wider banking system.

Products with a purpose

These goals have translated into practical action throughout 2018 at Triodos Bank. For the third year in a row, Triodos Bank was the leading arranger of renewable energy deals in Europe, financing more deals than anyone else. We further developed a green mortgage in The Netherlands, incentivising homeowners to make significant changes to the environmental performance of their homes. And we have noticed other banks adopting similar approaches, discounting loans to sustainable enterprise. While in the UK, our crowdfunding platform – the first of its kind from a regulated bank in Britain – used the collective power of community to finance a range of innovative sustainable enterprises.

One example is Fishtek Marine, a company that has successfully developed products that protect marine species from unintentional capture and injury as well as increasing catch rates for fishing fleets. Given that fishing nets and lines are responsible for the deaths of over 300,000 dolphins, porpoises and whales, 300,000 seabirds and 250,000 turtles every year, companies like these are increasingly important if we're to address key global challenges.

Organisational developments

Triodos Bank is a mid-size, international bank, which is growing at a steady pace. More complexity and increased regulation due to this growth, as well as developments in the financial sector, bring additional challenges to the organisation.

These challenges require a strategic response which reflects the enhanced importance of sound risk management and compliance at group level. As a result, and in close consultation with the Supervisory Board, we have concluded that it is necessary to enhance the Executive Board (EB) with the addition of a Chief Risk Officer (CRO). Creating a CRO role at Executive Board oversight level will ensure that the critical areas of risk management and compliance are represented at the appropriate level for strategic decision making. This takes the total number of Executive Board members to four. The Supervisory Board has decided accordingly and is expected to announce a candidate for this role in due course.

This change will allow the Chief Financial Officer (CFO) to focus fully on the financial strategy of the bank and to address in more depth the challenge of the increasing role of data quality in relation to financial management and internal and external reporting.

Steady growth and organisational complexity mean the Executive Board is increasingly focused on a more strategic and oversight role. To address these developments adequately, the Executive Board has created a Banking Committee, consisting of the managing directors of the branches and relevant head office directors. The Banking Committee will assume responsibility for the business change agenda.

To further strengthen the alignment between the branches, the Executive Board also intends to appoint a Director of Banking at Group level. This role is to coordinate and steer the operational and business development of the banking branches from a Group perspective. This will enable us to act more as one bank, delivering stable profitably in a more effective, efficient and impactful way. The Director of Banking is a member of the Banking Committee.

Triodos Bank is active in an industry that is changing ever more quickly. Shifting customer expectations, new digital possibilities and increasing regulatory demands affect us in the same way as other banks. In order to become faster and better at delivering value for our customers and positive impact for the communities we serve, as well as improving efficiency and control, we have introduced a new way of working.

A sustainable strategy fit for a changing world

2018 was a year in which we responded to a rapidly changing external environment by revising our strategy. The continuing higher costs of meeting regulation and lower margins because of low interest rates and competition for personal and business customers (either solely on price or from banks eager to lend to attractive 'sustainable' businesses) put pressure on Triodos Bank's profitability. To address this, we have developed new ideas, accelerated existing ones and made difficult choices about things we will no longer do, such as discontinuing funds that have been unable to reach sufficient scale. And we have identified key themes we will prioritise in the coming three years – social inclusion, food and agriculture and energy and climate.

We will continue to focus our energies on developing and delivering products that help deliver our purpose, where there is a clear sustainable element to, or outcome from, a product. And we will create multidisciplinary teams of co-workers from across the group to deliver work more efficiently and effectively by adopting an agile way of working.

We will base much of our future activity on a modern online environment that puts relationships first. During the year, we delivered a new online ecosystem. We launched new apps, online banking services, and new websites in all our branches and Triodos Investment Management. This year's online annual report also reflects our new online signature. We welcome your views on what you like and want to see improve.

Financing the transition: achievements and challenges

Triodos Bank has been working with regulators for over a year to ensure the necessary regulatory and legal frameworks are in place to continue providing services after the withdrawal of the UK from the European Union (Brexit). To ensure Triodos Bank can continue to operate in the UK, a different legal structure is required. This means creating a new subsidiary company wholly owned by Triodos Bank N.V., subject to regulatory approvals and any unforeseen circumstances.

We also made hard decisions to stop some parts of our operations, including closing the Culture and Sustainable Real Estate Funds. The Funds are close to the values of Triodos Bank but have not been able to develop to the scale required to enable them to remain both profitable and deliver significant impact. While the funds have closed the culture and sustainable real estate sector will continue to be an important area for our finance via Triodos Bank's lending activity in our branches.

To deliver more positive impact we also prototyped a new way to manage and report on our impact during the year. Harnessing the input of academics and practitioners from across the Triodos Bank network we have developed tools which, from the start of 2019, will provide more relevant data about the impact we, and our customers, make in the world. This will help us to improve our decision making from an impact, risk and return perspective. And it will provide practical ways to increase the impact we make together. We will report on the outcomes of this work – including more and better information about our contribution to the sustainable development goals – in the 2019 annual report.

These developments have happened against the backdrop of the urgent need for lasting sustainable change. The time for prevarication is over. We need to make choices. In the end, for the banking sector and for industry more widely, this means a joint and joined up effort. Because a sustainable approach, that puts money in the service of people and not the other way around, has to happen now as part of an economically viable future.

Prospects

Triodos Bank will continue to develop its European banking activities through the existing branches and Triodos Finance, an intermediary for Triodos Bank N.V. in France.

To deliver more positive impact for the individuals and communities we serve, building on our unique experience as Europe's only pan-European sustainable bank, we need to operate more as one bank. By doing so, we will improve our service to sustainable enterprises, improve efficiency and we aim to maintain a stable net profit.

Triodos Bank wants to act beyond its immediate boundaries. We will develop new strategic partnerships and we will start offering approved sustainable investment funds from other parties on our own platform in addition to the Triodos Investment Funds, starting in 2019.

To become less dependent on interest income, we will focus on growing our fee income, mainly through the expansion of our Triodos Investment Management activities. We anticipate continuing upward pressure on our cost base due to ongoing regulatory requirements. We recognise that these obligations, that come with the license to operate a bank, are important. In particular the increased responsibility of banks for customer due diligence and transaction monitoring require attention and investment, to both comply and stay fully up-to-date with new developments. Triodos Bank has shortcomings in that respect and has received an instruction from the regulator to improve its processes for customer due diligence and monitoring of customer transactions. We expect to be able to comply with the instruction from The Dutch Central Bank (DNB) in the required timeframe.

Like the financial sector in general, Triodos Bank faces a serious challenge with low interest rates and increasing regulatory costs. And yet, the opportunities for Triodos Bank as a frontrunner in responsible finance are significant. With a controlled growth strategy, generating maximum impact and a stable profit, we expect a healthy development in 2019 and beyond.

Zeist, 20 March 2019

Triodos Bank Executive Board
Peter Blom, Chair
Pierre Aeby
Jellie Banga

A goodbye

At the 2018 Annual General Meeting (AGM), Pierre Aeby announced his decision to retire at the following AGM in May. So this will be the last Executive Board chapter in the annual report that Pierre co-authors.

Pierre's career with Triodos Bank spans more than 20 years. He started as Managing Director of our Belgian branch in 1998 becoming a member of the Executive Board two years later. Since then Triodos Bank's positive impact in the world has increased enormously. The organisation grew from approximately 70 coworkers to more than 1,400, and its total assets under management increased from approximately EUR 400 million to EUR 15.5 billion.

During his time at the bank Pierre has actively contributed to the growth strategy of the group and to the development of a high-quality lending activity, building a solid bank, while always maintaining great attention to a well-balanced impact risk return profile. Over the last years, Pierre focused on the strengthening of the finance and risk management organisation to cope with the group's growing size and complexity and to deal with increasing regulatory requirements after the financial crises.

There will be other opportunities to thank Pierre for his contribution, but we want to mark this report with a sincere and heartfelt thank you, on behalf of the entire co-worker group and our Boards, for his enormous contribution to Triodos Bank's development.

Our stakeholders and material topics

Triodos Bank's stakeholders are key to determining the focus and attention of the organisation's efforts. The following section highlights who Triodos Bank's stakeholders are. It describes the material issues that they and Triodos Bank have identified as most important, and hence provide the focus of its reporting. And it details Triodos Bank's strategic objectives, their progress and the goals for the future.

Stakeholder dialogue: keeping us on our toes

Triodos Bank's three stakeholder groups are defined as the following:

- Those that engage in an economic relationship with the business (e.g. customers, depository receipt holders, co-workers and suppliers)
- Those that don't engage in economic transactions, but who maintain a close interest in Triodos Bank (e.g. NGOs, governments, regulators, the media and the communities who benefit from our finance) from a societal perspective
- Those that provide new insights and knowledge (e.g. advisors and inspirers), prompting us to reflect, rethink and explore new territory.

Actively seeking a connection with the world around us is key to ensuring Triodos Bank remains relevant and can continue to build on its 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. We have benefited from open discussions with them for many years and in varied ways, from hosting evenings of debate with civil society, to organising client days connecting hundreds of customers in all the countries where we work, to depository receipt holder meetings and surveys.

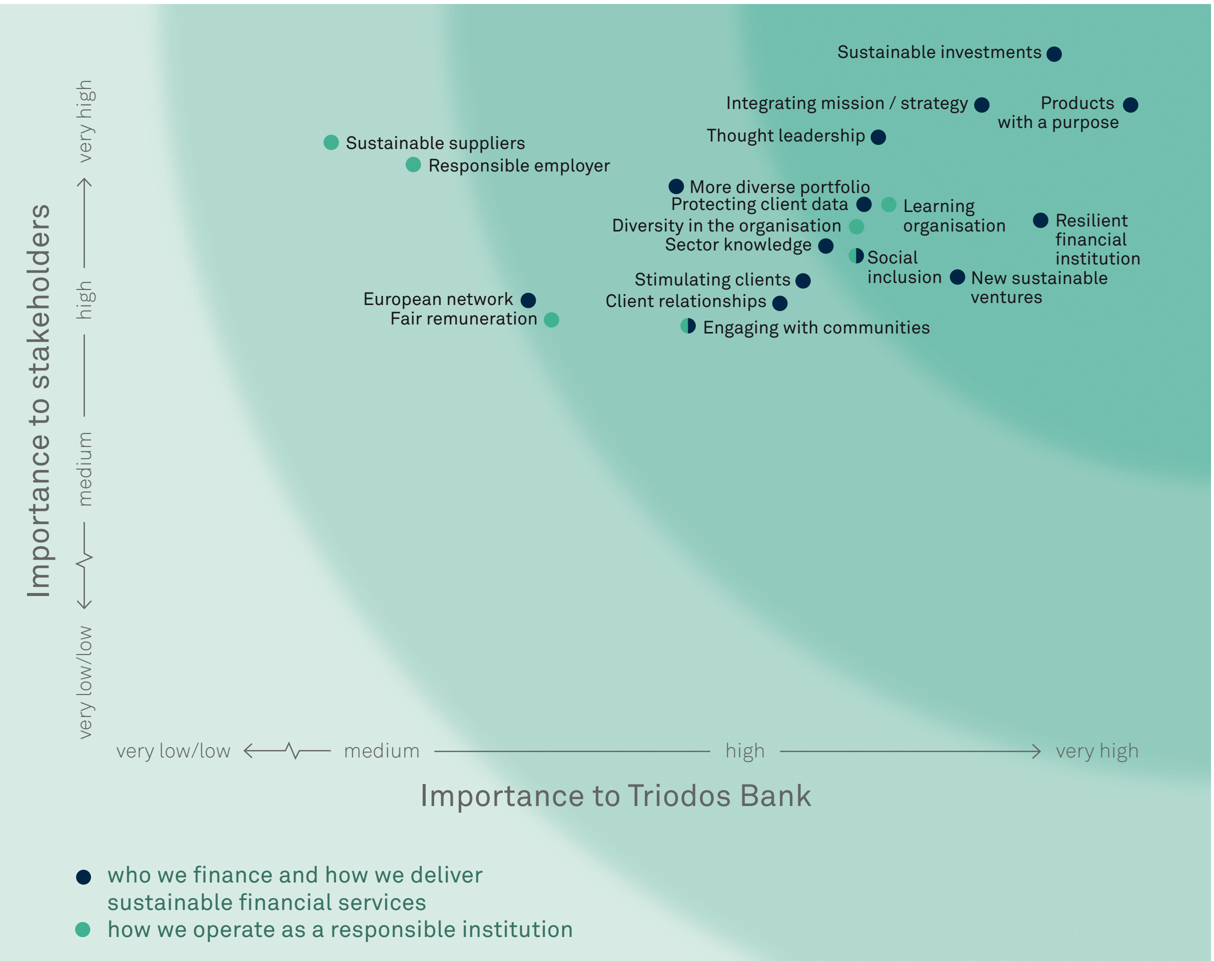
For Triodos Bank, the starting point of any discussion is our essence. So, while some organisations ask their stakeholders what they think they should do, and then proceed to do it, we take a different approach. Our essence defines who we are. It is the fundament to our conversations with the broader stakeholder community. How we bring that essence to life through our actions however, is very much informed by the engagement with our key stakeholders and the developments in society at large.

In addition to numerous interactions throughout the year at all levels of our organisation, we follow a formal process to create an analysis of the issues that are most important both to our stakeholders and ourselves and provide follow-up by integrating these issues into our management objectives. Consequently, we report on the progress of these objectives following the Global Reporting Initiative's Standards guidelines.

Increasingly, companies are encouraged to focus their sustainability reporting on the issues that are material to it instead of reporting on a wide range of issues, some of which will be relatively unimportant to an institution's overall impact. We support this focus and our material issues are highlighted in a materiality analysis below, following structured discussions with a cross-section of our stakeholders and consideration from Triodos Bank itself.

This year's materiality analysis includes the results of a depository receipt holder survey distributed in all the countries where we work, the feedback we receive at the Annual General Meeting, participation in various global strategic bodies and a stakeholder meeting with representatives from Triodos Bank's three stakeholder groups, hosted at Triodos Bank's Head Office. The analysis is supplemented by learnings from several stakeholder events and interactions during the year including sector specific events in various countries and the external analysis we did in support of our strategy process throughout the year. We also conducted a survey among a sample of all three stakeholder categories and asked them to validate the position of the various topics in the matrix according to their relative importance.

Materiality matrix 2018



Complying with 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 quality 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 standing practice for Triodos Bank. Stakeholder engagement and working together towards a fair and sustainable world are daily business for Triodos Bank. Consequently, not all theoretical steps towards integrated sustainable business and sustainability reporting are made explicitly, or rather: they are embedded in the process of sustainable banking. Examples of these steps are: stakeholder mapping, mapping of topics and assigning proper GRI denominations to variables such as 'influence', 'importance' or 'impact'. In practice it appears that Triodos Bank and its stakeholders understand each other perfectly 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. Following this ongoing dialogue with our stakeholders, 'influence on' / 'importance of' / 'impact on' are used interchangeably by both Triodos Bank and its stakeholders. GRI Standards uses the formal denominations of 'Influence on stakeholder assessments & decisions' for the y-axis and 'Significance of economic, environmental & 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 are not always familiar with GRI). Therefore, Triodos Bank has chosen to continue using these denominations in its communications, including the annual report.

Material topics

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. The boundary of the topics in blue are typically external. They are defined either by relevant issues within a client relationship or by our business strategy. The material topics in green are more internal. They describe how we operate as a responsible institution ourselves. Ordinarily we have a direct impact on these topics, in the selection of suppliers or our remuneration policies, for example. The results suggest Triodos Bank's stakeholders want and expect Triodos to continue to be a leader in sustainable finance, with a strategy that reflects and supports its mission. In addition, impact investments (in this sense combining both lending and investing in sustainable enterprises), and delivering sustainable financial services, continue to be very important both for Triodos Bank and for its stakeholders.

The analysis shows our stakeholders think it is important that Triodos Bank acts as a thought leader. We also believe Triodos Bank should play a role in this way, acting as a frontrunner in the banking sector because this can stimulate change in others. This is true for the activities we finance in specific sectors, and for the debate about how to improve the banking system in service of society and the challenges we face for example. Our role in the development of a financial sector paragraph in the Dutch Climate Accord and the launch of the *United Nations Principles for Responsible Banking* are examples of this in practice.

Based on our conversations and trends in civil society, we have decided to introduce two new topics in our matrix this year, reflecting new priorities for our organisation as well as our stakeholders. They are:

- Products with a Purpose – in the past we focused on being a first bank to customers, offering sometimes generic products. We believe we should focus on offering products that support the sustainable movement we want to see, like our private mortgages in The Netherlands that stimulate customers to improve the energy efficiency of their home by offering a specific loan that makes this possible. We consider this topic as new, since it is more aptly replacing the former 'first bank for customers'.
- Social inclusion – inequality of opportunity is increasingly dividing society. Triodos Bank wants to focus on exploring the role finance can and should play to address this societal challenge. Therefore Triodos Bank is stepping up efforts to help realise putting social inclusion into practice, both for its clients and stakeholders and for itself.

We also share the priority that our stakeholders give to helping our borrowing clients to become even more sustainable. You can find examples, including interviews with borrowers, in the impact chapter.

Despite continued public debate about remuneration, this topic continues to be a relatively low 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. Triodos Bank does not offer bonuses and has a relatively low difference between its median and highest salary, for example. For more details of our remuneration policy, and our performance as a responsible employer, please see the co-worker report on page 41.

From our engagement activities it is clear our stakeholders and Triodos Bank find many of the same issues important, as they did in 2017. We did make a further few adjustments: we combined ‘managing risk’ and ‘resilient financial institution’ into one bullet and we positioned this higher on our own axis, reflecting the increased focus on the resilience of banks from politics and regulators. Secondly, we decided to rename ‘Contributing to communities’ to ‘Engaging with communities’ to better reflect how we actively collaborate and engage with entrepreneurs and other customers to finance the change we believe is required.

Being a learning organisation, whilst very important to Triodos Bank, is felt to be less important to our stakeholders. For our organisation it remains an important strategic priority, as we believe being able to learn collectively will enhance our efficiency and our ability to act.

Through our engagement throughout the year we did not identify any issues that are of very high importance to one party and very low importance to another. This leads us to conclude that Triodos Bank and our stakeholder’s areas of interest are much aligned. At the same time, our stakeholders consistently urge us to be a frontrunner in financing innovative and pioneering initiatives, to increase the impact we create in the real economy. How we balance this ambition with being a responsible financial institution, managing impact, risk and return is our responsibility.

When compared with the surveys and matrices in the previous years, it was decided to remove:
• Environmental practices: having only few ‘brick and mortar offices’, the net positive/negative impact of Triodos Bank’s own environmental practices is relatively insignificant, particularly when compared to the much larger impact we make through the way we finance change.
• Broadening scope: we decided to remove this topic, since it was confusingly interpreted by both Triodos Bank employees and our stakeholders as both representing broadening the scope of our products and services as well as representing the scope of our activities. Both interpretations are now integrated in our topics (‘products with a purpose’ and ‘thought leader’).

We use the results of this stakeholder engagement activity, as well as the examples detailed here, directly in the development of our strategic objectives. The results will also inform our work more generally, throughout the year, as a reference for new ideas and the further development of existing activity. Longer-term we will continue to look for ways to deepen our stakeholder engagement activity in general. Staying closely connected to what matters to our stakeholders and using the wisdom of that community will serve as a basis from which to progress further.

78%

of our assets are
in the real economy

Strategic objectives

The table that follows provides Triodos Bank's key strategic objectives for 2018 and progress against them in some detail. A 'progress at-a-glance' indicator also provides an estimation of our progress against each goal in 2018. This assessment is based on professional judgement and the opinion of co-workers with an overview of these topics.

The table is followed by strategic objectives for 2019. This work is informed by Triodos Bank's new three year plan from 2019-2021. This information reflects some of the key issues raised in the materiality analysis that are priorities for Triodos Bank and our stakeholders.

Finance for impact

Strategic Objectives for 2018	How We Did	Progress at a Glance
Ensure that our new loans go beyond meeting the criteria of making positive impact and bring about a deepening or transforming impact (in line with our strategy to meet the Sustainable Development Goals (SDGs) – see Appendix).	We have started drafting Theory of Change for Energy and Climate and Food and Agriculture. And we have created an impact tool with reference to transformative impact and the SDGs. Roll out will take place further in 2019.	● ○ ○
Develop new subsectors and follow market developments to remain relevant in each of our countries. In particular, focus on topics of local importance and which contribute to the global SDGs.	Some developments at local level, including energy savings and energy storage in particular.	● ○ ○
Become more relevant in the major shifts in energy production by financing larger projects. In parallel, we will want to use our expertise to finance smaller energy projects which contribute to a distributed energy system including efficiency and energy storage.	Good progress in offshore wind with first offshore wind deal completed by the bank; co-funding relationship with Dutch insurance firm, ASR, is progressing well; our new group vision on Energy and Climate is published and high profile events relating to the Dutch climate agreement hosted in The Netherlands. T-CRUF (pre-financing of community owned renewable energy projects in the UK) is operational with two transactions in 2018, both community solar crowdfunding.	● ● ○
We will support a greater number of pioneering projects using guarantee arrangements from foundations, the European Investment Bank (EaSI) and others.	Additional SME lending with the support of the EaSI Guarantee Instrument (above target with 116 transactions across Belgium, France, The Netherlands and Spain).	● ● ●
Significantly step up our Foundation activities to support promising new initiatives by restructuring our gift money organisation in 2018, and continue to improve ways to enable individuals to use gift money to catalyse new sustainable ideas.	Preparations have begun and we anticipate restructuring legal entities in the first half of 2019.	● ● ○
Accelerate the growth of our Socially Responsible Investment (SRI) funds following the launch of our new SRI Fund Strategy.	Project was finalised six months early and within project budget. Early delivery resulted in approximately EUR 1.2 million savings in outsourcing costs and a net inflow of EUR 131.5 million during the year (2017: EUR 5.5 million). Overall SRI strategy to invest in transition themes published.	● ● ●

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

Broaden our scope

Strategic Objectives for 2018	How We Did	Progress at a Glance
Continue our public policy advocacy together with partners to create systemic change within the financial sector to support environmental and social sustainability – including the appropriate treatment of capital, application of regulation and access to impact investments for individuals.	Leading role in development of the Dutch Climate Agreement together with hosted events. We published a road map with other parties in Germany and provided specific proposals and feedback for the European Union's developing regulations on sustainable finance	● ● ●
Continue the development of our activities in France towards the establishment of a branch with the emphasis on further strengthening our lending activity.	The French team progressed well, generating new loans in France. Considering the current business context and the need to focus on other priorities, we decided not to establish a full branch in France yet.	● ● ○

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

Deepen our relationship approach

Strategic Objectives for 2018	How We Did	Progress at a Glance
Implement and embed Customer Experience Principles across the Group to improve the quality of the interactions and service our clients receive. Introduce regular monitoring and improve our Net Promoter Scores (NPS) for both retail and business clients.	Our average Net Promoter Score (NPS) of 2018 was 25 for retail customers (27 in 2017). This score compared very well with large banks and financial service companies. Our NPS for business clients was 20 in 2018 (14 in 2017) comparing well with other banks. A mechanism for continuous NPS monitoring has been set up and will start in 2019.	● ● ○

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

Innovate: new ventures and partnerships

Strategic Objectives for 2018	How We Did	Progress at a Glance
Further develop and grow our crowdfunding activity to offer more potential alternatives to sustainable companies and investors.	Triodos Crowdfunding launched in the UK as the first crowdfunding service from a UK bank; over GBP 20 million was raised in 2018 through thousands of investors. Eight social and environmental organisations achieved their capital raising objectives. Triodos Bank in Germany, via the Triodos Sustainable Finance Fund made a strategic investment into clean energy emerging market specialist crowdfunders, Bettervest. Participate with Passion launched as a full service under Private Banking in The Netherlands for private investors participating directly in social ventures.	●●○

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

Resilient and effective business operations

Strategic Objectives for 2018	How We Did	Progress at a Glance
Improve our internal and customer processes so that they are more efficient – creating more value for clients and reducing internal waste. We aim to reduce our cost/income ratio.	The cost/income ratio increased from 79% to 80% however, due to a decline in margin income in particular, this figure does not highlight process improvements and efficiency that were made in many areas. We are working to identify process redesign opportunities for further process improvements as part of the 2019-2021 strategic plan.	●○○
The enterprise risk management framework is the basis for an integrated in control statement process. This process should lead to an internal statement providing positive assurance in the coming years.	Our Risk Control Framework has been strengthened to support the development towards a full internal In-Control Statement. Positive assurance will only be given on a defined number of processes on the basis of evidence from risk control self-assessments. Development towards comprehensive evidencing is still to take place. Managing Directors and management teams have been asked to explain whether they are in control of their operations across the full scope of the business, to practice this reflection. This exercise will be repeated annually, increasing the scope of evidencing each year.	●○○

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

Be a learning organisation and initiate dialogue with society on positive change

Strategic Objectives for 2018	How We Did	Progress at a Glance
Encourage and nurture 'intrapreneurship' supported by Triodos Academy resulting in more development initiatives and continuous improvements to processes.	Co-worker capabilities are enabled so they can take ownership and co-create the future of the organisation through the Triodos Academy programmes, such as the (Advanced) Values Seminars, the U.Lab, and 'Process Improvement Accelerator'.	● ● ○
Improve our knowledge sharing across the organisation in 2018, both online and offline, to help further enable our co-worker group to learn as a community – from each other, across the group and with the outside world.	Knowledge shared via weekly Monday Morning Meetings (offline in all business units) and regularly via Engage, an internal, online tool. Several small interventions were made by the Learning and Development team. They include: • support for knowledge sharing initiatives within specific functional domains • Design of collaborations across the group to develop new market sectors for example in offshore wind energy finance.	● ○ ○

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

Deliver balanced portfolio of impact-risk-return

Strategic Objectives for 2018	How We Did	Progress at a Glance
We aim to deliver a relatively stable Return on Equity (RoE) allowing for the continuation of major investments in challenging market conditions.	We maintained our overall stable range of RoE achieving 3.6% in 2018 which was in line with our budget. We recognise underlying challenges of profitability within the banking sector which continue to put pressure on our model. However, our new strategy is addressing these through commercial, operational and financial optimisation.	● ● ●

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

Strategic objectives for 2019

As part of our corporate cycle, we reviewed our strategy during 2018 and have created a new group strategic plan for 2019-21. The Strategic Objectives here are derived from our strategic plan. Overall our intention is to transform and make progress at three levels:

• internally, at the level of the organisation: One Bank: redesigned, responsive and robust
• through our relationships, at the level of interactions with our clients and stakeholders: Unlocking our purpose: enabling customer engagement; activating our communities
• externally and systemically, in terms of how we influence beyond our organisation:The frontrunner in responsible finance: Leading by example; Innovating finance for impact

The strategic objectives are defined in more detail and grouped under the related theme, below:

One Bank: Redesigned, responsive and robust

• Improve customer satisfaction via simpler and quicker processes: including better Net Promoter Scores (NPS).
• More adaptive to change in our business via agile ways of working: shorter time-to-market to address emerging risks and opportunities.
• Improve underlying profitability via financial and commercial optimization: improving income generation, steering on more profitable lending growth, cost-neutral transaction services and more diversified capital and funding sources.
• Improve efficiency by redesigning how we do business within domains relating to digitalizing key areas of our core business. We aim to deliver marked improvements by 2020.
• Remain evidently 'in-control' through reduced complexity and greater attention paid to key risk areas.
• Empower co-workers and senior management: create baseline data for 2019 so higher levels of satisfaction of co-workers regarding efficiency and empowerment can be assessed in future years.

Unlocking our purpose: enabling customer engagement; activating our communities

• Increase our relevance to customers and society through our suite of 'products with a purpose' and focus on our core impact themes of 'Energy and Climate', 'Food and Agriculture' and 'Social Inclusion' - helping our communities better understand and extend their individual, and our collective, positive impact.
• Implement our new impact assessment methodology (including the Triodos Impact Prism) across our loan portfolio, further improving the understanding of impact within the organisation and amongst our loan clients, savings clients and wider stakeholders. We aim to assess all loans, currently subject to an annual review, by the year end and be reporting on impact performance and further develop our carbon accounting within Triodos Bank and by promoting its wider adoption outside it.
• Maintain satisfactory profitability of our core businesses through detailed analysis of our business units, commercial and financial optimisation.
• Increase the proportion of fee income across the group from investment funds distribution and fund management.

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

• Influence the change of the financial system towards greater sustainability through advocacy and engagement, taking up our role as a frontrunner in responsible finance to motivate others.
• Increase and leverage our long-term impact; by exploring how to finance new business models, developing new ventures, partnering with third parties and/or external funders, and catalysing emerging sustainability themes through gift money.
• Develop our systemic and external awareness: bringing insights, external partners and future-oriented thinking into our organisation.
• Create and scale up group-wide business activities that generate additional impact and potentially contribute to long term future profitability.

Impact and financial results

The following are the main results achieved in 2018 together with details of Triodos Bank's divisions, its products and services, their broader impact, and 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 are designed to provide you with an insight into what our mission and strategic objectives have translated into in practice, in 2018.

Consolidated financial results

In 2018, Triodos Bank's income grew by 11% to EUR 266 million (2017: EUR 240 million). This increased revenue was realised despite the high pressure on income caused in the Eurozone by the European Central Bank. Triodos Investment Management contributed EUR 39 million to this figure (2017: EUR 34 million). In 2018, commission income amounted to 35% (2017: 35%) of total income, in line with expectations.

The total amount of assets under management including Triodos Bank and the investment funds and Private Banking grew by EUR 1 billion, or 7%, to EUR 15.5 billion. Triodos Bank's balance sheet total grew by 10% to EUR 10.9 billion thanks to a steady growth of the funds entrusted, lending and new capital raised during the year, in all branches. Growth of between 5 and 10% was expected.

Triodos Bank's total number of customers increased by 5%, against expected growth between 10 and 15%, and now numbers 715,000 customers. The lower than expected growth was mainly caused by lower inflow of customers in the UK and a higher outflow of customers in Spain due to the introduction of fees and the clean-up of unused accounts. While we continue to attract new customers in some of our markets our relatively low interest rate offering and reduced product marketing have contributed to limited growth in 2018.

Continuing growth in loans, deposits, and equity despite low interest rates and returns, shows that Triodos Bank's commitment to values-based banking is more relevant than ever to a growing number of people and businesses who choose to make a much more conscious choice about their bank and the sustainable direction of their money.

Operational expenses increased by 11% to EUR 212 million (2017: EUR 190 million) during the year. This was mainly a consequence of an increase in co-worker costs of 11% to EUR 121 million (2017: EUR 109 million) as a result of an increase in FTE mainly driven by investments in ICT and compliance with new and existing regulation. Additionally, fees for external advisors and the auditor increased by 15% to EUR 11 million (2017: EUR 10 million), mainly due to several strategic projects including Brexit. Externally driven regulatory expenses including Deposit Guarantee Scheme, banking tax and resolution costs increased by 20% to EUR 12 million (2017: EUR 10 million).

Triodos Bank has upgraded, and continues to improve, its control framework to cope with the implementation of changing regulations and increased regulatory supervisory requirements. Significant investments were required to obtain a UK banking licence, in the context of Brexit with total estimated costs amounting to over EUR 5 million. Strategic investments in the development of the business, such as developments in our Socially Responsible Investment Offering, Personal Current Account in the UK were responsible for further growth in costs.

The ratio of operating expenses against income was 80% (2017: 79%). This increase occurred despite efficiency gains in the business. Regulatory pressure, high costs of Brexit preparation and higher tax levies in certain countries have prevented a decrease in the pace of growth of the expenses.

Improving our efficiency continues to be a key focus area for the business. This work needs to accelerate and deepen across the organisation. We intend to go further, faster to improve efficiency in Triodos Bank because that means, ultimately, we can deliver greater impact. Nevertheless we have managed to deliver a reasonable return on equity during the year, as detailed below.

Profit before tax, loan impairments and value adjustments to participating interests increased to EUR 54.4 million (2017: EUR 50.1 million). Impairment for the loan portfolio and other receivables increased to EUR 3.5 million (2017: EUR 1.8 million). This represents 0.05% of the average loan book (2017: 0.03%). This relatively low historical impairment ratio is influenced by both cautious management and the wider economic cycle.

The net profit is EUR 38.6 million, up by 3% (2017: EUR 37.4 million) for the reasons highlighted above. Triodos Bank delivered a Return on Equity of 3.6% 2018 (2017: 3.9%), in line with expectations.

In recent years market conditions have changed and, given these developments, adjusting a long-term target of 7% has been under consideration. In the light of this wider context the medium-term objective has been revised to a Return on Equity of 3-5% of Triodos Bank's equity in normal economic conditions. This target should be seen as a realistic, long-term average for the type of banking activity that Triodos Bank engages in.

In the current market, while Triodos Bank will continue to work on improving its profitability, it does not expect to easily outperform this target over the next three years.

As capital and liquidity requirements may increase even further and given uncertain regulatory developments, we prefer to continue to maintain a relatively high equity base and a substantial liquidity surplus which puts additional downward pressure on the Return on Equity.

Earnings per share, calculated using the average number of outstanding shares during the financial year, were EUR 2.99 (2017: EUR 3.19), a 6% decrease. The profit is placed at the disposal of the shareholders.

Triodos Bank proposes a dividend of EUR 1.95 per share (2017: EUR 1.95). This means that the pay-out ratio (the percentage of total profit distributed as dividends) will be 65% (2017: 61%). Our policy is to have a pay-out ratio of between 50% and 70%.

Triodos Bank increased its share capital by EUR 83 million, or 11%, thanks to depository receipt issues targeting retail investors in particular, which ran throughout the year in The Netherlands, Belgium, the UK, Spain and Germany.

The number of individual depository receipt holders continued to increase in 2018. Overall growth has been satisfactory and sufficient to meet capital requirements. The number of depository receipt holders increased from 40,077 to 42,416. Equity increased by 12% from EUR 1.013 million to EUR 1.131 million. This increase includes net new capital and retained net profit. In 2018, Triodos Bank's platform for trading in depository receipts continued to operate effectively. At the end of 2018, the net asset value for each depository receipt was EUR 84 (2017: EUR 83).

At the end of 2018 the total capital ratio and the Common Equity Tier 1 ratio were 17.7% (2017: 19.2%). Triodos Bank aims for a Common Equity Tier 1 ratio of at least 16% in a stable and predictable regulatory context. The decrease in 2018 was mainly caused by an increase in risk weighted assets, due to the growth of the sustainable loan portfolio. This trend was coupled with relatively lower growth in capital in 2018 and the fact that Triodos Bank has increased its capital buffer related to the trading in its depository receipts.

Triodos Bank divisions and results

Triodos Bank's activity is split between two core divisions, Triodos Bank's retail and business banking and Triodos Investment Management. The following chapter provides an overview of our work in 2018 in each, including a short description of their work, key sub-sectors and how they performed during the year, as well as prospects for the future:

- Retail and Business Banking, including Private Banking, which was responsible proportionately for 85% of Triodos Bank's net profit in 2018
- Triodos Investment Management and Investment Advisory Services, which makes up 15% of Triodos Bank's overall net profit.

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. Details of these products and services follow below.

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 as well. Data can be used to better understand both the world and people. This understanding can be used to prevent waste, reduce costs and create benefits for society. Data helps Triodos Bank to become a better bank by improving its service offerings and operations. It helps discover or predict risks, fraud and enhance the reliability of its services. Triodos Bank is aware of the fact that the (personal) data it processes can be sensitive and can impact the privacy of its clients and employees. As such, it is 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 while data refers to the past it is not always a reliable predictor for 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 her or his 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.

During 2018 Triodos Bank created and published its vision on privacy and took steps that flowed from it including putting users in control of their own data, complying with GDPR regulations and being fully transparent about its approach.

European bank (retail and business banking)

Developing a European network is fundamental to Triodos Bank. It allows it to build and share expertise and use it to benefit a fast-growing Triodos Bank community. It brings a credible set of values-based financial services to hundreds of thousands of business and personal customers, and grows sustainable banking's scale and impact. While Triodos Bank's values bind customers and co-workers, there are important differences between countries. Regulations, tax incentives and government approaches to sustainability are sometimes markedly different in diverse markets. Local culture, within and between countries, also impacts on how Triodos Bank approaches its work.

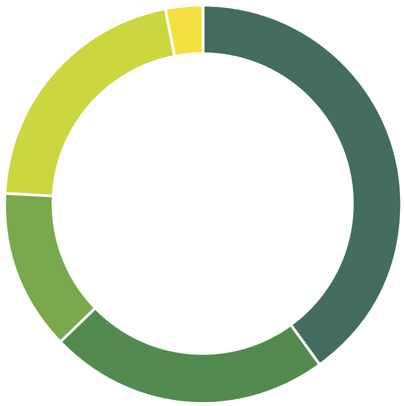
Retail activities developed further in 2018 as people and sustainable enterprises continue to choose to partner with Triodos Bank.

While the Spanish office is managing costs well, it is in a steep transition curve, dealing with a declining short-term interest market. Its business has shifted to create a better balance between renewable energy and small and medium-sized enterprise lending and will take some time to start delivering significant revenue. The German branch reached operational break-even in 2018. It aims to deliver a net profit in the coming two years.

Progress of the French activities in Triodos Finance, supported by Triodos Bank in Belgium has been positive. France remains an important market for Triodos Bank: a full presence in France is in line with the mission of Triodos to be a European bank, the French market offers good business opportunities and a large scale and being in France offers diversification potential for the group. The option to open a lean business banking branch in France has been analysed thoroughly and is viable, albeit that the profitability outlook and marginal contribution to the group is modest given the prevailing low interest climate. However, considering the current overall profitability outlook, combined with the need to devote full attention to urgent, operational challenges for the Group, we decided to continue the French presence as an agency for the foreseeable future and to postpone opening a branch.

Loans

Outstanding loans per sector in 2018



Environment	40%
Social	23%
Culture	13%
Residential sustainable mortgages	21%
Municipalities	3%

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

To make sure that Triodos Bank only finances sustainable enterprise, potential borrowers are first assessed on the added value they create in these areas. The commercial feasibility of a prospective loan is then assessed and a decision made about whether it is a responsible banking option. The criteria or guidelines Triodos Bank uses to assess companies can be viewed on www.triodos.com.

