

**Triodos  Bank**

Annual Report 2017



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](http://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](http://www.gabv.org)

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

Annual general meeting	18 May 2018
Ex-dividend date	22 May 2018
Dividend payment date	25 May 2018

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Content only available online at [www.annual-report-triodos.com](http://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 2017

## Key Figures

Amounts in millions of EUR	2017	2016	2015	2014	2013
<b>Financial</b>					
Equity	1,013	904	781	704	654
Funds entrusted	8,722	8,025	7,283	6,289	5,650
Loans	6,598	5,708	5,216	4,266	3,545
Balance sheet total	9,902	9,081	8,211	7,152	6,447
Funds under management <sup>1</sup>	4,604	4,373	4,087	3,480	3,199
<b>Total assets under management</b>	<b>14,506</b>	<b>13,454</b>	<b>12,298</b>	<b>10,632</b>	<b>9,646</b>
Total income	240.3	217.6	211.6	189.6	163.7
Operating expenses	-190.2	-171.9	-150.2	-138.4	-112.6
Impairments loan portfolio	-1.8	-5.7	-7.6	-11.1	-17.1
Value adjustments to participating interests	1.3	-1.5	0.2	0.2	0.2
Taxation on operating result	-12.2	-9.3	-13.3	-10.2	-8.5
<b>Net profit</b>	<b>37.4</b>	<b>29.2</b>	<b>40.7</b>	<b>30.1</b>	<b>25.7</b>
(Common) equity tier 1 ratio	19.2%	19.2%	19.0%	19.0%	17.8%
Leverage ratio	8.9%	8.8%	8.4%	8.8%	8.7%
Operating expenses/total income	79%	79%	71%	73%	69%
Return on equity in %	3.9%	3.5%	5.5%	4.4%	4.3%
Return on assets in %	0.4%	0.3%	0.5%	0.4%	0.4%
<b>Per share (in EUR)</b>					
Net asset value at year end	83	82	81	78	77
Net profit <sup>2</sup>	3.19	2.83	4.40	3.41	3.23
Dividend	1.95	1.95	1.95	1.95	1.95
Number of depository receipt holders	40,077	38,138	35,735	32,591	31,304
Number of accounts – retail	808,090	759,738	707,057	628,321	556,146
Number of accounts – business	60,339	50,765	44,418	36,320	29,620

	2017	2016	2015	2014	2013
<b>Social</b>					
Number of co-workers at year end <sup>3</sup>	1,377	1,271	1,121	1,017	911
Co-worker turnover	9%	8%	14%	10%	7%
Women as % of management team	44%	40%	38%	40%	40%
Ratio of highest to median salary <sup>4</sup>	5.7	5.7	5.7	5.6	5.5

#### **Environment**

Emission of CO <sub>2</sub> (1,000 kg) (100% compensation)	3,064	3,123	3,041	3,084	2,906
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<sup>1</sup> Including funds under management with affiliated parties that have not been included in the consolidation.

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

<sup>3</sup> Concerns all co-workers employed by Triodos Bank NV, excluding co-workers employed by the joint venture Triodos MeesPierson.

<sup>4</sup> 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 40.

# About This Report

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## In a nutshell

- Triodos Bank always reported 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 audited, legally leading document
- This content, plus much more, is also available online ([www.annual-report-triodos.com](http://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 verifies its impact data and intends to improve how it understands, manages and reports on its non-financial impact in the future.

## 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, through the impact of its loans and investments in particular. 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](http://www.annual-report-triodos.com).

The English, offline report is Triodos Bank's legally leading, audited 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 an in-depth impact chapter.

This year Triodos Bank has chosen not to create the on and offline report, in its entirety, in all languages. Instead, in addition to the full report in English, a shorter and more focused off and online summary is provided for stakeholders in Dutch, French, German and Spanish. This is part of an effort to produce the report in a more efficient way without compromising its quality.

## 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 19: 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 on page 21.

The material issues are reflected in Triodos Bank's strategic objectives, on page 23. 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' 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

Triodos Bank is convinced that targets, particularly non-financial ones, can 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.

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 new, growth-agnostic and 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. These links are informed by the work of the GRI and United Nations Global Compact's Corporate Action Group, in which Triodos Bank participates; and, in particular, their 'An Analysis of the Goals and Targets' report. 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".

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
- Green Bonds Principles
- OECD guidelines for multinational enterprises
- UN Global Compact
- UN Principles for Responsible Investment
- UNEP Finance Initiative
- Wolfsberg Principles

Triodos Bank is also working towards reporting in line with, or equivalent to, the UN Guiding Principles Reporting Framework as part of the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights.

As a values-based bank whose mission is to help create a society that promotes people's quality of life

and has human dignity at its core, Triodos Bank has had a strong commitment to human rights since its inception. Our business principles make a specific commitment to respect human rights: 'We respect people, society and different cultures and support the aims of the United Nation's Universal Declaration of Human Rights'. For more, please visit [www.triodos.com/humanrights](http://www.triodos.com/humanrights).

### 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 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), the Dutch Transparency Benchmark, The Bertelsmann's Foundation, the International Integrated Reporting Council (IIRC), Global Reporting Initiative (GRI), the Fair Finance Guide, PricewaterhouseCoopers Accountants N.V. and a number of specialist consultants and initiatives. We are 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](http://www.annual-report-triodos.com).

### 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.

In the coming years Triodos Bank is actively working to significantly improve how it manages for impact, so that it better understands the difference it is making and so it can learn from and report more effectively to its stakeholders. Readers should expect to see evidence of this in future reports.

### Some facts and figures about the report

The 2017 Annual Report covers branch and business unit activities of Triodos Bank NV 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 2017. Triodos Bank's previous integrated report was published in March 2017 and covered the 2016 calendar year.

The reporting in the 2017 financial year is based on the same principles as the 2016 report. Any changes in the methods of calculation used are explained in the text. The report includes limited assurance on the Management Board report, which includes 2017 impact data. PricewaterhouseCoopers Accountants N.V. audit the financial statements.

## Governance Structure

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### 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](http://www.triodos.com) and [www.annual-report-triodos.com](http://www.annual-report-triodos.com).

### 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 and the members are appointed by the Supervisory Board.

### Supervisory Board

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

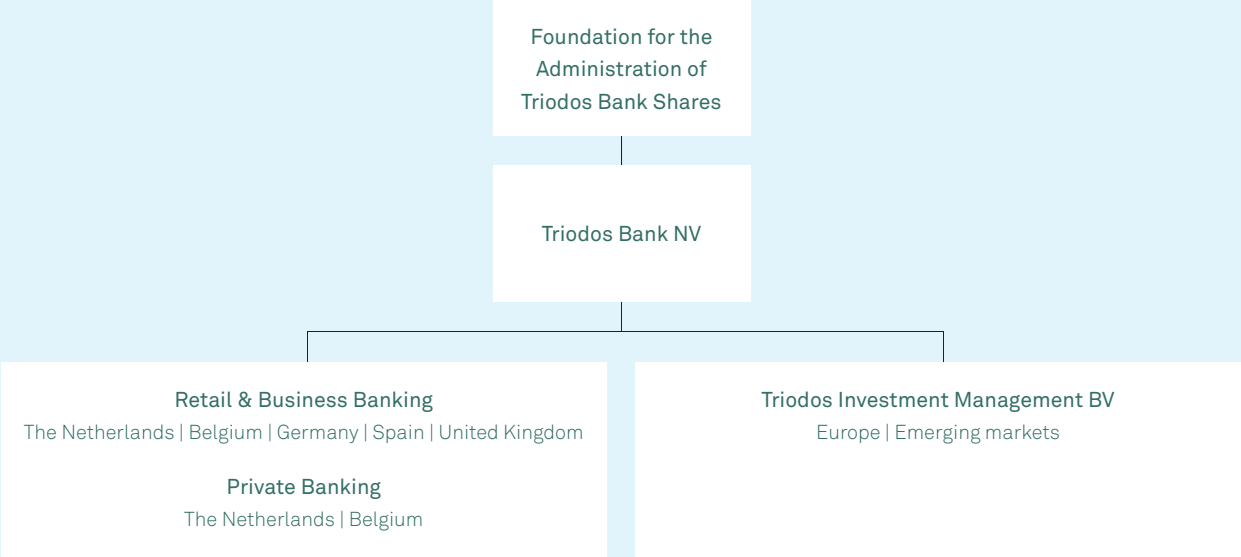
### SAAT – Foundation for the Administration of Triodos Bank Shares

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

More information about Triodos Bank's Boards is available at [www.triodos.com](http://www.triodos.com) and at the end of the Corporate Governance chapter of the audited, English language version of the annual report.

# Triodos Bank Group Structure

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**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 18 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

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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 over 35 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.

# 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
- Supported by training and development activities

### 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 65-75%)
- 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
- Leverage ratio of at least 8% ensuring resilience
- Developing compelling visions for the future of finance

## Triodos Bank business model and value creation in brief

Our business model and value creation process is illustrated in the diagram on the left.

This model creates value by transforming capital inputs. These inputs include the skills and entrepreneurship of the people within our organisation and money from customers, via our core products and services. It transforms these inputs into value outputs so that they make a positive contribution to the development of a healthy society that's able to flourish within our planetary limits.

We aim to reflect the capitals described by the International Integrated Reporting Council in our business and value creation model. However, we make a conscious choice not to include 'manufactured capital', such as tangible assets like buildings, or 'natural capital', such as the natural resources used to deliver our work. While both are significant for some companies, they are less material to a service industry like ours whose principle capitals relate to people, ideas and money.

The financial resilience of this model is built on fair (but not inflated) interest rates to savers; reasonable long-term returns for investors both in our funds and in Triodos Bank itself; and deposits that are lent to sustainable entrepreneurs working in the real economy to deliver real impact.

In order to lend to sustainable enterprises, we aim to use deposits rather than borrow from other banks. And we endeavour to deliver a healthy balance between loans and deposits so we're able to mobilise as much of our deposits as possible. We also maintain healthy levels of capital, well above regulatory requirements. This makes us more resilient over the long-term.

Importantly, Triodos Bank develops through cycles of reflection and dialogues where our inner essence as an organisation meets our interaction with society's evolving needs.

# Executive Board Report

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## 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 2017 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](mailto:arfeedback@triodos.com).

## Financing Change. Changing Finance

There are two key ways in which Triodos Bank positively influences the world; financing change and changing finance. This is more than just a phrase. It is at the heart of our work and it is what our stakeholders ask of us.

At Triodos Bank's core, we finance change. By lending to, and investing in, sustainable enterprise we help create a better, more sustainable world. You can read about what this meant in practice in 2017, throughout this year's report.

At the same time, we aim to change finance. We use our influence to change a financial system so that it

puts people's interests first while allowing us to live within our planetary limits. Because too often, our current system does neither.

We are part of the financial system. We do not sit outside, looking in. And that difference matters. It means that, as an integrated sustainable bank, we can speak credibly about what a more sustainable financial future, and the financial institutions in it, might look like.