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

Environment 40% (2017: 38%)

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

Social 23% (2017: 23%)

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

Culture 13% (2017: 14%)

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

Residential sustainable mortgages 21% (2017: 16%)

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% (2017: 9%)

The remaining proportion of the loan book is primarily comprised of 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.

Total lending

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

Triodos Bank's goal is to lend between 75% and 85% of its funds entrusted to sustainable projects. The total loan portfolio, including short term loans to municipalities, as a percentage of the total amount of funds entrusted was 76% in 2018 (2017: 76%). Without the short term loans to municipalities, the ratio increased to 75% on the previous year (2017: 70%). After focusing on this area in recent years we have successfully brought this important ratio into balance. We intend to continue to build on and improve the ratio between loans and funds entrusted.

The quality of the loan book remained satisfactory overall. This, and a continuing focus on maintaining and diversifying a high quality loan portfolio, led to a minor increase of the impairments for the loan portfolio to 0.05% of the average loan book (2017: 0.03%). This is lower than we anticipated and lower than Triodos Bank's long-term internal benchmark for impairments of 0.25%. These impairments are taken in case potential losses resulting from defaults by borrowers become a reality.

Growth of the loan portfolio amounted to EUR 676 million or 10%.

Excluding the short-term loans to municipalities the sustainable loan portfolio would have grown by approximately 17%, mainly because of the increase of the mortgage portfolio by 36%. The expected growth of the sustainable loan portfolio was 20%. The increase in business loans was limited to 13%. The distribution of growth over the sectors has been deliberate to achieve more diversification and to lower the risk profile of the portfolio.

Competition between banks in the lending market has revived after a period of restructuring and recapitalisation. Banks regard sustainability as an emerging market and have continued to make inroads into it, competing aggressively to take advantage of available lending opportunities.

Funds entrusted

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

Triodos Bank's branches offer a variety of sustainable financial products and services as part of its key strategic objective to offer a full set of services to customers. This has been achieved in some branches and is being developed in others. A new personal current account was launched in the UK, during the year, for example. Collectively this led to a marked growth in funds entrusted which increased by EUR 836 million, or 10%, against expected growth of approximately 10%.

Detailed retail and business customer research took place across the group during 2018, using Net Promoter Score (NPS) methodology. This technique is widely used across the business sector to measure customer satisfaction. It is based on asking customers whether they would recommend Triodos Bank to a friend or colleague.

Triodos Bank's NPS score across the retail group is 25 (the figure between Triodos Bank 'promoters' –45% and 'detractors' –17%). This figure is an overall NPS on all indicators. It is much better than the average for large banks. The equivalent figure for business clients is 20. Triodos Bank's principles as a sustainable bank are the main reason to recommend the bank according to the research. The detailed results will be used to improve our offering and service and revisited in future years.

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.

By offering our savers, in some countries, the opportunity to donate part of the interest they receive to a charity, many social organisations receive support every year. In 2018, 269 organisations (2017:

366) received total donations of EUR 61 thousand (2017: EUR 84 thousand) in this way. The low interest rate climate and low interest rates on savings accounts make it more difficult, and sometimes even impossible, for some customers to donate part of the interest they receive.

Prospects for retail and business banking

Triodos Bank's balance sheet total is expected to grow more modestly. Growth of between 5% and 10% is expected in 2019. We want to continue to deliver a loans to deposits ratio of between 75% and 85%.

The sustainable loan portfolio and funds entrusted are expected to grow by up to 20% and up to 10% respectively. Triodos Bank's ambition is to focus primarily on the profitability, impact 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.

Triodos Investment Management

Investments take place through investment funds or investment institutions which are managed by Triodos Investment Management. Triodos Investment Management consists of Triodos Investment Management B.V. and Triodos Investment Advisory Services B.V., both 100% subsidiaries of Triodos Bank.

Triodos' investment funds invest in sustainable themes such as inclusive finance, food and agriculture, energy and climate, sustainable real estate or in listed companies that materially contribute to the transition toward a sustainable society. The investment funds publish separate annual reports and most of them have their own Annual General Meeting.

In 2018 Triodos Investment Management insourced the financial asset management of the discretionary portfolios of Triodos Bank Private Banking Netherlands, and of its funds that invest in stock listed companies. Triodos Investment Management is responsible for 16 funds, for both individual and professional investors. The assets under management of Triodos Investment Management increased by 21% (2017: 5%) to EUR 4.2 billion of which 18% relates to bringing the financial asset management of the discretionary portfolios of Triodos Bank Private Banking Netherlands in house. The closure of the Culture Fund resulted in a 3% decrease in total assets under management. The net inflow of funds was 4%. Due to stock exchange movements in 2018, the investment funds overall lost 1% of their value.

Worldwide, more and more investors realise that how they invest their money now determines what the world will look like in the future. They are increasingly opting for meaningful and measurable impact investing solutions. Triodos Investment Management sees this as a promising development given the many challenges the world faces today, such as climate change and increasing inequality. Many of these challenges are addressed by the UN Sustainable Development Goals (SDGs). As part of a global sustainable development agenda, the SDGs encourage investors to contribute to addressing these global challenges together.

A number of developments took place, during the year, including the discontinuation of Triodos Real Estate Fund which will cease operating in 2019. During an Extraordinary General Meeting of Shareholders on 17 December 2018, the shareholders in the fund voted in favour of the board's proposal to end the fund's activities. This proposal was presented to the shareholders following the conclusion that a growth scenario was not likely to be successful in the near future. The board holds the opinion that the fund either needs to grow or end its activities. Continuation in its present form is not deemed in the interest of the fund's shareholders in the context of costs, return and tradability. After having received consent by the shareholders in the fund, the board initiated the process to end the fund's activities. This can, among other things, mean facilitating a public bid on the fund's shares, to sell the fund's portfolio and/or dissolution and liquidation of the fund.

Prospects for Triodos Investment Management

Triodos Investment Management will continue to build on over 25 years' experience in bringing together values, vision, and financial returns on investment, helping to meet the European demand for values-based investment solutions that are key in the transition to a more sustainable society. Through its funds, Triodos Investment Management aims to further increase its impact in key areas related to its mission and the UN SDGs.

2019 marks an important moment of transition. Marilou van Golstein Brouwers has transferred her role as Chair of the Management Board, from 1 January 2019, to Jacco Minnaar, currently one of Triodos Investment Management's four board members. Marilou van Golstein Brouwers will leave Triodos Investment Management on 1 April 2019. The Triodos Investment Management Board will continue with three board members from this point.

Marilou started working at Triodos Bank nearly 30 years ago and has been Managing Director of Triodos Investment Management since 2003. She is responsible for laying the foundation for Triodos Bank's sustainable investing proposition. With her expertise and drive she has been instrumental in the rise and development of the global impact investing sector.

Triodos Investment Management's strategic focus will continue to be on retail investors through distributors, High Net Worth Individuals, family offices and (semi-) institutional investors. In the context of the ambition to further increase its impact, Triodos Investment Management aims to broaden its international distribution strategy by adding new European markets to its network.

At the same time, Triodos Investment Management will tilt its focus to become an impact investment solutions provider, meeting the needs of investors building an impact investment portfolio. By doing so it can remain competitive in an increasingly demanding external environment, whilst staying true to its aim to realise positive impact.

Triodos Investment Management will continue to pursue development and growth, both through expansion and further development of existing funds and by creating new impact investment products. In 2018 all its socially responsible investment activities were taken in house, and a team of new fund managers and additional analysts appointed. Building on this platform Triodos Investment Management will develop new investment solutions to invest in listed equities and bonds, so investors can increasingly invest with impact through stock markets.

The impact of our finance

We know that impact finance can make a positive difference in people's lives. It can contribute to progress on key issues that are relevant for society. And, in the right context, we have seen how finance for visionary entrepreneurs with innovative business models, can be transformational.

We define impact finance as directing money so that it benefits people and the environment over the long-term. And we try to deliver as much positive impact as possible by only financing and investing in sustainable enterprises and enterprises transitioning to sustainable approaches. As a consequence of this work Triodos Bank provides fair financial and non-financial returns to its stakeholders. Over time we want to help enhance our, and our stakeholders', understanding of impact and its multiple dimensions because that will encourage and support deeper positive impact. It could help our clients to identify new ways to improve their own impact and share good practice within our community, for example.

Our vision on impact stems from this understanding and reflects our mission. 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.

Impact data provides a richer picture for our stakeholders about the work we do. We want to demonstrate Triodos Bank's grounding in financing the real economy. Verifiable, relevant information helps us to do that. For that reason, every year the business spends considerable time and energy producing impact data that's reviewed by an independent auditor.

As we highlighted in last year's report we have developed an impact management tool which we will use across Triodos Bank's business and, increasingly, Triodos Investment Management, during 2019. The tool, the Triodos Impact Prism, allows us to understand, monitor and steer on impact in a more deliberate way. It provides insights into the sustainability value of our projects, provides a mechanism to discuss opportunities to increase the impact of the customers we finance and includes a Sustainable Development Goal report.

Together this should enable us to manage impact more consciously in Triodos Bank and communicate – at a project, sector and Group level – more powerfully about our impact in the 2019 annual report.

Impact-driven reporting

12

We aim to be a leader in impact-driven reporting in the financial industry. Our focus is on managing impact in ways that improve people's quality of life and on communicating this impact to our stakeholders. As part of this work we work at an international, national and sector level.

Internationally, we collaborate with the Global Alliance for Banking on Values (GABV) to develop and report using a Scorecard. 17

The Global Alliance for Banking on Values has developed 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. The goal of the Scorecard is to enhance the financial system's focus on delivering value to society.

You can find quantitative evidence of Triodos Bank's impact, as it appears in the GABV scorecard in the appendix on page 228.

Decarbonising the economy – and how to understand our contribution to it

Triodos Bank supports the sustainable and inclusive transition of our economies and society in line with the Paris target of 1.5 degrees Celsius. We believe this transition is a shared responsibility of governments, business, finance, NGOs and citizens.

In this context, in 2015, at the landmark Paris Climate Conference, Triodos Bank co-signed a Dutch Carbon Pledge to measure and disclose its carbon emissions and to ensure these emissions are in line with the ambitions of the Paris Agreement. The initiative launched the Dutch Platform Carbon Accounting Financials (PCAF), a collaboration between Dutch financial institutions which has produced, we believe, the only carbon accounting methodology developed by financial institutions, for financial institutions, in the world. The methodology was first launched in November 2017. Triodos Bank has implemented the PCAF methodology in 2018 and will continue to collaborate with the PCAF partners, as well as others specialising in this field, in future years in order to refine the models used.

As our main impact in the economy and society stems from our loans and investments, this harmonised approach on carbon accounting focuses on measuring the climate impact or carbon footprint of loans and investments. By accounting for the carbon emissions of our loans and investments, institutions can be transparent about the climate impact of their loans and investments and use this information, ultimately, to set climate targets and steer investments towards a low-carbon economy. In this way banks and the sector more broadly can monitor the GHG emissions, create opportunities for comparison between institutions and deliver more accountability and transparency for their stakeholders.

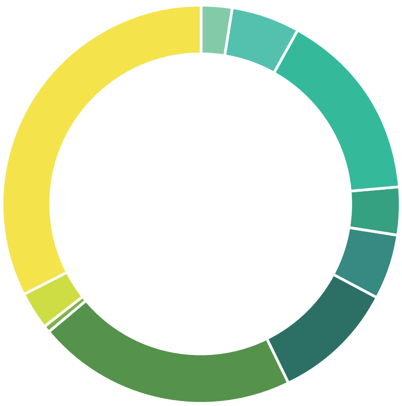
During the year a similar initiative was announced in North America, led by Amalgamated Bank. Our fellow Global Alliance for Banking on Values (GABV) member is bringing North American-based financial institutions together to adapt the PCAF methodology to the North American context. And further internationalisation of the approach took place early in 2019 with 25 members of the GABV committing to assess and disclose their greenhouse gas (GHG) emissions within three years. The group intends to align its activities with the Paris Climate Agreement which aims to strengthen the global response to climate change by keeping a global temperature increase to 1.5 degrees Celsius from pre-industrial levels. Triodos Bank also initiated the Dutch financial sector's commitment to a national climate agreement to substantially cut emissions to help meet the same goals.

985

Avoided emissions in kilotonnes of CO_2

Portfolio assessed using PCAF methodology

in millions of EUR



Organic farming	278
Sustainable property	589
Private mortages retail banking	1,680
Social housing	422
Healthcare - care for the elderly	576
SRI funds	1,073
Renewable energy	2,251
Nature development and foresty	69
Other sectors included in above	329
Not covered loans and investments	3,481

Climate impact of our loans and investments

In our first year of applying the PCAF methodology to our outstanding loans and investments portfolio we have started with the loans and investments that are most material to GHG emissions. We have collaborated with Navigant, a leading energy and climate management consultancy, to execute this work. We have assessed around 68% of our loans and funds' investments using the PCAF methodology (see graph; portfolio coverage). The main sectors excluded from this analysis are the cultural, health, social projects, development cooperation, retail and fair trade (food and non-food) sectors, as well as sovereign debts.

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. We have also scored the quality of the carbon footprint data of our lending and investment sectors. Over time, we hope to improve the quality of this data, the methodology that underpins it and, therefore, the accuracy and relevance of our reporting.

Data quality is scored from 1 to 5 per sector.

Certain
(5-10% error margin in estimations)

(40-50% error margin in estimations)

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

We calculated the following carbon footprint applying the PCAF methodology to our covered portfolio. We also applied an attribution approach. This means that we calculated the emissions as they relate to the proportion of our finance in a project or customers' balance sheet. GHG emissions are measured in tonnes CO_2 eq. and categorised by:

• Generated emissions: GHG emissions arising from various economic activities. This refers to carbon that is emitted into the atmosphere.

• Avoided emissions: GHG emissions that are avoided from fossil-fuel power generation due to renewable energy. While this is very important avoided emissions do not remove existing carbon from the atmosphere.

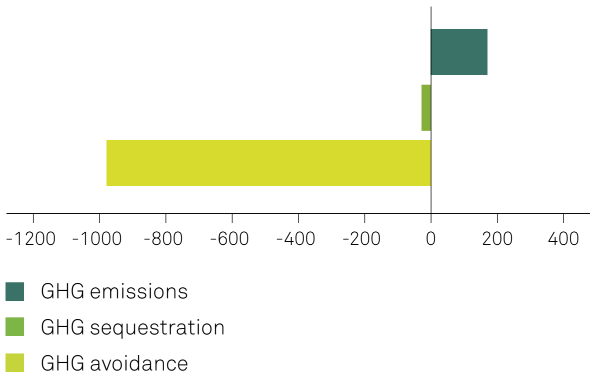
• Sequestered, or absorbed, emissions: GHG emissions stored in carbon sinks, such as trees, plants and soil etc. This refers to the actual removal of carbon from the atmosphere.

The following graph shows the greenhouse gas emissions that can be attributed to Triodos' loans and investments, using the PCAF methodology, in 2018. Although these are our first and early results, they already clearly indicate that financing a sustainable economy for many years has resulted in substantial avoided emissions relative to our generated and sequestered emissions.

Our actual emissions provide a baseline, which means we can start to improve and monitor our progress in working with our customers to reduce their emissions. The level of sequestered emissions provides insight on how we can reduce our emissions in the future, effectively 'cancelling out' our actual emissions.

Climate impact of our loans & investments

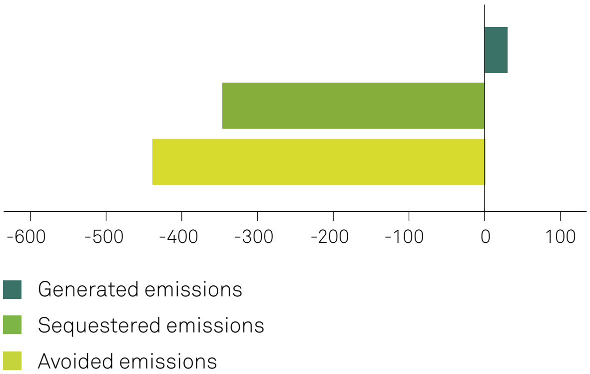
in ktonne CO_2eq. 2018



The graph below shows the intensity of Triodos' greenhouse gas emissions, per billion euro lent and invested using the PCAF methodology. It provides stakeholders with an indication of the impact of our finance on generated, sequestered and avoided emissions. This is important information, but it should be remembered that limiting, and then reducing, absolute greenhouse gas emissions is what's required to enable us to live within the planet's environmental limits.

Climate impact in emission intensity 2018

(ktonne CO_2eq./billion euro financed)



As one of the first banks to report in this way, the next step in this work is to collaborate with our partners to encourage others to do the same. Because ultimately stakeholders should be able to compare the GHG emissions of one bank with another.

Crucially, we will develop science-based targets. These targets will describe the trajectory we need to follow to make sure that our activities and associated emissions contribute to, at most, a 1.5 degree global increase in temperature. Clearly that also requires other financial institutions to do the same if we are to play our part as an industry in keeping the global increase in temperature within safe limits.

The next table provides more detail about which sectors we finance and details our absolute, avoided and GHG intensity emissions.

The first column describes the different sectors that have been assessed using the PCAF methodology and highlights whether they are responsible for generated, sequestered or avoided emissions. The second column further details the total emissions from each of these sectors. The third details the intensity of the emissions in relation to each sector, as we describe in the graph above.

The reporting of the GHG emissions of financial institutions' loans and investments is still in its infancy. This is the first time we have translated the PCAF methodology to our reporting. Our goal is to share our approach with others with a view to creating harmonised, comparable reporting approaches so that stakeholders can easily compare one institution with another.

Impact sector	Total outstanding loans & funds investments covered (in 1000 EUR)	Attributed emissions (ktonne CO_2 eq.)	Emission intensity (ktonne CO_2 eq./ billion EUR)	Data quality score high quality = 1 low quality = 5
Generated emissions				
Environment:				
Organic farming	290,919	27	93	3.2
Sustainable property	903,361	22	24	3.4
Residential mortgages	1,679,827	30	18	4.0
Social:				
Care for the elderly	578,298	25	43	4.0
Social housing	455,639	19	42	4.0
SRI funds	1,073,196	53	49	2.0
	4,981,240	**176**	**35**	**3.4**
Sequestered emissions				
Nature development & Forestry	69,536	–24	–345	3.1
Net emissions	**5,050,776**	**152**	**30**	**3.4**
Avoided emissions				
Renewable energy	2,250,801	–985	–438	1.8
Total[1]	**7,301,577**			**2.9**
Coverage rate	68%			

1 Avoided emissions should not be summarised because their absolute emission is zero.

In 2018 Triodos Bank and its investment funds financed renewable energy projects and energy saving projects that avoided over 985 ktonne of CO_2 eq. emissions compared to fossil-fuel power generation, equal to the avoidance of emissions of over 5.4 billion kilometres travelled by car.

Next to investing in renewable energy, Triodos Bank also financed forestry and nature development projects. This resulted in the sequestration of approximately 24 ktonne CO_2 eq., equal to at least 367,000 mature trees.

Together the sequestered and avoided emissions largely outweigh the emissions that were generated by the other loans and investments covered in this climate impact measurement of approximately 176 ktonne CO_2 eq.

We will continue to report the climate impact of our own operations and loans and investments. We will explore improving the accuracy of our measurements and will investigate whether to extend our climate impact assessment to other sectors in our portfolio.

Climate impact of our operations

We have measured the climate impact of our operations since 2013. In addition to efforts to reduce this impact, each year, we have also compensated these emissions, via "Gold standard" projects from the Climate Neutral Group.

in thousands of kg	2018	2017	2016	2015	2014
Electricity[1]	7	13	22	1	100
Gas consumption (heating)	73	72	73	90	124
Paper	143	140	203	293	314
Public Transport	105	268	243	214	260
Car	1,487	1,489	1,499	1,324	1,145
Flights	997	1,082	1,083	1,119	1,141
Total	**2,812**	**3,064**	**3,123**	**3,041**	**3,084**
Minus: Compensation for CO_2 credits	–2,812	–3,064	–3,123	–3,041	–3,084
CO_2 balance (neutral)		**–**	**–**	**–**	**–**
CO_2 compensation costs per tonne (EUR)	8.40	8.40	8.40	8.40	8.40

1 Due to changes in the method of calculation, the CO_2 emission of energy has fluctuated in previous years.

New developments in impact management and reporting

Triodos Bank sponsored and continued to participate in a pilot with a number of partners to create a True Cost Dashboard for Finance, Food and Farming during 2018. The pilot describes the real costs to the environment, health and society of a food business so investors and other stakeholders can make informed decisions based on the real cost of a particular business. Triodos Bank will continue to work with its partners in 2019 to determine if the findings can be applied in the business.

Triodos Investment Management further developed a project during the year to manage and communicate its impact and that of its investments more effectively. It updated an inclusive finance impact report, first published in 2016, and added an impact report for the organic growth fund during the year. We have prepared how to combine both approaches during the year and, as far as possible, will integrate them in our systems during 2019.

Triodos Bank has worked actively with partners in the GABV to develop a sustainable banking scorecard, which aims to show stakeholders how sustainable a bank is. For the first time a number of GABV member bank scorecards were published on a shared website (www.gabv.org) during 2018. The scorecard is designed to enable better learning inside the member banks and opportunities to deepen an understanding of these sustainable banks' impact for stakeholders outside them. We have presented the majority of the quantitative metrics reported in our scorecard, for the first time, in this year's report (see appendix on page 228).

The impact data included in the Executive Board Report is in scope of the review procedures performed by the independent external auditor. Doing so is a logical extension of the auditing of our financial figures, as an integrated business that has sustainability at the core of its financial activity.

Impact by sector

Environment

Renewable energy

7

Triodos Bank and its investment funds, offered via Triodos Investment Management, finance and cofinance enterprises that augment the use of renewable resources in particular and supports projects that reduce the demand for energy and promote energy efficiency.

Triodos Bank describes and independently verifies the contribution it makes to the avoided carbon emissions that result from these energy projects. We are transparent about this approach in the annual report because we think it's important that our stakeholders understand the approach we take to these disclosures.

In reporting our impact as a sustainable bank, we include all the impact of the projects and clients that we finance. In technical jargon this is called the contribution approach. We also used the contribution approach in reporting the greenhouse gas emissions of our renewable energy portfolio up to 2017. This was previously both practical and, we believe, reasonable. From 2018 onwards we will also include the attribution approach in our carbon disclosures. This means that we will calculate the avoided emissions as they relate to the proportion of our finance in a project.

It's important to note that an attribution approach leads to lower carbon emissions figures than a contribution approach. That is because a contribution approach accounts for all of the emissions from a project rather than a proportion of them. This attribution approach is a more accurate reflection of Triodos Bank's responsibility for the greenhouse gas emissions of the projects it finances, and is consistent with the PCAF methodology.

By the end of 2018, Triodos Bank and its climate and energy investment funds were financing 513 projects in the energy sector: including 34 energy efficiency projects, 28 sustainable power projects in a construction phase and another 451 sustainable power projects (2017: 410) with a total generating capacity of 3,800 MW (2017: 3,100 MW), producing the equivalent of the electricity needs of 2.5 million households worldwide (2017: 1.4 million). Together these projects contributed to the avoidance of over 2.9 million tonnes of CO_2 emissions (2017: 2.4 million tonnes). Of these avoided emissions about 0.9 million tonnes CO_2 can be attributed to Triodos Bank's financing in the renewable energy projects.

These projects include 207 windpower projects, 230 solar photovoltaic projects, and 34 hydro projects. The rest include heat and cold storage, biomass and a diverse range of energy efficiency initiatives.

Organic farming and nature development

The organically managed land on the farms which Triodos Bank and Triodos Investment Management financed in 2018 could produce the equivalent of 32 million meals in 2018, or enough food to provide a sustainable diet for approximately 29,000 people (2017: 27,000). Together they financed approximately 35,000 hectares of organic farmland across Europe. This means one football-pitch sized piece of farmland for every 13 customers, each one producing enough for 550 meals per year.

We also financed 30,000 hectares of nature and conservation land (2017: 31,000 hectares), representing around 420m^2 of nature and conservation land per customer. This land is important for the sequestration or absorption of CO_2 from the atmosphere.

In 2018 over 104,000 smallholder farmers (2017: 146,000) in 13 emerging market countries worldwide were paid directly and fairly upon delivery of their harvest, as a result of the trade finance that Triodos Investment Management funds provides to farmers' cooperatives and agribusiness. These farmers' harvest that is brought to international markets, consists of 12 different fair trade and organic products, such as cocoa, coffee, oils and quinoa. In 2018 the clients of the funds had 56,000 hectares of certified organic farmland under cultivation (2017: 60,000). An additional 24,000 (2017: 17,000) hectares was in conversion – an important number because 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 2018 Triodos Bank and Triodos Investment Management financed directly, and via sustainable property, approximately 11,800 homes and apartments (2017: 10,600) and about 440 commercial properties (2017: 540) comprising approximately 717,000m^2 for office and other commercial space (2017: 540,000m^2) and about 226,000m^2 of buildings and brownfield sites (2017: 18,000m^2).

Social

Health care

As a result of its finance across Europe around 41,000 individuals (2017: 53,000) were residents of facilities at 502 elderly care homes financed by Triodos Bank and Triodos Investment Management in 2018, representing the equivalent of 21 days of care per Triodos Bank customer.

Community projects and social housing

In 2018 Triodos Bank and Triodos Investment Management financed 525 community projects (2017: 490), and 204 social housing projects, which directly and indirectly provide accommodation for approximately 56,000 people (2017: 94,000).

Microfinance

Triodos Investment Management's specialised emerging markets funds provided finance to 103 financial institutions working for inclusive finance in 43 countries (2017: 44). These organisations reached approximately 11.1 million individuals saving for their future (2017: 15.1 million) and 19.2 million customers borrowing for a better quality of life (2017: 20.3 million). Of these loan clients, 82% are female. Women are often in disadvantaged positions in many developing countries. Giving women the freedom to manage their income and to provide for their families empowers their position.

Culture

Arts and culture

During 2018 Triodos Bank and Triodos Investment Management helped make it possible for 22.6 million visitors (2017: 17.6 million) to enjoy cultural events including cinemas, theatres and museums across Europe, as a result of its lending and investments activity to cultural institutions. This represents the equivalent of 31 cultural experiences per Triodos Bank customer.

Triodos Bank and Triodos Investment Management finance helped approximately 3,300 artists and creative companies active in the cultural sector (2017: 3,400). Theatre, music and dance productions from creative companies were attended by 1.2 million people. New productions in 2018 from the film and media sector financed by Triodos Bank (most importantly in Spain) were seen by approximately 13 million people (2017: 9 million).

Triodos Bank and Triodos Investment Management also financed organisations that provided 4,000 affordable spaces for cultural activities such as workshops and music courses.

Education

Approximately 680,000 individuals benefited from the work of 550 education initiatives financed by Triodos Bank in 2018 (2017: 650,000). For every Triodos Bank customer, the equivalent of 1 person was able to learn and grow because of education provided by an establishment we financed.

Co-worker report

Co-worker community

Our mission is to make money work for a sustainable society with human dignity at its core. Our co-workers are essential to achieve this mission. We want to create a living, learning community of co-workers; a working environment that's inspiring, healthy and welcoming. Our goal is to foster a workplace where each co-worker finds room to address the important questions of our time and each individual can work effectively in line with the mission and values of our organisation.

In 2018 we moved towards working more together, and in a more digital way. This development comes from three key drivers:

1. to deliver more impact by working better together between business units and adopting new innovative ways of working;
2. to create efficiency gains by harmonizing processes and making continuous improvements;
3. to be able to respond to regulatory demands.

New structures and ways of working have been developed. This will help us to adapt more easily and quickly to what the world demands from us. And it will mean we are better able to create impact in line with our mission.

The following table provides a summary of progress against the prospects identified in the 2017 annual report. This table is explored in more depth in the text itself.

Our Key Objectives for 2018	How We Did	Progress at a Glance
We will continue the Process Improvement Accelerator programme to embed the lean approach in the organisation by organising international trainings, supporting local training, developing guidelines and background information and connect co-workers to share best practices and dilemmas. In the coming year we will give special attention to engaging senior and middle management, while at the same time continue to empower all co-workers to work efficiently. This is and will be closely connected to group-wide efficiency assessments and other relevant initiatives.	Continuous improvement has gained momentum in the organisation. Trained capacity increased and in some business units a good working Continuous Improvement infrastructure is set up.	●●●
We continue to work on the learning organisation, with focus on enabling all to live the essence and mission of our organisation in the day-to-day reality. We will create clear learning opportunities that allow all co-workers to adapt to what the coming years asks from us, both in terms of license to operate skills, as well as our specific relationship approach. We will continue to explore new ways of learning both online and offline. Continued effort to open up and connect with the relevant debates around us.	Working together with partner organisation Institute for Social Banking, co-hosting their Summer School and Expert Exchange Labs. Continued offer of internal Academy programmes on the connection with the mission of the organisation. New creative ways to learn explored further in the Triodos Academy programmes broadening our work forms offer. Implementation of group-wide computer-based training.	●●○

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

Our Key Objectives for 2018	How We Did	Progress at a Glance
Further development of a strong employer branding approach, highlighting our vision on working for Triodos Bank, and what we expect and offer in terms of working conditions and learning and development opportunities.	The international employer brand story was developed. Creative concepts to share the employer brand story in, and outside, Triodos Bank prepared for launch early in 2019. The employer brand added to the new website and will be developed further online in 2019.	● ○ ○

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

Continuous improvement approach

We have built up internal capacity to facilitate Continuous Improvement and made this approach an integrated part of the Operations community throughout the organisation.

We continued to offer group-wide training and, in the business units, local training initiatives have been connected to create a common language and understanding of Continuous Improvement. We have taken initiatives to promote this approach to all co-workers. Among other things, a group-wide Continuous Improvement week took place, inviting all co-workers to think about small steps every individual can take to reduce time and resources needed for work, and to free up time and energy to create more impact.

A learning organisation

To be able to deal with the challenges of the future, we need to create a learning organisation, that holds enough opportunities for co-workers to train themselves, to learn together with their peers, and to learn from interacting with stakeholders around the organisation.

Efforts continued to create enough opportunities for co-workers to deepen their understanding of Triodos Bank's mission; events included the Global Alliance for Banking on Values' (GABV) Massive Open Online Course (MOOC), and internal values seminars, both for new and long-standing co-workers.

Together with our network we created opportunities to learn with and from others. We co-hosted a successful summer school with the Institute for Social Banking in Barcelona. And we delivered an Expert Exchange Lab on Credit and Loans processes in values-based banking. And we engaged in the international leadership development track of the GABV, designed to develop the leadership capacity of our own organisation and the wider movement.

In 2018 we created a necessary step up in our group-wide approach to regulatory training demands by implementing a group-wide computer-based training on topics such as Security Awareness and GDPR.

Being a learning organisation also means learning from, and exchanging with, the outside world. Examples during the year included a series of public debates on the Energy Transition and the role of the financial world in that transition, in Amsterdam.

Monthly lunch meetings also brought new visions and ideas to the co-workers from external experts, including British economist Kate Raworth and former Dutch finance minister Dijsselbloem. Triodos Bank also has weekly Monday meetings in all its business units creating a powerful opportunity to learn and share, supported by an active online internal platform.

Employer brand

Triodos Bank's international employer brand story was developed in 2018. With a clear employer brand, we aim to attract and retain co-workers. We want to share how we work and how the work of each individual contributes to the overall mission of our organisation.

Creative concepts to share our employer brand in, and outside, Triodos Bank, and on and offline, were prepared for launch in 2019. This work will be developed further during the year.

Our co-worker community in figures

Triodos Bank continues to be a growing organisation, although the rate of growth has slowed as part of deliberate efforts to manage our development and costs.

In 2018, the total number of co-workers increased by 50 new co-workers (2017: 106). The total number of co-workers at Triodos Bank increased by 3.6% in 2018, from 1,377 to 1,427.

The balance of men and women, the age of the co-worker group and levels of sickness is similar to previous years and remains at a reasonable level.

Gender equality is important to us. In 2018 Triodos Bank employed 703 women (49.3%) and 724 men (50.7%). The share of women in management positions is 39%. The objective for Triodos Bank is to have no more than 70% of its board positions to be held by either gender. Triodos Bank currently meets this goal in both its Executive and Supervisory Boards.

Both overall attrition and attrition in the first year of employment stayed the same as the previous year at 9% in 2018. Absenteeism through sickness was 3.8% in 2018, slightly above a target of 3%.

Fair rewards for all co-workers

Triodos Bank believes people should be properly and appropriately rewarded for their work, and pay is an important element of this.

The organisation monitors remuneration both within the company and in relation to the rest of the financial and banking sector, and wider society.

In The Netherlands, which is home to the Executive Board, the Head Office, Triodos Investment Management and the Dutch branch, the ratio of the highest full-time salary to the median full-time salary was 5.6 in 2018 (2017: 5.7). This ratio is also reported in the Key Figures section at the start of this report and uses the GRI methodology.

In addition, we have calculated the ratio between the lowest and highest paid in The Netherlands, and in 2018 this was 9.9 (2017: 9.9). Some specific cases are excluded from this ratio, for example when very junior co-workers are recruited for an apprenticeship or people with development needs are appointed to create job opportunities for vulnerable people.

These ratios are reviewed and discussed within the Executive Board and with the Supervisory Board in the light of developments inside and outside the organisation. We seek a healthy balance between the 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 our business evolves, so we have defined a bandwidth as a guiding principle. For the ratio highest to median this stands at 7 and for the highest to lowest: 1 to 10.

For more information on the international remuneration and nomination policy please refer to page 110 of the annual accounts.

Diversity and inclusion as a responsibility

Triodos Bank's responsibility is to create a welcoming work environment for all. It wants to avoid discrimination of candidates of any kind.

A diverse co-worker community contributes positively to Triodos Bank's effectiveness and vitality. We not only speak about diversity, but also about inclusion. We continued to launch initiatives in 2018 to recruit those at a distance from the labour market. We actively engaged former refugees in our co-worker community. Several business units have connected with organisations that create internships for refugees, which have led to permanent contracts.

Prospects

Triodos Bank will continue to strengthen the organisation in 2019 and beyond, in line with the new three-year business plan. We will continue to foster a strong co-worker community: able to act in the now, with an eye on the future. The organisation will support co-workers so they are committed and engaged, understand and are aligned with our essence, mission and strategy, and are able to work in a changing, regulated environment.

Triodos Bank's goal is to help connect co-workers to our mission, the organisation and each other. The intention is to promote meaningful jobs with a clear purpose, sufficient autonomy and with clear requirements for individual's skills, knowledge and experience. Together the co-worker community will be equipped to adapt to changing circumstances, be resilient while maintaining an open mind for new developments and opportunities to help move to a sustainable society with human dignity at its core.

The following priorities have been set in this context:
- A step-up in our organisational development by having sound and clear ways of working within, and between, units. This will make sure we work more efficiently and are visibly in control
- This will include designing and implementing an Organisational Culture Programme to enable leadership and co-workers to take their role and responsibility in the change.

Environmental report

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

Triodos Bank limits its environmental footprint as far as it can, avoiding the emissions of greenhouse gases where possible. If some emissions are necessary, it tries to limit them as much as possible and compensate for the emissions it cannot avoid.

Triodos Bank is a climate neutral organisation. It measures the footprint of its operations, registers it in a CO_2 management system and compensates it fully in "Gold Standard Projects" from the Climate Neutral Group.

The year at a glance

CO_2 emissions per FTE in 2018 decreased to 2.02 tonnes compared to 2.36 tonnes in 2017. Total CO_2 emissions across the whole of Triodos Bank decreased by 8% compared with 2017, despite an increase in co-workers of 3.6%. There has been a decrease in energy consumption of 7% per FTE, a decrease in business travel by airplane of 12% per FTE and a decrease of commuting by car of 7% per FTE.

The total amount of paper usage decreased further in 2018 to 81 kg/FTE (2017: 85 kg/FTE). The amount of blank copy recycled paper decreased to 12.85 kg/FTE (2017: 13.15 kg/FTE). The amount of recycled printed paper was 0.13 kg/customer, a decrease of 7%.

Details of the methodology Triodos Bank uses to calculate its CO_2 emissions are available on request.

Sustainable property

Triodos Bank's wants its buildings to be as sustainable as possible. To that end it aims to assess, where applicable, all its buildings with the BREEAM methodology, one of the world's leading ways to certify a building's sustainability performance.

In 2017 the Spanish office started to execute BREEAM assessments on its two main offices in Madrid, both of which scored well. During the year solar panels were installed on the roof of one office, producing enough energy for around 9% of the energy needs of the head office. A plan is now in place to further improve the building' environmental performance, with a focus on waste management and more sustainable lighting.

In The Netherlands changes to the cooling and heat pump systems have made substantial difference in electricity consumption. A study started in one of the head office buildings to explore no longer using gas to heat the building.

Working with sustainable partners

Triodos Bank tries to extend its positive impact on society through the sustainable choices it makes about its suppliers. For example, In Belgium the office contracts a sustainable cleaning company that employs people who are otherwise often excluded from the employment market.

Similarly, in Spain, Triodos Bank works with the Juan XXII Roncali Foundation, social organisation with more than 50 years of experience in the learning disabilities sector. A scholarship provides an opportunity for an individual to benefit from meaningful work experience and for the Triodos Bank co-workers to enjoy a more diverse group.

Prospects

- 2018 CO_2 footprint data will be integrated and executed in all consultations with suppliers within facility management (see last year's goals)

Our Key Objectives for 2018	How We Did	Progress at a Glance
BREEAM assessments will be analysed to identify improvements per country	BREEAM assessments of The Netherlands, Belgium and the UK have been analysed. A BREEAM plan for execution in 2019 in Spain has been developed. Germany will move to a new office building in 2019 and will perform a BREEAM scan in 2019.	●●○
2017 CO_2 footprint data will be integrated and executed in all consultations with suppliers within facility management	As of last year, CO_2 data has been shared with Strategic Suppliers. The goal has not been met in across the whole Group.	●○○
A project team will be created to update and execute Triodos Bank's mobility policy	This project has been started in The Netherlands office. In 2019 further plans will be made because of the opening of a new office building at the end of 2019	●●○
CO_2 footprint benchmark with external organisations to be performed	The benchmark, performed by environmental consultant Navigant, of the 2017 CO_2 footprint with selected peers, has taken place. In comparison with its peers Triodos Bank has a lower CO_2 footprint per FTE. More specifically, Energy use, in kWh, per FTE is 33% lower than peers And heating per full time equivalent (FTE) is 83% lower than peers	●●●

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

• A new mobility policy will be rolled out in The Netherlands to create more flexibility for business travel
• Travel scan to identify possible reduction measurements that can reduce our climate impact of air travel
• A plan created to improve Triodos Bank's BREEAM scores based on identified opportunities
• Triodos Bank Green Week executed in all countries to increase awareness among co-workers in cooperation with suppliers.