But living this example, through the choices we make about who we finance, isn't enough. We also need to challenge assumptions about the financial system, particularly those that promote and entrench the status quo. And we want to support and partner with others who have a similar view.

## Financing change on multiple fronts

At the core of Triodos Bank's work is a commitment to finance entrepreneurs leading sustainable businesses that improve people's quality of life.

From financing enterprise designed to support refugee communities to renewable energy lending, we financed thousands of positive enterprises during the year. When making these loans, using our depositor's savings to do it, we can both finance and change finance simultaneously. We both lend to agriculture projects directly and highlight the issue of stranded assets in land that's no longer able to produce food because of excessive intensive farming, for example.

The key organisations serving the refugee community in Spain need liquidity to develop their programmes. Traditionally they have depended on public funds to finance their work. But their financial needs are often more urgent. Triodos Bank in Spain stepped in to meet this gap during the year. CEAR and ACCEM programmes include creating and maintaining human-centred reception and integration services; care for refugees with special needs and employment projects meeting labour demands and building social cohesion and networking opportunities in local communities.





In Germany Triodos Bank supported the energy transition by financing renewable energy production as well as grid and storage. It also launched a new savings account linking communities with local renewable energy projects.



We innovated during the year to deepen our impact in a fast-developing financial sector. When we innovate, we focus on more than technical innovation alone. Technology is not inherently positive if it's not matched with social innovation. As we reported last year there is evidence that algorithms used in social media reinforce our bias rather than provide access to diverse opinion, for example. This can have unintended and negative consequences for a less informed society.

The development of a new app during the year exemplifies the balance we aim to strike. Launching first in the UK, the app deepens the relationship with our savers and increases the transparency of the impact of their money by connecting them with borrowers in their local area. The Netherlands launched the same product later in the year and the app will be developed further in Belgium in 2018. We also responded to long-standing demand from customers and successfully launched a personal current account in the UK. The account will substantially increase our reach and attracted considerable attention.

In Belgium the Bank launched the Triodos Impact Portfolio. This new service makes it easy for individuals to invest sustainably via a range of Triodos Bank's investment funds. An investor's risk appetite determines which of five investors 'profiles' is selected.

We also further developed our socially responsible investment fund offering. During 2017 we announced our intention to run the financial asset management of our funds that invest in stock listed companies within Triodos Bank. Previously we worked with external parties to do this. By integrating the sustainable and financial analysis within the

investment process of these funds, we aim to increase our positive impact in socially responsible investing.

As well as savings, current accounts and investing, we also innovated around charitable giving. During the year the Triodos Foundation – Triodos Bank's grant-giving arm – launched a crowdfunding platform in The Netherlands. The initiative enables the crowd to donate to important causes. The first beneficiary was the Female Cancer Foundation, successfully raising a target of EUR 50,000 from over 500 givers. In Spain, Triodos Foundation has launched 16 crowdfunding campaigns for educational organic gardens. Half have closed successfully during the year, raising more than EUR 15,000 from almost 500 donors.

LEAF Lab (Local Economy Alternative Finance) is a dedicated innovation team working for Triodos Bank in the Netherlands. Its experiments in 2017 included 'Participating with Passion', an initiative to connect sustainable start-ups with Triodos' Private Banking customers. The first Private Banking client invested in a sustainable start-up during the year. The group also continued to develop finance for decentralised local renewable energy cooperatives. It is also co-developed a circular currency initiative, United Economy, during the year enabling sustainable entrepreneurs to trade with each other with sustainable money, or Uniteds.

### Systemic strain

Almost 10 years since the financial crisis and, while superficially much seems to have improved, many underlying problems remain. In some ways quantitative easing – in which central banks inject massive amounts of money into the economy in the hope that banks will lend to more businesses – gives a false impression of health. All of this money keeps interest rates artificially low. Given the extent of quantitative easing since the financial crisis, rates are at historically low levels.

The result of that is low, no or even negative interest rates for savers across the sector. In The Netherlands, for example, this has led to negligible differences between the rates offered by most banks.

This situation is particularly challenging for a bank like Triodos which finances all its lending from savings. This way of working is part of being an integrated values-based bank that's focused on financing the real economy; the part of the economy that is concerned with producing goods and services, as opposed to buying and selling on the financial markets. It reflects our mission and means we don't have to borrow from other banks to lend. But it also means the money we don't lend – and all banks need to keep a liquid buffer – can become an expense rather than income. This does not detract from our approach which has been, is and we believe will be, at the heart of our long-term financial health.

Despite these challenges, we see real change is coming. An increasingly powerful movement of actors in the financial sector are building the transition to a sustainable, new economy. We see it in coalitions such as the GABV, a network of independent values-based banks co-founded by Triodos Bank. And we see it in a multitude of businesses focused on creating a fairer, more equitable and sustainable society.

## Changing Finance

We played an active part in this movement during 2017, acting at a European and global level to address systemic challenges. For example, Triodos Bank convened a group of leading thinkers from banks, academia, civil society and the voluntary sector to create grounded, actionable ideas to build a more sustainable European financial system.

'New Pathways: building blocks for a sustainable finance future for Europe' was launched under the auspices of the GABV, Finance Watch, a voluntary organisation dedicated to making finance work for the common good, and Mission2020, a global initiative designed to bring new urgency to the climate conversation. The report summarises powerful arguments for change. From major speaking events, such as the New Economy and Social Innovation Forum

in Malaga, Spain, the report's recommendations were shared across Triodos Bank's network.

Among a plethora of ideas, the 'New Pathways' white paper makes several specific recommendations. It describes regulatory and political measures at the European level to accelerate and transform the role the financial sector can play in the transition to a carbon-neutral economy.



Specific recommendations include creating incentives for green investments and disincentives to investing in environmentally damaging assets for banks. Other practical proposals include changing regulations so that 'ordinary people' can invest far more easily in impact. Currently impact funds are largely restricted to the very wealthy.

Among others, the New Pathways report has been discussed directly with the European Commission's High-Level Expert Group on Sustainable Finance, a body of experts established to examine "how to integrate sustainability considerations into its financial policy framework to mobilise finance for sustainable growth". Our ability to positively influence these kinds of conversations could prove crucial in building a more sustainable financial system.

## Accounting for change

And there were other, significant efforts to deliver long-term, scalable sustainable change during the year. December 2017 marked the two-year anniversary of the Paris Climate Summit. The signing of the Paris Accord in 2015 committed almost all the world to keep an increase in global temperature to safe levels. By most measures the summit was an extraordinary success. It seemed to show a credible pathway to transition to a low carbon economy.

Indeed, the transition has started. Enormous strides have been made in the energy sector. Some commentators even claim that the energy 'problem' is now solved. While there's much to do, they argue, energy solutions are now all in place and increasingly affordable. This may be true, but there is still not

enough urgency given to how quickly we need to 'bend the carbon emissions curve' downwards.

Two years on from Paris, and despite one high profile exit from the agreement, significant progress continues to be made. In The Netherlands, for example, a collaboration of financial institutions has created an open source methodology to account for the carbon footprint of loans and investments. Launched at a follow up climate conference in Paris in December, the Platform for Carbon Accounting Financials (PCAF) has co-created a new way to assess carbon emissions which will ultimately allow stakeholders to see what financial institutions' investment decisions mean for keeping carbon emissions below 1.5 degrees centigrade from pre-industrial levels. Over 2 degrees is widely regarded as unsafe for our future. Triodos Bank expects to start implementing the new methodology during 2018 and will play an active role encouraging others to adopt it too.

Meeting the global, interconnected challenges we face will require business, government and civil society alike to step up. So, this kind of initiative matters. It shows the financial industry taking responsibility for its actions.

PCAF's announcement followed a joint, open letter from several Chief Executive Officers of Dutch financial institutions earlier in the year. Initiated by Triodos Bank, the signatories promised to play their part in a low carbon economy and called on Government to do the same as a powerful and complementary force for good.

To change finance, requires this kind of thought leadership. It is exactly the kind of influence that our stakeholders want to see from us, as the materiality analysis that follows shows.

### Privacy matters

As interest has grown in a more sustainable future for the financial industry, so has awareness about transparency. Triodos Bank has pioneered transparent banking, sharing details of the companies it finances, for example. But with greater transparency come challenges, particularly regarding privacy, an issue that was also highlighted by our stakeholders during the year.

This is an area that we explored in depth during 2017, including consultation with industry experts, 'Bits of Freedom', and others. We also discussed privacy with stakeholders in a discussion at the head office. In essence the group was positive about personal data and related information being used to help increase our impact. But negative if it's to be used by third parties for their commercial benefit.

Our approach to privacy is anchored by our mission and informed by these conversations. We want to make sure our customers remain in control of their personal data and related information. And create ways for general data to be used in the service of the common good. This approach does, nevertheless, present some real dilemmas.

We intend to only ever use personal data and related information externally if it's in the interests of our customers. We want to find ways to do that, that put people in control. We will develop this work further in 2018. We will publish a vision for how we see privacy issues, and use ongoing conversations with our stakeholders to sharpen our thinking and practice.

### Unifying values in a divided world

Triodos Bank's work does not, of course, take place in isolation. We work in regional, national and international contexts. And we operate in a world of increasing differentiation with Brexit, and events in Catalonia in 2017, as obvious examples.

We respect the opinion and interests of our stakeholders and take them into account in our work on the basis of a strong belief in unifying values. We spent time during the year listening to our stakeholders and their views are reflected in the material issues that we cover in our annual report. At the same time, we remain true to our values as an independent, European bank with a common social purpose that binds our activity wherever it takes place in the world.

Like all other European banks, we are part of an ongoing process of discussion with the regulators about the potential implications of Brexit. We want to continue to support sustainable banking in the

UK and individuals who want to embrace a more conscious approach to banking and finance.

### Goals for change

From climate change to inequality, our challenges are increasingly complex and interconnected. To understand them we need simple tools. The Sustainable Development Goals, launched in 2015 to succeed the Millennium Development Goals, provide this framework.

They can provide footholds for our thinking and action by describing the biggest problems we face and inviting linkages between them. They enable stakeholders to understand the international context for our work, and what it all adds up to, in relation to the big picture.

The SDGs provide a backdrop for important insights. They reflect the interconnected nature of the problems we face. And they show that we need new approaches to address them. In the past many people have relied on the free market to answer some of our hardest questions. It is our strong conviction that if this ever worked in the past, it won't work in the future. We believe that the same people and institutions who contributed to some of our biggest challenges, including inequality and climate change, are highly unlikely to be able to solve them. New and integrated solutions are necessary.

### The aggregation of marginal gains

The SDGs also imply that solutions are both local and global. We need to act 'next door' and far away. The climate is perhaps the most powerful example of an interconnected system. If we're to avoid catastrophic climate change we'll need to act in our immediate sphere of influence. Individual choices we make about what we buy (or don't), how we reduce our energy use and where it comes from, for example, can add up to real change. But they are not enough on their own. By combining largescale projects with this aggregation of marginal gains we will be able to live within our planetary limits.