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 delivering a resilient business approach, they are supported by risk managers, with local business knowledge, to identify, assess and manage risk. At Group level, a risk appetite process is implemented to align Triodos Bank's risk profile with the willingness to take risk in achieving its business objectives.

Periodically each business unit performs a strategic risk assessment to identify and manage potential risks that could impede the realisation of their 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.

Over the past years, two important external strategic risks have materialised and are expected to continue in the foreseeable future; the continuing low interest rate environment and regulatory pressure. The first has led to a decreased margin and consequently lower profitability than anticipated. The second has led to the need for additional co-workers, system adaptation and processes in order to implement these new regulatory requirements, as well as sharply 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 recovery plan in case of deviation. In addition, the local risk sensitivities were reviewed to determine scenarios that were used to stress test Triodos Bank's solvency, liquidity and profitability during 2018.

Given the scenarios that were selected, Triodos Bank is most sensitive to a long lasting, 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. Another scenario that leads to decreasing profits and capital ratios is exposure to government defaults. This is seen as a logical consequence of a presence in different countries.

Finally, Triodos Bank is sensitive to scenarios relating to reputation risk. To prevent such an event, it is essential to communicate clearly about the mission and to act in line with the mission.

The impact of the scenarios was calculated and assessed in relation to profitability, capital ratios and liquidity. The results of these tests were satisfactory.

Climate risk contains two important elements:
- the risk that relates to the transition of 'old' sources of energy to sustainable ones, 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, leading to extreme weather conditions and the rise of sea levels, for 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 its assets. However, Triodos Bank has not identified assets considered 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 the bank's portfolio assets within the duration of the current portfolio.

Nevertheless, Triodos Bank carries out annual 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 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.

A fully integrated risk management report gives insights into the Triodos Bank risk profile in relation to the accepted risk appetite. The report is an important monitoring tool for Triodos Bank's risk profile, gives insights into specific risk themes and provides an integrated picture of risk at business unit level. This report is produced quarterly and discussed with the Supervisory Board's Audit and Risk Committee.

Several risk committees are in place at Head Office, all representing a specific risk area. The monthly Asset and Liability Committee is responsible for assessing and monitoring the risks associated with market risk, interest rate risk, liquidity risk, and currency risk and capital management. The monthly Non-Financial Risk Committee monitors and challenges the development of the non-financial risk profile of Triodos Bank in order to determine whether the operational and compliance risks are, and will be, in line with the defined non-financial risk appetite. 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, propose capital and liquidity levels and discuss all corporate risks and mitigating actions.

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 is as close as possible to the client and therefore primarily the responsibility of local branches, who are responsible for daily operations. The central 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 company. It also includes a description of the design and effectiveness of the internal risk management and control systems for the main risks during the financial year.

The company's continuous growth has led to a periodic review of its internal organisation and governance requirements. Also new legislation demanded several additional analyses, risk assessments and adjustments of systems or procedures.

Capital and liquidity requirements

Regulations are demanding a more resilient banking sector by strengthening the solvency of the banks and introducing strict liquidity requirements, such as those developed by the Basel Committee on Banking Supervision. Based on the latest available information, Triodos Bank complies with the capital and liquidity requirements that legally come fully into effect from 2019, known as Basel III. Furthermore, Triodos Bank expects that the latest proposed changes to this regulation, referred to as the EU risk reduction package and the Basel III finalisation of post-crisis reforms, together will provide limited relief on Triodos Bank's required capital.

Triodos Bank's capital strategy is to be strongly capitalised. This has become an even more important strategic objective as the regulation introduces new measures to strengthen the capital base of all the banks as a consequence of the financial crisis. Triodos Bank aims for a Common Equity Tier 1 ratio of at least 16%, well above its own internal economic capital adequacy models to guarantee a healthy and safe risk profile. The quality of capital is important as well as the solvency rate. All of Triodos Bank's solvency comes from common equity. Economic capital is the amount of risk capital held to enable it 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, which is reviewed by the Dutch Central Bank.

Despite successfully raising capital of over EUR 83 million in 2018, the Common Equity Tier 1 ratio decreased by 1.5% from 19.2% at the year end 2017 to 17.7% at the year end 2018. This ratio is still well above the regulatory requirement. The decrease in 2018 was mainly caused by an increase in risk weighted assets, due to the growth of the sustainable loan portfolio. This trend was coupled with relatively lower growth in capital in 2018 and the fact that Triodos Bank has increased its capital buffer related to the trading in its depository receipts.

The liquidity portfolio increased slightly during 2018, Triodos Bank's liquidity position remained strong. Its policy is to hold a sound liquidity buffer and invest liquidities in highly liquid assets and/or inflow generating assets in the countries where it has branches. In The Netherlands Triodos Bank has invested its liquidities mainly in (green) bonds of the Dutch government, agencies, and banks, cash loans to municipalities, deposits with commercial banks and the Dutch Central Bank. In Belgium most of its liquidity has been invested in Belgian regional and government bonds. In Spain the liquidity surplus is invested in Spanish regional and central bonds, Spanish regions and agencies and deposited with commercial banks and the Spanish Central Bank. In the UK excess liquidity is invested in UK government bonds and placed on deposits with commercial banks and the Bank of England. In Germany, surplus liquidities are placed with local governments and with commercial banks including the German Central bank. Due to the expansionary monetary policy by the ECB and specifically the asset purchase program, yields of government bonds and other high rated counterparties have plummeted, often even to levels below -0.40%. Hence, the profile of the liquidity buffer changed during 2018. The bonds portfolio decreased by almost 14%, due to maturing bonds being placed mostly at the European Central Bank.

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 starting on page 61.

In control statement

The Executive Board is responsible for designing, implementing and maintaining an adequate system for internal control over financial reporting. Financial reporting is the product of a structured process carried out by various functions and branches under the direction and supervision of the financial management of Triodos Bank.

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

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 governance framework is the basis for an integrated in control statement process. Triodos Bank is working in a rapidly changing environment, which requires regular upgrades of its control framework. The Executive Board has indicated that several internal projects are in place that should lead to internal statements providing positive assurance in the coming years.

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.

In our view the Executive Board report provides adequate insight in the functioning of the internal controls, compliance and risk management systems.

Compliance and integrity

Triodos Bank has internal policies, rules and procedures to ensure that management complies with relevant laws and regulations regarding customers and business partners. In addition, the compliance department independently monitors the extent to which Triodos Bank complies with its rules and procedures. External aspects of the compliance department primarily concern accepting new customers, monitoring financial transactions and preventing money laundering. Internal aspects primarily concern checking private transactions by co-workers, preventing and, where necessary, transparently managing conflicts of interest and safeguarding confidential information. In addition, it concerns raising and maintaining awareness of, for example, financial regulations, compliance procedures and fraud and anti-corruption measures. Triodos Bank has a European compliance team led from the Head Office in Zeist. Compliance officers are appointed in every branch with a functional line towards the central compliance department. Triodos Bank has a Group Data Protection Officer who monitors compliance with the General Data Protection Regulation. The Director Risk and Compliance reports to the Executive Board and has an escalation line to the Chair of the Audit and Risk Committee, that supports the independence of the Risk Control 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 Dutch Central Bank (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. From this survey, DNB concluded that Triodos Bank is required to implement enhancement of its measures concerning customer due diligence and monitoring of customer transactions. Triodos Bank agrees with the required improvements as articulated in an instruction of DNB and is taking the necessary steps to remedy this situation. DNB may publish details of its instruction in due course. Triodos Bank expects to be able to implement the required improvements.

In 2018 there was a compliance incident in the Spanish branch concerning the information relating to costs for consumer mortgages. The Spanish regulator imposed a fine, after the applicable reductions, of EUR 174,000. Triodos Bank completed voluntary payment of the fine on 10 December 2018.

Triodos Bank was not involved in other material legal proceedings or 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. 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.

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.

Triodos Bank's Internal Governance

Triodos Bank is a European bank with branches in The Netherlands (Zeist), Belgium (Brussels), the UK (Bristol), Spain (Madrid) and Germany (Frankfurt). It also has Triodos Finance: an intermediary for Triodos Bank N.V. in France. 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.

	Depository receipt holders		Issued capital in millions of EUR	
	2018	2017	2018	2017
1 – 50	14,332	13,772	23.1	22.1
51 – 500	22,260	21,244	349.3	325.0
501 – 1,000	3,620	3,173	207.4	179.1
1,001 and more	2,204	1,888	551.4	486.7
Total	**42,416**	**40,077**	**1,131.2**	**1,012.9**

	Depository receipts × 1,000		Depository receipt holders	
	2018	2017	2018	2017
The Netherlands	8,342	7,375	24,499	22,370
Belgium	2,472	2,336	7,254	7,054
United Kingdom	234	236	1,874	1,939
Spain	2,207	2,105	7,913	7,972
Germany	240	195	876	742
Total	**13,495**	**12,247**	**42,416**	**40,077**

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 recommendations. These recommendations must be approved by Triodos Bank's Executive Board and 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.

Stichting Triodos Foundation

Stichting Triodos Foundation is an institution that makes donations to initiatives that help Triodos Bank to deliver its sustainable goals. Similar foundations have been set up in Belgium, the UK and Spain.

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. Its 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 the Supervisory Board of Triodos Bank does not have separate nomination and remuneration committees. Instead, it operates an integrated Nomination and Compensation Committee. This is done for practical reasons, given the size of Triodos Bank.

The fifth instance relates to the fact that 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.

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 current Banking Code is part of a package of developments for the banking industry called 'Future Oriented Banking', introduced by the Dutch Bankers' Association (NVB). 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's 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, existing Business Principles. By taking 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 2018 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.

All Board member biographies are available on page 204.

Supervisory Board Report

The Supervisory Board supervises and reviews the activities and the decisions of the Executive Board, the functioning of Triodos Bank's operations, and is engaged at an early stage in formulating the strategy for realising Triodos Bank's mission. In addition, the Supervisory Board provides advice and guidance to the Executive Board. Its supervision is based upon reports on business, finance, risk and other aspects, and on presentations, conversations and visits. These are scheduled in such a manner, that all substantive areas of Triodos Bank are covered within a two-year time frame.

The context for Triodos Bank is changing

In the view of the Supervisory Board there are important external developments that will have an impact on Triodos Bank:

- Sustainability and positive impact continue to become more mainstream in the financial sector, resulting in growing markets with more opportunities and competition
- Mid-term economic uncertainty persists, with low Eurozone interest rates expected for the time being
- Political polarity creates localised uncertainty although overall unity within Europe prevails
- Financial regulations remains challenging for a mid-sized bank
- The accelerating rate of digitalisation in financial services combined with new technology and growth data-driven business models are expected to challenge the banking sector
- The United Kingdom's decision to leave the European Union will have political and economic consequences for businesses and citizens but also for financial institutions.

The Supervisory Board monitored how the Executive Board of the bank responds to these significant challenges, whilst continuing to be an effective, integrated values-based bank that builds on its strengths and opportunities in the market.

During 2018 the Supervisory Board monitored Triodos Bank's strategic focus within the third year of its current three-year business plan and in anticipation of the new three-year business plan 2019-2021. The Supervisory Board discussed the 2019-2021 business plan which has been drafted to meet the challenges of the rapidly changing external landscape and market conditions – the effects of a low interest environment, the increasing competition and Brexit mentioned above.

Activities of the Supervisory Board

Triodos Bank's strategic focus

The Supervisory Board, in various discussions, encouraged the Executive Board in its efforts to respond to a more challenging external landscape, both strategically and practically, while remaining true to Triodos Bank's essence. Throughout the year developments in different countries and at Triodos Investment Management were reviewed, as well as the main strategic risks of the business, and a quarterly analysis of Triodos Bank's overall performance, health and development.

Governance structure

The Supervisory Board particularly focused on the development and implementation of a new organisational structure in Triodos Bank. In close consultation with the Executive Board, the decision was made to expand the Executive Board with one additional role by creating the role of Chief Risk Officer (CRO) as a full member of this board. The area of Risk was previously covered by the CFO. Given Triodos Bank's growth and increased complexity it is felt that the Risk Management and Compliance perspective should be represented more emphatically at this strategic level. Triodos Bank operates in a context of growing demands from society to perform a gatekeeper role in the financial system coupled with increasing bank supervision. The focus on Risk Management and Compliance is very intense and is expected to further intensify. This requires a strategic response in the composition of the EB. The CFO-role will also be strengthened by this decision as it allows for more focus on the financial strategy, including capital planning, as well as reporting and data management.

Additionally, the Supervisory Board and the Executive Board discussed the management structure in the organisation and what changes might be prudent to support the strategic ambitions. The creation of a 'Banking Committee' to allow the Executive Board to take a more strategic and oversight role, has been discussed intensively. The Supervisory Board will monitor whether this restructuring delivers the envisaged improvements in efficiency and effective alignment.

Impact, risk, return

2018 was characterised by managed growth, increased impact and robust financial performance despite a low interest rate environment. The ratio of loans to funds entrusted has improved over the year. During its discussions with the Executive Board, the Supervisory Board paid attention to the continuous improvement of Triodos Bank's business model and operating model while remaining focused on Impact, Risk and Return. The Supervisory Board monitored Triodos Bank's health through its financial ratios, its access to capital and the impact of stricter regulatory capital requirements. Improvements in risk management were discussed and implemented in the area of credit risk, interest rate risk and operational risk.

Other topics

During 2018, topics discussed at the Supervisory Board's meetings and contacts with the Executive Board included:

- Finance: economic developments concerning Triodos Bank and their financial impact. More specifically, Triodos Bank's current capital position and future capital requirements, quarterly financial results, the management letter of the External Auditor, the 2017 annual report and the Executive Board report, the 2018 half-year report as well as the accompanying press releases and the dividend proposal.
- Risk and Audit: the design and effectiveness of the internal risk management framework and control systems, the 'risk appetite' and the actual risk profile (described in the bank's Internal Capital Adequacy Assessment Process (ICAAP)/Individual Liquidity Adequacy Assessment Processes (ILAAP), the audit findings, the auditor's reports, annual internal audit plan, quarterly reports and loan reports and implementation of new regulatory requirements.
- Human resource management: organisational changes and the company culture, the annual revision of the international remuneration and nomination policy.
- Business Units: meetings were held with the management of local branches and Triodos Investment Management by individual Supervisory Board members, together with a representative of the Board of SAAT and the Executive Board. A Supervisory Board branch visit was organised by Triodos Bank's Spanish branch during the year.
- Triodos Bank's mitigation plan for being able to continue to operate in the United Kingdom (UK) after the UK leaves the European Union was reviewed and subsequently approved.
- Contacts with the Dutch central bank: The Chair and the Vice-Chair, also the Chair of the Audit and Risk Committee, as well as the Chair of the Nomination and Compensation Committee met several times with representatives of the Dutch central bank. The main topics we discussed in these meetings were the Supervisory Review and Evaluation Process (SREP), Culture and Governance.
- Leadership transition: several discussions were held on the leadership transition that the bank faces in the coming years.
- Contact with the Board of SAAT: A Supervisory Board delegation had an informal meeting with a delegation from the Board of SAAT in advance of the 2018 Annual General Meeting. Also, informal meetings between the Chairs of the Supervisory Board, Board of SAAT and Executive Board took place throughout the year.

Internal Organisation

Composition of the Supervisory Board

Triodos Bank's articles of association determine that the Supervisory Board consists of three or more members. At present it has 6 members.

Diversity

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 2018 there were four male and three female Supervisory Board members. The Supervisory Board complies with its diversity policy.

Committees of the Supervisory Board

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

The composition of the committees is as follows:

Audit and Risk Committee

- Carla van der Weerdt (Chair)
- Fieke van der Lecq
- Gary Page
- Udo Philipp (from 18 May 2018 until 28 February 2019)

Nomination and Compensation Committee

- Ernst-Jan Boers (Chair)
- Aart de Geus
- Dineke Oldenhof (as of 18 May 2018)
- Udo Philipp (until 18 May 2018)

For more information on the Supervisory Board members, see the biographies on page 204.

Activities of the Audit and Risk Committee

The Audit and Risk Committee (ARC) met six times during 2018. Triodos Bank's Chief Financial Officer was present at all meetings as well as the external auditor, the Head of Internal Audit, the Director Risk and the Director Finance. Other experts (on areas like Finance, Asset and Liability Management, ICT, Compliance or Investment Management) were invited when required during the meetings. In all ARC meetings time and attention was spent on audit, finance, risk and compliance. In addition, informal meetings were held with the external auditor as well as with the internal auditor, without the Executive Board being present. During the year, one new ARC member was appointed (Udo Philipp). The Chair of the Committee regularly held separate sessions with, amongst others, the Head of Internal Audit, the Director Risk, the Director Finance, as well as the external auditor.

In its regular meetings, the ARC discussed, amongst other things, the half year and annual results and the dividend proposal, the key audit matters as reported by internal and external audit and the outlook of the individual business units, before being discussed in the full Supervisory Board.

Moreover, the ARC discussed progress on risk control improvements (including risk culture), adherence to laws and regulations governing financial and regulatory reporting and tax-related issues. The Committee discussed the annual Internal Audit plan before it was discussed in the full Supervisory Board.

Other recurring items on the agenda of the ARC were the Enterprise Risk Management report (ERM-report, including all risk areas like credit risk, interest rate risk, currency risk, operational risk (including IT risk), compliance, strategic risk, liquidity risk), the Finance reports and the Internal Audit reports. Topics that required specific attention in 2018 were: the UK's decision to leave the European Union (Brexit), compliance to new regulations, risk awareness and culture in Triodos Bank, cyber security, capital planning and a review of reporting standards (e.g. Dutch GAAP, IFRS) and a recommendation to explore migrating to a new reporting standard.

The Supervisory Board has been informed about the outcome regarding Triodos Bank of a sector wide survey that the Dutch Central Bank (DNB) has conducted among Dutch banks, focussing on the measures that the bank has taken to prevent money laundering and terrorism financing. From this survey, DNB concluded that Triodos Bank should put in place additional measures concerning customer due diligence and monitoring of customer transactions. Triodos Bank agrees with the required measures and is taking the necessary steps to remedy this situation. Both the findings, the instruction and the remediation plan have been discussed in depth with the Supervisory Board and the Supervisory Board challenged the Executive Board in submitting a comprehensive and realistic plan. The Supervisory Board will continue to monitor progress.

Moreover, as part of its regular agenda, the ARC reviewed and discussed the yearly update of the risk appetite statement, the risk appetite framework, the ICAAP and ILAAP reports, the liquidity funding and capital plan, the funds transfer pricing methodology, the risk governance framework and the recovery plan. In addition, quarterly reporting on regulatory affairs, Triodos Bank's risk profile and the progress on relevant projects were presented and discussed. Furthermore, the external auditor presented their management letter as well as their independent auditor and assurance report.

During the year, one new ARC member was appointed (Udo Philipp). However, he resigned as per 28 February 2019 because of taking up a public political role in Germany as per 1 March 2019.

Activities of the Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) met five times formally. The CEO of the bank was present at the meetings and the Director HR was present for specific topics. The members of the NCC have senior management experience and knowledge of, and experience with, performance management and remuneration in general. Additionally, they seek advice from independent, external experts in case of specific issues. During the year, one new NCC member was appointed (Dineke Oldenhof). One member (Udo Philipp) changed committees from the NCC to the ARC.

One of the NCC's primary roles is to advise the Supervisory Board about the remuneration and nomination policy of Triodos Bank in general and to set the remuneration packages of the members of the Executive Board. It also advises the Supervisory Board on the appropriateness of the general conditions of the remuneration packages of Managing Directors reporting directly to the Executive Board. For more information on the international remuneration and nomination policy please refer to page 110 of the annual report.

The nomination topics in 2018 included a review of the composition of the Supervisory Board which led to the recruitment of a candidate Supervisory Board member for appointment during the 2019 Annual General Meeting. The Chair of the NCC, together with the Supervisory Board Chair reviewed the performance of the members of the Executive Board in personal interviews, reviewing the priorities set for 2018 and setting new ones for 2019.

The recruitment process for the succession of the current CFO, Pierre Aeby was started (see Activities of the Supervisory Board). The NCC led the recruitment process and advised the Supervisory Board on the progress and decisions to be taken.

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 Bank	Banking & Finance	Audit & Risk	Governance & Management	HR & Organisational Development
Aart de Geus (Dutch) (Chair)	1955	M	•			•	•
Carla van der Weerdt (Dutch) (Vice-Chair)	1964	F		•	•	•	
Ernst-Jan Boers (Dutch)	1966	M		•	•	•	
Fieke van der Lecq (Dutch)	1966	F	•	•	•	•	
Dineke Oldenhof (Dutch)	1958	F	•			•	•
Gary Page (British)	1965	M		•	•	•	
Udo Philipp[1] (German)	1964	M	•	•	•		

1 Until 28 February 2019

Meetings of the Supervisory Board

All regular meetings of the Supervisory Board are held jointly with the Executive Board. Every meeting in 2018 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.

Several Supervisory Board members visited local annual meetings in the UK, Spain, Germany and Belgium, which are attended by customers, depository receipt holders and other stakeholders. A delegation of the Supervisory Board and a delegation of the Board of SAAT had informal meetings with the management of each branch separately, including Triodos Bank Netherlands and the management board of Triodos Investment Management.

Attendance of the Supervisory Board members in 2018

Supervisory Board members in 2018	Formal Supervisory Board Meetings attended during term of appointment	Formal Audit and Risk Committee Meetings attended during term of appointment	Formal Nomination and Compensation Committee Meetings attended during term of appointment
Aart de Geus (chair)	100%	–	100%
Carla van der Weerdt (vice-chair)	83.33%	83.33%	–
Ernst-Jan Boers	100%	100%	100%
Fieke van der Lecq	100%	100%	–
Dineke Oldenhof	100%	–	66.66%
Gary Page	100%	100%	–
Udo Philipp	100%	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. Gary Page will continue to serve on this Board until a formal transfer of assets is completed to establish the subsidiary in the UK. When this change takes effect, he will resign from this Board to ensure independence in his role as Chair of the Board of directors of Triodos Bank UK Ltd.. 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 2018.

Education

As part of the Supervisory Board's permanent education programme, the Supervisory Board organises annual meetings with both internal and external experts. In 2018, education sessions were organised on the following topics: capital requirements, governance, reporting standards, interest rate risk, digitalisation, innovation, Triodos Bank's risk appetite, Triodos Bank's Essence, anti-money laundering and customer due diligence.

Self-evaluation

Each year, the Supervisory Board evaluates the performance of the Board and its committees. Once every two years, this evaluation is performed with the assistance of an external consultant. The results of the 2017 evaluation performed externally were discussed by the Supervisory Board and recommendations have been implemented as a result. The 2018 self-evaluation of the Supervisory Board, its individual members and its committees took place in the last quarter of 2018 based on questionnaires completed by all members individually and discussed in plenary sessions. As a result of the internal evaluation the Supervisory Board asked the Executive Board to provide brief monthly updates for actual topics, given the number and intensity of topics on the Supervisory Board agenda. The Supervisory Board also decided to continue having working dinners throughout the year to discuss strategic issues.

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 external accountant. The Supervisory Board proposes that the Annual General Meeting adopts the Annual Accounts of 2018 and discharges the members of the Executive Board for their management of Triodos Bank during 2018 and the members of the Supervisory Board for their supervision.

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

The Supervisory Board would like to thank all Triodos Bank's stakeholders for their trust in Triodos Bank and the Executive Board, and all co-workers of the bank for their efforts. 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, 20 March 2019

Supervisory Board,
Aart de Geus, Chair
Carla van der Weerdt, Vice-Chair
Ernst Jan Boers
Fieke van der Lecq
Dineke Oldenhof
Gary Page

Triodos Bank N.V.
Annual Accounts 2018

Consolidated balance sheet as at 31 December 2018

Before appropriation of profit in thousands of EUR	Reference[1]	31.12.2018	31.12.2017
Assets			
Cash	1	1,795,272	1,365,729
Government paper	2	–	26,500
Banks	3	237,055	216,375
Loans	4	7,273,780	6,597,901
Interest-bearing securities	5	1,232,312	1,401,215
Shares	6	20	20
Participating interests	7	22,448	14,649
Intangible fixed assets	8	38,424	32,843
Property and equipment	9	104,537	72,894
Other assets	10	46,802	31,588
Prepayments and accrued income	11	119,436	142,606
Total assets		**10,870,086**	**9,902,320**
Liabilities			
Banks	12	67,217	64,363
Funds entrusted	13	9,558,203	8,721,888
Other liabilities	14	36,014	22,308
Accruals and deferred income	15	70,688	76,283
Provisions	16	6,743	4,583
Total liabilities		**9,738,865**	**8,889,425**
Capital	17	674,734	612,368
Share premium reserve	17	190,324	169,840
Revaluation reserve	17	2,656	1,186
Statutory reserve	17	31,188	24,988
Other reserve	17	193,716	167,118
Result for the period	17	38,603	37,395
Equity		**1,131,221**	**1,012,895**
Total equity and liabilities		**10,870,086**	**9,902,320**
Contingent liabilities	18	140,993	84,563
Irrevocable facilities	19	1,463,989	1,148,667
		1,604,982	**1,233,230**

1 References relate to the notes starting on page 69. These form an integral part of the consolidated annual accounts.

Consolidated profit and loss account for 2018

in thousands of EUR	Reference[1]	2018	2017
Income			
Interest income	20	190,807	179,259
Interest expense	21	−25,308	−26,438
Interest		**165,499**	**152,821**
Investment income	22	**4,138**	**1,569**
Commission income	23	98,741	88,542
Commission expense	24	−4,388	−3,692
Commission		**94,353**	**84,850**
Result on financial transactions	25	381	786
Other income	26	1,853	244
Other income		**2,234**	**1,030**
Total income		**266,224**	**240,270**
Expenses			
Co-worker and other administrative expenses	27	198,412	179,582
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	28	13,387	10,588
Operating expenses		**211,799**	**190,170**
Impairments loan portfolio and other receivables	29	3,512	1,841
Value adjustments to participating interests		532	−1,334
Total expenses		**215,843**	**190,677**
Operating result before taxation		**50,381**	**49,593**
Taxation on operating result	30	−11,778	−12,198
Net profit		**38,603**	**37,395**
Amounts in EUR			
Net profit per share[2]		2.99	3.19
Dividend per share		1.95	1.95

1 References relate to the notes starting on page 69. These form an integral part of the consolidated annual accounts.

2 The net profit per share is calculated by dividing the net profit by the average number of issued shares in circulation during the financial year (2018: 12,905,340 shares, 2017: 11,726,228 shares).

Consolidated statement of comprehensive income for 2018

in thousands of EUR	2018	2017
Net result	38,603	37,395
Revaluation of property, equipment and participating interest after taxation	1,470	702
Exchange rate results from business operations abroad after taxation	−275	−1,181
Total amount recognised directly in equity	1,195	−479
Total comprehensive income	39,798	36,916

Consolidated statement of changes in the equity for 2018

in thousands of EUR
Equity as at 1 January 2017
Increase of share capital
Stock dividend
Revaluation of property, equipment and participation interest after taxation
Realisation of revaluation
Exchange rate results from business operations abroad after taxation
Profit appropriation for previous financial year, addition to the other reserves
Profit appropriation for previous financial year, dividend
Dividend not distributed in cash
Reverted dividend
Transfer to statutory reserve for development costs
Purchasing or sale of own depository receipts
Result for the period
Equity as at 31 December 2017
Increase of share capital
Stock dividend
Revaluation of property, equipment and participation interest after taxation
Realisation of revaluation
Exchange rate results from business operations abroad after taxation
Profit appropriation for previous financial year, addition to the other reserves
Profit appropriation for previous financial year, dividend
Dividend not distributed in cash
Reverted dividend
Transfer to statutory reserve for development costs
Purchasing or sale of own depository receipts
Result for the period
Equity as at 31 December 2018

Share capital	Share premium	Revaluation reserve	Statutory reserve	Other reserve	Result for the period	Total equity
554,415	**151,157**	**484**	**18,540**	**149,845**	**29,240**	**903,681**
46,777	29,859					76,636
11,176	−11,176					–
		702				702
						–
			−1,181			−1,181
				6,798	−6,798	–
					−22,442	−22,442
				18,104		18,104
						–
			7,629	−7,629		–
						–
					37,395	37,395
612,368	**169,840**	**1,186**	**24,988**	**167,118**	**37,395**	**1,012,895**
50,093	32,757					82,850
12,273	−12,273					–
		1,470				1,470
						–
			−275			−275
				12,946	−12,946	–
					−24,449	−24,449
				20,127		20,127
						–
			6,475	−6,475		–
						–
					38,603	38,603
674,734	**190,324**	**2,656**	**31,188**	**193,716**	**38,603**	**1,131,221**

Consolidated cashflow statement for 2018

in thousands of EUR	Reference[1]	2018	2017
Cashflow from operating activities			
Net profit		38,603	37,395
Adjustments for:			
• depreciation	28	13,386	10,776
• value adjustments to receivables	29	3,512	1,841
• value adjustments to participating interests	7	532	–1,334
• value adjustments to participating interests	22	–3,765	–1,389
• value adjustments and exchange rate differences on property and equipment	9	164	427
• movements in provisions	16	2,160	1,230
• other movements in accrued and deferred items		17,040	–14,885
Cashflow from business operations		**71,632**	**34,061**
Movement in government paper	2	26,500	152,402
Movement in banks, deposits not on demand	3	–19,360	137,241
Movement in loans	4	–679,391	–891,404
Movements in shares	6	–	–
Movement in banks, liabilities not on demand	12	2,854	32,781
Movement in funds entrusted	13	836,315	697,268
Other movements from operating activities		–1,494	–1,324
Cashflow from operating activities		**237,056**	**161,025**
Cashflow from investment activities			
Investment in interest-bearing securities	5	–227,687	–244,749
Disinvestment in interest-bearing securities	5	396,590	562,320
Investment in participating interests	7	–2,850	–51
Disinvestment in participating interests	7	–	4,044
Investment in intangible fixed assets	8	–13,814	–13,269
Investment in property and equipment	9	–37,014	–22,021
Disinvestment in property and equipment	9	54	–
Cashflow from investment activities		**115,279**	**286,274**
Cashflow from financing activities			
Increase in equity		82,850	76,636
Payment of cash dividend		–4,322	–4,338
Purchases of depository receipts for own shares		–	–
Cashflow from financing activities		**78,528**	**72,298**
Net cashflow		**430,863**	**519,597**

in thousands of EUR	Reference[1]	2018	2017
Cash and cash equivalents at the beginning of the year		1,531,072	1,011,475
Cash and cash equivalents at the end of the year		**1,961,935**	**1,531,072**
On demand deposits with central banks	1	1,795,272	1,365,729
On demand deposits with banks	3	166,663	165,343
Cash and cash equivalents at the end of the year		**1,961,935**	**1,531,072**
Supplementary disclosure of the cashflow from operating activities			
Interest paid		–26,828	–28,885
Interest received		192,924	182,796
Tax on profit paid		–8,654	–12,852
Dividend received from investments		373	186

1 References relate to the notes starting on page 69. These form an integral part of the consolidated annual accounts.

Notes to the consolidated financial statements

General

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.

Basis of preparation

The Annual Accounts were 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. The Annual Accounts relate to the thirty-eighth financial year of Triodos Bank N.V.

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

Accounting principles

General

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

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

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

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

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

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

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

Comparison with previous years

The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections.

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

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

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

Consolidation principles

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

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

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

List of equity participations of Triodos Bank N.V. in accordance with Sections 2:379 and 2:414 of The Netherlands Civil Code:
- Kantoor Buitenzorg B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Kantoor Nieuweroord B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Stichting Triodos Beleggersgiro in Zeist, group entity, fully consolidated;
- Triodos Custody B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Finance B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos IMMA BVBA in Brussels, 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;
- Triodos Nieuwbouw BV in Zeist, participating interest 100%, group company, fully consolidated.
- Triodos MeesPierson Sustainable Investment Management BV in Zeist, participating interest 50%, joint venture with joint control, consolidated pro rata to the participating interest held. This entity was liquidated in 2018.

Transactions in foreign currencies

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

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement, unless hedge-accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

Business operations abroad

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

Hedging of the net investment in business operations abroad

Exchange rate differences arising on retranslation of a foreign currency liability accounted for as a hedge of a net investment in foreign business units located outside the Eurozone are taken directly to shareholders' equity, in the statutory reserve for conversion differences, insofar as the hedge is effective. The non-effective part is taken to the profit and loss account as expenditure.

Financial leasing

Triodos Bank leases land to build a new building for its own use, whereby it retains substantially all the risks and rewards of ownership of this land. The land is recognised on the balance sheet upon commencement of the lease contract at the lower of the fair value of the land or the discounted value of the minimum lease payments. The lease installments to be paid are presented as interest expense.

The liabilities under the lease, excluding the interest payments, are included under other liabilities.

Operational leasing

Triodos Bank has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by Triodos Bank. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

Financial instruments

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

Cash

Cash represent cash in hand and cash balances at central banks. Cash is carried at nominal value.

Government paper

All government papers are held in the investment portfolio. They are stated at redemption value less any impairment losses. Differences between the acquisition price and the redemption value are amortised over the remaining life of the securities and are recognised as prepayments and accrued income or accruals and deferred income in the balance sheet. Realised changes in the value are recognised in the profit and loss account.

Banks

Receivables on banks are valued at amortised cost less any impairment losses. The impairment loss is determined per item, with the value of the collateral provided being taken into account.

Loans

Loans are valued at amortised cost less any impairment losses. The impairment loss is determined per item, with the value of the collateral provided being taken into account.

All 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. Private loans are reviewed at portfolio level, and on an individual basis if appropriate. The credit committee of a branch 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 installments 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.

A provision has been taken for Incurred But Not Reported bad debts (the IBNR) to cover the time lag between the event that prompts the debt to qualify as doubtful and the moment that fact is known to Triodos Bank. This is a collective credit provision and is based on statistics. The IBNR is calculated by multiplying the exposure at default with the probability of default, the loss given default and the loss incubation period.

Interest-bearing securities

All interest-bearing securities are held in the investment portfolio. They are stated at redemption value less any impairment losses. Differences between the acquisition price and the redemption value are amortised over the remaining life of the securities and are recognised as prepayments and accrued income or accruals and deferred income in the balance sheet. Realised changes in the value are recognised in the profit and loss account.

Shares

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

Participating interests

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

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of a participation based on the net asset value is negative, it will be stated at nil. If Triodos Bank N.V. can be held fully or partially liable for the debts of the participation or has the intention of enabling the participation to settle its debts, a provision is recognised for this.

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

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

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

Intangible fixed assets

Intangible fixed assets are stated at acquisition price or cost of manufacture minus amortisation. These costs mainly comprise the cost of direct labour; upon termination of the development phase. The amortisation will be determined according to the straight-line method in line with the estimated useful life. Impairments are taken into consideration; this is relevant in the event that the carrying amount of the asset (or of the cash-generating unit to which the asset belongs) is higher than its realisable value.

Expenditure on development projects is capitalised as part of the production cost if it is likely from both a commercial and technical perspective that the project will be successful (i.e.: if it is likely that economic benefits will be realised) and the cost can be determined reliably. A legal reserve has been recognised within equity with regard to the recognised development costs for the capitalised amount.
The amortisation of capitalised development costs commences at the time when the commercial production starts and takes place
over the expected future useful life of the asset.

Research costs are recognised in the income statement.

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 B.V. will be written off over a period of 20 years untill October 2026. The remaining depreciation period is eight years.

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

Property and equipment

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

Property for own use is stated at cost. The buildings for own use are depreciated according to the straight-line method on the basis of an estimated useful economic life of 40 years. Land for own use is not depreciated.

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

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 taken into account. With regard to the determination as to whether a tangible fixed asset is subject to an impairment, please go to note 9.

Impairment of fixed assets

On each balance sheet date, Triodos Bank assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. The costs deducted in determining net realizable value are based on the estimated costs that are directly attributable to the sale and are necessary to realise the sale. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit; these cash flows are discounted, based on a discount rate. The discount rate does not reflect risks already taken into account in future cash flows.

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.

Triodos Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

Other assets

Other assets are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for other assets.

Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

Provisions are valued at the nominal value of the expenses expected to be incurred in settling the liabilities and losses. The provisions mainly consist of a provision for major building maintenance which is based on a long-term maintenance programme. Other provisions may contain costs of unsettled claims, legal proceedings or other estimated costs for expected cash outflows that qualify as provisions under Dutch accounting principles.

Funds entrusted

On initial recognition funds entrusted are recognised at fair value. After initial recognition funds entrusted 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.

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.

Own depository receipts for shares may be acquired to a maximum amount of EUR 28.2 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 the Executive Board 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.

Derivatives and hedge accounting

Derivative financial instruments consisting of foreign currency forward contracts and interest swaps are initially recognised at fair value, with subsequent measurement at each balance sheet date except if the cost model for hedge accounting is applied. Fair values are obtained from quoted market prices in active markets, except for interest rate swaps, whose fair values are determined by discounted cash flow analysis against prevailing market interest rates. 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:
• the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
• a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative; and
• the combined instrument is not measured at fair value with changes in fair value recognised through profit and loss.
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. Triodos Bank applies micro hedge accounting. Micro hedging relates to individual transactions which are included in an economic hedge relationship covering interest rate and foreign exchange risks. It involves a one-on-one relationship between the hedged instrument and the hedged item.

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

If cost hedge accounting is applied to hedge interest rate risk, derivatives are measured at fair value upon initial recognition. As long as a derivative hedges an interest risk in connection with an expected future transaction, it is not remeasured. As soon as an expected transaction leads to the recognition in the profit and loss account of a financial asset or financial liability, the gains or losses associated with the derivative are recognised in the profit or loss account in the same period in which the asset or liability affects profit or loss.