Frameworks like the SDGs support our mission, which preceded them. Some businesses use the SDGs to

help integrate sustainability in their core business. But Triodos Bank has always had sustainability at its core; so their role is different. Instead they provide a useful additional lens to challenge the direction of travel we have chosen to take, identifying gaps and motivating co-workers, customers and broader stakeholders alike.

We have reported against the SDGs more extensively in this year's report to build on our work in the 2016 report. We hope that it provides you with an insight into how Triodos Bank sees the world, our place in it, and how, with others, we are financing change to change finance.

### In conclusion – Reflecting on the year and our prospects for the future

When assessing our results we aim to strike the right balance between measurable goals described in the strategic objectives that follow and an integrated, holistic view of our performance. Inspired by our essence, both our goals and how we try to deliver them result from structured reflection across the organisation. We listen to the priorities of our stakeholders to help determine where to focus our efforts. And we put our approach to finance for impact in a macro and national economic perspective.

We will continue to face challenges in 2018 and longer-term, including influential trends, such as digitisation and major developments in the payments industry. Growth in the economy of around 2% in the European Community is anticipated in 2018, but with the slow phasing out of quantitative easing, low interest rates are likely to continue for some time, with a negative impact on Triodos Bank's return. This low interest rate environment, competition for sustainable loans and meeting regulatory demands will continue to be areas of important attention in 2018.

We will also continue to meet the emerging challenges of a changing political environment. As we describe above like all other European banks, we are part of an ongoing process of discussion with the regulators about the potential implications of Brexit, for example.

At the same time, a combination of initiatives, such as gathering momentum behind the SDGs and the Paris Climate Summit in 2017, are likely to encourage further growth in sustainable investment. We expect there to be no significant changes in business activities and to continue to develop and maintain a healthy inter-relationship between impact, risk and return. We aim to deliver continuing growth and a stable return on equity.

Increasing the ratio of sustainable loans to funds entrusted has been an important focus for our efforts in recent years. We are pleased that during 2017 we moved this ratio back into a healthy balance. Both growing our business as usual while innovating, is one of our key challenges for the coming years. We made steps to innovate more during 2017 and intend to build on them further in 2018.

We can reflect on a year of stable, financial returns. We delivered a Return on Equity of 3.9%; controlled growth led to an 8% increase in assets under management; and we maintained a strong risk capital position, with a common equity tier 1 ratio of 19.2%. Looking forward we aim to finance more impact. Our goal is to deliver stable returns, despite a challenging environment.

We face increasingly urgent global challenges and opportunities as a society. We are determined, with the continuing involvement of our stakeholders, that Triodos Bank plays a front-running role to meet them.

Zeist, 14 March 2018

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

## Our Stakeholders, Material Topics and Strategic Objectives

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 to its work, and hence the focus of its reporting. And it details Triodos Bank's strategic objectives, its progress against them and its goals for the future.

### Our Stakeholders: holding up a mirror to the organisation

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.

Triodos Bank's resilience is bolstered by engaging proactively with the world around us. Everything we do has an impact on our stakeholders. In turn, 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 client days connecting hundreds of customers in all the countries where we work, to depository receipt holder meetings and surveys.

While some organisations ask their stakeholders what they think they should do, and then do it, Triodos Bank takes a different approach. Our starting point is our essence. Our essence defines who we are and is, therefore, one of our stakeholders too. And it is key to

our conversations with the wider stakeholder community.

In this context, and in addition to numerous interactions during the year, we follow a formal process to create an analysis of the issues that are most important both to our stakeholders and ourselves. This approach follows the Global Reporting Initiative's Standards guidelines.

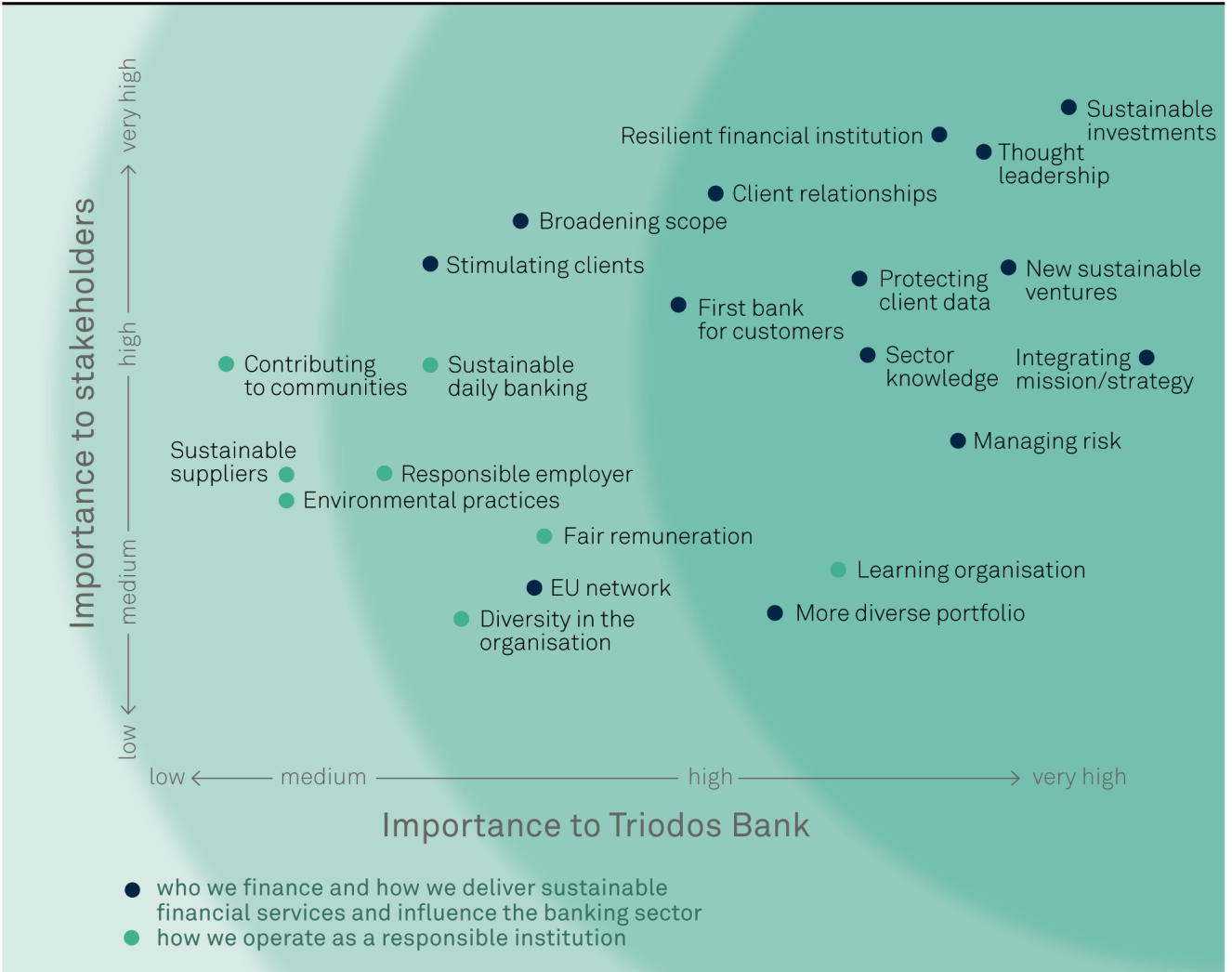
Increasingly companies are encouraged to focus their sustainability reporting on the issues that are material to it instead of reporting on a wide range of issues, some of which will be relatively unimportant to an institution's overall impact. We support this focus and our material issues are highlighted in a materiality analysis below following structured discussions with 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 and a stakeholder meeting, with representatives from Triodos Bank's three stakeholder groups, hosted at Triodos Bank's Head Office. In addition the analysis is supplemented by learnings from a number of stakeholder events and interactions during the year including sector specific events in various countries.

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 considered to be very important both by Triodos Bank and its stakeholders. This year's engagements also highlighted the importance of setting an example for others and advocating that others adopt the same behaviour. We share some of our stakeholders' interest in managing our risk, where appropriate, to increase our impact overall. Our focus on innovation is, in part, a response to this shared goal.

Materiality Matrix 2017



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 reference point for the banking sector, in particular, because this can amplify our impact. This is true for the activities we finance in specific sectors, and also for the debate about how to improve the banking system for example. The 'New Pathways' white paper, described above, is just one example of this in practice. 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.

Remuneration 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 highest and lowest salary, for example. Stakeholders continued to find Triodos Bank's efforts to maximise its social return very important. For more details of our remuneration policy, and the results of our role as a responsible employer, please see the co-worker report.

From our engagement activities it is clear our stakeholders and Triodos Bank find many of the same issues important, as they did in 2016. Our stakeholders urge Triodos Bank to continue to play an active thought leadership role, with advocacy being rated very highly in both the stakeholder meeting and

the depository receipt holder survey. This did not lead to a shift in perceived importance, but does bolster our efforts in this area. Being a learning organisation, whilst very important to Triodos Bank, was felt to be less important to our stakeholders. Given the urgency of some of the other priorities for the bank and for society, this topic shifted slightly in this year's materiality matrix.

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 aligned. At the same time, among our stakeholders there is consistently more interest in what we 'do' as an organisation, in the impact we create in the real economy, than in how we behave in the sector in a responsible way as an institution.

We will 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 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.



### Strategic Objectives

The table that follows provides Triodos Bank’s key strategic objectives for 2017 and progress against them in some detail. A ‘progress at-a-glance’ indicator also provides an estimation of our progress against each goal in 2017. This assessment is based on professional judgement and the opinion of co-workers with an overview of these topics.

The table is followed by objectives for 2018. This work is informed by Triodos Bank’s three year plan from 2016-2018. The plans reflect strategic goals that were developed following work to develop a 10 year strategic perspective which concluded in 2015. 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

Goals for 2017	How We Did	Progress at a glance
Continue to increase our volume of positive impact finance. We aim to grow our loan book by 15-20% (net).	We achieved 18.8% net growth in sustainable loans during 2017	● ● ○
Ensure that our new loans go beyond meeting the criteria of making positive impact, and bring about a deepening or transforming impact.	We created specific ringfencing arrangements to allow for a small portfolio of loans with higher impact that would not necessarily conform to our normal collateral requirements – most developed in the Netherlands. A number of high impact projects were financed in 2018.	● ● ○
Develop new subsectors and follow market developments to remain relevant in each of our countries. In particular, focus on topics such as energy efficiency and storage, circular economy, sustainable food businesses and progressive small and medium-sized enterprises.	We financed energy efficiency projects including our first frequency-response energy storage project (in Germany); circular economy businesses such as MUD Jeans; and we invested in a Dutch sustainable grocery chain, Marqt, through our Organic Growth Fund.	● ○ ○
Become more relevant in the major shifts in energy production by helping to finance larger projects. We want to increase the number of participations in syndicated loans for energy generation projects (including potentially offshore wind projects) which are too large for us to finance on our own; and broaden the sources of funds to include complementary sources of finance alongside our depositors.	We completed five transactions for projects with capital expenditure above EUR 30m in 2017, further extending our capabilities in deal syndication. The energy and climate team have developed prospects for lending to offshore wind projects and are working on complementary funding mechanisms to support investments in the future.	● ○ ○