Triodos Bank has documented its hedging strategy and how it relates to the objective of risk management. Triodos Bank has documented its assessment of whether the derivatives that are used in hedging transactions are effective in offsetting:
• currency results of the hedged items using generic documentation;
• interest rate results of the hedged items using documentation per hedged item.
Any overhedge is recognised directly in the profit and loss account at fair value.

Hedging relationships are terminated upon the expiry or sale of the respective derivatives. The cumulative gain or loss that has not yet been included in the profit and loss account is recognised as a deferred item in the balance sheet until the hedged transactions have taken place. If the transactions are no longer expected to take place, the cumulative gain or loss is accounted for in the profit and loss account.

Net interest income recognition

Interest income and expenses are recognised in accordance with the effective interest method. The application of this method includes the amortisation of any discount or premium or other differences (including transaction costs and applicable commissions) between the initial carrying amount of an interest-bearing instrument and the amount at maturity, based on the effective interest method.

Commission income

Commission income is recognised as the services are provided. The following types of commission income are identified:
• Service fees like payment transactions are recognised on a straight-line basis over the service contract period; asset management and management fees are recognised based on the applicable service contracts;
• Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised upon completion of the underlying transaction.

Commission income dependent on the outcome of a particular event or contingent upon performance are recognised when the following criteria have been met:
• The fees are earned and realised;
• The earnings process is completed by performing according the terms of the arrangements;
• If services are rendered or rights to use assets extend continuously over time and when reliable measures based on contractual prices established in advance are commonly available, revenues may be recognised as time passes.

Dividends

Dividends to be received from participations and securities not carried at net asset value are recognised as soon as Triodos Bank has acquired the right to them.

Short-term employee costs

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.

Pension schemes

Triodos Bank has a number of pension schemes. Premiums are paid based on contractual and voluntary basis to insurance companies. 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 on page 108.

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 cash flow 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 cash flow 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 arising 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 business units) are reported in a manner consistent with the internal reporting provided to the Executive Board, which 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, other key management of Medium-sized/ Large Company B.V. or the ultimate parent company and close relatives are regarded as related parties. Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Segregation of capital

Triodos Bank N.V. holds by its related party Stichting Triodos Beleggersgiro on behalf of its customers segregated from the assets and liabilities of the bank the following securities:

in thousands of EUR	2018	2017
Triodos Cultuurfonds N.V.	–	67,982
Triodos Fair Share Fund	357,149	347,837
Triodos Groenfonds N.V.	440,013	417,642
Triodos Sicav I	503,387	474,667
Triodos Sicav II	44,281	40,296
Triodos Vastgoedfonds N.V.	7,351	12,580
Triodos Impact Strategies N.V.	20,729	19,846
Total as at 31 December	**1,372,910**	**1,380,850**

Triodos Impact Strategies N.V. holds on behalf of its sub-fund Triodos Multi Impact Fund as at 31 December 2018 EUR nil (2017: EUR 4,531 thousand) of securities Triodos Cultuurfonds N.V., EUR 6,765 thousand (2017: 6,698 thousand) of securities Triodos Fair Share Fund and EUR 4,711 thousand (2017: 5,638 thousand) of securities Triodos Groenfonds N.V.. These securities are included in the above-mentioned values of securities in Triodos Cultuurfonds N.V., Triodos Fair Share Fund and Triodos Groenfonds N.V..

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

Assets

1. Cash

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

	2018	2017
On demand deposit Dutch Central Bank	1,411,065	1,004,514
On demand deposit Belgian Central Bank	31,083	16,011
On demand deposit German Central Bank	78,664	31,858
On demand deposit Spanish Central Bank	188,581	254,143
On demand deposit United Kingdom Central Bank	63,705	42,436
Cash in ATMs	22,174	16,767
Balance sheet value as at 31 December	**1,795,272**	**1,365,729**

2. Government paper

	2018	2017
Spanish treasury bills	–	26,500
United Kingdom treasury bills	–	–
Balance sheet value as at 31 December	**–**	**26,500**

The movement in the Government paper is as follows:

	2018	2017
Balance sheet value as at 1 January	26,500	178,902
Purchase	–	58,825
Repayments	–26,500	–194,825
Sale	–	–15,764
Exchange rate results on foreign currencies	–	–638
Balance sheet value as at 31 December	**–**	**26,500**

3. Banks

	2018	2017
On demand deposits with banks	166,663	165,343
Deposits with banks	70,392	51,032
Balance sheet value as at 31 December	**237,055**	**216,375**

An amount of EUR 19.7 million of the deposits is encumbered (2017: EUR 14.5 million). These are on demand deposits at Cecabank in the amount of EUR 1 million (2017: EUR 1 million), Caja de Ingenieros in the amount of EUR 0.5 Million (2017: nil), ING Bank EUR 13 million (2017: EUR 13 million), Banco Cooperativo EUR 4.6 (2017: nil) and Mastercard EUR 0.6 million (2017: EUR 0.5 million). All other deposits can be freely disposed of.

Banks classified by residual maturity:

	2018	2017
On demand	166,663	165,343
1 to 3 months	55,392	50,032
3 months to 1 year	14,000	–
1 to 5 years	1,000	1,000
Longer than 5 years	–	–
Balance sheet value as at 31 December	**237,055**	**216,375**

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

	2018	2017
Banco Cooperativo	5,708	1,087
Caja de Ingenieros	4,791	832
Cecabank	5,787	23,821
Coventry	557	19,029
DZ Bank	42,140	8,305
ING Bank	85,243	77,263
KBC Bank	382	29,216
Royal Bank of Scotland	35,445	31,261
Yorkshire Bank	49,533	16,890
Other	7,469	8,671
Balance sheet value as at 31 December	**237,055**	**216,375**

4. Loans

	2018	2017
Loans	7,312,936	6,647,497
Provision for doubtful debts	–39,156	–49,596
Balance sheet value as at 31 December	**7,273,780**	**6,597,901**

This relates to loans to customers.

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 critical terms of the interest rate swaps such as nominal amount, maturity date and interest payment dates fully match the terms of the respective loans. The total notional value of these loans is EUR 142.3 million which equals the notional value of the interest rate swaps (2017: EUR 145.1 million). The fair value of the interest rate swaps as at 31 December 2018 is EUR -1,342 thousand (2017: EUR 364.6 thousand). Triodos Bank applies cost price hedge accounting on these interest rate swaps and therefore the fair value is not recognised on the balance sheet.

Loans classified by residual maturity:

	2018	2017
Payable on demand	336,090	191,073
1 to 3 months	301,302	583,364
3 months to 1 year	371,670	397,422
1 to 5 years	1,972,378	1,712,240
Longer than 5 years	4,331,496	3,763,398
Balance sheet value as at 31 December	**7,312,936**	**6,647,497**

EUR 144.7 million (2017: EUR 496.0 million) of the loans relates to loans to local authorities with a maximum original maturity of one year and one day.

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

	2018 Specific	Collective	Total	2017 Specific	Collective	Total
Balance sheet value as at 1 January	43,678	5,918	49,596	53,679	3,371	57,050
Addition	7,561	1,013	8,574	6,817	4,140	10,957
Write-off	−13,561	–	−13,561	−8,987	–	−8,987
Release	−3,908	−1,515	−5,423	−7,693	−1,574	−9,267
Exchange rate differences	−28	−2	−30	−138	−19	−157
Balance sheet value as at 31 December	**33,742**	**5,414**	**39,156**	**43,678**	**5,918**	**49,596**

The quality of the loan book remained satisfactory overall. This, and a continuing focus on maintaining and diversifying a high-quality loan portfolio, kept impairments for the loan portfolio at a low level. In 2018 the impairments were 0.05% of the average loan book (2017: 0.03%).

The provision does not relate to contingent liabilities and irrevocable facilities. In the provision for doubtful debts is included an Incurred But Not Reported (IBNR) provision in the amount of EUR 5.4 million (2017: EUR 5.9 million).

EUR 0.1 million of the addition to the provision relates to interest that has been invoiced but has not been received (2017: EUR 0.1 million).

A breakdown related to received collateral, relevant industries, sectors and per geographic region can be found in the pillar 3 report 2018 which can be found on the internet site of Triodos Bank.

5. Interest-bearing securities

	2018	2017
Dutch Government bonds	69,500	82,500
Belgian Government bonds	225,600	240,600
Spanish Government bonds	86,950	184,950
United Kingdom Government bonds	87,044	104,380
Other bonds	763,218	788,785
Balance sheet value as at 31 December	**1,232,312**	**1,401,215**

The balance sheet value of interest-bearing securities as at 31 December can be broken down as follows:

Issuer in thousands of EUR	2018 Listed	Non-listed	Term of maturity less than a year	Term of maturity more than a year	Of which Green bond[1]
Public sector entities					
Belgium, government	225,600	–	60,500	165,100	–
Comunidad Autonoma de Madrid, Spain	110,638	–	25,675	84,963	–
United Kingdom, government	87,044	–	15,361	71,683	–
Kingdom of Spain, government	86,950	–	18,000	68,950	–
The Netherlands, government	69,500	–	–	69,500	66,131
European Investment Bank	66,131	–	55,000	11,131	–
Autonomous Community of Basque Country, Spain	42,583	–	32,583	10,000	–
Region Wallonne, Belgium	40,000	20,000	–	60,000	–
Xunta de Galicia, Spain	40,000	–	40,000	–	40,000
Nordic Investment Bank, Finland	40,000	–	40,000	–	–
Instituto de Crédito Official (government guaranteed), Spain	37,654	–	–	37,654	–
Ayuntamiento de Madrid, Spain	23,500	–	–	23,500	–
Junta de Castilla y León, Spain	15,946	–	3,550	12,396	–
La Commanauté Francaise de Belgique, Belgium	–	10,000	–	10,000	–
Provincie Vlaams-Brabant, Belgium	–	6,000	–	6,000	–
Total public sector entities	**885,546**	**36,000**	**290,669**	**630,877**	**106,131**

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 in thousands of EUR	Listed	Non-listed	2018 Term of maturity less than a year	Term of maturity more than a year	Of which Green bond[1]
Non-public sector entities					
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden (FMO), The Netherlands	50,000	–	50,000	–	50,000
Landwirtschaftliche Rentenbank, Germany	50,000	–	–	50,000	50,000
Adif Alta Velocidad, Spain	40,200	–	–	40,200	–
ABN AMRO Bank N.V., The Netherlands	26,500	–	–	26,500	26,500
Coöperative Rabobank U.A., The Netherlands	25,000	–	–	25,000	25,000
NRW Bank (government guaranteed), Germany	20,000	–	–	20,000	20,000
Kreditanstalt für Wiederaufbau (government guaranteed), Germany	18,566	–	13,000	5,566	18,566
ING Bank N.V., The Netherlands	13,000	–	–	13,000	13,000
Nederlandse Waterschapsbank, The Netherlands	12,000	–	12,000	–	12,000
Bank Nederlandse Gemeenten (BNG), The Netherlands	6,000	–	–	6,000	–
Cofinimmo SA N.V., Belgium	5,000	–	–	5,000	5,000
Ethias Vie, Belgium	500	–	–	500	–
Société Régionale Wallonne du Transport (government guaranteed), Belgium	–	30,000	–	30,000	–
Aquafin N.V., Belgium	–	14,000	2,000	12,000	14,000
Total non-public sector entities	**266,766**	**44,000**	**77,000**	**233,766**	**234,066**
Total	**1,152,312**	**80,000**	**367,669**	**864,643**	**340,197**

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 in thousands of EUR	2017 Listed	Non-listed	Term of maturity less than a year	Term of maturity more than a year	Of which Green bond[1]
Public sector entities					
Belgium, government	240,600	–	15,000	225,600	–
Spain, government	184,950	–	98,000	86,950	–
Comunidad Autonoma de Madrid, Spain	121,265	–	24,290	96,975	–
United Kingdom, government	104,380	–	16,327	88,053	–
European Investment Bank	91,260	–	25,000	66,260	66,260
The Netherlands, government	82,500	–	13,000	69,500	–
Instituto de Crédito Official (government guaranteed), Spain	50,654	–	13,000	37,654	–
Region Wallonne, Belgium	40,000	43,000	23,000	60,000	–
Nordic Investment Bank, Finland	40,000	–	–	40,000	40,000
Junta de Castilla y León, Spain	21,266	–	10,500	10,766	–
Autonomous Community of Basque Country, Spain	20,150	–	4,100	16,050	–
Xunta de Galicia, Spain	13,000	–	3,000	10,000	–
Deutschsprachige Gemeinschaft Belgiens, Belgium	–	20,000	20,000	–	–
Communauté Francaise de Belgique, Belgium	–	10,000	–	10,000	–
Provincie Vlaams-Brabant, Belgium	–	6,000	–	6,000	–
Brussels Region, Belgium	–	5,000	5,000	–	–
Total public sector entities	**1,010,025**	**84,000**	**270,217**	**823,808**	**106,260**

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 in thousands of EUR	Listed	Non-listed	2017 Term of maturity less than a year	Term of maturity more than a year	Of which Green bond[1]
Non-public sector entities					
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden (FMO), The Netherlands	50,000	–	–	50,000	50,000
Landwirtschaftliche Rentenbank, Germany	50,000	–	–	50,000	50,000
NRW Bank (government guaranteed), Germany	39,560	–	19,560	20,000	39,560
ABN AMRO Bank N.V., The Netherlands	26,500	–	–	26,500	26,500
Coöperative Rabobank U.A., The Netherlands	25,000	–	–	25,000	25,000
Nederlandse Waterschapsbank, The Netherlands	22,000	–	10,000	12,000	12,000
Kreditanstalt für Wiederaufbau (government guaranteed), Germany	18,630	–	–	18,630	18,630
ING Bank N.V., The Netherlands	13,000	–	–	13,000	13,000
Bank Nederlandse Gemeenten (BNG), The Netherlands	6,000	–	–	6,000	–
Cofinimmo SA N.V., Belgium	5,000	–	–	5,000	5,000
Ethias Vie, Belgium	500	–	–	500	–
Société Régionale Wallonne du Transport (government guaranteed), Belgium	–	30,000	–	30,000	–
Aquafin N.V., Belgium	–	16,000	2,000	14,000	16,000
Société Régionale Wallonne du Crédit Social (government guaranteed), Belgium	–	5,000	5,000	–	–
Total non-public sector entities	**256,190**	**51,000**	**36,560**	**270,630**	**255,690**
Total	**1,266,215**	**135,000**	**306,777**	**1,094,438**	**361,950**

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 69.5 million at the Dutch Central Bank (2017: EUR 55.2 million). The security for drawn loans amounts to EUR nil (2017: EUR 6.0 million) at a bank in Spain.

In connection with differences between the acquisition prices and redemption values, as at 31 December 2018 an amount of EUR 26.6 million (2017: EUR 33.5 million) has been included under Prepayments and accrued income and an amount of EUR 0.7 million (2017: EUR 0.9 million) has been included under Accruals and deferred income.

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. The critical terms of the interest rate swaps such as nominal amount, maturity date and interest payment dates fully match the terms of the respective bonds. The total notional value of these bonds is EUR 131.5 million which equals the notional value of the interest rate swaps (2017: EUR 111.5 million). The fair value of the interest rate swaps as at 31 December 2018 is EUR -1,225.8 thousand (2017: EUR 450.4

thousand). Triodos Bank applies cost price hedge accounting on these interest rate swaps and therefore the fair value is not recognised on the balance sheet.

The movement in interest-bearing securities is as follows:

	2018	2017
Balance sheet value as at 1 January	1,401,215	1,718,786
Purchase	229,076	248,976
Repayments	–396,590	–495,875
Sale	–	–66,445
Exchange rate results on foreign currencies	–1,389	–4,227
Balance sheet value as at 31 December	**1,232,312**	**1,401,215**

6. Shares

	2018	2017
S.W.I.F.T. SCRL	20	20
Balance sheet value as at 31 December	**20**	**20**

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:

	2018	2017
Balance sheet value as at 1 January	20	20
Purchase	–	–
Sales	–	–
Balance sheet value as at 31 December	**20**	**20**

7. Participating interests

	2018	2017
Other participating interests	**22,448**	**14,649**

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 the 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 the 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 movement of the participating interests is as follows:

	2018	2017
Balance sheet value as at 1 January	14,649	16,411
Acquisitions	9,848	–
Increase of capital	2,499	51
Revaluation	3,200	3,485
Repayment of capital	–	–
Divestments	–7,996	–4,044
Exchange rate results on foreign currencies	248	–1,254
Balance sheet value as at 31 December	**22,448**	**14,649**

The other participating interests can be broken down as follows.

	2018		2017	
	Participating interest	Amount in thousands of EUR	Participating interest	Amount in thousands of EUR
Amalgamated Bank, New York[1]	2.3%	12,356	–	–
New Resource Bank, San Francisco[1]	–	–	19.8%	7,278
Merkur Bank KGaA, Copenhagen[1]	3.0%	1,163	3.0%	1,190
Cultura Bank Sparebank, Oslo[1]	1.3%	102	1.3%	102
GLS Gemeinschaftsbank eG, Bochum[1]	0.0%	50	0.0%	50
Banca Popolare Etica Scpa, Padova[1]	0.2%	130	0.2%	130
Ekobanken Medlemsbank, Järna[1]	0.6%	49	0.7%	50
Social Enterprise Finance Australia Limited, Sydney	4.5%	1	4.5%	1
Bpifrance Financement S.A., Maisons-Alfort.	0.0%	136	0.0%	127
Sustainability – Finance – Real Economies SICAV-SIF public limited liability company, Luxembourg	13.0%	3,430	10.8%	1,066
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO), The Hague	2.0%	932	2.0%	1,311
Thrive Renewables Plc, Bristol	5.2%	3,292	5.1%	2,959
La Société d'Investissement France Active (SIFA), Montreuil	0.1%	300	–	–
Visa Inc, San Francisco[1]	0.0%	407	0.0%	335
La Bolsa Social, plataforma de financiación participativa, S.A., Madrid	6.0%	100	3.1%	50
Balance sheet value as at 31 December		**22,448**		**14,649**

1 Credit institution

8. Intangible fixed assets

	2018	2017
Development costs for information systems	34,108	28,103
Management contracts	1,562	1,763
Computer software	2,754	2,977
Balance sheet value as at 31 December	**38,424**	**32,843**

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:

	2018	2017
Purchase value as at 1 January	45,919	35,095
Cumulative amortisation as at 1 January	–17,816	–14,296
Balance sheet value as at 1 January	28,103	20,799
Capitalised expenses	12,854	11,391
Amortisation[1]	–6,316	–4,038
Impairments	–512	–
Exchange rate results on foreign currencies	–21	–49
Balance sheet value as at 31 December	**34,108**	**28,103**
Purchase value as at 31 December	58,524	45,919
Cumulative amortisation as at 31 December	–24,416	–17,816
Balance sheet value as at 31 December	**34,108**	**28,103**

1 Excluding disposal in the amount of EUR 0.2 million (2017: EUR 0.5 million).

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:

	2018	2017
Purchase value as at 1 January	4,030	4,030
Cumulative amortisation as at 1 January	–2,267	–2,065
Balance sheet value as at 1 January	1,763	1,965
Amortisation	–201	–202
Balance sheet value as at 31 December	**1,562**	**1,763**
Purchase value as at 31 December	4,030	4,030
Cumulative amortisation as at 31 December	–2,468	–2,267
Balance sheet value as at 31 December	**1,562**	**1,763**

Computer software

Computer software relates to software that has been purchased.

The movement in computer software is as follows:

	2018	2017
Purchase value as at 1 January	4,951	4,284
Cumulative amortisation as at 1 January	–1,974	–1,889
Balance sheet value as at 1 January	2,977	2,395
Purchase	981	1,927
Amortisation[1]	–1,204	–1,345
Balance sheet value as at 31 December	**2,754**	**2,977**
Purchase value as at 31 December	5,256	4,951
Cumulative amortisation as at 31 December	–2,502	–1,974
Balance sheet value as at 31 December	**2,754**	**2,977**

1 Excluding disposal in the amount of EUR 0.7 million (2017: EUR 1.3 million).

9. Property and equipment

	2018	2017
Property for own use	91,640	57,552
Equipment	12,897	15,342
Balance sheet value as at 31 December	**104,537**	**72,894**

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

	2018	2017
Purchase value as at 1 January	64,869	46,930
Cumulative revaluation as at 1 January	–1,596	–1,782
Cumulative depreciation as at 1 January	–5,721	–5,157
Balance sheet as at 1 January	57,552	39,991
Purchase	35,155	18,990
Depreciation	–921	–1,067
Revaluation	–	186
Exchange rate differences	–146	–548
Balance sheet value as at 31 December	**91,640**	**57,552**
Purchase value as at 31 December	99,865	64,869
Cumulative revaluation as at 31 December	–1,596	–1,596
Cumulative depreciation as at 31 December	–6,629	–5,721
Balance sheet value as at 31 December	**91,640**	**57,552**

The purchase in 2018 of EUR 35,155 (2017: EUR 11,712) relates to the development of a new office building in The Netherlands.

Property for Triodos Bank's own use includes land which is leased with a carrying amount of EUR 3.5 million based on the market value. The lease payments are negotiated for forty years with a starting, annual payment of EUR 0.2 million. The lease payment will be adjusted annually based on the consumer price index.

The movement in equipment is as follows:

	2018	2017
Purchase value as at 1 January	38,587	36,968
Cumulative depreciation as at 1 January	–23,245	–20,468
Balance sheet value as at 1 January	15,342	16,500
Purchase	1,859	3,031
Sale[1]	–54	–
Depreciation[1]	–4,232	–4,124
Exchange rate differences	–18	–65
Balance sheet value as at 31 December	**12,897**	**15,342**
Purchase value as at 31 December	36,982	38,587
Cumulative depreciation as at 31 December	–24,085	–23,245
Balance sheet value as at 31 December	**12,897**	**15,342**

1 excluding disposal in the amount of EUR 3.4 million (2017: EUR 1.3 million).

10. Other assets

	2018	2017
Assets not in use[1]	18,118	18,256
Receivable regarding the deposit guarantee scheme	4,551	4,551
Other	24,133	8,781
Balance sheet value as at 31 December	**46,802**	**31,588**

1 Assets not in use relates to acquired collateral on written off loans.

The increase of the other assets relates to cash collateral provided related to derivatives.

11. Prepayments and accrued income

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

	2018	2017
Premium on investments in interest bearing securities	26,568	33,509
Interest receivable	31,795	33,912
Deferred taxes	10,795	11,054
Derivatives	5,232	14,478
Other prepayments and accrued income	45,046	49,653
Balance sheet value as at 31 December	**119,436**	**142,606**

The deferred tax asset relates for an amount of EUR 7.7 million (2017: EUR 7.6 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.

Breakdown of derivatives by remaining term to maturity and fair value:

	Notional amount				Fair value
2018	Total	<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	29,964	16,204	13,760	–	1,356
Non deliverable forwards	54,740	11,671	43,069	–	3,908
Swap	1,252	873	379	–	–32
Total derivatives	**85,956**	**28,748**	**57,208**	**–**	**5,232**

2017	Total	Notional amount <= 1 year	> 1 year <= 5 years	> 5 years	Fair value
Currency contracts:					
OTC:					
Forwards	373,316	344,456	23,862	4,998	8,888
Non deliverable forwards	64,732	7,317	55,782	1,633	3,578
Swap	46,076	44,881	1,195	–	2,012
Total derivatives	**484,124**	**396,654**	**80,839**	**6,631**	**14,478**

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 2017 to 2018 relates to the fact that at the end of 2017 Triodos Bank stopped entering into new currency contracts with Triodos Investment Management because of new regulation.

Liabilities

12. Banks

	2018	2017
Deposits from banks	**67,217**	**64,363**

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

Deposits with banks classified by residual maturity:

	2018	2017
Payable on demand	4	1,000
1 to 3 months	1,415	1,225
3 months to 1 year	3,906	3,927
1 to 5 years	29,988	30,257
Longer than 5 years	31,904	27,954
Balance sheet value as at 31 December	**67,217**	**64,363**

13. Funds entrusted

	2018	2017
Savings	5,798,813	5,393,794
Other funds entrusted	3,759,390	3,328,094
Balance sheet value as at 31 December	**9,558,203**	**8,721,888**

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:

	2018			2017		
	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	4,666,881	3,545,071	**8,211,952**	4,207,291	3,132,842	**7,340,133**
1 to 3 months	538,097	144,669	**682,766**	523,981	116,965	**640,946**
3 months to 1 year	288,022	41,832	**329,854**	313,597	46,506	**360,103**
1 to 5 years	270,222	25,477	**295,699**	309,681	30,162	**339,843**
Longer than 5 years	35,591	2,341	**37,932**	39,244	1,619	**40,863**
	5,798,813	**3,759,390**	**9,558,203**	**5,393,794**	**3,328,094**	**8,721,888**

14. Other liabilities

This item consists of various amounts payable, including Dutch and foreign taxation and social security contributions totalling EUR 8.6 million (2017: EUR 8.4 million). These items are short term liabilities (< 1 year).

15. Accruals and deferred income

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

	2018	2017
Discount on investments	664	872
Interest payable	6,839	8,359
Deferred taxes	8,563	6,228
Derivatives	4,799	13,437
Other accruals and deferred income	49,823	47,387
Balance sheet value as at 31 December	**70,688**	**76,283**

The deferred tax liability relates for an amount of EUR 1.7 million to a taxable temporary difference following the tax losses incurred by the German branch over the period 2009 – 2011 amounting to EUR 8.1 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.

The deferred tax item further relates to temporary differences between the carrying amounts of intangible fixed assets for financial reporting purposes and the amounts used for taxation purposes. The remaining duration is one to four years.

Breakdown of derivatives by remaining term to maturity and fair value:

2018 in thousands of EUR	Total	Notional amount <= 1 year	> 1 year <= 5 years	> 5 years	Fair value
Currency contracts:					
OTC:					
Forwards	29,964	16,204	13,760	–	1,250
Non deliverable forwards	54,740	11,671	43,069	–	3,587
Swap	1,252	873	379	–	–38
Total derivatives	**85,956**	**28,748**	**57,208**	**–**	**4,799**

2017 in thousands of EUR	Total	Notional amount <= 1 year	> 1 year <= 5 years	> 5 years	Fair value
Currency contracts:					
OTC:					
Forwards	373,338	344,478	23,862	4,998	8,360
Non deliverable forwards	64,733	7,317	55,783	1,633	3,209
Swap	46,076	44,881	1,195	–	1,868
Total derivatives	**484,147**	**396,676**	**80,840**	**6,631**	**13,437**

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 2017 to 2018 relates to the fact that at the end of 2017 Triodos Bank stopped entering into new currency contracts with Triodos Investment Management because of new regulation.

16. Provisions

	2018	2017
Building maintenance	1,573	1,581
Other provisions	5,170	3,002
Balance sheet value as at 31 December	**6,743**	**4,583**

A provision in the amount of EUR 1.7 million (2017: EUR 2.2 million) has been made for part of the estimated unavoidable costs to Triodos Bank of dealing with the implications of the UK vote to leave the European Union. Further provisions have been formed regarding disputes and claims.

An amount of EUR 1.7 million can be classified as shorter than one year.

The movement of the provisions is as follows:

	2018	2017
Balance sheet value as at 1 January	4,583	3,353
Addition	6,106	2,699
Withdrawal	–3,775	–149
Release	–145	–1,222
Exchange rate differences	–26	–98
Balance sheet value as at 31 December	**6,743**	**4,583**

17. Equity

The equity stated on the consolidated balance sheet is equal to that stated on the parent company balance sheet. Further disclosure is included in the Notes to the company Annual Accounts. More details on capital ratios are included in the Pillar 3 report which can be found on the internet site of Triodos Bank.

Profit appropriation

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

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

All depository receipts issued up to and including 17 May 2019 are entitled to the final dividend for the financial year 2018. The results of Triodos Bank N.V. are taken into consideration in the issue price.

The proposed appropriation of profit is based on the number of depository receipts issued as at 31 December 2018, 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	38,603
Addition to the other reserves	–12,288
Dividend (EUR 1.95 per depository receipt)	**26,315**

Fair values

The following table sets out the fair value of the financial instruments held as at 31 December 2018. The fair value of listed government paper and interest-bearing securities is the market value. The fair value of unlisted government paper and interest-bearing securities is public quoted information if available or nominal value. The fair value of banks, loans and funds entrusted has been determined by calculating the net present value of expected interest and redemption cashflows, taking into account market interest rates as at the end of the year. Part of the loans and mortgages include caps and/or floors on the interest rates. For these instruments the fair value is determined by adding the present value of the contractual cash flows (based on forward rates) to the option value of these embedded caps and floors. An assumed prepayment rate is also included which differs per branch and between mortgages and business loans. We did not include a term structure in the spread. The fair value of the other items is assumed to be equal to the balance sheet value.

The fair value of the remaining assets also includes the deferred tax item. The premium and discount for the government paper and interest-bearing securities has been included in the balance sheet value of respectively the government paper and interest-bearing securities.

The estimated fair values provided by financial institutions are considered not to be comparable on an individual basis, due to the differences in valuation methods applied and the use of estimates in these valuations. The lack of an objective method of valuation means that estimated fair values are subjective in respect of the expected maturity and interest rates used.

	2018		2017	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Assets				
Cash	1,795,272	1,795,272	1,365,729	1,365,729
Government paper including discounts	–	–	26,504	26,510
Banks	237,055	237,062	216,375	216,287
Loans	7,273,780	7,362,465	6,597,901	6,663,791
Interest rate swaps to hedge the interest risk on fixed interest rate loans	–	−1,342	–	365
Interest-bearing securities including premiums/discounts	1,258,216	1,294,055	1,433,848	1,481,513
Interest rate swaps to hedge the interest risk on fixed interest rate securities	–	−1,226	–	450
Shares	20	20	20	20
Participating interests	22,448	22,448	14,649	14,649
Other	282,631	253,923[1]	246,422	220,026[1]
	10,869,422	**10,962,677**	**9,901,448**	**9,989,340**
Liabilities				
Banks	67,217	66,493	64,363	62,832
Funds entrusted	9,558,203	9,566,057	8,721,888	8,732,121
Other	112,781	112,781	102,302	102,301
Equity	1,131,221	1,131,221	1,012,895	1,012,895
Revaluation on equity	–	86,125	–	79,191
	10,869,422	**10,962,677**	**9,901,448**	**9,989,340**

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

Off-balance sheet liabilities

18. 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.

	2018	2017
Credit substitute guarantees	30,145	30,651
Non-credit substitute guarantees	110,848	53,912
	140,993	**84,563**

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:
- Rental obligations
- 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).

19. Irrevocable facilities

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

	2018	2017
Undrawn debit limits on current accounts and credit cards	213,008	165,752
Accepted loans not yet paid out	1,165,538	874,303
Valid loan offers not yet accepted	84,434	106,259
Other facilities	1,009	2,353
	1,463,989	**1,148,667**

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. The funds entrusted insured under the deposit guarantee scheme amounts to EUR 7,512 million (2017: EUR 6,864 million). In 2016 the annually ex-ante contribution to the Deposit Guarantee Fund started 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 8.4 million in 2018 (2017: EUR 6.8 million).

Value Added Tax

As per July 1, 2015 the Belgian tax office enacted administrative decision E.T.127.577 ('the Decision') following the Belgian interpretation of the Skandia ruling by the European Court of Justice. As a result of the Decision services provided by Triodos Bank N.V.'s head office in The Netherlands to Triodos Bank Belgian branch are deemed subject to value added tax ('VAT') in Belgium as of this date (except for those services which are VAT exempt).

As a result, Triodos Bank Belgian branch incurs VAT on these services which is then rendered effectively non-tax deductible through the VAT exempt services provided by Triodos Bank Belgian branch towards its clients. Adding to that Triodos Bank Belgian branch faces double VAT taxation for externally bought supplies or services by Triodos Bank N.V.'s head office in The Netherlands which are allocated to Triodos Bank Belgian branch.

Triodos Bank is of the view that the Decision is not in line with Belgian and European Law, a view which is supported by its tax and legal advisors. Triodos Bank has contacted the Belgian tax authorities to discuss its position on the matter.

Should the case be decided against Triodos Bank, then the (gross) impact, before deduction of corporate income tax, on the profit and loss account involved to settle the Belgian VAT incurred by Triodos Bank Belgian branch until balance sheet date is estimated at a maximum of EUR 4.0 million (2017: EUR 4.0 million). In 2018 the corporate income tax rate in Belgium was 29.58%.

Rental commitments

in thousands of EUR

Location	Amount per annum	Residual term
Zeist, The Netherlands	536	6 months
Zeist, The Netherlands	166	12 months
Zeist, The Netherlands	410	3 months
Zeist, The Netherlands	90	12 months
Berlin, Germany	17	12 months
Brussels, Belgium	825	60 months
Gent, Belgium	48	12 months
Edinburgh, United Kingdom	23	69 months
Albacete, Spain	9	2 months
Badajoz, Spain	26	12 months
Barcelona, Spain	60	3 months
Bilbao, Spain	14	3 months
Gerona, Spain	18	1 month
Granada, Spain	31	6 months
La Coruña, Spain	12	3 months
Las Palmas, Spain	10	3 months
Madrid, Spain	35	3 months
Malaga, Spain	40	6 months
Murcia, Spain	24	3 months
Oviedo, Spain	22	3 months
Palma de Mallorca, Spain	22	3 months
Pamplona, Spain	16	3 months
Santa Cruz de Tenerife, Spain	14	3 months
Sevilla, Spain	24	3 months
Valencia, Spain	16	3 months
Valladolid, Spain	22	3 months
Zaragoza, Spain	15	6 months
Frankfurt, Germany	201	6 months

Lease commitments

in thousands of EUR

Lease commitments relate primarily to cars that have been entered into lease contracts with periods between 3 and 60 months with an annual charge of EUR 980.

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 150 regarding a mortgage tool.
- For a period of at least 1 year a variable annual charge of approximately EUR 474 regarding the use of a banking system.
- 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 30 regarding the support of a customer engagement tool.
- For a period of at least 1 year an annual charge of EUR 150 regarding the support of a securities administration tool.
- For a period of at least 5 years a variable annual charge of approximately EUR 2,052 regarding the use of a banking system.
- For a period of at least 2 years a variable annual charge of approximately EUR 62 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 1,795.
- Services relating payment transactions for a period of at least 2 years with a variable annual charge of approximately EUR 4,500.
- Services relating payment transactions for a period of at least 1 year with a variable annual charge of approximately EUR 106.
- Services relating payment transactions for a period of at least 1 year with a variable annual charge of approximately EUR 175.
- Services relating online campaigns and TV commercials for an amount of EUR 122.
- Services relating payment transactions for a period of at least 2 years with an annual charge of approximately EUR 105.
- 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 1 years with an annual charge of approximately EUR 22.
- Services relating payment transactions for a period of at least 2 years with an annual charge of approximately EUR 32.
- Services relating protection of payment systems for a period of at least 0.5 years with a variable annual charge of approximately EUR 490.
- Services relating maintenance of building equipment for a period of at least 0.5 year with an annual charge of EUR 27.
- Services relating providing temporary co-workers for the customer contact centre for a period of at least 3 months with a variable annual charge of approximately EUR 650.
- Services relating to an engagement dialogues programme for a period of at least two years with an annual charge of approximately EUR 88.

Triodos Bank has been working on the realisation of a new office building since 2011, with the objective to start using the building in 2017. Due to delay in (legal) proceedings, the effective start of the construction works was in 2018. Completion of the new office is now scheduled in the third quarter of 2019. Total direct construction costs for the building amounts to EUR 50 million excluding VAT. Triodos Bank has an obligation for a perpetually renewable ground lease as of 2017 for an annual amount of EUR 0.2 million.

Income

20. Interest income

	2018	2017
Loans	174,778	160,467
Banks	375	333
Government papers and interest-bearing securities	14,287	17,581
Other investments	1,367	878
	190,807	**179,259**

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 (2017: 1.2 million).

21. Interest expense

	2018	2017
Funds entrusted	17,338	19,416
Banks	6,476	4,801
Other	1,494	2,221
	25,308	**26,438**

22. Investment income

	2018	2017
Dividend from other participations	373	186
Realised result from other participations	3,765	1,383
	4,138	**1,569**

23. Commission income

	2018	2017
Guarantee commission	842	747
Share register	1,728	1,895
Payment transactions	23,342	21,312
Lending	20,361	17,252
Asset Management	6,177	7,708
Management fees	41,859	36,702
Other commission income	4,432	2,926
	98,741	**88,542**

24. Commission expense

	2018	2017
Commission to agents	150	142
Asset Management	1,009	924
Other commission expense	3,229	2,626
	4,388	**3,692**

25. Result on financial transactions

	2018	2017
Exchange results for foreign currency transactions	57	–21
Transaction results on currency forward contracts	324	807
	381	**786**

26. Other income

	2018	2017
Realised results assets not in use[1]	1,407	–
Income assets not in use[1]	235	44
Other income	211	200
	1,853	**244**

1 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. Co-worker and other administrative expenses

	2018	2017
Co-worker costs:		
• salary expenses	77,625	72,572
• pension expenses	11,888	9,024
• social security expenses	14,807	12,713
• temporary co-workers	15,397	13,123
• other staff costs	8,320	7,698
• capitalised co-worker costs	–7,256	–6,538
	120,781	**108,592**
Other administrative expenses:		
• office costs	5,110	5,250
• IT costs	13,560	13,263
• external administration costs	8,882	9,556
• travel and lodging expenses	3,900	3,731
• fees for advice and auditor	11,156	9,696
• advertising charges	6,290	7,072
• accommodation expenses	8,812	8,685
• regulatory expenses	12,133	10,137
• other expenses	7,788	3,600
	77,631	**70,990**
	198,412	**179,582**
Average number FTE's during the year	**1,296.7**	**1,203.2**

Pension expenses

	2018	2017
Pension expenses, defined contribution schemes	5,808	3,364
Pension expenses, defined benefit pension schemes	6,080	5,660
	11,888	**9,024**

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

Pension scheme per country

Triodos Bank's pension scheme in The Netherlands is a combination of a defined benefit pension scheme and a defined contribution scheme. For the part of the gross annual salary up to EUR 53,706 a defined benefit pension scheme applies; the obligation vis-à-vis the participating co-workers consists of the granting of the accrued pension. For the part of the gross annual salary above EUR 53,706, a defined contribution scheme applies; the commitment to the participating co-workers consists of paying the outstanding contribution to a maximum of EUR 105,075.

In The Netherlands, co-workers of related parties also participate in the pension scheme. The total pension commitment and the resulting expenses are reported within the Notes to the consolidated Annual Accounts of Triodos Bank N.V.. 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 Belgium, the United Kingdom, Spain and Germany are defined contribution schemes that have been placed with life insurance companies in those countries. The commitment to the participating co-workers consists of paying any outstanding contribution. Participation in the pension scheme is obligatory for co-workers in Belgium, Spain and the United Kingdom. In Belgium, 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 5% 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%. 98% of the co-workers in Germany participate in the pension scheme.

International Remuneration and Nomination Policy

The International Remuneration & Nomination Policy is based on the principle of human dignity and aims to enhance social coherence within the organisation. The policy incorporates the Regulation of the Dutch Central Bank on Sound Remuneration Policies, the EBA Guidelines on Sound Remuneration Policies, EBA Guidelines on remuneration of sales staff and GRI standards for sustainability reporting. In our view remuneration enables co-workers to earn a decent living and to contribute to the organisation and society at large. Triodos Bank believes in the intrinsic motivation of its co-workers to contribute to our mission and to work according to our corporate values. The richness of the contribution of each co-worker cannot be translated into a linear, financial incentive.

Triodos Bank operates in the financial sector. Therefore, its remuneration practice needs to be within the scope of what is expected in the financial sector. It allows for a healthy in- 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. This all contributes to a strong sense of being jointly responsible for realising the mission of Triodos Bank.

This International Remuneration and Nomination Policy has been revised in 2018 and was approved by the Supervisory Board on 14 December 2018.

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

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

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

- Triodos Bank does not offer bonus or share option schemes to either members of the Executive Board, the Supervisory Board, the Board of SAAT nor to co-workers. Financial incentives are not considered an appropriate way to motivate and reward co-workers in a values-based bank. In addition, sustainability is by its very nature the result of a combined effort by team members aimed at both the short and long term.
- Triodos Bank may provide additional individual "Tokens of Appreciation". These Tokens of appreciation are very limited and discretionally decided and are maximum one months' 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. Such a token is not based on pre-set targets, and always offered in retrospect. The Tokens of Appreciation are subject to claw back arrangements. The members of the Executive Board are excluded from these awards.
- An annual, collective token of appreciation can be paid for the overall achievements and contribution of all co-workers. This very modest amount is the same, for all co-workers with a maximum of EUR 500 gross for each co-worker. This can be paid in cash or in Triodos Bank N.V. depository receipts. For 2018 no collective end-of-year token of appreciation was awarded. This amount is equal for all co-workers whether they work full-time or part time and pro-rata if not in service throughout the whole year. The members of the Executive Board refrain from this award.
- The factor by which the maximum salary in the lowest scale and the maximum salary for senior management differs, will be monitored carefully in each country (the ratio in The Netherlands was 9.9 in 2018 (it was 9.9 in 2017 and 9.9 in 2016)), to ensure the discrepancy between the highest and lowest remunerated co-workers is not excessive. Some specific cases are excluded from this ratio, for example when very junior co-workers are

recruited as a kind of apprenticeship or less qualified/educated people are appointed to create job opportunities for vulnerable people.
• Severance payments should be modest and should never reward failure or misconduct. Severance payments to members of the Executive Board do not exceed one year's salary.
More details on the Triodos Bank remuneration policy are available on the www.triodos.com website.

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

	2018			2017		
	Amount outstanding	Average interest rate	Repayments	Amount outstanding	Average interest rate	Repayments
Pierre Aeby	125	2.2%	–	125	2.2%	–
Jellie Banga	464	1.7%	32	496	1.9%	83

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 paid to the Executive Board

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

	2018	2017
Fixed salary expenses	805	793
Pension expenses	81	80
Pension allowance for salary above EUR 100.000	123	122
Private use company car	11	11
Social expenses	40	34
	1,060	**1,040**

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

	2018	2017
Peter Blom, Chair	304	300
Pierre Aeby	257	253
Jellie Banga	244	240
	805	**793**

Remuneration paid to the Supervisory Board

The remuneration paid to the Supervisory Board members is as follows:

	2018				2017
Amounts in EUR	Remuneration	Remuneration Committees	Compen-sation for travel time	Total	Total
Aart de Geus (Chair)	25,000	3,000	2,000	30,000	30,000
Carla van der Weerdt (Vice-Chair)	17,500	5,000	1,000	23,500	24,500
Ernst-Jan Boers	17,500	4,250	4,000	25,750	25,979
David Carrington (until 19 May 2017)	–	–	–	–	13,958
Mathieu van den Hoogenband (until 19 May 2017)	–	–	–	–	12,062
Fieke van der Lecq	17,500	4,000	2,000	23,500	13,283
Gary Page[1)]	17,500	4,000	10,000	31,500	18,283
Udo Philipp	17,500	3,000	10,000	30,500	28,500
Dineke Oldenhof (as per 18 May 2018)	11,667	2,000	1,000	14,667	–
	124,167	**25,250**	**30,000**	**179,417**	**166,565**

1) In addition Gary Page provided consultancy services to the UK branch of Triodos Bank related to Brexit preparations. These services were rendered outside of the scope of his responsibility as a member of the Supervisory Board. In 2018 the remuneration for these services was GBP 13,333.

The following fees apply (per annum):
- EUR 17,500 Member of the Supervisory Board;
- EUR 25,000 Chair of the Supervisory Board;
- EUR 4,000 Member of the Audit and Risk Committee;
- EUR 5,000 Chair of the Audit and Risk Committee;
- EUR 3,000 Member of the Nomination and Compensation Committee;
- EUR 4,250 Chair of the Nomination and Compensation 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.

Remuneration of the Board of SAAT

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

		2018		2017
Amounts in EUR	Remuneration	Compen-sation for travel time	Total	Total
Josephine de Zwaan (Chair)	10,000	5,000	15,000	13,000
Mike Nawas (Vice-Chair)	7,000	7,000	14,000	13,000
Marjatta van Boeschoten (until 18 May 2018)	2,917	3,000	5,917	12,000
Sandra Castaneda Elena (until 19 April 2017)	–	–	–	4,333
Frans de Clerck (until 18 May 2018)	2,917	2,000	4,917	13,000
Willem Lageweg	7,000	1,000	8,000	8,000
Koen Schoors	7,000	8,000	15,000	7,083
Nikolai Keller (as per 18 May 2018)	4,667	3,000	7,667	–
	41,501	**29,000**	**70,501**	**70,416**

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.

Auditor's fees

The table below specifies the fees of the PricewaterhouseCoopers Accountants N.V. ('PwC Accountants N.V.') 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 N.V..

2018 in thousands of EUR	PwC Accountants N.V.	Other PwC network	Total PwC network
Audit of the financial statements	793	318	1,111
Other audit-related engagements	65	–	65
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	**858**	**318**	**1,176**

2017 in thousands of EUR	PwC Accountants N.V.	Other PwC network	Total PwC network
Audit of the financial statements	793	317	1,110
Other audit-related engagements	145	–	145
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	**938**	**317**	**1,255**

Our auditor, PwC Accountants NV, has rendered, for the period to which our statutory audit 2018 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 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

Other audit services:
- Assurance engagement on the sustainability report
- Assurance engagement profit forecast
- ISAE type II engagement relating to Triodos Investment Management BV
- Agreed upon procedures on interest rate risk to the Dutch Central Bank
- ISAE type I on DGS reporting to the Dutch Central Bank
- Assurance engagement on credit claims to the Dutch Central Bank

Regulatory expenses

The regulatory expenses can be broken down as follows:

	2018	2017
Bank tax	2,877	2,653
Depository Guarantee Scheme	8,488	6,820
Single resolution fund	768	664
	12,133	**10,137**

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

	2018	2017
Amortisation of intangible fixed assets	7,721	5,584
Impairment of intangible fixed assets	512	–
Depreciation of property and equipment	5,154	5,190
Impairment of tangible fixed assets	–	–186
	13,387	**10,588**

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

29. Impairments loan portfolio and other receivables

This item consists of expenses associated with write-downs on loans and other receivables.

	2018	2017
Addition to provision doubtful debts	8,574	10,957
Correction on addition to provision doubtful debts regarding interest that has been invoiced but not received	–66	–85
Release of provision doubtful debts	–5,423	–9,267
Impairments other receivables	427	236
Total expense	**3,512**	**1,841**

30. Taxation on operating result

	2018	2017
Taxation to be paid	9,749	11,833
Deferred taxation	2,029	365
	11,778	**12,198**

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

	2018	2017
Result before taxation	50,381	49,593
Statutory tax rate	25.0%	25.0%
Statutory tax amount	12,595	12,398
Difference arising from other tax rates abroad, exemptions and non-deductible items	217	–200
Restatement of deferred taxation items as the result of amended tax rates	–1,034	–
Effective tax amount	**11,778**	**12,198**
Effective tax rate	**23.4%**	**24.6%**

Fiscal unity

Triodos Bank, as a parent company, forms a tax unity for corporate income tax purposes with Triodos Finance, Triodos Investment Management, Triodos Investment Advisory Services, Kantoor Buitenzorg, Kantoor Nieuweroord and Triodos Nieuwbouw as subsidiaries. Triodos Bank, as a parent company, also forms a tax unity for value added tax with Triodos Finance, Kantoor Buitenzorg, Kantoor Nieuweroord and Triodos Nieuwbouw as subsidiaries. The method chosen for the taxation set-off between Triodos Bank and its subsidiaries is that of proceeding as if the legal entities were independently liable to pay tax. In fact, the legal entities are jointly and severally liable for the tax liabilities of the companies belonging to the fiscal unity.

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 the secondment of co-workers, management services, administration, accommodation, ICT and advertising.
- Triodos Bank holds funds of and provides banking services to related parties at competitive rates.
- Triodos Bank provides credit facilities and bank guarantees to investment funds and international funds at competitive rates.
- Triodos Bank, Triodos Investment Management and Triodos Investment Advisory Services carry out management activities for investment funds and receive a competitive management fee for these activities.
- Stichting Triodos Beleggersgiro acts as intermediary for investment funds.
- Triodos Custody performs custodial services for Triodos Fair Share Fund at a competitive fee.
- Triodos Bank distributes and registers securities, issued by investment funds and placed with customers of Triodos Bank, at competitive rates.
- Triodos Bank performs currency transactions for investment funds and international funds at competitive rates.
- Triodos Bank has bought the loan portfolio of Triodos Culture Fund at a competitive rate in 2018.

Segment reporting

Key figures 2018 by branch and business unit

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom	Bank Spain
Funds entrusted	4,031,752	1,906,831	1,198,466	2,031,560
Number of accounts	459,383	81,791	62,570	212,847
Loans	2,718,727	1,732,147	975,274	1,401,694
Number of loans	32,850	4,402	3,300	19,081
Balance sheet total	4,651,097	2,174,582	1,395,205	2,313,543
Funds under management[1]	631,280	447,103		
Total assets under management	**5,282,377**	**2,621,685**	**1,395,205**	**2,313,543**
Total income	87,094	48,206	34,292	42,757
Operating expenses	–61,822	–36,288	–29,747	–36,759
Impairments loan portfolio	1,840	–1,096	213	–4,011
Value adjustments to participations				
Operating result	27,112	10,822	4,758	1,987
Taxation on operating result	–6,370	–3,465	–1,254	–631
Net profit	**20,742**	**7,357**	**3,504**	**1,356**
Average number of FTE's during the year	229.2	135.3	166.9	277.4
Operating expenses/total income	71%	75%	87%	86%

1 Note that at the time this statement was prepared, the Annual Accounts of funds under management are subject to approval of the annual general meeting.

Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
401,305	9,569,914			−11,711	9,558,203
22,651	839,242				839,242
445,938	7,273,780				7,273,780
9,118	68,751				68,751
576,039	11,110,466		1,660,860	−1,901,240	10,870,086
	1,078,383	4,206,041	19,865	−631,280	4,673,009
576,039	**12,188,849**	**4,206,041**	**1,680,725**	**−2,532,520**	**15,543,095**
10,504	222,853	39,206	8,253	−4,088	266,224
−11,281	−175,897	−31,416	−8,573	4,087	−211,799
−458	−3,512				−3,512
			−532		−532
−1,235	43,444	7,790	−852	−1	50,381
94	−11,626	−1,947	1,795		−11,778
−1,141	**31,818**	**5,843**	**943**	**−1**	**38,603**
52.8	861.6	168.7	266.4		1,296.7
107%	79%	80%			80%

Key figures 2017 by branch and business unit

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom	Bank Spain
Funds entrusted	3,555,712	1,763,395	1,102,281	2,005,928
Number of accounts	415,231	78,402	58,798	235,103
Loans	2,602,057	1,521,037	899,228	1,181,597
Number of loans	31,853	3,777	2,352	16,317
Balance sheet total	4,111,371	2,029,732	1,290,142	2,215,671
Funds under management[1]	697,919	408,486		
Total assets under management	**4,809,290**	**2,438,218**	**1,290,142**	**2,215,671**
Total income	81,670	44,763	31,610	37,070
Operating expenses	−57,378	−30,865	−24,605	−35,543
Impairments loan portfolio	3,147	−239	−311	−4,020
Value adjustments to participations				
Operating result	27,439	13,659	6,694	−2,493
Taxation on operating result	−6,513	−4,751	−1,319	1,254
Net profit	**20,926**	**8,908**	**5,375**	**−1,239**
Average number of FTE’s during the year	206.9	128.0	151.9	264.8
Operating expenses/total income	70%	69%	78%	96%

1 Note that at the time this statement was prepared, the Annual Accounts of funds under management are subject to approval of the annual general meeting.

Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
302,802	8,730,118			–8,230	8,721,888
20,556	808,090				808,090
393,982	6,597,901			–	6,597,901
6,040	60,339				60,339
444,105	10,091,021		1,403,736	–1,592,437	9,902,320
	1,106,405	3,475,897	21,681		4,603,983
444,105	**11,197,426**	**3,475,897**	**1,425,417**	**–1,592,437**	**14,506,303**
8,388	203,501	34,497	6,194	–3,922	240,270
–9,644	–158,035	–27,707	–8,350	3,922	–190,170
–418	–1,841				–1,841
			1,334		1,334
–1,674	43,625	6,790	–822	–	49,593
330	–10,999	–1,696	497	–	–12,198
–1,344	**32,626**	**5,094**	**–325**	**–**	**37,395**
47.6	799.2	158.3	245.6		1,203.1
115%	78%	80%			79%

Key figures 2018 by country

in thousands of EUR	The Netherlands	Belgium
Names	Triodos Bank N.V., Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V., Stichting Triodos Beleggersgiro, Triodos Custody B.V., Triodos Finance B.V., Triodos Investment Management B.V., Triodos Investment Advisory Services B.V., Triodos MeesPierson Sustainable Investment Management B.V., Triodos Nieuwbouw B.V.	Triodos Bank N.V., Triodos IMMA B.V.BA
Nature of activities	Bank, Private Banking and Investment Management	Bank and Private Banking
Geographical location	Zeist	Brussel
Total income	131,157	48,206
Operating expenses	–98,615	–36,288
Impairments loan portfolio	1,840	–1,096
Value adjustments to participations	–532	
Operating result	**33,850**	**10,822**
Taxation on operating result	–6,504	–3,465
Net profit	**27,346**	**7,357**
Public subsidies received	–	–
Average number of FTE’s during the year	649.1	135.3

United Kingdom	Spain	Germany	France	Elimination intercompany transactions	Total
Triodos Bank N.V.	Triodos Bank N.V.	Triodos Bank N.V.	Triodos Finance B.V.		
Bank	Bank	Bank	Agency for branch Belgium and market research		
Bristol	Madrid	Frankfurt	Paris		
34,292	42,757	10,504	3,396	−4,088	266,224
−29,747	−36,759	−11,281	−3,196	4,087	−211,799
213	−4,011	−458			−3,512
					−532
4,758	**1,987**	**−1,235**	**200**	**−1**	**50,381**
−1,254	−631	94	−18		−11,778
3,504	**1,356**	**−1,141**	**182**	**−1**	**38,603**
–	–	–	–		–
166.9	277.4	52.8	15.2		1,296.7

Key figures 2017 by country

in thousands of EUR	The Netherlands	Belgium
Names	Triodos Bank N.V., Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V., Stichting Triodos Beleggersgiro, Triodos Custody B.V., Triodos Finance B.V., Triodos Investment Management B.V., Triodos Investment Advisory Services B.V., Triodos MeesPierson Sustainable Investment Management B.V., Triodos Nieuwbouw B.V.	Triodos Bank N.V., Triodos IMMA B.V.BA
Nature of activities	Bank, Private Banking and Investment Management	Bank and Private Banking
Geographical location	Zeist	Brussel
Total income	119,189	44,763
Operating expenses	–90,403	–30,865
Impairments loan portfolio	3,147	–239
Value adjustments to participations	1,334	
Operating result	**33,267**	**13,659**
Taxation on operating result	–7,692	–4,751
Net profit	**25,575**	**8,908**
Public subsidies received	–	–
Average number of FTE's during the year	598.6	128.0

United Kingdom	Spain	Germany	France	Elimination intercompany transactions	Total
Triodos Bank N.V.	Triodos Bank N.V.	Triodos Bank N.V.	Triodos Finance B.V.		
Bank	Bank	Bank	Agency for branch Belgium and market research		
Bristol	Madrid	Frankfurt	Paris		
31,610	37,070	8,388	3,172	–3,922	240,270
–24,605	–35,543	–9,644	–3,032	3,922	–190,170
–311	–4,020	–418			–1,841
					1,334
6,694	**–2,493**	**–1,674**	**140**		**49,593**
–1,319	1,254	330	–20		–12,198
5,375	**–1,239**	**–1,344**	**120**		**37,395**
–	–	–	–		–
151.9	264.8	47.6	12.2		1,203.1

Tax paid by country

in thousands of EUR	The Netherlands	Belgium
2018		
Tax on Profit	3,406	3,583
Value Added Tax (VAT)	14,044	977
Banking Tax	–	2,286
2017		
Tax on Profit	6,649	4,822
Value Added Tax (VAT)	8,314	758
Banking Tax	–	2,091

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 above table are the non-deductible VAT paid on invoices to suppliers.

United Kingdom	Spain	Germany	France	Total
1,209	433	–	23	8,654
1,458	1,878	374	136	18,867
–	591	–	–	2,877
1,365	–	–	16	12,852
1,502	2,173	383	143	13,273
–	562	–	–	2,653

Lending by sector in 2018 after intercompany eliminations

in thousands of EUR	Total amount	%	number	The Netherlands amount	%	number	Belgium amount
Environment							
Organic farming	151,898	2.1	833	44,296	1.6	340	3,545
Organic food	121,437	1.7	852	27,962	1.0	309	21,839
Renewable energy	1,741,750	23.9	1,117	203,365	7.5	85	635,165
Sustainable property	768,687	10.6	645	399,421	14.6	266	271,695
Environmental technology	101,672	1.4	214	5,024	0.2	21	28,897
	2,885,444	**39.7**	**3,661**	**680,068**	**24.9**	**1,021**	**961,141**
Social							
Retail non-food	25,898	0.3	208	7,223	0.3	89	6,867
Production	22,110	0.3	142	4,789	0.2	48	6,327
Professional services	51,386	0.7	542	27,237	1.0	170	8,856
Social housing	408,769	5.6	410	42,095	1.5	136	77,839
Healthcare	992,318	13.6	1,497	313,169	11.5	621	224,889
Social projects	149,216	2.1	570	2,304	0.1	32	24,641
Fair trade	3,830	0.1	43	522	0.0	14	1,434
Development cooperation	22,183	0.3	45	9,546	0.3	12	9,043
	1,675,710	**23.0**	**3,457**	**406,885**	**14.9**	**1,122**	**359,896**
Culture							
Education	263,566	3.6	559	26,952	1.0	103	93,406
Child care	16,390	0.2	82	6,842	0.3	52	1,818
Arts and culture	452,868	6.2	1,003	317,509	11.7	349	40,912
Philosophy of life	91,882	1.3	310	20,934	0.8	75	6,427
Recreation	152,688	2.1	420	86,542	3.2	215	7,607
	977,394	**13.4**	**2,374**	**458,779**	**17.0**	**794**	**150,170**
Private loans	**1,498,455**	**20.6**	**59,246**	**1,031,982**	**38.0**	**29,910**	**260,940**
Municipality loans	**236,777**	**3.3**	**13**	**141,013**	**5.2**	**3**	**–**
Total	**7,273,780**	**100.0**	**68,751**	**2,718,727**	**100.0**	**32,850**	**1,732,147**

Belgium			United Kingdom			Spain			Germany	
%	number	amount	%	number	amount	%	number	amount	%	number
0.2	56	41,740	4.3	239	62,171	4.4	191	146	0.0	7
1.3	142	10,347	1.1	47	54,628	3.9	328	6,661	1.5	26
36.7	420	263,906	27.1	219	418,484	29.9	217	220,830	49.6	176
15.7	245	20,449	2.1	22	29,540	2.1	86	47,582	10.7	26
1.7	47	2,223	0.2	3	23,053	1.7	138	42,475	9.5	5
55.6	**910**	**338,665**	**34.8**	**530**	**587,876**	**42.0**	**960**	**317,694**	**71.3**	**240**
0.4	24	7,432	0.8	15	4,376	0.3	66	–	0.0	14
0.4	45	6,353	0.6	8	4,446	0.3	30	195	0.0	11
0.5	70	11,320	1.2	43	3,890	0.3	79	83	0.0	180
4.4	58	280,467	28.8	205	8,368	0.6	11	–	0.0	–
13.0	312	187,911	19.3	114	177,498	12.7	371	88,851	20.0	79
1.4	116	17,039	1.7	88	104,193	7.5	326	1,039	0.2	8
0.1	7	1,317	0.1	7	556	0.0	13	1	0.0	2
0.5	20	248	0.0	6	3,346	0.2	6	–	0.0	1
20.7	**652**	**512,087**	**52.5**	**486**	**306,673**	**21.9**	**902**	**90,169**	**20.2**	**295**
5.4	214	33,893	3.5	49	72,758	5.2	157	36,557	8.2	36
0.1	13	5,074	0.5	3	2,472	0.2	11	184	0.0	3
2.4	158	22,292	2.3	53	71,578	5.1	425	577	0.1	18
0.4	30	47,238	4.8	151	17,283	1.2	50	–	0.0	4
0.4	40	15,914	1.6	44	42,625	3.0	120	–	0.0	1
8.7	**455**	**124,411**	**12.7**	**300**	**206,716**	**14.7**	**763**	**37,318**	**8.3**	**62**
15.0	**2,385**	**111**	**0.0**	**1,984**	**204,665**	**14.6**	**16,446**	**757**	**0.2**	**8,521**
0.0	**–**	**–**	**0.0**	**–**	**95,764**	**6.8**	**10**	**–**	**0.0**	**–**
100.0	**4,402**	**975,274**	**100.0**	**3,300**	**1,401,694**	**100.0**	**19,081**	**445,938**	**100.0**	**9,118**

Lending by sector in 2017 after intercompany eliminations

	Total			The Netherlands			Belgium
in thousands of EUR	amount	%	number	amount	%	number	amount
Environment							
Organic farming	131,282	2.0	868	29,792	1.1	341	3,742
Organic food	104,929	1.6	895	28,479	1.1	349	20,074
Renewable energy	1,512,441	22.9	852	179,772	6.9	74	531,954
Sustainable property	647,125	9.8	641	360,493	13.8	275	194,697
Environmental technology	110,708	1.7	224	28,492	1.1	43	16,240
	2,506,485	**38.0**	**3,480**	**627,028**	**24.0**	**1,082**	**766,707**
Social							
Retail non-food	24,912	0.4	200	4,825	0.2	88	5,233
Production	25,088	0.4	144	4,373	0.2	44	11,839
Professional services	51,189	0.8	491	28,510	1.1	163	7,534
Social housing	312,505	4.7	365	50,158	1.9	148	3,134
Healthcare	862,076	13.1	1,464	269,855	10.4	617	234,274
Social projects	148,549	2.3	570	1,691	0.1	29	23,419
Fair trade	4,360	0.1	41	445	0.0	13	1,895
Development cooperation	94,169	1.4	47	7,887	0.3	12	82,490
	1,522,848	**23.2**	**3,322**	**367,744**	**14.2**	**1,114**	**369,818**
Culture							
Education	229,234	3.4	553	26,561	1.0	108	81,431
Child care	10,671	0.2	76	6,077	0.2	49	1,862
Arts and culture	388,556	5.9	847	256,817	9.9	255	41,448
Philosophy of life	89,807	1.4	315	23,214	0.9	74	6,207
Recreation	169,697	2.6	409	109,566	4.2	223	10,287
	887,965	**13.5**	**2,200**	**422,235**	**16.2**	**709**	**141,235**
Private loans	**1,097,505**	**16.5**	**51,306**	**733,435**	**28.2**	**28,926**	**215,643**
Municipality loans	**583,098**	**8.8**	**31**	**451,615**	**17.4**	**22**	**27,634**
Total	**6,597,901**	**100.0**	**60,339**	**2,602,057**	**100.0**	**31,853**	**1,521,037**

Belgium		United Kingdom			Spain			Germany		
%	number	amount	%	number	amount	%	number	amount	%	number
0.2	59	46,619	5.2	257	50,951	4.3	206	178	0.0	5
1.3	126	7,173	0.8	51	42,338	3.6	345	6,865	1.7	24
35.0	306	241,097	26.8	179	363,172	30.8	234	196,446	49.9	59
12.8	201	34,425	3.8	30	18,477	1.6	106	39,033	9.9	29
1.1	37	6,950	0.8	9	17,613	1.5	129	41413	10.5	6
50.4	**729**	**336,264**	**37.4**	**526**	**492,551**	**41.8**	**1,020**	**283,935**	**72.0**	**123**
0.3	19	10,865	1.2	14	3,987	0.3	67	2	0.0	12
0.8	56	6,041	0.7	5	2,620	0.2	29	215	0.1	10
0.5	70	11,405	1.3	35	3,682	0.3	84	58	0.0	139
0.2	35	256,338	28.5	174	2,875	0.2	8	–	0.0	–
15.4	299	152,645	17.0	108	145,951	12.4	378	59,351	15.1	62
1.6	122	16,832	1.9	88	105,518	8.9	322	1,089	0.3	9
0.1	10	1,464	0.1	5	556	0.0	11	–	0.0	2
5.4	27	268	0.0	1	3,524	0.3	7	–	0.0	–
24.3	**638**	**455,858**	**50.7**	**430**	**268,713**	**22.6**	**906**	**60,715**	**15.5**	**234**
5.4	188	22,368	2.5	48	60,698	5.1	170	38,176	9.7	39
0.1	11	444	0.0	3	2,062	0.2	11	226	0.1	2
2.7	138	18,611	2.1	50	71,102	6.0	390	578	0.1	14
0.4	30	47,554	5.3	165	12,832	1.1	41	–	0.0	5
0.7	38	18,108	2.0	45	31,736	2.7	102	–	0.0	1
9.3	**405**	**107,085**	**11.9**	**311**	**178,430**	**15.1**	**714**	**38,980**	**9.9**	**61**
14.2	**2,003**	**21**	**0.0**	**1,085**	**147,914**	**12.5**	**13,672**	**492**	**0.1**	**5,620**
1.8	**2**	**–**	**0.0**	**–**	**93,989**	**8.0**	**5**	**9,860**	**2.5**	**2**
100.0	**3,777**	**899,228**	**100.0**	**2,352**	**1,181,597**	**100.0**	**16,317**	**393,982**	**100.0**	**6,040**

Risk management

Purpose and organisation

Objective

The aim of Triodos Bank's risk management activities is to ensure the long-term resilience of the business. These activities create an environment in which Triodos Bank can pursue its mission to its fullest potential in a safe way. Risk management provides the structural means to identify, prioritise and manage the risks inherent in its business activities. The intention is to embed risk management in such a way that it fits the complexity and size of the organisation and is designed to also allow for future growth. In order to ensure that such an environment can exist and prosper, a Risk Governance Framework has been put in place which underpins the risk processes.

The Three Lines of Defense

Triodos Bank manages its business using a Three Lines of Defense Model. This approach ensures that each co-worker is fully aware of their responsibilities in the management of risk, irrespective of whether their role is in a commercial, policy-making or control function. The model ensures that responsibilities are properly aligned and makes clear that all co-workers have a role to play in managing risk.

First line functions are Triodos Bank's branches, business units and departments, which are responsible for managing the risks of their operations. Second line functions (separated from the first line function) are located in the bank's branches and business units and ensure that risks are appropriately identified and managed.

Second line functions are also established at the Head Office. They create and maintain the corporate Risk Governance Framework, and the policies and procedures which provide the boundaries for the local and consolidated business activities and also perform the risk control function.

The third line of defense is the Internal Audit function providing independent and objective assurance of Triodos Bank's corporate governance, internal controls, compliance and risk management systems. This includes the effectiveness and efficiency of the internal controls in the first and second lines of defense.

Risk organisation

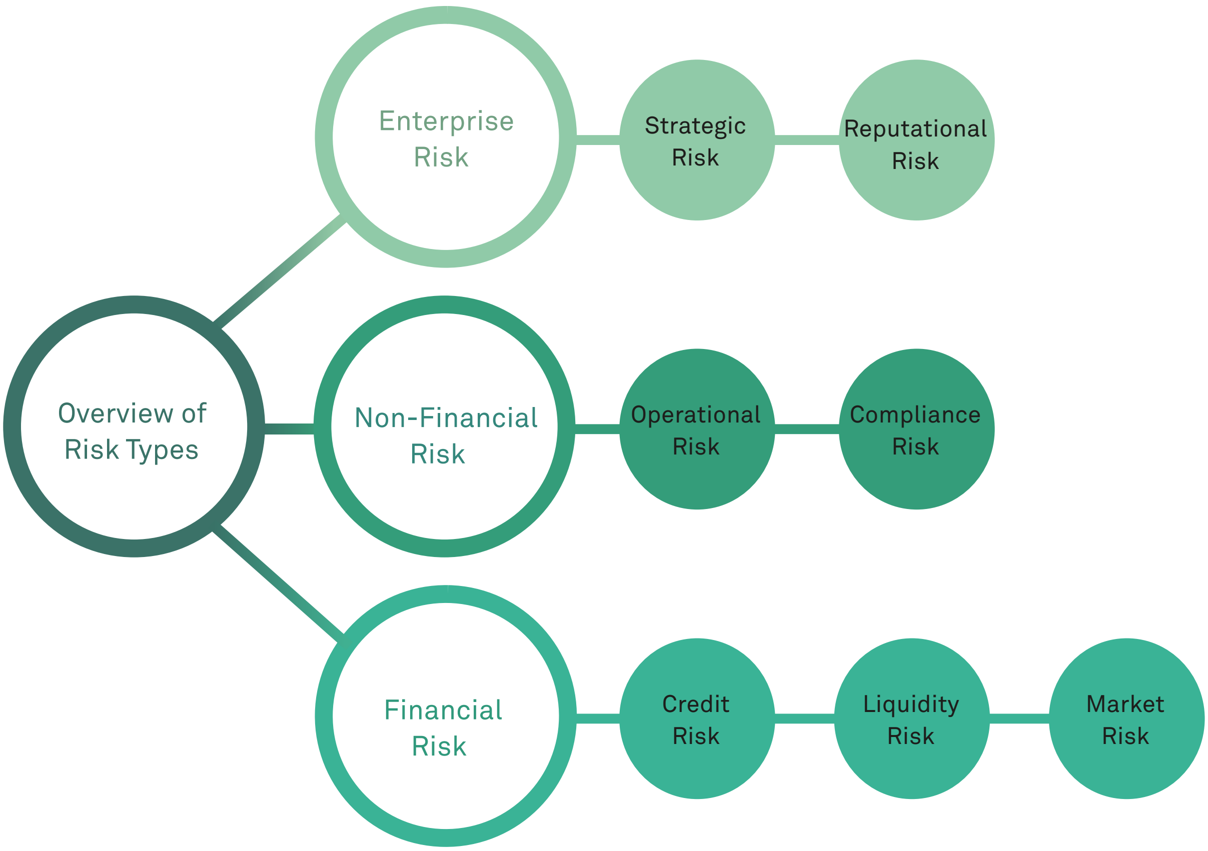
In light of Triodos Bank's growth, the impact of all new regulations, and the increased attention of supervisory authorities, Triodos Bank has made an important step up in its risk management organisation during the past years. The Director Risk and Compliance takes full responsibility for all the second line risk management and compliance activities and reports directly to the Executive Board and its activities are supervised by the Audit and Risk Committee of the Supervisory Board.

The Director Risk and Compliance provides relevant independent information, analyses and expert judgement on risk exposures, and advises on proposals and risk decisions made by the Executive Board and business or support units as to whether they are consistent with the institution's risk appetite. The Director Risk and Compliance recommends 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 relevant risks for Triodos Bank within the three following risk categories: Enterprise Risks, Financial Risks and Non-Financial Risks. Each risk type covers a number of risk categories (see diagram on page 133).

Risk culture

The essence of our mission and business model supports the mitigation of our risks, allowing Triodos Bank to develop a resilient business that's able to play its part in a more diverse, sustainable and transparent banking sector. In addition, our internal governance structure provides a sound basis to enable an effective risk culture; the three lines of defense model in particular ensures a dovetailing of responsibilities across the organisation in terms of Business, Risk and Internal Audit and ensures each group of professionals understands the boundaries of their responsibilities and how their position fits into the organisation's internal control and risk management system. This also relates to the segregation of duties aspect, which is an important element of the internal governance and organisation structure. The Executive Board performs its 'oversight' role in general in setting the 'Tone at the Top' and by playing an important, transparent role in the key elements of the internal control and risk management system (such as setting of risk appetite, strategy, targets, values and company culture, approval of risk and compliance frameworks, overall policies, and approving internal control system over financial reporting).



The Executive Board 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 Product Approval Committee has the authority to approve new products and review existing products; 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 to ensure consistent decision making on material risks within Triodos Bank's wider strategy.

Branches also have a decision-making committee for their lending activities: the Local Credit Committee. This local credit committee decides on loans under the responsibility of the local Managing Director within delegated credit approval limits. This committee also monitors the credit risks of the local credit portfolio and monitors alignment with relevant credit risk policies.

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 Director Risk and Compliance reports to the Executive Board and has an escalation line to the Chair of the Audit and Risk Committee (that supports the independency of the Risk Control Function as a countervailing power to the business).

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 through a risk management cycle: performing strategic risk assessments, determining the risk appetite, assessing capital and liquidity requirements, and monitoring the risk profile through periodic enterprise risk management reporting.

Strategic risk

Strategic Risks are those that potentially have the most impact on an organisation's ability to execute its strategies and achieve its business objectives. Therefore, Strategic Risk Assessments are performed at Executive Board level for Triodos Bank as a whole and at business unit level for each business unit periodically.

The external landscape changes, in particular the low interest rate environment, climate change, energy transition, regulatory requirements, the European political landscape and technological developments. The challenges that arise from these changes will continue to influence Triodos Bank.

Triodos Bank considers its banking model to have a modest risk profile. As a traditional retail bank, it earns its income from the transformation of interest and liquidity maturity of money and taking credit risks. Volume is an important factor in generating a healthy income. In addition, the following elements play an important role: the balancing of assets and liabilities, the capacity to set an adequate price for those assets and liabilities and other banking services. Cost control is also crucial to maintaining operational profit.

Strategic risks need to be carefully managed to realise integrated financial and mission-driven objectives. Corporate and local risk sensitivities are used to determine 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 take into account at corporate level:
• Political and social risk: political uncertainty in the countries we operate in and at EU level and public discontent which lead to more volatility. And, like all other European banks, we are part of an ongoing discussion with the regulators about the potential implications of Brexit;
• Economic risk: 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;
• 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 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.
Mitigating strategies are discussed and applied as appropriate and depending on the situation at hand. Over the past years, two of the mentioned risks are most impactful and are expected to continue in the foreseeable future. These are the continuing low interest rate environment and the regulatory pressure. 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. Without judging the new regulatory regimes, it is fair to say that most of the involved resources would otherwise have been employed elsewhere, and therefore represent an additional cost and lost (commercial) opportunity.

Climate risk contains two important elements:
• the risk that is related to the transition of "old" sources of energy to sustainable sources, 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, leading to 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 focused on a low-carbon future.

Of course, our 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 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.

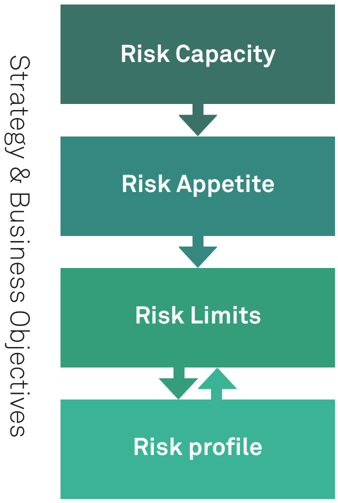
Nevertheless, Triodos Bank carries out annual stress tests which take extreme but plausible situations into account. As part of determining the scenarios, Triodos evaluates whether extreme weather situations could impact the bank's resilience with a time horizon of three years. Currently, we find that it is very unlikely to have material impact on this time horizon.

Finally, we are of the opinion that since these risks will certainly gravely affect society as a whole on the longer-term, we must as a society and sector create structures to drastically decrease and minimise the financing of unsustainable assets.

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 reflects the actual implementation of the Risk Appetite Framework. It is updated yearly and is approved by the Supervisory Board upon advice by the Audit and Risk Committee. The concept of risk appetite and the link to the Strategy and Business objectives is illustrated below:

Overview of risk capacity, risk appetite, risk limits and the relationship with Triodos Bank's risk profile.



- The maximum level of risk the financial institution can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment (e.g. technical infrastructure, risk management capabilities, expertise) and obligations, also from a conduct perspective, to depositors, policyholders, shareholders, fixed income investors, as well as other customers and stakeholders.

- The aggregate level and types of risk a financial institution is willing to assume within its risk capacity to achieve its strategic objectives and business plan.
- Directly related to an entity's risk capacity as well as its culture, desired level of risk / return, capability and business strategy.