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

Goals for 2017	How We Did	Progress at a glance
We will create more flexibility so we can support pioneering projects with relatively small amounts when there is insufficient traditional security. Where we set up guarantee arrangements with other funding bodies to support specific lending activity, we will also utilise these facilities to their full extent. As a result we will implement changes to our risk appetite policies within each country.	We have developed partnerships for providing guarantees from foundations in Spain; we have coinvested with crowdfunding platforms in Germany; and (in December 2017) have signed a EUR 65m guarantee facility with the European Investment Bank through their EASI program to support SMEs.	● ● ○
Significantly step up our ability to enable individuals to use gift money to catalyse new sustainable ideas.	A new crowd-giving website was launched by the Triodos Foundation in the Netherlands through GiveTheChange.nl; In Spain, there were 16 further successful crowdfunding campaigns for school organic gardens.	● ● ○


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

## Objectives for 2018

- 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 for meeting the SDGs – see page 47).
- 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.
- 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.
- We will support a greater number of pioneering projects using guarantee arrangements from foundations, the European Investment Bank (EASI) and others.
- 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.
- Accelerate the growth of our Socially Responsible Investment (SRI) funds following the launch of our new SRI Fund Strategy.

## Broaden our Scope

Goals for 2017	How We Did	Progress at a glance
Launch a personal current account in the UK with a mobile app that will represent our first step in Signature, our online strategy.	Launched successfully together with a new mobile banking app in September 2017 with good reaction from customers and new customers. Over 18,000 account enquiries were received with over 6,000 completed applications received by the end of 2017.	● ● ●

Goals for 2017	How We Did	Progress at a glance
Continue to push for regulatory changes that open up access for retail investors in positive impact products, to make our funds available to retail customers and grow the volume of those funds which are distributed. 	High profile white paper (New Pathways) with Mission 2020, GABV and Finance Watch – followed up by high profile events (Bruegel, EBF, UNEP FI) feeding into HLEG with specific proposals.	● ● ●
Preparatory work to establish a French branch continues in 2017	Good progress of the French activities in Triodos Finance, supported by colleagues in Belgium. Lending activity continues to be healthy. We will continue our preparatory work, subject to business priorities, regulatory and other approvals.	● ● ●

### Objectives for 2018

- 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.
- Continue the development of our activities in France towards the establishment of a branch with the emphasis on further strengthening our lending activity.

### Deepen our Relationship Approach

Goals for 2017	How We Did	Progress at a glance
Focus on how we can further support our clients through our relationships with them by providing useful insights, introductions and events so that our clients feel more supported to succeed.	The Heart Head program for entrepreneurs in the Netherlands has been very popular in creating a learning group for sustainable business leaders; we helped our clients to gain insights into 'cultural creatives'; We have developed the concept of 'Crossover Sustainability' by linking entrepreneurs across sectors	● ○ ○
Implement and embed Customer Experience Principles across the Group to improve the quality of the interactions and service our clients receive.	Good progress in implementation across the group – expected fully in 2018.  Our average Net Promoter Score (NPS) of 27 for retail customers compares well with other banks and financial service companies. This figure is an overall NPS on all indicators.	● ● ○

### Objectives for 2018

- 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.

## Innovate: New Ventures and Partnerships

Goals for 2017	How We Did	Progress at a glance
Launch our own Crowdfunding platform in one or more countries to help raise money for small businesses directly from individuals.	The UK branch have developed a crowdfunding platform ready to launch to private investors in 2018; The Spanish branch have increased their minority holding in social crowdfunding platform, La Bolsa Social; and there has been good progress made in energy crowdfunding via Triodos Investment Management's investment in <a href="http://duurzaaminvesteren.nl">duurzaaminvesteren.nl</a>	● ○ ○

### Objectives for 2018

- Further develop and grow our crowdfunding activity to offer more potential alternatives to sustainable companies and investors.

## Resilient and Effective Business Operations

Goals for 2017	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.	Process Improvement Accelerator training was implemented across the group with good improvements to the awareness and skills to make process improvements. Additionally, the introduction of new processes and apps have helped make things easier for customers. However, projects take time to implement and pressure of margins and non-recurring cost items such as those associated with Brexit (with the consequent reduction in income) has meant that the cost/income (C/I) ratio could only be maintained at 79%.	● ○ ○
We aim to further improve the sustainable loans to deposit ratio in 2017.	Our sustainable Loans/Deposit ratio increased to 70% by the end of 2017 (2016: 64%).	● ● ●
Triodos Group impact management and communication project will be a priority for 2017.	The Impact project has been initiated with a prototype trials conducted. The project will be further developed and implemented in 2018 so that it is ready for a full reporting cycle in 2019. In addition, Triodos Bank was a founder participant in a new financial sector-wide initiative to develop a methodology to measure the carbon footprint of loan portfolios. This new methodology will be implemented in 2018.	● ○ ○

### Objectives for 2018

- 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 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.