- Quantitative measures based on forward looking assumptions that allocate the financial institution's aggregate risk appetite statement (e.g. measure of loss or negative events) to business lines, legal entities as relevant, specific risk categories, concentrations, and as appropriate, other levels.

- Point in time assessment of the financial institution's gross and, as appropriate, net risk exposures (after taking into account mitigants) aggregated within and across each relevant risk category based on forward looking assumptions.

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

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 corporate level, are translated into a localised limit structure for each branch.

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 that anticipates adverse developments and circumstances that the bank might be exposed to that require measures in response. Stress testing exercises also provide valuable insights in the exposure of the portfolio toward risk events.

Stress testing for capital at Triodos Bank is conducted at 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 the 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 scenarios that were selected, Triodos Bank is most sensitive to a long lasting, 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. Another scenario that leads to decreasing profits and capital ratios is exposure to government defaults. This is seen as a logical consequence of a presence in different countries. Finally, Triodos Bank is sensitive to scenarios relating to reputation risk. To prevent such an event, it is essential to communicate clearly about the mission and to act in line with the mission.

Recovery

The Recovery Plan specifies measures Triodos Bank can take in order to survive a severe crisis that impacts its capital position, liquidity, profitability and operational stability. 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 corrective measures which are taken in different scenarios.

Enterprise Risk Reporting

The objective of the Enterprise Risk Management (ERM) report is to create a single point of reference for all risk related 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 (e.g. ALM Report and Business Banking Credit Risk Report) or on a quarterly basis (e.g. Non-Financial Risk Report and Compliance Report). These reports are discussed in corresponding committees, and correction 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 accepted risk appetite.

Reputational risk

Triodos Bank defines Reputational Risk as the risk that its market position deteriorates due to a negative perception among customers, counterparties, shareholders and/or regulatory authorities. Triodos Bank safeguards reputational risk in other risk disciplines as in most cases it is a consequence of other risk events happening. It also works with a transparent and stable business model with solid ratios, mitigating this risk.

Reputation has a special dimension for Triodos Bank which relates to its mission and values and are essential to achieving its objectives. In this sense, the exposure of Triodos Bank to reputational risk depends on the ability of management and co-workers to act consciously in accordance with the mission and values. For this reason, Triodos Bank has a very proactive human resources approach aimed to ensure the connection of all co-workers with the mission and values. In addition, Triodos Bank actively manages its engagement with the public and its clients, for example, via an online social media policy and management of complaints.

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 particulary 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. The operational risk framework uses several tools and technologies to identify, measure and monitor those risks and monitors the level of control on an operational, tactical and strategic level. During 2018 formalised control testing and key control management was implemented to support the monitoring of identified operational risks. Changes in the risk event management process have led to improved data quality and enable the Operational Risk Management department to perform analyses on a continuous basis, as more metrics become available.

Operational Risk Management includes Information Security, Outsourcing and Business Continuity. Activities to manage risks related to these subjects are executed under the responsibility of the Chief Operating Officer in line with the operational risk framework.

The Non-Financial Risk Committee where the non-financial risks aspects are discussed including compliance and IT risk, meets on a monthly basis. During 2018 all operational risk related policies were reviewed and revised by the Operational Risk Management department. The Non-Financial Risk Committee reviewed and approved these, as part of their responsibility to approve and deciding on application of the Non-Financial Risk Strategy, frameworks and policies.

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

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. During 2018 no material losses occurred within Triodos Bank as a result of operational risk related events.

Tax risk

Triodos Bank N.V. is subject to international tax risks given its operations in several West-European countries. The local tax risks are managed by the respective local Triodos Bank branches, supported by close cooperation on tax matters between Triodos head office and the Triodos Bank branches.

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 on page 61. Triodos Bank is continuously working on improving its reporting. Specific projects and improvement programs have been set up in which new systems will be implemented to ensure effective and efficient usage and analysis of data in order to support its decision processes.

IT risk / cybersecurity risk

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 DNB 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. 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.

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.

The Central Compliance Department is part of the risk organisation. Compliance Officers are present in every business unit with a functional line towards the Central Compliance Department. Resources of the local Compliance function are tailored to the size of the business unit and the regulatory environment. Significant compliance risks are reported to the Non-Financial Risk Committee and to the Supervisory Board's Audit and Risk Committee on a quarterly basis. The Director Risk and Compliance reports to a member of the Executive Board.

Compliance risks are identified, assessed, mitigated, monitored and reported via a compliance risk management cycle. Controls to mitigate compliance risks are embedded in business processes. The compliance function monitors the effectiveness of controls by means of a risk-based Compliance Monitoring Plan.

In 2018 Triodos Bank has continued to enhance its controls related to anti-money laundering, counter terrorist financing and sanctions regulations. Policies and procedures were updated to ensure compliance with changes in anti-money laundering and counter terrorist financing laws and guidance by regulators. A group wide systematic integrity risk analysis was executed.

In 2018, the Dutch Central Bank (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. From this survey, DNB concluded that Triodos Bank is required to implement enhancement of its measures concerning customer due diligence and monitoring of customer transactions. Triodos Bank agrees with the required improvements as articulated in an instruction of DNB and is taking the necessary steps to remedy this situation. DNB may publish details of its instruction in due course. Triodos Bank expects to be able to implement the required improvements.

In 2018 there was a compliance incident in the Spanish branch concerning the information relating to costs for consumer mortgages. The Spanish regulator imposed a fine, after the applicable reductions, of EUR 174.000. Triodos Bank completed voluntary payment of the fine on 10 December 2018.

Triodos Bank was not involved in material legal proceedings or 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 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 from meeting Triodos Bank's lending criteria to 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 system.

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. Principal collateral are for example: 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 will be 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.

Concentration risk loan book

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 interrelated. In order to manage concentration risks and face an economic downturn with confidence, Triodos Bank maintains a set of limits. It measures and limits the following concentration risks in its lending activities: obligor exposures; group exposures; top 20 exposures (excluding central and lower government exposures); government exposures; exposures at sector per country; mortgage exposures; and country exposures.

Besides lending activities, Triodos Bank has established limits related to the investment portfolio concerning central banks, governments, supranational institutions and banks and financial institutions. These limits are derived from the risk appetite framework and aim to keep concentration risk at an acceptable level.

From a regulatory perspective, exposures to a client or a group of connected clients may never exceed 25% of the Actual Own Funds. Loans in excess of 10% of the Actual Own Funds require special reporting to the supervisory authority.

Triodos Bank has no loans to a group of connected clients exceeding 10% of the Actual Own Funds in its loan book (limits of the investment portfolio are described in the relevant chapters).

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 branch level. Sector studies have shown relatively low correlations of risk drivers in sectors that Triodos Bank finances in multiple countries.

At group level, Triodos Bank divides the sector concentration limits in different levels. Specific limits for each sector per country are set by the Executive Board within these levels, taking into account the specific risks of each sector and country.

Larger sectors are strategic for Triodos Bank. These are well distributed across branches (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 branches in five countries (The Netherlands, Belgium, United Kingdom, Spain and Germany) 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 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. The bond portfolio of Triodos Bank comprises of (local) government bonds (from countries where Triodos Bank has a branch) 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. Branches 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, as calculated by the method above. 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 enters into FX deals with Triodos Investment Funds and these deals are hedged by deals with a few banks. Wrong-way risk is the risk that the exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The FX deals with the Triodos Investment Funds do not cause wrong-way risk as these FX deals hedge the FX risk of the underlying assets of the Investment Funds. In addition, the wrong-way risk of transactions with banks is mitigated by only using banks with a sufficient credit rating and by having collateral agreements in place.

Additional disclosure related to the credit quality of assets

All 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. Private loans are reviewed at portfolio level, and on individual basis if appropriate. The credit committee of a branch discusses and, if necessary, takes action with respect to overdue payments from debtors. If there is any doubt regarding the continuity of the debtor's core operations and/or a debtor fails to settle agreed interest and repayment instalments for a prolonged period, this debtor falls under the category of doubtful debtors and will be managed intensively.

The net allocation (addition minus release) to the specific provision for doubtful debts have remained very low in 2018 and amounted to EUR 3.7 million. This is mainly due to a strong economy in the different European countries Triodos Bank is active in. The effects of the economy lead to lower amounts in defaults, more clients that can be cured from their default status and when in default, the collateral value used for recovery of the loan will often generate a higher value than in an economic downturn scenario. The loan portfolio has grown by 10% in 2018 and at the same time total provisions have been reduced by 21% compared to 2017, total provisions as percentage of the loan portfolio has reduced from 0.8% at the end of 2017 to 0.5% at the end of 2018 and the defaulted portfolio as percentage of the total portfolio reduced from 2.8% to 1.9%. Although the outlook is somewhat uncertain (Brexit, trade wars) with a possible slowdown of the economy in 2019, the effect on the Triodos Bank portfolio will be relatively limited as we predominantly support local production for a local need. This largely limits the negative effects of global markets and (limited) cross border trade.

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.

A collective credit provision has been taken for Incurred But Not Reported bad debts (the IBNR) to cover the time lag between the event that prompts the debt to qualify as doubtful and the moment that fact is known to Triodos Bank. This is a collective credit provision and is based on statistics. The IBNR is calculated by multiplying the exposure at default with the probability of default, the loss given default and the loss incubation period. In 2016, in view of the growing mortgage portfolio, Triodos Bank has added an IBNR provision for mortgages. Triodos Bank portfolio has no specific provisions of any relevance in its mortgage loan portfolio and has therefore chosen to use market statistics to define this additional provision.

In 2018, the net additions to the provision for doubtful debts, as a percentage of the average loan portfolio, was 0.05% (2017: 0.03%). The total of provisions related to the outstanding credits is 0.5% (2017: 0.8%) as at the end of the year.

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 own opinion, 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.

Liquidity risk

Management of liquidity risk

Triodos Bank does not have a complex business model as it 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.

Following the same philosophy, 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 sufficient liquidity and funding ratios. Triodos Bank does not act as securities custodian or correspondent bank which minimises liquidity needs during the day.

The following funding principles apply:
- Balanced growth in funds entrusted is a prerequisite for growth in loans
- No dependency on cross-currency funding
- No dependency on central bank contingency funding

The daily liquidity management is currently executed at branch 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.

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 are included in the Recovery Plan. The other aspects mentioned are described in the Liquidity Contingency Plan.

The liquidity portfolio increased only slightly during 2018 and Triodos Bank's liquidity position remained strong. Its policy is to hold a sound liquidity buffer and invest liquidities in highly liquid assets and/or inflow generating assets in the countries where it has branches. Due to the ongoing expansionary monetary policy by the ECB and specifically the asset purchase program, yields of government bonds and other high rated counterparties stayed often below levels of –0.40%. Hence, the profile of the liquidity buffer changed during 2018. The bonds portfolio decreased by almost 14%, due to maturing bonds being placed mostly at the central bank.

Liquidity monitoring and reporting

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 branches on a daily basis. Secondly, the detailed liquidity position, both in total and at branch level, is reported to the Chief Financial 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.

In addition, Triodos Bank conducts short and long-term liquidity stress tests.

Mitigation of liquidity risk

The liquidity buffer is the source of funds in case of liquidity needs. It consists of liquid investments with other banks and liquid investments in deposits and bonds. The bond investments are divided into different liquidity classes. The optimal size and composition of the liquidity buffer is determined considering the risk appetite, balance sheet composition and expected development, strategic plans and funding needs.

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.

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.

Concentration of funding

All Triodos Bank's funding comes from two sources, i.e. funds entrusted and depository receipts (DRs), while the bank does not make use of wholesale funding.

For its funding Triodos Bank mainly depends on retail funds entrusted, consisting of current accounts, saving accounts and fixed term accounts.

The total amount of funds entrusted is EUR 9,558 million of which 79% are deposits insured by the Deposit Guarantee Scheme.

With regard to the distribution of capital, depository receipts belong to institutional investors, private persons and family offices. 7.3% of the total share capital is owned by larger institutional investors with a participating interest of 1% or more.

Collateral calls

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 2018 and is expected to increase with the further growth of Triodos Bank. The collateral needs stemming from FX forwards is decreasing, as Triodos Bank will no longer perform these deals with the Group's investment funds, as from 2018.

Interest Rate Swaps which are centrally cleared, increased the potential collateral needs as well during the year. At the end of 2018 total net amount of EUR 7.1 million cash collateral was posted.

Declaration

The liquidity risk appetite as determined by the Executive Board (EB) and Enterprise Risk Committee (ERC) is reviewed and approved by the Supervisory Board and Group Asset and Liability Committee (ALCo). 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.

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.

In the last two years, 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.

As a mid-sized European bank with total Funds Entrusted of EUR 9,558 million per the end of December 2018, 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.

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.

Market risk

Market risk is the risk of losses in on and off-balance positions arising from movements in market prices. For Triodos Bank this means changes in interest rates and foreign exchange rates in particular. Triodos Bank doesn't have a trading book, but interest rate risk is present in the banking book.

Interest rate risk in the banking book

Triodos Bank defines interest rate risk in the banking book (IRRBB) as the risk that changes in prevailing interest rates will adversely affect the market value of assets versus that of liabilities and/or income versus expenses. Triodos Bank identifies the following four main sources of IRRBB:
- Repricing 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.
- Yield curve risk, the risk of adverse consequences which result from a change in the shape of the yield curve.
- 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 maturity.
- Option risk, the risk that changes in market interest rates prompt changes in the value or maturity of instruments.

Interest rate risk management and mitigation strategies

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 and reported.

The new production at the individual branches determines an important part of the risk development. Each branch sets up a budget for the new production 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 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 Triodos Bank's interest rate risk exposure within desired 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. Triodos Bank also uses Interest Rate Swap (IRS) contracts to maintain the bank's IRR exposure within the limits.

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.

Triodos Bank mainly hedges its IRRBB through its liquidity buffer and by using derivatives. Firstly, Triodos Bank may decide to change the duration of holdings of liquid marketable investments to maintain the bank's IRRBB exposure within the limits. This will be used when needed. Secondly, it may enter into IRS contracts to maintain the bank's IRR exposure within the limits. The use of IRS is subject to hedge accounting to avoid volatility in the results.

One of our main strategic risks is the low interest rate environment. With the slow phasing out of the quantitative easing, low interest rates are likely to continue for some time, with a negative impact on Triodos Bank's return.

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 and 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 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 options risk, basis risk or yield curve 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 prepayment. Both 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.

Stress scenarios

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, absolute to relative 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

The model used for calculating IRRBB assumes that the balance sheet develops according to the budget/forecasts. 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.

In 2018, Triodos has reviewed its behavioural outflow model for Current Accounts. This resulted in a significant improvement of the model, distinguishing between a stable and a volatile portion of the balance. Savings accounts modelling will be reviewed the coming year, in line with the new EBA guidelines.

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 branches. 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.

Lastly, the measurement method for Economic Value at Risk uses cash flows which contain commercial margins. These margins are used in the discount factors as well to calculate the necessary net present values. The commercial margins are different for different product types and branches.

The 2018 year-end interest rate risk position increased compared to the situation at the end of 2017.

The one-year Earnings at Risk increased from 2.4% at the end of 2017 to 2.8% at the end of 2018. The worst-case Earnings at Risk occur under a depression scenario, determined by expert judgement, in which the interest rates move down. Moreover, in that scenario long-term interest rates decrease stronger than short-term interest rates. At the end of 2017 the worst-case scenario was a parallel downward shock of the interest curve.

Duration of equity decreased from 5.6 years to 3.2 years in 2018. However, the decrease was mainly caused by the implementation of a new outflow model for current accounts. Underlying, the impact of fixed-rate commitments, an increase in the loans to funds entrusted ratio, and a longer interest rate profile of the assets increased the sensitivity of the equity's economic value during the year 2018. The longer interest rate profile of the assets is partly caused by the growth in long term fixed rate mortgages.

The Economic Value of Equity (EVE) at Risk decreased from 10.9% at the end of 2017 to 6.3% at the end of 2018. The worst-case scenario from the perspective of EVE at Risk occurs under a parallel upward shock of the yield curve. The Outlier Criterion decreased from 13.7% at the end of 2017 to 8.1% at the end of 2018. Similar to duration of equity, EVE at Risk and the outlier criterion decreased as a result of the implementation of a new current account outflow model.

Regarding the EUR portfolio, the duration of equity decreased from 6.0 years at the end of 2017 to 3.6 years at the end of 2018. The one-year Euro Earnings at Risk, at 2018 year-end, remained constant at 2.7%, compared to the end of 2017. The EUR EVE at Risk decreased from 11.5% at the end of 2017 to 6.2% at the end of 2018.

Duration of equity of the Pound Sterling (GBP) portfolio decreased from 1.4 years at the end of 2017 to -0.2 years at the end of 2018. The one-year GBP Earnings at Risk increased from 1.5% at the end of 2017 to 3.0% at the end of 2018. The GBP EVE at Risk increased from 5.5% at the end of 2017 to 6.2% at the end of 2018.

2018 in thousands of EUR	**Floating-rate**	**<= 3 months**	**<= 1 year**	**<= 5 years**	**> 5 years**	**Total**
Interest-bearing assets						
Cash	1,795,272	–	–	–	–	1,795,272
Government paper	–	–	–	–	–	–
Banks	216,196	5,860	14,000	1,000	–	237,056
Loans	1,127,105	688,440	1,105,434	2,299,490	2,113,278	7,333,747
Hedged loans	–	70,100	69,400	−91,200	−48,300	–
Interest-bearing securities	–	101,739	286,580	703,417	166,480	1,258,216
Hedged interest-bearing securities	–	69,500	61,975	−111,475	−20,000	–
Total	**3,138,573**	**935,639**	**1,537,389**	**2,801,232**	**2,211,458**	**10,624,291**
Interest-bearing liabilities						
Banks	212	1,380	4,530	32,017	29,078	67,217
Funds entrusted	30,668	1,145,875	1,642,173	4,661,975	2,070,859	9,551,550
Total	**30,880**	**1,147,255**	**1,646,703**	**4,693,992**	**2,099,937**	**9,618,767**

2017 in thousands of EUR	Floating-rate	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
Interest-bearing assets						
Cash	1,365,729	–	–	–	–	1,365,729
Government paper	–	26,504	–	–	–	26,504
Banks	215,262	113	–	1,000	–	216,375
Loans	847,238	857,681	961,661	1,762,596	2,059,095	6,488,271
Hedged loans	–	71,700	73,400	−44,000	−101,100	–
Interest-bearing securities	–	172,883	244,682	831,307	184,976	1,433,848
Hedged interest-bearing securities	–	69,500	41,975	−111,475	–	–
Total	**2,428,229**	**1,198,381**	**1,321,718**	**2,439,428**	**2,142,971**	**9,530,727**
Interest-bearing liabilities						
Banks	212	2,271	4,017	30,648	27,215	64,363
Funds entrusted	35,240	1,574,167	2,438,341	3,057,618	1,609,363	8,714,729
Total	**35,452**	**1,576,438**	**2,442,358**	**3,088,266**	**1,636,578**	**8,779,092**

Notes:

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

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

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

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

Foreign exchange risk

Foreign exchange risk is the current or prospective risk to earnings and capital that arises from adverse movements in foreign exchange rates. Triodos Bank's base currency is the euro. The UK Branch balance sheet and profit and loss account are denominated in GBP. Exchange rate differences arising from translating the UK branch balance sheet to euros are accounted for as a hedge of a net investment in a foreign business unit and are taken directly to shareholders' equity in the statutory reserve for conversion differences, insofar as the hedge is effective.

Triodos Bank aims to avoid net currency positions with the exception of those arising from strategic investments. The forward positions in foreign currencies mainly reflect 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.

Foreign currency position

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

2018 in thousands of EUR	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	1,209,050	1,206,502	–	–	2,548	–
USD	18,079	1,162	26,596	26,596	16,917	–
NOK	101	–	–	–	101	–
DKK	–	–	–	–	–	–
AUD	1	–	–	–	1	–
SEK	49	–	–	–	49	–
INR	–	–	50,237	50,237	–	–
IDR	–	–	5,837	5,837	–	–
CNY	–	–	3,287	3,287	–	–
Total	**1,227,280**	**1,207,664**	**85,957**	**85,957**	**19,616**	**–**

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

2017 in thousands of EUR	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	1,109,863	1,109,417	631	–	1,077	–
USD	10,692	827	389,874	390,483	9,256	–
NOK	102	–	–	–	102	–
DKK	–	–	15,975	15,975	–	–
AUD	1	–	–	–	1	–
SEK	50	–	8,255	8,255	50	–
INR	–	–	60,341	60,341	–	–
IDR	–	–	9,600	9,600	–	–
CNY	–	–	3,315	3,315	–	–
Total	**1,120,708**	**1,110,244**	**487,991**	**487,969**	**10,486**	**–**

Net open foreign currency position (total of net positions debit and credit): 10,486

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 the 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. 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 business units and departments. 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 base and provides a specific governance structure for these stressed conditions.

Capital allocation and monitoring

The equity is allocated to business units, 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 2018 available capital has been at sufficient levels at all times. In 2018 new equity of (net)

EUR 83 million was issued to finance Triodos Bank's further growth. In addition, a retained portion of the 2018 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.

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; and
- 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. As the net position is very limited and does not exceed the regulatory threshold of 2% of actual own funds, Triodos Bank's 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 (pillar II)

In order to determine its economic capital, besides the regulatory capital requirements, Triodos Bank also calculates additional capital requirements. These consist of charges for:

- Strategic risk, i.e. the potential result of adverse changes in the external environment that could impact the bank;
- IRRBB; and
- Model risk, related to the calculation of IRRBB. Other risk categories do not depend on sophisticated modelling. The following aspects are captured in the calculations for model risk: compliance to regulation around interest rate risk modelling, statistical uncertainty and data quality;
- Operational risk, related to the expected growth of the organisation.

Management of excessive leverage

The risk of excessive leverage is managed inclusively in our capital management. We aim for a strong capital base, reducing this risk.

Company balance sheet as at 31 December 2018

Before appropriation of profit in thousands of EUR	Reference[1]	31.12.2018	31.12.2017
Assets			
Cash		1,795,272	1,365,729
Government paper		–	26,500
Banks	31	235,260	213,752
Loans		7,274,682	6,597,901
Interest-bearing securities		1,232,312	1,401,215
Shares	32	20	20
Participating interests	33	45,181	37,857
Intangible fixed assets	34	36,292	29,973
Property and equipment	35	37,960	41,054
Other assets		102,036	57,461
Prepayments and accrued income		109,094	133,902
Total assets		**10,868,109**	**9,905,364**
Liabilities			
Banks		67,217	64,363
Funds entrusted	36	9,569,914	8,730,086
Other liabilities		26,467	21,257
Accruals and deferred income		67,038	72,810
Provisions	37	6,252	3,953
Total liabilities		**9,736,888**	**8,892,469**
Capital	38	674,734	612,368
Share premium reserve	39	190,324	169,840
Revaluation reserve	40	2,656	1,186
Statutory reserve	41	31,188	24,988
Other reserves	42	193,716	167,118
Result for the period		38,603	37,395
Equity		**1,131,221**	**1,012,895**
Total equity and liabilities		**10,868,109**	**9,905,364**
Contingent liabilities		140,993	84,563
Irrevocable facilities		1,463,989	1,148,667
		1,604,982	**1,233,230**

1 References relate to the notes starting on page 69. These form an integral part of the parent company annual accounts.

Company profit and loss account for 2018

in thousands of EUR	Reference[1]	2018	2017
Income			
Interest income	43	190,806	179,263
Interest expense	44	−25,102	−26,261
Interest		**165,704**	**153,002**
Investment income	45	**4,138**	**1,569**
Commission income	46	59,135	51,991
Commission expense	47	−4,431	−3,693
Commission		**54,704**	**48,298**
Result on financial transactions	48	371	885
Other income	49	1,824	245
Other income		**2,195**	**1,130**
Total income		**226,741**	**203,999**
Expenses			
Co-worker and other administrative expenses	50	167,622	151,051
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	51	12,066	9,241
Operating expenses		**179,688**	**160,292**
Impairments loan portfolio and other receivables	52	3,512	1,841
Value adjustments to participating interests		532	−1,334
Total expenses		**183,732**	**160,799**
Operating result before taxation		**43,009**	**43,200**
Taxation on operating result	53	−9,913	−10,565
Result on participating interests after taxation		5,507	4,760
Net profit		**38,603**	**37,395**

1 References relate to the notes starting on page 69. These form an integral part of the parent company annual accounts.

Company statement of changes in the equity for 2018

in thousands of EUR
Equity as at 1 January 2017
Increase of share capital
Stock dividend
Revaluation of property, equipment and participation interest after taxation
Realisation of revaluation
Exchange rate results from business operations abroad after taxation
Profit appropriation for previous financial year, addition to the other reserves
Profit appropriation for previous financial year, dividend
Reverted dividend
Dividend not distributed in cash
Transfer to statutory reserve for development costs
Purchasing or sale of own depository receipts
Result for the period
Equity as at 31 December 2017
Increase of share capital
Stock dividend
Revaluation of property, equipment and participation interest after taxation
Realisation of revaluation
Exchange rate results from business operations abroad after taxation
Profit appropriation for previous financial year, addition to the other reserves
Profit appropriation for previous financial year, dividend
Dividend not distributed in cash
Reverted dividend
Transfer to statutory reserve for development costs
Purchasing or sale of own depository receipts
Result for the period
Equity as at 31 December 2018

	Share capital	Share Premium	Revaluation reserve	Statutory reserve	Other reserve	Result for the period	Total equity
	554,415	**151,157**	**484**	**18,540**	**149,845**	**29,240**	**903,681**
	46,777	29,859					76,636
	11,176	−11,176					–
			702				702
							–
				−1,181			−1,181
					6,798	−6,798	–
						−22,442	−22,442
							–
					18,104		18,104
				7,629	−7,629		–
							–
						37,395	37,395
	612,368	**169,840**	**1,186**	**24,988**	**167,118**	**37,395**	**1,012,895**
	50,093	32,757					82,850
	12,273	−12,273					–
			1,470				1,470
							–
				−275			−275
					12,946	−12,946	–
						−24,449	−24,449
					20,127		20,127
							–
				6,475	−6,475		–
							–
						38,603	38,603
	674,734	**190,324**	**2,656**	**31,188**	**193,716**	**38,603**	**1,131,221**

General

The accounting principles for valuation and determination of results are the same as those for the consolidated Annual Accounts on page 69.

For those items not included in these Notes, please see the Notes to the consolidated Annual Accounts starting on page 69.

Assets

31. Banks

	2018	2017
On demand deposits with banks	164,867	162,720
Deposits with banks	70,393	51,032
Balance sheet value as at 31 December	**235,260**	**213,752**

An amount of EUR 19.7 million of the deposits is encumbered (2017: EUR 14.5 million). These are on demand deposits at Cecabank in the amount of EUR 1 million (2017: EUR 1 million), Caja de Ingenieros in the amount of EUR 0.5 Million (2017: nihil), ING Bank EUR 13 million (2017: EUR 13 million), Banco Cooperativo EUR 4.6 (2017: nihil) and Mastercard EUR 0.6 million (2017: EUR 0.5 million). All other deposits can be freely disposed of.

32. Shares

	2018	2017
S.W.I.F.T. SCRL	20	20
Balance sheet value as at 31 December	**20**	**20**

The movement in shares is as follows:

	2018	2017
Balance sheet value as at 1 January	20	20
Purchase	–	–
Sales	–	–
Balance sheet value as at 31 December	**20**	**20**

33. Participating interests

	2018	2017
Participating interests in group companies	22,733	21,912
Other participating interests	22,448	15,945
Balance sheet value as at 31 December	**45,181**	**37,857**

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

The movement in this item is as follows:

	2018	2017
Balance sheet value as at 1 January	37,857	40,492
Acquisitions	9,848	–
Incorporations	–	–
Increase of capital	2,499	51
Result on participating interests	5,507	4,760
Transfer from or to provision for negative equity of participating interests	342	311
Dividend paid	–5,088	–5,944
Revaluation	3,200	3,485
Repayment of capital	–1,236	–
Sale	–7,996	–4,044
Exchange rate result on foreign currency	248	–1,254
Balance sheet value as at 31 December	**45,181**	**37,857**

34. Intangible fixed assets

	2018	2017
Development costs for information systems	33,684	27,271
Computer software	2,608	2,702
Balance sheet value as at 31 December	**36,292**	**29,973**

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:

	2018	2017
Purchase value as at 1 January	43,828	33,006
Cumulative amortisation as at 1 January	–16,557	–13,445
Balance sheet value as at 1 January	27,271	19,561
Capitalised expenses	12,854	11,389
Amortisation	–5,908	–3,630
Impairments	–512	–
Exchange rate result on foreign currency	–21	–49
Balance sheet value as at 31 December	**33,684**	**27,271**
Purchase value as at 31 December	57,442	43,828
Cumulative amortisation as at 31 December	–23,758	–16,557
Balance sheet value as at 31 December	**33,684**	**27,271**

Computer software

Computer software relate to software that has been purchased.

The movement in computer software is as follows:

	2018	2017
Purchase value as at 1 January	4,307	3,640
Cumulative amortisation as at 1 January	–1,605	–1,649
Balance sheet value as at 1 January	2,702	1,991
Purchase	981	1,927
Amortisation	–1,075	–1,216
Balance sheet value as at 31 December	**2,608**	**2,702**
Purchase value as at 31 December	4,612	4,307
Cumulative amortisation as at 31 December	–2,004	–1,605
Balance sheet value as at 31 December	**2,608**	**2,702**

35. Property and equipment

	2018	2017
Property for own use	25,820	26,634
Equipment	12,140	14,420
Balance sheet value as at 31 December	**37,960**	**41,054**

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

	2018	2017
Purchase value as at 1 January	30,045	23,335
Cumulative revaluation as at 1 January	–1,595	–1,781
Cumulative depreciation as at 1 January	–1,816	–1,253
Balance sheet value as at 1 January	26,634	20,301
Purchase	–	7,279
Depreciation	–669	–584
Revaluation	–	186
Exchange rate differences	–145	–548
Balance sheet value as at 31 December	**25,820**	**26,634**
Purchase value as at 31 December	29,800	30,045
Cumulative revaluation as at 31 December	–1,595	–1,595
Cumulative depreciation as at 31 December	–2,385	–1,816
Balance sheet value as at 31 December	**25,820**	**26,634**

The movement in equipment is as follows:

	2018	2017
Purchase value as at 1 January	33,511	31,263
Cumulative depreciation as at 1 January	–19,091	–15,778
Balance sheet value as at 1 January	14,420	15,485
Purchase	1,780	2,997
Sale[1]	–54	–
Depreciation[1]	–3,988	–3,997
Exchange rate differences	–18	–65
Balance sheet value as at 31 December	**12,140**	**14,420**
Purchase value as at 31 December	34,490	33,511
Cumulative depreciation as at 31 December	–22,350	–19,091
Balance sheet value as at 31 December	**12,140**	**14,420**

1 excluding disposal in the amount of EUR 0.7 million (2017: EUR 0.6 million).

Liabilities

36. Funds entrusted

	2018	2017
Savings accounts	5,798,813	5,393,793
Other funds entrusted	3,771,101	3,336,293
Balance sheet value as at 31 December	**9,569,914**	**8,730,086**

The Other funds entrusted item includes an amount of EUR 11.7 million (2017: EUR 8.3 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:

	2018			2017		
	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	4,666,881	3,556,782	**8,223,663**	4,207,291	3,141,040	**7,348,331**
1 to 3 months	538,097	144,669	**682,766**	523,981	116,965	**640,946**
3 months to 1 year	288,022	41,832	**329,854**	313,597	46,506	**360,103**
1 to 5 years	270,222	25,477	**295,699**	309,681	30,162	**339,843**
Longer than 5 years	35,591	2,341	**37,932**	39,244	1,619	**40,863**
	5,798,813	**3,771,101**	**9,569,914**	**5,393,794**	**3,336,292**	**8,730,086**

37. Provisions

	2017	2016
Provision for negative equity of participating interests	653	311
Building maintenance	841	800
Other provisions	4,758	2,842
	6,252	**3,953**

The movement of the provisions is as follows:

	2018	2017
Balance sheet value as at 1 January	3,953	2,416
Addition	6,098	2,884
Withdrawal	–3,628	–116
Release	–145	–1,133
Exchange rate differences	–26	–98
Balance sheet value as at 31 December	**6,252**	**3,953**

38. Capital

The authorised capital totals 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 13,494,697 ordinary shares (2017: 12,247,373 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 13,494,697 depository receipts (2017: 12,247,373 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:

	2018	2017
Number of shares as at 1 January	12,247,373	11,088,308
Increase of share capital	1,001,861	935,541
Stock dividend	245,463	223,524
Number of shares as at 31 December	**13,494,697**	**12,247,373**

39. Share premium reserve

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

40. Revaluation reserve

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

41. Statutory reserve

	2018	2017
Development costs	34,715	28,240
Conversion differences	–3,527	–3,252
Balance sheet value as at 31 December	**31,188**	**24,988**

Development costs

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

	2018	2017
Balance sheet value as at 1 January	28,240	20,611
Transfer of other reserve	6,475	7,629
Balance sheet value as at 31 December	**34,715**	**28,240**

Conversion differences

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

	2018	2017
Balance sheet value as at 1 January	–3,252	–2,071
Exchange results on participating interests	–275	–1,181
Balance sheet value as at 31 December	**–3,527**	**–3,252**

42. Other reserves

The movement in other reserves includes purchasing of own depository receipts. At year-end 2018, Triodos Bank had not purchased own depository receipts (2017: nil).

Income

43. Interest income

	2018	2017
Loans	174,778	160,467
Banks	374	337
Government papers and interest-bearing securities	14,287	17,581
Other investments	1,367	878
	190,806	**179,263**

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 (2017: 1.2 million).

44. Interest expense

	2018	2017
Funds entrusted	17,338	19,423
Banks	6,453	4,794
Other	1,311	2,044
	25,102	**26,261**

45. Investment income

	2018	2017
Dividend from other participations	373	186
Realised result from other participations	3,765	1,383
	4,138	**1,569**

46. Commission income

	2018	2017
Guarantee commission	842	748
Share register	1,728	1,895
Payment transactions	23,342	21,312
Lending	20,361	17,252
Asset Management	6,177	6,197
Management fees	2,255	1,661
Other commission income	4,430	2,926
	59,135	**51,991**

47. Commission expense

	2018	2017
Commission to agents	150	142
Asset Management	1,010	925
Other commission expense	3,271	2,626
	4,431	**3,693**

48. Result on financial transactions

	2018	2017
Exchange results for foreign currency transactions	47	78
Transaction results on currency forward contracts	324	807
	371	**885**

49. Other income

	2018	2017
Realised results assets not in use[1]	1,407	–
Income assets not in use[1]	235	44
Other income	182	201
	1,824	**245**

1 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

50. Co-worker and other administrative expenses

	2018	2017
Co-worker costs:		
• salary expenses	63,312	59,092
• pension expenses	9,086	6,922
• social security expenses	12,358	10,813
• temporary co-workers	14,194	12,036
• other staff costs	6,854	6,376
• capitalised co-worker costs	–7,562	–6,613
	98,242	**88,626**
Other administrative expenses:		
• office costs	4,666	4,747
• IT costs	12,619	12,427
• external administration costs	8,882	9,556
• travel and lodging expenses	2,639	2,566
• fees for advice and auditor	10,041	7,993
• advertising charges	5,876	6,699
• accommodation expenses	8,168	8,704
• other expenses	16,489	9,733
	69,380	**62,425**
	167,622	**151,051**
Average number FTEs during the year	**1,128**	**1,040**

Other expenses

In 2018 the Depository Guarantee Scheme costs, included in this category amounted to EUR 8.5 million (2017: EUR 6.8 million)

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

	2018	2017
Amortisation of intangible fixed assets	6,983	4,846
Impairment of intangible fixed assets	512	–
Depreciation of property and equipment	4,571	4,581
Impairment of tangible fixed assets	–	–186
	12,066	**9,241**

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

52. Impairments loan portfolio and other receivables

This item consists of expenses associated with write-downs on loans and other receivables.

	2018	2017
Addition to provision doubtful debts	8,574	10,957
Correction on addition to provision doubtful debts regarding interest that has been invoiced but not received	–66	–85
Release of provision doubtful debts	–5,423	–9,267
Impairments other receivables	427	236
Total expense	**3,512**	**1,841**

53. Taxation on operating result

	2018	2017
Taxation to be paid	7,884	10,200
Deferred taxation	2,029	365
	9,913	**10,565**

54. Subsequent events

There are no subsequent events that are of material nature for the annual accounts.

Zeist, 20 March 2019

Supervisory Board

Aart de Geus, Chair
Carla van der Weerdt, Vice-Chair
Ernst Jan Boers
Fieke van der Lecq
Gary Page
Dineke Oldenhof

Executive Board

Peter Blom, Chair
Pierre Aeby
Jellie Banga

Other information

Profit appropriation

The appropriation of profit as set in the articles of association are presented under note 17 Equity on page 98.

Branches

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

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 8, is to render sustainable banking services to its customers. This includes financing of companies, institutions and projects that adds cultural value and benefits people and the environment, with the support of depositors and investors who want to encourage socially responsible business and a sustainable society. This purpose makes that customers and other stakeholders are interested in more than just the financial performance of the Bank.

Our assurance procedures therefore consisted of an audit of the annual accounts ('the 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:

Triodos Bank N.V.
Annual Report 2018

Consolidated and company financial statements
Audit scope
Reasonable assurance

Sustainability Information (refer to assurance report)
Review scope
Limited assurance

Other information in the Annual Report
Verified consistency with financial statements and performed procedures in line with Dutch Standard 720
No assurance

Independent auditor's report

To: the general meeting and supervisory board of Triodos Bank N.V.

Report on the financial statements 2018

Our opinion

In our opinion, Triodos Bank N.V.'s financial statements give a true and fair view of the financial position of the Bank and the Group as at 31 December 2018 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 2018 of Triodos Bank N.V., Zeist ('the Bank'). The financial statements include the consolidated financial statements of Triodos Bank N.V. together with its subsidiaries ('the Group') and the company financial statements.

The financial statements comprise:
- the consolidated and company balance sheet as at 31 December 2018;
- the consolidated and company profit and loss account for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

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 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 – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

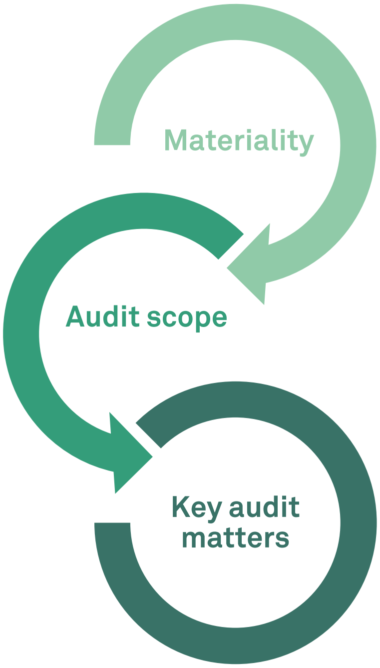
The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

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 note 'The use of estimates and assumptions in the preparation of the financial statements' the Group describes that the main areas of judgement concern the methods for determining the fair value of assets and liabilities and determining impairments and other value adjustments. As set out in the section 'key audit matters' of this report, we considered the loan impairments related to their main business of providing loans to customers and the fair value measurement of financial instruments as key audit matters, given the significant estimation uncertainty and the related higher inherent risks of material misstatement in these areas. In addition, we considered the potential VAT charges on intra-company transactions in Belgium to be a key audit matter, due to the uncertainty in the outcome of the discussion with the Belgian Tax authorities.

Other areas of focus, that were not considered to be key audit matters were the valuation of deferred tax assets, IT and compliance with laws and regulation (including the deficiency detected in the area of customer identification and acceptance and monitoring of customer transaction behaviour as disclosed on page 57 and 139 of the annual report). As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the executive board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams at both group and component level included the appropriate skills and competences needed for the audit of a bank. We therefore included specialists in the areas of IT, accounting, valuation for financial instruments and taxation in our team.

The outline of our audit approach was as follows:



Materiality
- Overall materiality: €2.5 million.

Audit scope
- We conducted audit work on the five branches, head office and Triodos Investment Management B.V.
- We conducted site visits to all branches.
- Audit coverage: 100% of consolidated revenue, 100% of consolidated total assets and 99% of profit before tax.

Key audit matters
- Impairments of loans to customers
- Fair value of financial instruments
- Disclosure of potential VAT charges on intra-company transactions in Belgium

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	€2.5 million (2017: €2.4 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of profit before tax.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax is an important metric for the financial performance of the Group.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €0.5 million and €2.3 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 €125 thousand (2017: €120 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 amounting to € 5.4 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 performed sufficient work 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 focused on the significant components, which are the five branches (in the Netherlands, Belgium, the UK, Spain and Germany), head office and Triodos Investment Management B.V. These components were subject to audits of their complete financial information, as those components are individually financially significant to the group. Additionally, we in selected two components for audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	100%
Profit before tax	99%

None of the remaining components represented more than 1% of total group revenue 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.

For the head office and the components selected for audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements, the Group engagement team performed the audit work. For Triodos Investment Management B.V. and the Dutch branch, we used component teams from the Netherlands and for the Belgian, German, Spanish and the UK branches 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 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. We attended all local clearance meetings where we discussed the significant accounting and audit matters identified by the component auditors, the reports of the component auditors, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements. For each of these locations we reviewed selected working papers of the component auditors.

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 include derivatives, impairment of incurred but not reported losses 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’) at 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.

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 described the key audit matters and included 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 comments or observations we made on the results of our procedures should be read in this context.

We note that the key audit matters related to 'Valuation of the loan portfolio' and 'Fair value of financial instruments' are recurring. These related to the Group's primary business processes and objectives, and did not change significantly compared to prior year. With respect to the potential VAT charges on intra-company transactions in Belgium, no decision has been made by the Belgian Tax authorities yet and is therefore considered as a key audit matter in line with prior year.

Key audit matter

Impairments of loans to customers

Refer to paragraphs 'The use of estimates and assumptions in the preparation of the financial statements' and 'Banks and loans' of the accounting principles and note 4 'Loans'.

Given the size of the loan portfolio of €7,274 million (note 4 'Loans' in the financial statements) and the high level of management estimates associated with the determination of impairments, we consider this as a key audit matter in our audit.

The high level of management's judgement associated with the impairments of loans to customers means that differences in judgements and changes in assumptions may result in higher or lower impairment charges.

Specific impairments

The Group assesses whether there is an indication of a possible impairment of loans on an individual basis. As of 31 December 2018, the specific allowance for impairment amounts to €33.7 million (2017: €43.7 million, refer to note 4 'Loans' in the financial statements).

In accordance with Part 9 of Book 2 of the Dutch Civil Code, impairments are based on incurred losses at

Our audit work and observations

Our audit procedures included an assessment of the overall governance of the credit and impairment process of the Group and the testing of design and operating effectiveness of the key controls directly related to:

- the identification of impairment triggers;
- the parameters and data applied in the impairment models (e.g. exposures, cash flows, market values of collateral etc.); and
- the review and approval by management on the outcomes of the individual impairments and the impairment models.

We determined that we could rely on these controls for the purpose of our audit.

Specific impairments

We examined the methodology applied by the Group in determining specific impairments. 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 as an impaired loan;
- nature and accuracy of the expected future cash flows based on the source from which the cash flows arise;

balance sheet date. When a trigger is identified, the Group determines the level of impairment which includes judgements on elements such as:
• the identification of an impaired loan;
• the estimation of expected future cash flows;
• their timing; and
• the market value of the underlying collateral.
Management's judgements change over time as new information becomes available, or recovery strategies evolve, resulting in revised scenarios to individual impairments.

Incurred but not reported losses

Furthermore, the Group estimates an impairment for incurred but not reported losses ('IBNR' or 'collective provision'). As of 31 December 2018, the IBNR provision amounts to €5.4 million (2017: €5.9 million, refer to note 4 'Loans' in the financial statements). For loans that are individually not impaired, the Group determines, based on experience and historical loss data, whether further impairment losses are present in the portfolio. The key parameters used in this calculation are:
• the exposure at default ('EAD');
• the probability of default ('PD');
• the loss given default ('LGD') and
• the loss incubation period ('LIP').

• 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 past due listings and loans with low credit ratings as compared to the detailed listing of the loans actually provided for in specific loan loss provision to determine whether the loans were adequately classified as performing or non-performing.

We found the assumptions applied by management in determining the specific provision to be consistent with historical practices and in line with our expectations and we did not identify any material exceptions.

Incurred but not reported losses

We examined the methodology applied, as well as the calculation used by the Group in determining the IBNR provision. We assessed the assumptions applied by management with respect to the EAD, PD, LGD and LIP parameters by, amongst other:
• reconciling the EAD to the banking system;
• re-performing the calculation of the PD times LGD and reconciling the Group's historical loss data to the source systems; and
• performing our own sensitivity checks on both the PD times LGD and the LIP.
We found the IBNR calculation to be mathematically accurate and, based on our sensitivity analyses, to fall within acceptable ranges of reasonable outcomes.

We also assessed the completeness and accuracy of the disclosures relating to impairments of loans to customers and observed that the disclosure complies with the requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Fair value of financial instruments

Refer to paragraphs 'Financial Instruments', 'Participating interests' and 'Derivatives and hedge accounting' of the accounting principles section, note 7 'Participating interests', note 11 'Prepayments and

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 *accrued income', note 15 'Accruals and deferred income' and the note disclosure 'fair values'.*

As of 31 December 2018, the items carried at fair value in the financial statements concern:
• Participating interests amounting to €22.4 million (2017: €14.6 million);
• Derivatives amounting to €5.2 million (2017: €14.5 million) on the asset side and €4.8 million (2017: €13.4 million) on the liability side of the balance sheet.
Loans and interest-bearing securities are valued at amortised cost. The fair values, disclosed in 'Fair values' on page 99 of the financial statements, amount to €7.4 billion and €1.3 billion respectively. Cost price hedge accounting is applied on the interest rate swaps on loans and on interest-bearing securities. The fair values amount to €1.3 million (negative) and € 1.2 million (negative) respectively.

For a part of the portfolio quoted prices from liquid market sources can be obtained for the fair value valuation. The more illiquid instruments on the other hand are valued based on models and assumptions that are not market observable (like spreads and prepayment rates applied). These areas have a higher potential risk of error or bias and consequently we determined the fair value of these financial instruments to be a key audit matter.

source data management. We determined that we could rely on these controls for the purpose of our audit.

For a sample of the participating interests we performed the following substantive procedures:
• testing the mathematical accuracy of the valuation performed by management;
• reconciling the applied share price per year-end to supporting documentation; 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.

We used our valuation specialists to assist us in performing our substantive audit procedures with respect to derivatives and the fair value disclosures of loans and interest-bearing securities.

For every type of financial instrument, we have tested the outcome of management's valuations of the hard to value 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 a sample of instruments.
We found no material differences in the re-performance of the valuation of the financial instruments nor in the testing of the input data. In comparing the models with market practices and for a sample of instruments using our own valuation tool, 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.

Finally, we found the Group's disclosure, in relation to the valuation of financial instruments, meeting the disclosure requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Potential VAT charges on intra-company transactions in Belgium

Refer to 'Value added tax' in note 19 under 'Irrevocable facilities'.

The Group disclosed its discussion with the Belgian tax authorities on the potential value added tax ('VAT') charge on intra-company transactions. Following EU case-law around VAT treatment of intra-company transactions, Belgium has published a Decision that results in charges from a foreign establishment to a Belgian establishment being VAT taxable in case one of these establishments is part of a local VAT group. The Group faces potential charges / VAT assessments as a result of this decision, that is effective since 1 July 2015. Following the Decision, the Group faces double VAT taxation for externally bought supplies or services by Triodos Bank NV's head office in The Netherlands, allocated to Triodos Bank Belgian Branch.

The Group is of the opinion that it has good arguments for its position not to be liable for these VAT charges. Management obtained an opinion from a tax expert supporting the view of management. The outcome of the discussion with the Belgian Tax authorities remains unknown. If management would have to pay the VAT charges, the impact would be a charge to the income statement of €4 million as of 31 December 2018 (2017: €4 million).

Given the high level of estimation uncertainty and the potential exposure, we considered this as a key audit matter.

We assessed the accounting requirements with respect to provisions and off-balance sheet liabilities included in Part 9 of Book 2 of the Dutch Civil Code. We obtained the opinion from management's tax expert. We assessed the competence, objectivity, reputation and capabilities of this tax expert. We evaluated the content of the expert's report with the help of our tax specialist.

We discussed and challenged management's position both at branch and head office level. We challenged management's point of view with respect to the likelihood of having to pay the VAT and the eligible elements.

Based on these procedures we concluded that management made a reasonable evaluation of the situation, specifically with respect to the likelihood of outflow of funds. We recalculated the maximum impact of the potential charge. We found no significant differences.

We assessed whether the wording as included in the disclosure note adequately represents the current situation and found this to be reasonable.

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;
- About this Report;
- Triodos Bank Group Structure;
- Our Purpose: Sustainable Banking;
- Triodos Bank Business Model: Creating Value;
- Executive Board Report;
- UN Sustainable Development Goals;
- Corporate Governance;
- Supervisory Board Report;
- Other Information;
- Report by the Foundation for the Administration of Triodos Bank Shares ('SAAT');
- 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 directors' 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. at the recommendation of 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 4 years. Our appointment has been renewed annually by shareholders, representing a total period of uninterrupted engagement appointment of 3 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 27 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 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 framework 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 audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all 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 supervisory board of Triodos Bank N.V.

Assurance report on the sustainability information 2018

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 2018 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 2018 in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) (comprehensive level) and the internally applied 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 2018, as included in the following sections in the annual report (hereafter: "the sustainability information"):
- Key figures - page 4-5
- Our purpose: Sustainable Banking - page 8
- Executive Board Report sections - page 9-13
    - Our stakeholders and material topics - page 14-17
    - Strategic Objectives - page 18-22
    - Impact and financial results - page 30-40
    - Co-Worker Report - page 41-44
    - Environmental Report - page 44-46
- About this report - page 197-200
- Appendix - Triodos Bank business model: creating value - page 202-203
- Appendix - Global Alliance for Banking on Values score card - quantitative evidence of our impact - page 228-230
- Appendix - Co-worker and environmental statistics - page 231-237

This review is aimed at obtaining a limited level of assurance.

The sustainability information comprises a representation of the policy and business operations of Triodos Bank N.V., Zeist (hereafter: "Triodos") with regard to corporate social responsibility and the thereto related business operations, events and achievements for the year ended 31 December 2018.

The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports') [. 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 information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Triodos in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (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 – 'Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct').

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 applicable 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 Triodos 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 internally applied reporting criteria. The absence of a significant body of 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, due to changes in assumptions. These differences may be material. We do not provide any assurance on the assumptions and 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 this the annual report.

Responsibilities for the sustainability information and the review

Responsibilities of the executive board

The executive board of Triodos is responsible for the preparation of the 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 summarized in the section 'About this Report' of the annual report. 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 information 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.

Misstatements can arise from fraud or errors and are considered 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 sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

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 executive board.
- Obtaining and 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 the 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.
  - 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.

Amsterdam, 20 March 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
G.J. Heuvelink RA

Appendix to our auditor's report on the financial statements 2018 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 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. 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.

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

All shares of Triodos Bank are held by the independent Foundation for the Administration of Triodos Bank Shares (Stichting Administratiekantoor Aandelen Triodos Bank (SAAT)). Consequently, all voting rights attached to the shares are entrusted to SAAT. 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.

In 2018 the Board of SAAT exercised the voting rights at the Annual General Meeting of Triodos Bank ("AGM"), which took place in Utrecht on 18 May 2018. The Board of SAAT engages throughout the year with the Executive Board but also senior management of Triodos Bank, in order to enable the exercising of its voting rights as a responsible shareholder.

It appears to the Board of SAAT that the mission of Triodos Bank – to improve human dignity at its core – has to be fulfilled in a challenging environment. This circumstance gives rise to a strong focus by the Board of SAAT on what Triodos Bank does and should do to play its unique role in the financial sector. Triodos Bank has to prove its uniqueness day after day in every country in which it operates. This is not an easy task.

Triodos Bank is in our view responding to the challenges in a clear manner. We appreciate that the bank – in line with its mission and building on its historical engagement with sustainability and renewable energy – contributes significantly to the national and international agenda of the financial sector on the transition towards a green economy. Also, the bank's choice to identify social inclusion as a key theme, resonates deeply with the mission to improve human dignity at its core. As Board of SAAT we see increasing gaps in society in terms of income, people's capabilities and functioning regarding education, health, digital literacy, financial literacy and between people with a positive and negative outlook. We see continuous pressure on the unity in Europe, the region in which Triodos Bank mainly operates. This calls for an integrated vision and for projects that contribute to closing these gaps. Triodos Bank's experience in the energy sector, the agricultural sector, the social sector and the cultural sector should enable the bank to articulate its theory of change and its contribution to social inclusion.

In light of our role in safeguarding the mission of Triodos Bank, the Board of SAAT paid a lot of attention to the actions of Triodos Bank in facilitating its customers and society as a whole to transform to a new economy where sustainability and social inclusion become the new normal.

Regarding our role in safeguarding the independence and continuity of Triodos Bank, we have had several dialogues with the Executive Board about the long-term perspective for the interaction between impact, return and risk. We were informed about the new methods of impact assessment that Triodos Bank is implementing.

With a view to our role in safeguarding the economic interests of the DRH we closely followed the profitability and the mid- and long-term strategy of the bank to make sure that the performance of Triodos Bank is in line with what is realistically and sustainably possible in the current circumstances.

General Meeting

At the AGM, on 18 May 2018, the Board of SAAT motivated its decisions to vote in favour of the items below. In the motivation, the Board of SAAT built on its reviews of the Annual Accounts and Annual Reports of previous years and the related discussions with the EB and SB.

The Board of SAAT approved the following proposals:

- adoption of the 2017 Annual Accounts and the proposed dividend;
- discharge of the members of the Executive Board of responsibility for their management during the financial year 2018;

• discharge of the members of the Supervisory Board of responsibility for their supervision during the financial year 2018;
• appointment of Mrs. Dineke Oldenhof and reappointment of Messrs. Aart de Geus and Ernst Jan Boers and Mrs. Carla van der Weerdt-Norder as members of the Supervisory Board;
• indemnification to the members of the Supervisory Board and Executive Board; and
• 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.
For details on the approved proposals visit www.triodos.com/agm. A webcast from the General Meeting is available at www.triodos.com/agm.

Annual Meeting of depository receipt holders

The Annual Meeting of depository receipt holders was also held on 18 May 2018 in Utrecht. This formal meeting followed a series of informal meetings with depository receipt holders in the countries in which Triodos Bank operates. The Board of SAAT informed depository receipt holders about its discussions with the Executive Board regarding Triodos Bank in general and on the Annual Report and Annual Accounts in particular. The Board of SAAT articulated the rationale underlying its voting decisions and entered into relatively free-format dialogues with depository receipt holders.

The Annual Meeting of depository receipt holders approved the appointment of Mr. Nikolai Keller as member of the Board of SAAT.

The annual survey of depository receipt holders was held in the autumn of 2018 and was completed by over 7,100 respondents. The Board of SAAT uses the survey results to enrich its perspective on the investors, whose interests are one of the important inputs that guide the Board of SAAT in fulfilling its role. For example, the results help to determine depository receipt holders' level of satisfaction about the financial return and the delivery of Triodos Bank's mission. According to the survey, 87% of investors think Triodos Bank aligns its mission and financial returns effectively. For the Board of SAAT the outcome underpins a stable support of the depository receipt holders for Triodos Bank's activities and strategy. Excerpts from the results of the 2018 survey can be found at www.triodos.com/corporateinformation.

Meetings and decisions of the Board of SAAT

During 2018, the Board of SAAT convened four times in person and several times by telephone. The Board of SAAT also had three meetings with Triodos Bank's Executive Board. SAAT's engagement with Triodos Bank and the agenda for the meetings of the Board of SAAT and the Executive Board is guided by the policy of SAAT as described in "SAAT's vision on fulfilling its role".

The topics that the Board of SAAT paid attention to during the year in a close dialogue with the Executive Board and relevant directors, included:
• The mission and the essence of Triodos Bank. The Board of SAAT explored the roots of the bank and their connection to human dignity at its core in more depth, specifically related to the essence of Triodos.
• The increasingly challenging societal developments and the challenges these present for Triodos' mission towards social inclusion and sustainability. Growing polarisation in the widest sense, such as Brexit, climate change and the urgency of the energy transition.
• The Board of SAAT discussed the impact on Triodos Bank's business of low interest rates, more stringent regulations and Brexit.
Triodos Bank's 'theory of change'. The Board of SAAT discussed what is the change in society Triodos Bank aims to contribute to from a mission perspective. SAAT called for an increasing support towards inclusiveness of Triodos alongside current stakeholders of the bank.
• The development of the impact reporting and communication methodology and the support of this method of impact reporting towards a transformative agenda, i.e. towards increasing impact and towards transparency of impact.
• Stakeholder Policy and Stakeholder Engagement by Triodos Bank in general, and more specifically the materiality matrix that results from this engagement.

• Half Year results. In this context, the Board of SAAT discussed Triodos Bank's long-term financial resilience, i.e. the capitalization of the bank by the depository receipt holders, its capitalization strategy, the liquidity of the depository receipts, the dividend policy and the target return on equity.

The Board of SAAT meets annually with a Supervisory Board delegation to discuss the Annual Accounts. The discussion in 2018 focused on:
• Triodos Bank's strategy.
• Stakeholder engagement, The strategic goals of Triodos Bank in terms of impact, financial performance and risk.

The Board of SAAT conducted interviews with the nominated candidate for Supervisory Board membership. A key focus, in this respect – amongst a more general approach regarding supervision – is the commitment of the candidates to Triodos Bank's mission.

The Board of SAAT updated its profile to support its recruitment efforts for new members. The profile can be found on www.triodos.com. The Board of SAAT prepared the selection of candidates to be nominated for appointment by the Annual Meeting of depository receipt holders. To prepare for the approval of new candidates, and in accordance with the articles of association (6.4), the recruitment of new candidates as well as reappointments for the Board of SAAT is discussed with the Supervisory Board and the Executive Board. Appointments require the approval of the EB who needs approval for this decision from the Supervisory Board. The Board of SAAT selected and nominated Mr Nikolai Keller, who was appointed during the Annual Meeting of depository receipt holders.

In addition to its regular board meetings, the Board of SAAT engaged with Triodos Bank by:
• Participating in informal meetings with local management of all Triodos Bank's branches and the management of Triodos Investment Management.
• Attending client and depository receipt holder meetings and informal discussions with depository receipt holders in the UK, Belgium, Germany, Spain and The Netherlands.
• Attending annual shareholder meetings of investment funds managed by Triodos Investment Management.
• Attending public meetings where Triodos Bank is a keynote speaker or is otherwise contributing to the public debate.
• Regular bilateral and in tripartite meetings between the Chair of the Board of SAAT and the Chairs of Triodos Bank's Executive Board and Supervisory Board.
During 2018, the Board of SAAT did not seek any external advice to carry out its responsibilities.

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, it has five members, from the various countries where Triodos Bank has branches: one Belgian, one German and three Dutch nationals. The composition of the Board of SAAT changed in 2018 because of the appointment of Nikolai Keller by the Annual Meeting of depository receipt holders of 18 May 2018 and the end of terms of Marjatta van Boeschoten and Frans de Clerck.

For information about the remuneration of the members of the Board of SAAT, please refer to the Triodos Bank Annual Accounts on page 113.

The Board of SAAT expects that it will again be able to deepen its role as a committed shareholder in 2019. Maintaining and intensifying a dialogue between Triodos Bank, the Board of SAAT and the depository receipt holders is an essential part of this effort. It will undertake this work during the international annual meeting of depository receipt holders in The Netherlands, Belgium, the UK, Spain, Germany, and at a separate meeting in The Netherlands, where informal meetings for depository receipt holders will take place. Its perspective and fulfilment of its role will also be informed by the interests of a wider group of stakeholders.

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, on page 51 of this annual report.

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/corporateinformation.

For an overview of the shares taken in trust and the issued depository receipts of Triodos Bank, as at 31 December 2018, please refer to page 194 of this annual report.

Zeist, 20 March 2019

Board of SAAT,
Josephine de Zwaan, Chair
Mike Nawas, Vice-Chair
Nikolai Keller
Willem Lageweg
Koen Schoors

SAAT’s registered office is Nieuweroordweg 1, 3704 EC, Zeist, The Netherlands.

This report is also available 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 2018.

in thousands of EUR	31.12.2018	31.12.2017
Triodos Bank N.V. shares taken in trust, having a nominal value of EUR 50 each	674,735	612,369
Issued depository receipts of Triodos Bank N.V., having a nominal value of EUR 50 each	674,735	612,369

Basis of preparation

The SAAT statement of shares as at 31 December 2018 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, 20 March 2019

Board of SAAT,
Josephine de Zwaan, Chair
Mike Nawas, Vice-Chair
Nikolai Keller
Willem Lageweg
Koen Schoors

Independent auditor's report

To: the board of Stichting Administratiekantoor Aandelen Triodos Bank ('SAAT')

Report on the SAAT statement of shares 2018

Our opinion

In our opinion, the accompanying SAAT statement of shares as at 31 December 2018 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 2018 of Stichting Administratiekantoor Aandelen Triodos Bank, Zeist ('the Foundation').

The financial reporting framework that has been applied in the preparation of the SAAT statement of shares 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.

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 SAAT statement of shares' 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 – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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, which describes the basis of accounting. The SAAT statement of sharers as at 31 December 2018 is prepared by the board of SAAT to report to the depository receipt holders. As a result, it may not be suitable for another purpose. Our report is addressed to the board of SAAT, to whom we own a duty of care. Our opinion is not modified in respect of this matter.

Responsibilities for the SAAT statement of shares and the audit

Responsibilities of the board

The board is responsible for:
• the preparation of the SAAT statement of shares 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 that are 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 audit opinion aims to provide reasonable assurance about whether the SAAT statement of shares are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all 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.

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.

Amsterdam, 20 March 2019
PricewaterhouseCoopers Accountants N.V.

G.J. Heuvelink RA

Appendix to our auditor's report on the SAAT statements of shares 2018 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 and explained what an audit involves.

The auditor's responsibilities for the audit of the SAAT statement of shares

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 SAAT statement of shares as a whole are 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, 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, including the disclosures, and evaluating whether the SAAT statement of shares represent the underlying transactions and events in a manner that achieves fair presentation.

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.

About this report

In a nutshell

- Triodos Bank always reports financial and non-financial information in an integrated report because it is, and has always been, an integrated sustainable business itself
- Its 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 unaudited content, plus much more, is also available online (www.annual-report-triodos.com)
- The report's key content is derived from finding out what's most important, or material, to Triodos Bank and its stakeholders
- Triodos Bank's report challenges the 'old world' orthodoxy of focusing on financial targets to understand a bank's performance
- Triodos Bank combines qualitative and quantitative evidence of its impact. It has its impact data verified to better understand, manage and report on its 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 its 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 its buildings, for example, important as this is. It means reporting in-depth on the impact of its activity in the widest sense – from the greenhouse gas emissions of its loans and investments to a deeper understanding of the sustainability value of its work. A growing number of integrated reports suggests more businesses consider their impact on society and the environment as core to their activities.

The Annual Report – on 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 a film with the CEO and case studies highlighting Triodos Bank's qualitative impact during the year. A shorter and more focused off and online summary is also provided for stakeholders in Dutch, French, German and Spanish.

Report structure

The report's content is informed by what Triodos Bank's stakeholders, and Triodos Bank itself, think are the most important, or material, issues to it.

Triodos Bank's stakeholders, and how the bank interacts with them, are explored in more depth online and later in the Executive Board Report on page 14. But, in short, they are:
- Those that engage in economic transactions with the business
- Those that do not engage in direct economic exchange with the business, but have a close interest in it
- Those that provide new insights, opportunities and knowledge.

Triodos Bank identifies its material issues through research and structured conversations with these groups. You can find these material issues in the materiality matrix on page 15.

The material issues are also reflected in Triodos Bank's strategic objectives on page 18. The organisation's key priorities are described in detail including progress against them. The organisation wants to help its stakeholders understand how well, or not, it is doing. So it aims to only use meaningful indicators that are genuinely relevant and provides context for what they really mean to the health of the business.

The report aims to provide a coherent thread throughout. Issues described in the materiality analysis are explored further in the Executive Board Report, including both financial and non-financial performance. Reports from Triodos Bank's governing Boards reflect these topics and describe issues of particular attention during the year. As a values-based, integrated bank, these topics often relate to sustainability and how it is integrated in the business's strategy.

As well as its impact on society, the environment and culture via its external finance, the report includes information about the organisation's environmental and co-worker responsibilities and developments during the year. Its financial performance is also described in detail in a financial accounts section.

Targets and benchmarks

Where targets provide important information linked to strategic goals, and/or where they are required by relevant external organisations Triodos Bank reports against them. However, Triodos Bank is convinced that targets, particularly non-financial ones can, if not adressed properly, become an unhelpful end in themselves. They have a habit of driving the wrong kind of behaviour often losing sight of their original goal. For that reason, while meaningful indicators are included, readers should expect to see limited 'hard metrics' in Triodos Bank's annual report. 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. It supports these efforts with a tool which helps understand, monitor, steer and report on impact in service of the goals described in these theories of change; Triodos Bank's Impact Prism has been developed in 2018 and will be rolled out across much of the business in 2019.

Triodos Bank is also careful not to retrofit its reporting to meet the requirements of benchmarks or initiatives. It believes 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 to 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 business' wider 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. Its stakeholders have asked to position the organisation's impact in a global framework. The SDGs allow the bank to do just that. Links connecting Triodos Bank's activity to the SDGs are made throughout the report as a result. It expects to build on these further in the future by, for example, generating SDG reports at project and sector levels, as output from the Impact Prism tool described above.

These links are informed by the work of the GRI and United Nations Global Compact's Corporate Action Group, in which Triodos Bank participates. At this stage Triodos Bank has not always linked SDG targets with specific indicators. While it is important that ultimately businesses do report with comparable indicators, that is not always possible and we are working with others to determine the best indicators to disclose.

This report, for example, meets SDG 12 responsible consumption and production in relation to target 12.6 to "encourage companies...to adopt sustainable practices and to integrate sustainability information into their reporting cycle". 12

In addition, Triodos Bank is either a signatory to, or follows, the codes of conducts and (international) conventions below:
- Equator Principles
- Financial Action Task Force recommendations
- OECD guidelines for multinational enterprises

- UN Global Compact
- UN Principles for Responsible Investment
- UNEP Finance Initiative
- Wolfsberg Principles
- European SRI Transparancy Code
- International Finance Corporation Performance Standards and Health and Safety Guideline
- Global Reporting Initiative (GRI) framework.

Triodos Bank has a fundamental commitment to respect human rights since its inception. Its business principles clearly state that it respects people, society and different cultures and that it supports the goals of the United Nations Universal Declaration of Human Rights. You can find out more about Triodos Bank's policies and views on human rights on its website (www.triodos.com/humanrights).

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. In 2018 Triodos Bank made further progress to implement the requirements (if applicable) set out by the banking agreement. For instance, it improved its Complaints Handling Policy which applies to all its activities, products and services. This policy, which addresses the rights and process to complain for customers, employees and third parties, is publicly accessible via www.triodos.com. Triodos Bank also started the process to identify where the most severe negative impacts on human rights are possible (known as salience) and to explore whether it needs to refine its due diligence procedures to align them more with the agreement. This work is expected to conclude in 2019.

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 with the United Nations Environment Programme finance initiative (UNEP fi), Global Reporting Initiative (GRI), the Fair Finance Guide, a number of specialist consultants and initiatives and PricewaterhouseCoopers Accountants N.V. in their role as external auditors. 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 the Coalition for Environmentally Responsible Economics (CERES) 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's Standards. The Standards succeed G4 guidelines and 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: Comprehensive option. You can find more, including an index of GRI disclosures, at www.annual-report-triodos.com.

During the review of the annual report, we have had several discussions with our auditor/ PwC to further improve our GRI table, for example regarding the link of material themes. Within this context we will make improvements in the 2019 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 its 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 auditor. 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, of course, an important area for a mission-driven organisation that was created to use money to make positive social, environmental and cultural change happen.

Some facts and figures about the report

The 2018 Annual Report covers branch 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 2018. Triodos Bank's previous integrated report was published in March 2018 and covered the 2017 calendar year.

The reporting on the 2018 financial year is based on the same principles as the 2017 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, which includes 2018 impact data including, for the first time, detailed greenhouse gas emissions data and measures included in the GABV's scorecard, which is designed to deliver a structured approach to capture 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.

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.

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Appendix – 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 & 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 (PCAF) and proposals (New Pathways) 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 to 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 – 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, Stichting Triodos Sustainable Finance Foundation and Triodos Invest CVBA, 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 depository receipt.

Pierre Aeby (1956), CFO

Pierre Aeby has been a statutory member of the Executive Board of Triodos Bank N.V. since 2000. He is also a Statutory Director of Triodos Ventures B.V., member of the Board of Stichting Triodos Holding, Stichting Triodos Sustainable Finance Foundation and Triodos Invest CVBA, Chair of the Board of Stichting Triodos Foundation, Director of Triodos Fonds Vzw, member of the board of directors of Triodos Bank UK Ltd. and member of the Board of Vlaams Cultuurhuis De Brakke Grond. Until April 2017 he was also Chair of the Management Board of Triodos SICAV I and Chair of the Management Board of Triodos SICAV II. He is of Belgian nationality and owns 21 Triodos Bank depository receipts.

Jellie Banga (1974), COO

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 a member of the Board of Stichting Triodos Sustainable Finance Foundation and Stichting Triodos Holding. She is of Dutch nationality and does not own any Triodos Bank depository receipts.

Supervisory Board

Aart de Geus (1955), Chair

Aart de Geus is Chair of Triodos Bank's Supervisory Board and a member of Triodos Bank's Nomination and Compensation Committee. He is Chair and CEO of the Bertelsmann Stiftung, a German think-tank, President of the Bertelsmann Foundation North America, Member of the Advisory Panel of SITRA Public Foundation in Helsinki, Chairman of the Kuratorium of the Reinhard Mohn Institute and Member of the Advisory Council of Centrum Hochschulentwicklung. Previously, he was Deputy Secretary-General at the Organisation for Economic Cooperation and Development (OECD) 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 depository receipts.

Carla van der Weerdt (1964), Vice-Chair

Carla van der Weerdt is Chair of Triodos Bank's Audit and Risk Committee. She is a partner at Accent Organisatie Advies B.V. She had a banking career for fifteen years in ABN AMRO Bank N.V., amongst others as the CFO/COO of Global Transaction Banking, as the Global Head of Operational Risk Management and as the Global Head of Risk Management & Compliance in Asset Management. Carla van der Weerdt is a member of the Supervisory Board and Chair of the Audit Committee of BinckBank N.V., a member of the Supervisory Board of DSW Zorgverzekeraar U.A., University of Applied Science Inholland and the Habion Foundation, a member of the Advisory Board of the Court of Gelderland and member of the Board of Vastgoed Zorgsector Foundation. Carla van der Weerdt was first appointed in 2010 and her present term expires in 2019. She is of Dutch nationality and does not own any Triodos Bank depository receipts.

Ernst-Jan Boers (1966)

Ernst-Jan Boers is Chair of Triodos Bank's Nomination and Compensation Committee. 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 is Board Member of Stichting Nationaal Energiebespaarfonds, a financial member of the Board of Coöperatie Medische Staf Gelre U.A., a member of the Supervisory Board of Coöperatie Univé U.A., a member of the Supervisory Board of Stichting Fonds Duurzaam Funderingsherstel and Chair of the Board of AHOLD Delhaize Pension fund. 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 depository receipts.

Fieke van der Lecq (1966)

Fieke van der Lecq is a member of Triodos Bank's Audit and Risk Committee. She 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. Fieke van der Lecq is owner of Ecovisie, a member of the Supervisory Board and Chair of the Audit and Risk Committee of Syntrus Achmea Real Estate & Finance, Chair of the Supervisory Board of the Confectionery Industry Pension Fund, member of the Supervisory Board of Arriva Netherlands and Chair of the Board of Foundation KDP (KPMG Deferred Payments). At the same time Fieke van der Lecq is an independent ('crown') member of the Social and Economic Council of the Netherlands (SER), academic member of the Occupational Pensions Stakeholder Group (OPSG) of the European Insurance and Occupational Pensions Authority (EIOPA), Chair of the editorial board of Netspar, Chair of the SCOOR Foundation and Academic director of VU Risk Management for Financial Institutions. Prior to this Fieke van der Lecq held various positions in academia, business, and civil service. 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 Triodos Bank's Nomination and Compensation Committee. She joined the National Police in 2008, where she became HRM Director in 2011. Since 2014 she has been a Special Councillor of the National Police. She has been Director of Operations of the Police Academy since February 2018. Dineke Oldenhof is a member of the Supervisory Board of the regional health centre, Widar. Previously 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.

Gary Page (1965)

Gary Page is a member of Triodos Bank's Audit and Risk Committee and Chair of the board of directors of Triodos Bank UK Ltd. He is a non-executive Director, and since 2013 the Chair, of the Norfolk and Suffolk NHS Foundation Trust. Before that he was the Chair of Trustees of the Hoffman Foundation for Autism and the Ian Mikardo High School Charitable Trust. From 1994-2008 Gary Page held various senior positions at ABN AMRO, such as CEO Global Markets, global head of Commercial Banking, Global Head Portfolio Management and Head of UK Structured Finance. Gary Page started his career at Barclays Bank. Gary Page was first appointed in 2017 and his present term expires in 2021. He is of British nationality and does not own any Triodos Bank N.V. depository receipts.

Board of SAAT

Josephine de Zwaan (1963), Chair

Josephine de Zwaan is also a member and Chair of the Supervisory Board of Stichting Triodos Holding. 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. She is Chair of the Supervisory Board of Stichting Cito and Fairphone B.V., Vice-Chair of the Supervisory Board of the University of Applied Science Leiden, Vice-Chair of the Supervisory Board of the Vilans Foundation and Chair of the Foundation for the Register of Social Enterprises. She is a member of the Board of Foundation Akademeia and an independent advisor to various organisations, in both the public and private sector (including social enterprises). Josephine de Zwaan was first appointed in 2010 and her present term expires in 2020. She is of Dutch nationality and does not own any Triodos Bank depository receipts.

Mike Nawas (1964), Vice-Chair

Mike Nawas is also a member of the Supervisory Board of Stichting Triodos Holding. He is co-founder of Bishopsfield Capital Partners Ltd (BCP), a financial consultancy based in London. He has been affiliated with Nyenrode Business University in The Netherlands as Associate Professor Financial Markets since 2011. 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. Since 2013 he has been Chair of the Foundation Akademeia. Mike Nawas was first appointed in 2014 and his present term expires in 2021. He is of Dutch and US nationality and does not own any Triodos Bank depository receipts.

Willem Lageweg (1951)

Willem Lageweg is also a member of the Supervisory Board of Stichting Triodos Holding. He 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. Currently he holds a number of administrative, supervisory and advisory positions, including at the Transition Coalition Food, Louis Bolk Institute, SIB Kenya, Institute for Positive Health, Friends of the Maasia and Max Havelaar. Willem Lageweg was first appointed in 2016 and his present term expires in 2020. He is of Dutch nationality and owns 183 Triodos Bank depository receipts.

Koen Schoors (1968)

Koen Schoors is full 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 Department of General Economics and of the newly founded Russia platform. Outside Ghent University he is Chair of the Board of Gigarant and Trividend and is also a member of the Board of the Cooperative firm Energent, and of the social-artistic collective Bij de Vieze 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 depository receipts.

Nikolai Keller (1969)

Nikolai Keller is the CEO of the Filderklinik GmbH in Filderstadt and is shareholder and Board Member of Mahle Stiftung GmbH. Nikolai Keller is also a lawyer and partner at Keller & Kollegen, a law firm based in Stuttgart, as well as Chair of the Supervisory Board of Helixor Heilmittel GmbH and member of the Supervisory Board of Nikolaus Cusanus Haus e.V. Prior to that he had served at Weleda AG as Managing Director Pharma Germany/Austria/Switzerland. Mr. Keller started his career at the law firm Barkhoff & Partner in Bochum. Nikolai Keller was first appointed in 2018 and his present term expires in 2022. He is of German nationality and does not own any Triodos Bank N.V. depository receipts.

Appendix – 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-reaching action by states, business and civil society. And 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.

It was clear throughout 2018 that the SDGs have gathered significant momentum among 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 to 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.

This is the third year that Triodos Bank will include the SDGs in its reporting. We consulted extensively during the year, with business and industry experts, to develop our thinking and practice on how best to report against the SDGs. 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, and
- By identifying and reporting against a number of specific targets, which underpin each of the SDGs.

We started by mapping what we do against the SDGs and where our work is directly relevant to an SDG and a specific indicator. While we highlight how we intend to further this work in the future, specific indicators of how this will be achieved are available in other parts of the report – in the strategic objectives section, for example – and not duplicated here.

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 our main work we describe the work we do in this area and our wider perspective on that goal in one column.

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.

Level 1 – Baseline activity to ensure we are not harming these goals
Level 2 – Direct activity we take to positively influence them; and
Level 3 – 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.

1 NO POVERTY

No poverty

Relevant target: 1.5 resilience to external shocks (for individuals and families)

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
Our policy is to avoid predatory lending and to undertake good due diligence when making decisions about which inclusive finance institutions to invest in.	We invest in financial 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 2018 we provided inclusive finance for 11.1 million savers and 19.2 million borrowers in emerging markets, via 103 financial institutions. We have pioneered Fair Trade finance including partnering with key players such as Oxfam and Fairtrade Iberica and Fairtrade Belgium. Through the Triodos Foundation, donations are made to Fair Trade organisations such as Comercio Justo in Spain. Triodos Bank has an active role in eradicating urban poverty in Europe, financing organisations devoted to care and social inclusion of homeless people, such as Emmaus in the UK which re-houses and provides employment for disadvantaged people. It is also advising charities in the UK on Social Impact Bonds that raise social investment to tackle homelessness nationally. It also finances the construction of new emergency hostels in Paris to offer decent accommodation for homeless people. In The Netherlands we finance Eigen Schuld, a theatre performance about the social problem of poverty. The challenging play is written by young people and performed in school classes. Co-workers are also involved directly in local initiatives. In Belgium, for example, the Triodos Bank branch in Brussels supports a local organisation, Comité de la Samaritaine, to help provide vulnerable people in the local community with access to decent housing and food.	We integrate climate concerns and social issues, by advising these financial institutions on how to incorporate environmental issues in their business. This makes both the institutions and the entrepreneurs that 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 again on helping other institutions serving those most in need.

Zero hunger

Relevant target: 2.4 ensure sustainable food production

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
We do not finance intensive agriculture and, instead, only and exclusively finances sustainable and organic agriculture.	We specialise in financing sustainable food production through our lending and investing activity. During 2018, there was a noticeable decrease in lending to projects producing meat (of 12%) and a similar increase in lending to fruit and vegetable projects. This indicates a positive trend given the environmental cost of meat production over fruit and vegetables. Our investment activity focuses around the Triodos Organic Growth Fund (EUR 55 million) which invests in mature, privately owned, sustainable consumer businesses. In addition, the Triodos Groenfonds (EUR 885 million) invests in 'green' projects including sustainable food and agriculture. We are the financial partner for social organisations delivering services for people struggling to meet their nutritional requirements, in Europe. For example, in Spain we finance Pont Alimentari connecting restaurants and hotels with families at risk of exclusion. The project takes unused food from the former and delivers it to people struggling to access adequate daily nutrition (see SDG 1). In Belgium, we finance Belvas, a certified organic and Fairtrade Belgian chocolate manufacturer and the first in northern Europe to build an ecological chocolate factory. Also in Paris, we finance the construction of an urban farm, La Ferme du Rail, managed by four non-profit organisations dedicated to social integration through employment. Organic food grown on the farm will be served in local restaurants and used by social enterprises. The Hivos-Triodos Fund finances Twiga Food in Kenya. They bring the harvest of small-scale farmers directly to market vendors in Nairobi, pay the farmers a fair price and prevent food waste. The Triodos Foundation, Triodos' grant-giving arm, supports the Dutch organisation Urban Greeners and other innovative initiatives that focus on nutrition and biodiversity.	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 also SDG 17) to promote sustainable food production. During 2018, we continued to work with partners to develop 'true cost accounting' for finance, food and farming, for example.

3 GOOD HEALTH AND WELL-BEING

Good health and well-being for people

Relevant target: 3.5 drugs and substance abuse

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
We only finance health care 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.	We lend to large numbers of health care organisations whose emphasis is on quality of care, including clinics specialising in addiction treatment. Nos Pilifs, a Belgian farm and Siza in The Netherlands, provide support for people with disabilities, for example. While in The Netherlands we finance Ben Oude NijHuis, an affordable, small-scale home for elderly people centred around nurturing human dignity. In the UK, we finance Whiteley Village, which was set up 100 years ago, and is the country's first purpose-built retirement village and a leader in promoting community living among its residents. In France, we financed the acquisition of a medical retirement home by a mid-size group, Medicharme, to guarantee its continuation and to improve care for dependent, elderly people in the North of France. In numbers, 41,000 elderly people in Europe benefited from care provided by initiatives financed by Triodos Bank in 2018, representing 21 days of health care financed for each Triodos Bank customer. The Triodos Sustainable Pioneer Fund (EUR 247 million) invests in equities issued by listed companies, including medical technology firms that are pioneers in the theme of 'healthy people'.	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 target: 4.4 upskill youth and adults 4.7 promote sustainable development knowledge and skills

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
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.	We lend to, and invest in, education initiatives that benefited 680,000 individuals in 2018. They include projects like Kids Allowed that delivers progressive childcare services, as well as a primary school set up as a community benefit society to serve a remote Highland community in Scotland. In Spain we lend to AUPEX which provides access to education for around 150,000 people in Extremadura, particularly for elderly people in rural areas. Around 3,000 teachers are involved in 220 small towns and villages. 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.	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 masters 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. We want to continue to co-create innovative projects such as Educativos Ecológicos, (educational organic gardens) launched by Triodos Foundation in Spain to promote crowdfunding for projects and an annual prize recognising landmark initiative. 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 discrimination against women

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
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 2018 49.3% of Triodos Bank co-workers were women and 39% of management positions were held by women.	We finance financial institutions in developing countries and emerging economies that demonstrate a sustainable approach toward providing financial services to those traditionally excluded. In 2018 these institutions served 19.2 million loan clients, of which 82% were female. 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 34 million). We also lend directly to organisations working to end discrimination and promote equal rights, like HeaWomen Survivors of Gender Violence, in Spain. Triodos Bank also promotes respect for rights of the LGBTI community by financing initiatives like Fundación Triángulo, which works in rural areas in Spain. During 2018 we also facilitated donations from Spanish customers to Oxfam, to go to the ACPU in Uganda. The cooperative supports the production of coffee on land owned by women, empowering them economically and socially in their communities.	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.

6 CLEAN WATER AND SANITATION

Clean water and sanitation

Level 1	Level 2	Level 3
Baseline policies and activity, to avoid doing any harm in relation to the goal	What we do to make a meaningful difference	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 Sustainable Pioneer Fund (EUR 247 million) in listed companies such as Hong Kong-based Beijing Enterprises Water Group, a water and sewage/waste-water treatment company that contributes to the availability of clean drinking water and the cleaning of waste water.

We also finance research to save water, through projects like Zinnae, which explores urban gardening with less water, and cooperative organisations such as Enginyeria Sense Fronteres, which promotes access to water in developing countries. In Spain, we finance Waterologies, a company developing sustainable water filtration technologies, including specialised portable kits for clean water in emergencies. And, in 2018, we financed Ongawa, an organisation which is primarily focused on providing clean drinking water for disadvantaged people in Africa and South America.

Affordable and clean energy

Relevant target: 7.2 increase share of renewables globally

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
Our policy is not to finance fossil fuels and exclusively to finance renewable energy initiatives in the energy sector. We also buy energy from renewable sources to power all the buildings that we work from within our own network.	We finance sustainable energy via direct lending in all the countries where we operate and investments through Triodos Green Fund (EUR 885 million) and via Triodos Renewables Europe Fund (EUR 83 million). As well as considerable impact in Europe, Triodos Bank has financed more renewable energy initiatives in Europe than any other financial institution, each year for the last three years. Triodos Bank extended its wind energy financing to off-shore wind energy projects through its international Energy & Climate Desk. In Belgium the bank was the lead arranger of the deal to finance SeaMade, a 487 MW Offshore Wind Farm. It also co-financed Northwester 2, a 219 MW Offshore Wind Farm. Both projects are in the Belgian North Sea. While in Germany we co-financed our first two offshore windparks during 2019. The projects were also managed by an international team of colleagues for the first time. Triodos' renewable energy projects also extend to emerging markets, such as hydro projects in Nepal. Triodos Bank has developed a detailed programme to reduce the environmental impact of its own activities; it is both carbon neutral itself and uses 100% renewable energy in its buildings. In Belgium, Triodos supports the development of affordable energy by financing Duwolim who provide social loans for energy-saving renovation works on private homes or buildings of non-profit organisations. Duwolim provides both an affordable loan and expert advice.	As well as its direct impact as a financer, 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. In 2018, Triodos Bank was one of a group of financial institutions to implement a groundbreaking new methodology – co-created by the financial industry for the financial industry – to measure the carbon emissions of loans and investments. We can contribute further in the future 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. Innovation in 2018 included financing the world's first river current turbines farm, in France. This new technology has a very low environmental impact compared to hydropower avoiding enclosing and diverting water. 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 is 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 reduce CO_2 emissions on their balances.

Decent work and economic growth

Relevant targets: 8.3 ...encourage the growth formalisation and growth of micro-, small- and medium-sized enterprises, including access to financial services
8.4 improve ...global resource efficiency in consumption and production ...decouple economic growth and environmental degradation
8.9 ...implement policies to promote sustainable tourism
8.10 strengthen the capacity of domestic financial institutions 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	Level 2 What we do to make a meaningful difference	Level 3 The catalysing role we can play to stimulate long-term, transformational change
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.	The inclusive finance activity we describe in SDG 1 above is delivered via Triodos Investment Management connecting thousands of investors with Microfinance and SME institutions in developing countries. 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. 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 front-running sustainable companies We are continuing to extend lending to certified green sustainable tourism projects, or those working towards it, across Europe. Enric Majoral, in Spain, uses 100% fair-mined certified gold. A well-established jewellery brand, it promotes fairer labour conditions in a high impact industry. In France, we concluded a first partnership with France Active, a mission-driven organisation, that provides microfinance products to small entrepreneurs, as well as equity funds to social entrepreneurs. Triodos Bank took a share in the capital of France Active Investissement and will participate at its board meeting to collaborate more closely and increase the organisation's positive impacts.	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 sun glasses are one example. We partner with others who share this agenda, including co-founding the Sustainable Finance Lab. And we celebrate and encourage front-runners in social and sustainable entrepreneurship, through initiatives like the Heart Head prize; an awards programme delivered in a number of countries where we operate. During 2018 we continued to participate in an industry-led review setting out how the UK government can grow a broader culture of social impact investing.

Industry, innovation, and infrastructure

Relevant targets: 9.3 ...increase 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	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. Our work for the inclusive finance sector supports efforts to increase access of small-scale enterprises to financial services, including affordable credit.

Acusmed, in Spain, develops acoustic and environmental projects as part of new, more inhabitable cities (see SDG 11). They contribute to innovate solutions for buildings, roads and railways.

Also in Spain, we have financed Protisa, producing 100% recycled toilet paper in the Canary Islands. This industry has considerable potential to reduce the use of natural resources and avoid CO_2 emissions, while fostering healthy local economies.

Reducing inequalities

Level 1	Level 2	Level 3
Baseline policies and activity, to avoid doing any harm in relation to the goal	What we do to make a meaningful difference	The catalysing role we can play to stimulate long-term, transformational change

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.

We have a comprehensive approach to inequality which includes financing groups in risk of social exclusion. We have, for instance, doubled our lending to migrant integration projects in 2018.

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 finance refugees through a number of initiatives across Europe.

We finance WhatsCine, in Spain, a company that has developed pioneering technology to provide access to cinema and television for people with audiovisual disabilities in an inclusive way. In The Netherlands we finance ‘Specialisterren’ enabling people with autism to excel as software testers.

In Belgium we finance ‘65 degrés’ an inclusive fine-dining restaurant providing high-quality food in Brussels, while integrating and training people with learning disabilities in its workforce.

11 SUSTAINABLE CITIES AND COMMUNITIES

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 people and people with disabilities

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
We do not finance unsustainable housing and have a proactive policy to finance social and sustainable housing as well as arts and culture projects.	Around 5.6% of our lending is in social and co-housing providing affordable homes for often excluded groups, including housing associations across Europe. We also renovate and refurbish culturally significant buildings and monuments, like Amsterdam's Stadsherstel, or converting the former Savoy cinema in London into the Hackney Arts Centre. The historic Republiek building in Bruges, and Hansa House in Belgium are other notable examples. We also directly finance 'smart city' projects to build more sustainable cities. One example is the Skypark Hotel in Berlin. This innovative project uses neglected parking levels on top of houses to build useful space – in this case, a hotel. The project is constructed from modular, reusable wooden containers. In the UK we financed the North Camden Housing Co-operative in London helping to complete redevelopment of apartments to the passive house retrofit standard. In France, we finance homes for elderly people, in or close to city centres operated by values-driven experts in elderly care. These homes promote the well-being of vulnerable people, integrate them in the life of the city and prolong independent living. The Spanish Triodos Foundation renewed and extended its Organic Educational Gardens project in 2018 (see SDG 4) to include the concept of Social Agriculture. A crowdfunding and blog platform fosters greater contact between the urban population and nature, as well as between rural and urban areas.	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 also focus on rural communities by supporting alternative finance for local renewable energy developments, such as Coigach Community CIC, a community interest company raising money via our UK crowdfunding platform to own and operate a 500-kW wind turbine in the Highlands of Scotland. 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	**Level 2** What we do to make a meaningful difference	**Level 3** The catalysing role we can play to stimulate long-term, transformational change
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.	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 32 million organic meals in 2018. As well as direct lending we have an Organic Growth Fund (EUR 55 million), which invests in mature, independent, sustainable consumer businesses. We proactively finance waste reduction and recycling businesses, including a number of zero-packaging shops in Belgium. Through Triodos Investment Management's Research department, we engage with large companies, including front-runners such as Wessanen, encouraging them to improve their sustainable practices, including by voting as an investor through Triodos Bank's Socially Responsible Investment funds (EUR 1,481 million). In Spain in 2018, we financed Ecoalf Recycled Fabrics, a new fashion/lifestyle brand that creates clothing and accessories made entirely from recycled materials. The brand does not compromise on quality and design using innovative materials, including fabric made from fishing nets. In France, we financed the first plant of Elixir project that aims to reduce both social inclusion and waste. It produces soups and juices under the brand 'Sains & Saufs' made of food waste and prepared by people with disabilities. We have adopted sustainable practices as an integrated element of our business from the start. And integrate sustainability into our reporting cycle as a logical consequence of this focus.	Through events, articles and public affairs activity we aim to promote an integrated view that responsible consumption and production is closely connected to a better quality of life.

Climate action

Level 1	Level 2	Level 3
Baseline policies and activity, to avoid doing any harm in relation to the goal	What we do to make a meaningful difference	The catalysing role we can play to stimulate long-term, transformational change

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 contributed to generating green energy equivalent to the electricity needs of 2.5 million households worldwide and avoiding 2.9 million tonnes of CO_2 emissions in 2018.

All of 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. And we participate in public initiatives, and partner with others such as ECODES in Spain, to raise awareness about climate change and action to combat it. During 2018 Triodos Bank Spain promoted 'Reduce your emissions', a new online platform to promote contracting green energy, installing solar energy or compensating CO_2 with specialised partners.

Life below water

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

Our finance in the organic sector aims to reduce marine pollution by focusing on soil quality and water conservation and health.

As well as sustainable fishing projects, we have financed customers such as Fundación Lonxanet in Spain, who are committed to research, conservation and public awareness about the environmental importance of underwater life and coastal ecosystems. During 2018, Triodos Bank's crowdfunding platform raised finance for Fishtek Marine, an innovative company using new technology to help stop marine creatures becoming tangled in fishing nets.

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	Level 2 What we do to make a meaningful difference	Level 3 The catalysing role we can play to stimulate long-term, transformational change
Our policy is not to finance any projects that degrade natural habitats or diminish biodiversity.	As described above we finance organic agriculture, as well as conservation organisations, which see agriculture as part of a natural system which encourages greater biodiversity, rather than one of extraction. Around 3.8% of our loans were in this sector during 2018. They include organisations like the Organic Trade Board in the UK that runs marketing campaigns to promote organic food and agriculture. And Riverford Organic Farmers, a leading UK organic 'veg box' distributor taking the company into employee ownership. To combat soil pollution and urban sprawl on agricultural lands, we have financed several projects of Ginkgo and Brownfields in France. These organisations specialise in rehabilitating abandoned and polluted urban areas. 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 addition, we have contributed to Radboud University, in The Netherlands' research into declining insect populations in protected natural reserves, an issue that prompted widespread international coverage.	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 linked to increasing education about sustainable agriculture in schools – that punch above their weight as powerful examples of what's possible

Peace, justice and strong institutions

Level 1	Level 2	Level 3
Baseline policies and activity, to avoid doing any harm in relation to the goal	What we do to make a meaningful difference	The catalysing role we can play to stimulate long-term, transformational change

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. As well as financing some organisations directly for the promotion of a culture of peace and transparency in public affairs, such as Asociación PASOS and Fundación Ciudadana Civio in Spain, we specifically exclude the weapons industry from all financing activity.

17 PARTNERSHIPS FOR THE GOALS

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	Level 2 What we do to make a meaningful difference	Level 3 The catalysing role we can play to stimulate long-term, transformational change
We have an open culture that encourages partnerships to help strengthen sustainable financial institutions and mobilise financial resources in developing countries.	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. Some key partnerships which impact on the SDG goals include B Corp – Triodos Bank was the first European bank to join this initiative of responsible companies – the Sustainable Finance Lab, and the GABV. We also run affiliate programmes in product partnership. In the UK that includes 27 organisations and charities aligned with our values, such as the Soil Association, Friends of the Earth and Amnesty International.	We can help promote systemic change by partnering with others, such as the Sustainable Finance Lab, B Corp, Global Reporting Initiative, the Global Impact Investing Network and members of the GABV, a network of more than 50 values-based banks across the globe which Triodos co-founded in 2009. The network argues for a more sustainable banking sector as well as strengthening the effectiveness of its individual members. Examples during 2018 include partnering with banks and voluntary organisations. In Belgium, we partnered with MO*magazine, a Flemish magazine focused on development cooperation, globalisation and international affairs more broadly. We have also worked with academia to produce the 'New Pathways' report and co-created a new methodology to measure the carbon emissions of financial institutions' loans and investments, described above. We continue collaborating with networks of financial institutions including UNEP FI, PCAF and others on technical standards, and have good working relationship 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 – 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.

Assets Committed to the Triple Bottom Line to Total Assets

Quantitative factor	2018	2017	2016	2015	2014
Assets Committed to the Triple Bottom Line to Total Assets[1]	76.5%	75.3%	77.0%	77.9%	76.9%

1 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.

Explanation: 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 factor	2018	2017	2016	2015	2014
Assets Committed to the Real Economy to Total Assets	77.6%	80.2%	80.6%	83.3%	72.2%

Explanation: 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 2018 most investments were in 'neutral' organisations, like Dutch municipalities.

The reason for the decline between 2017 and 2018 is an increase in liquidity, which is not defined as either 'real economy' or as 'triple bottom line' assets.

Revenues from the Real Economy to Total Income

Quantitative factor	2018	2017	2016	2015	2014
Revenues from the Real Economy to Total Income	92.0%	90.4%	86.9%	83.9%	81.6%

Explanation: 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 factor	2018	2017	2016	2015	2014
Bank Resiliency through Earnings – 3 year Average Return on Assets[1]	0.35%	0.39%	0.45%	0.48%	0.45%

1 The Average Return on Assets figure has been adjusted for two exceptional items: it is excluding a one-off bank levy of EUR 8.3 million contributing to the rescue of the Dutch SNS Bank in 2014 and it is excluding a one-time income of EUR 1.3 million in 2016 related to the sale of our participation in Visa Europe to Visa Inc.

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.

Bank Resiliency through Capital – Equity to Total Assets

Quantitative factor	2018	2017	2016	2015	2014
Bank Resiliency through Capital - Equity to Total Assets	10.4%	10.2%	10.0%	9.5%	9.8%

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.

Bank Resiliency through Asset Quality – Low-quality Assets to Total Assets

Quantitative factor	2018	2017	2016	2015	2014
Bank Resiliency through Asset Quality – Low-quality Assets to Total Assets	1.6%	1.9%	2.5%	2.5%	3.0%

Explanation: 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.

Bank Resiliency through Client Based Liquidity – Client Deposits to Total Assets

Quantitative factor	2018	2017	2016	2015	2014
Bank Resiliency through Client Based Liquidity – Client Deposits to Total Assets	87.9%	88.1%	88.4%	88.7%	87.9%

Explanation: 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 – Co-worker and environmental statistics

Co-worker statistics

Social key figures[1]

	2018		2017		2016		2015		2014	
	Inside Nether-lands	Outside Nether-lands	Inside Nether-lands	Outside Nether-lands	Inside Nether-lands	Outside Nether-lands	Inside Nether-lands	Outside Nether-lands	Inside Nether-lands	Outside Nether-lands
Number of co-workers at year-end	737	690	700	677	631	640	547	574	485	532
Average number of ftes during the year[2]	649.1	647.6	593.8	604.5	523.5	566.1	456.6	517.3	401.1	481.8
Number of ftes at year-end[2]	658.0	659.4	618.5	630.5	560.5	594.8	482.4	538.2	429.8	500.7
Sickness rate	3.8%		3.3%		2.8%		2.7%		2.6%	

1 The co-worker report includes everyone employed by Triodos Bank and Triodos Investment Management.

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

	2018	2017	2016	2015	2014
The Netherlands and Private Banking NL	1,242	1,681	1,745	1,970	2,127
Belgium	1,669	1,531	1,150	1,595	1,549
United Kingdom	1,124	968	1,095	432	983
Spain	565	554	467	777	1,181
Germany	1,288	1,055	741	900	2,377
France	3,906	2,323	1,327	1,757	1,735
Head office	2,901	2,101	2,328	2,727	2,695
Triodos Investment Management and TIAS	2,173	2,298	2,261	2,924	2,610
Average	**1,602**	**1,471**	**1,435**	**1,692**	**1,856**
Increase	8.9%	2.5%	–15.2%	–8.8%	–9.7%

Training days per co-worker

	2018	2017	2016	2015	2014
The Netherlands and Private Banking NL	3.3	2.9	2.9	1.7	3.7
Belgium	4.0	3.5	2.7	2.3	3.5
United Kingdom	6.9	4.3	1.8	0.9	3.3
Spain	7.8	8.1	7.3	11.7	7.1
Germany	4.9	2.5	1.4	1.0	3.1
France	6.6	4.9	2.4	1.6	5.3
Head office	6.2	3.8	3.8	4.4	3.0
Triodos Investment Management and TIAS	3.4	2.0	1.8	2.0	3.2
Total	**5.5**	**4.3**	**3.7**	**4.6**	**4.3**

Salaries

	Ratio highest to median salary[1]					Ratio increase highest salary to increase median salary[2]				
Country	2018	2017	2016	2015	2014	2018	2017	2016[3]	2015	2014
The Netherlands	4.8	4.7	4.7	4.7	4.6	0.5	0.4	0.0	0.8	1.4
Belgium	2.9	3.0	3.0	1.9	2.9	0.2	0.0	0.0	0.9	1.4
United Kingdom	4.9	4.6	4.4	4.5	4.0	0.7	0.5	0.0	2.7	0.7
Spain	5.9	6.0	6.2	6.3	6.1	0.4	0.6	0.0	0.7	0.6
Germany	2.7	2.6	2.6	2.6	2.6	1.7	1.0	0.0	1.0	1.3
France	3.9	3.9	3.4	2.9	2.3	0.6	0.2	0.0	1.0	0.2
Total	**5.6**	**5.7**	**5.7**	**5.7**	**5.6**	**0.6**	**0.4**	**0.0**	**0.8**	**1.5**

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 guidelines).

2 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 guidelines).

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

Fixed and variable remuneration awarded to identified staff in relation to year 2018, by instrument

	"Identified staff" in senior management functions	All other "Identified staff"
Number of co-workers	13	50
Remuneration (in thousands of EUR)		
Total fixed remuneration	2,522	5,690
Total variable remuneration:	–	23
of which in cash	–	23
of which in shares or share-based instruments	–	–
of which in other instruments	–	–
Total amount deferred remuneration	–	–
Welcome payments		
Number of beneficiaries	0	0
Total amount	–	–
Severence payments		
Number of beneficiaries	0	0
Total amount[1]	–	–
Maximum amount per payment	–	–

1 Severance payments include payments in case of voluntary leave, e.g. to facilitate a proper handover.

Age categories of co-workers of Triodos Bank at year end

	2018		2017		2016		2015		2014	
Age	number	%	number	%	number	%	number	%	number	%
< 28 years	58	4.1	72	5.2	66	5.2	73	6.5	86	8.0
28 – 35 years	288	20.2	295	21.4	309	24.3	272	24.3	262	26.0
35 – 42 years	416	29.2	406	29.5	366	28.8	317	28.3	285	28.0
42 – 49 years	303	21.2	315	22.9	296	23.3	270	24.1	219	22.0
49 – 56 years	245	17.2	198	14.4	162	12.7	128	11.4	105	10.0
>= 56 years	117	8.2	91	6.6	72	5.7	61	5.4	60	6.0
Total	**1,427**	**100.0**	**1,377**	**100.0**	**1,271**	**100.0**	**1,121**	**100.0**	**1,017**	**100.0**
Average	41.7		41.4		40.7		40.4		39.7	

Years of service of co-workers of Triodos Bank at year end

Years of service	2018 number	2018 %	2017 number	2017 %	2016 number	2016 %	2015 number	2015 %	2014 number	2014 %
0 – 1 years	173	12.1	212	15.4	238	18.7	226	20.2	186	18.0
1 – 3 years	374	26.2	401	29.1	348	27.4	292	26.0	269	26.0
3 – 5 years	297	20.8	241	17.5	218	17.2	195	17.4	186	18.0
5 – 10 years	367	25.7	339	24.6	312	24.5	284	25.3	272	27.0
10 – 15 years	140	9.8	118	8.6	96	7.6	75	6.7	67	7.0
> 15 years	76	5.3	66	4.8	59	4.6	49	4.4	37	4.0
Total	**1,427**	**100.0**	**1,377**	**100.0**	**1,271**	**100.0**	**1,121**	**100.0**	**1,017**	**100.0**
Average	6.4		5.1		4.9		4.8		4.8	

Sickness rate

	2018	2017	2016	2015	2014
The Netherlands and Private Banking NL	5.1%	5.9%	3.7%	4.3%	3.1%
Belgium	3.6%	3.8%	3.5%	3.4%	2.8%
United Kingdom	2.4%	2.2%	2.2%	1.2%	0.6%
Spain	5.6%	3.4%	2.7%	2.0%	2.3%
Germany	2.8%	3.3%	2.7%	2.9%	2.1%
France	0.8%	0.0%	0.0%	0.0%	0.0%
Head office	2.7%	2.5%	3.0%	3.0%	3.6%
Triodos Investment Management and TIAS	2.7%	2.1%	2.1%	2.0%	3.3%
Total	**3.8%**	**3.3%**	**2.8%**	**2.7%**	**2.6%**

Attrition

	2018	2017	2016	2015	2014
The Netherlands and Private Banking NL	11.3%	9.4%	5.1%	7.1%	8.6%
Belgium	9.4%	12.1%	12.3%	11.4%	3.8%
United Kingdom	15.0%	15.4%	11.9%	32.1%	16.5%
Spain	5.9%	6.2%	4.9%	15.0%	9.3%
Germany	10.6%	3.5%	7.7%	20.8%	7.0%
France	13.3%	10.0%	0.0%	0.0%	0.0%
Head office	6.3%	5.5%	4.7%	12.9%	10.9%
Triodos Investment Management and TIAS	7.6%	9.3%	15.8%	7.8%	10.3%
Total	**8.9%**	**8.6%**	**7.9%**	**14.0%**	**9.5%**

Contract type[1]

	2018		2017		2016	
	Fixed	Permanent	Fixed	Permanent	Fixed	Permanent
The Netherlands and Private Banking NL	46	215	44	203	34	190
Belgium	2	138	3	136	2	125
United Kingdom	21	159	8	159	13	140
Spain	13	268	10	280	12	281
Germany	6	58	3	63	1	56
France	–	15	2	13	–	10
Head office	38	262	27	242	48	199
Triodos Investment Management and TIAS	19	167	34	150	33	127
Total	**145**	**1,282**	**131**	**1,246**	**143**	**1,128**

1 In the General Standard Disclosures of the GRI Standards (G4-10), a new 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.

Methodology

HR data is gathered quarterly by the HR departments of the business units with the exception of remuneration data which is gathered once a year. Local HR departments are responsible for delivering the social data of the business units. The data is consolidated and analysed at Triodos Head Office. Checks on the data are performed by the Control department and HR International in close cooperation with the local HR departments.

Environmental statistics

Environmental key figures

absolute quantities/ftes	2018	2017	2016	2015	2014
Energy consumption					
Electricity in kWh/fte	1,930	2,079	2,329	2,533	2,686
Gas in m^3/fte	104	102	103	105	103
Business travel					
By aircraft in km/fte	3,452	3,920	4,113	4,762	5,154
By car in km/fte	1,036	1,020	1,188	1,246	1,267
By public transport km/fte	589	684	648	713	674
Commuting					
By car in km/fte	4,025	4,318	4,535	4,435	4,534
By carpool in km/fte	408	145	118	109	74
By public transport in km/fte	3,361	3,454	3,458	3,241	3,297
By bike or on foot in km/fte	606	591	601	521	575
Paper usage					
Total paper usage in kg/fte	81	85	112	180	214
Blank copy recycled paper in kg/fte	13	13	17	26	20
Letter head paper/leaflets/etc. in kg/fte	68	72	95	155	194
Letter head paper/leaflets/etc. in kg/customer	0.13	0.14	0.17	0.27	0.34
Co-workers					
Ftes	1,297	1,197	1,089	968	879
External, temporary co-workers	93	103	102	93	65
Buildings (absolute figures)					
Surface area in m^2	34,321	33,792	33,792	31,687	31,052
Volume in m^3	114,445	112,678	112,678	104,661	102,407

Emission of CO_2 (equivalents)

in thousands of kg	2018	2017	2016	2015	2014
Electricity[1]	7	13	22	1	100
Gas consumption (heating)	73	72	73	90	124
Paper	143	140	203	293	314
Public Transport	105	268	243	214	260
Car	1,487	1,489	1,499	1,324	1,145
Flights	997	1,082	1,083	1,119	1,141
Total	**2,812**	**3,064**	**3,123**	**3,041**	**3,084**
Minus: Compensation for CO_2 credits	–2,812	–3,064	–3,123	–3,041	–3,084
CO_2 balance (neutral)		**–**	**–**	**–**	**–**
CO_2 compensation costs per tonne (EUR)	8.40	8.40	8.40	8.40	8.40

1 Due to changes in the method of calculation, the CO_2 emission of energy has fluctuated in previous years.

Methodology

The data to calculate the final CO_2 footprint of Triodos Bank are collected by Local Environmental Managers (LEM's) in the various countries. They complete all data, including underlying evidence, in a CO_2 Management Application of the Climate Neutral Group (CNG). The LEM of 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 (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 emission caused by the CO_2 production of Triodos Bank on an annual basis. The conversion factor multiplied with the outcome of the different components results in Triodos Bank's total CO_2 footprint.

Appendix – Reference overview disclosures related to the Capital Requirements Regulation

The Capital Requirements Regulation (CRR) requires disclosure of various kinds of information concerning mainly capital and risk. This table shows where this information has been published, if applicable.

Source: CRR articles	Subject	Part	Page
No. 435	Risk management objectives and policies, key ratios, information flow, information by risk category	Risk Management	132
No. 435	In control statement and declaration of adequacy of risk management arrangements	Executive Board Report	49
No. 435	Number of directorships	Executive Board and Supervisory Board Report	204
No. 435	Recruitment and diversity policy	Website	
No. 435	Key areas of expertise	Supervisory Board Report	58
No. 435	Risk committee	Supervisory Board Report	56
No. 436	Scope of application of the Capital Requirements Regulation	Risk management	154
No. 437	Reconciliation of regulatory capital items and balance sheet	Website – Pillar 3 report	
No. 437	Main features and terms and conditions of regulatory capital instruments	Website – Pillar 3 report	
No. 438	Capital requirements credit risk	Website – Pillar 3 report	
No. 438	Capital requirements operational and market risk	Website – Pillar 3 report	
No. 438	Summary of internal capital assessment	Risk management	154
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No. 440	Countercyclical capital buffer	Website – Pillar 3 report	
No. 442	Credit risk adjustments descriptions and approaches	Risk management	137
No. 442	Overview of exposures by exposure class, by industry, by geographic distribution and by maturity	Website – Pillar 3 report	
No. 442	Bad debts and past due receivables including charges for credit risk adjustments per sector and by country	Website – Pillar 3 report	
No. 442	Reconciliation of changes in credit risk adjustments	Website – Pillar 3 report	
No. 443	Unencumbered assets	Website – Pillar 3 report	
No. 444	External Credit Rating Agencies	Risk management	145
No. 445	Market risk	Risk management	148
No. 446	Operational risk	Risk management	141
No. 447	Equities: objectives, values and gains or losses	Notes to the consolidated	69

Source: CRR articles	Subject	Part	Page
		financial statements	
No. 447	Equities: total unrealised gains	Website – Pillar 3 report	
No. 448	Interest rate risk	Risk management	148
No. 450	Remuneration policy and remuneration for each of the members of the executive and supervisory boards	Notes to the consolidated financial statements	108
No. 450	Remuneration committee	Supervisory Board Report	56
No. 450	Remuneration: required quantitative data	Appendix	231
No. 451	Leverage	Website – Pillar 3 report	
No. 453	Credit risk mitigation: policies and descriptions	Risk management	141
No. 453	Credit risk mitigation: quantitative data	Website – Pillar 3 report	
No. 492	Own funds: additional quantitative transitional information	Website – Pillar 3 report	

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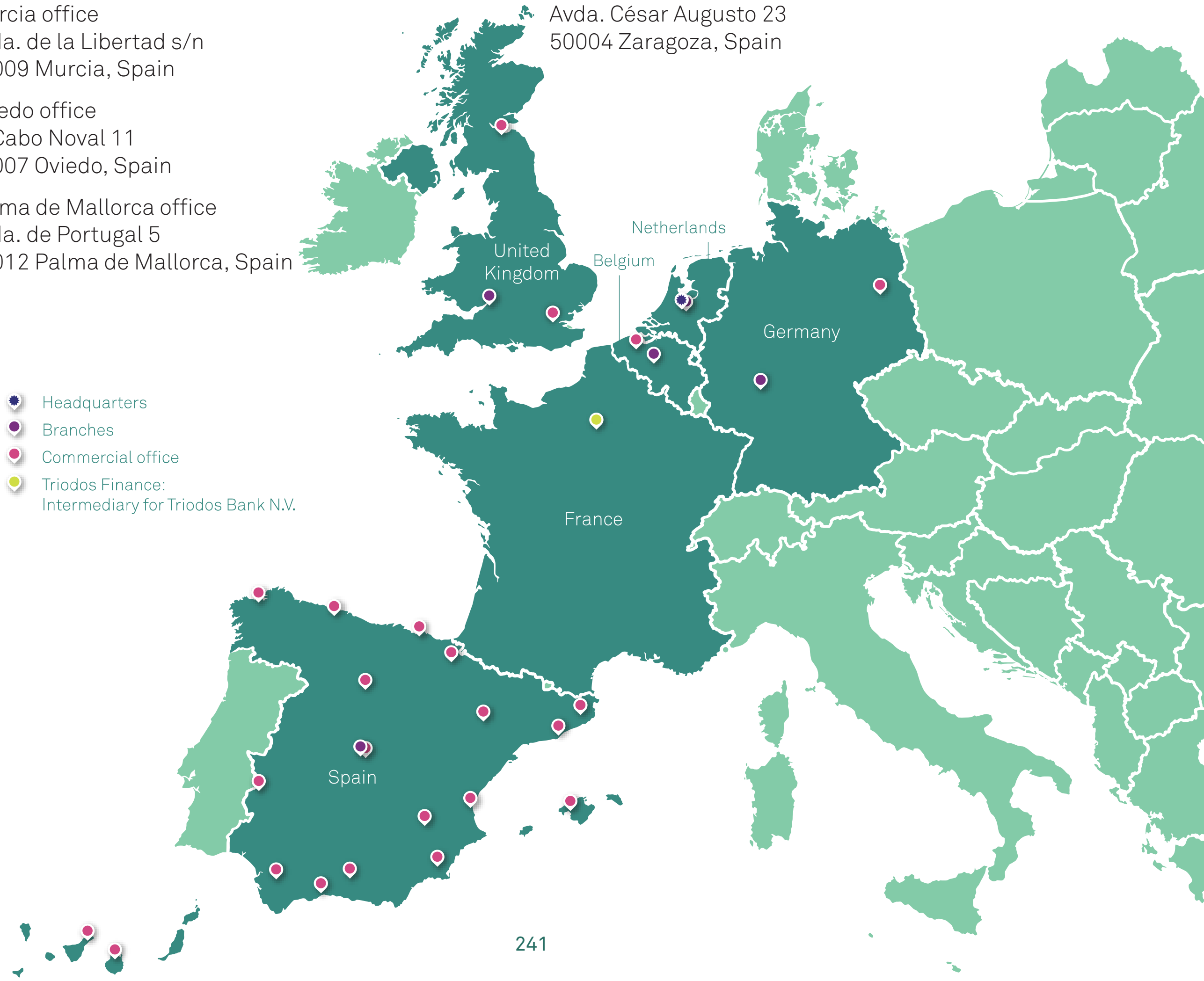

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Sustainable banking

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