## Be a Learning Organisation and Initiate Dialogue with Society on Positive Change

Goals for 2017	How We Did	Progress at a glance
Encourage and nurture 'intrapreneurship' supported by training via the Triodos Academy resulting in more development initiatives lead by individuals at every level of the organisation.	Efforts to create a Continuous Improvement culture throughout the Triodos Academy have encouraged the practice of experimenting, reflecting, learning and developing – leading to more encouragement for intrapreneurship. Good examples from across the organisation include a new method for supporting community renewable energy (Burgersparen) developed in Germany; Energy & Climate teams across the branches and Investment Management collaborated in developing new sub-sectors including offshore wind; there were pioneering initiatives relating to how we used our office space (including as a childcare hub for the Ghent festival)	● ● ○
Co-worker group to share and learn as a community – from each other, across the group and with the outside world.	An International Crowdfunding Learning Day helped to catalyse developments on crowdfunding services; a Theme Day on our Relationship Approach rekindled our attention on what customers really need from us; new ways of working between ICT and business departments have had positive outcomes; we have engaged with a range of high-profile external speakers through internal and partner events.	● ● ○

### Objectives for 2018

- Encourage and nurture 'intrapreneurship' supported by Triodos Academy resulting in more development initiatives and continuous improvements to processes.
- 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.

### Deliver Balanced Portfolio of Impact-Risk-Return

Goals for 2017	How We Did	Progress at a glance
Maintain a relatively stable Return on Equity (RoE) allowing for the continuation of major investments in challenging market conditions with a target of 3-5% RoE. We expect 2017's return to be at the lower end of this band.	A Return on Equity (RoE) of 3.9% was achieved in 2017.	● ● ●

### Objectives for 2018

- We aim to deliver a relatively stable Return on Equity (RoE) allowing for the continuation of major investments in challenging market conditions.

## Impact and Financial Results

The following are the main results achieved in 2017 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 2017.

### Consolidated Financial Results

In 2017, Triodos Bank's income grew by 10% to EUR 240 million (2016: EUR 218 million). Triodos Investment Management contributed EUR 34 million to this figure (2016: EUR 31 million). In 2017, commission income amounted to 35% (2016: 34%) 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 1.1 billion, or 8%, to EUR 14.5 billion, Triodos Bank's balance sheet total grew by 9% to EUR 9.9 billion thanks to a steady growth of the funds entrusted and new capital raised during the year, in all branches. Growth of 10% was expected.

Triodos Bank's total number of customers increased by 4%, against expected growth of between 10 to 15%, and now numbers 681,000 customers. While we continue to attract new customers in some of our markets our relatively low interest rate offering and reduced product marketing has contributed to limited growth in 2017.

Four years ago we refined the definition of a customer so that this data is reported more consistently and accurately across all branches. We continue to report the number of accounts in the Annual Report's Key Figures section.

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% during the year (2016: 14%). This was mainly a consequence of growth in co-worker numbers (in FTE) and IT-costs, which both increased by 10% and 19% respectively. These changes helped to strengthen the organisation and supported continuing growth in business activities. Triodos Bank has upgraded, and continues to improve, its control framework to cope with the implementation of changing regulations and increased supervisory requirements, such as Asset Quality Review (AQR). Strategic investments in the development of the business, such as developments in our Socially Responsible Investment Offering, Personal Current Account in the UK and preparations for Brexit were responsible for further growth in costs. The ratio of operating expenses against income was 79% (2016: 79%).

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 enables us, ultimately, to deliver greater impact. Nevertheless we have managed to deliver a reasonable return on equity during the year, as detailed below.

Profit before tax, impairments for the loan portfolio and value adjustments to participating interests increased to EUR 50.1 million (2016: EUR 45.8 million). Impairment for the loan portfolio, or bad debts, decreased to EUR 1.8 million (2016: EUR 5.7 million). This represents 0.03% of the average loan book (2016: 0.10%). The relatively low historical impairment ratio is influenced by both good management and the wider economic cycle.

The net profit is EUR 37.4 million, up by 28% (2016: EUR 29.2 million) for the reasons highlighted above. Triodos Bank delivered a Return on Equity of 3.9% in 2017 (2016: 3.5%).

So far the medium-term objective has been to grow the Return on Equity to 7% of Triodos Bank's equity in normal economic conditions. This target should be seen as a realistic, long-term average for the type of banking activity that Triodos Bank engages in. However, in recent years market conditions have changed and given these developments adjusting this long-term target is under consideration. The trends described above continued in 2017 leading to the Return on Equity we expected.

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; not least because investments will be made in the development of its investment management activities and the opening of a fully-fledged French office in the coming years, subject to further preparatory work and the approval of the authorities.

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 3.19 (2016: EUR 2.83), a 13% increase as a consequence of higher net profits. The profit is placed at the disposal of the shareholders.

Triodos Bank proposes a dividend of EUR 1.95 per share (2016: EUR 1.95). This means that the pay-out ratio (the percentage of total profit distributed as dividends) will be 61% (2016: 69%). Our policy is to have a pay-out ratio of between 50% and 70%.

Triodos Bank increased its share capital by EUR 77 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 2017. Overall growth has been satisfactory and sufficient to meet capital

requirements. The number of depository receipt holders increased from 38,138 to 40,077. Equity increased by 12% from EUR 904 million to EUR 1,013 million. This increase includes net new capital and retained net profit. In 2017, Triodos Bank's platform for trading in depository receipts continued to operate effectively. At the end of 2017, the net asset value for each depository receipt was EUR 83 (2016: EUR 82).

At the end of 2017 the total capital ratio and the Common Equity Tier 1 ratio were 19.2% (2016: 19.2%). Triodos Bank aims for a Common Equity Tier 1 ratio of 16% in a stable and predictable regulatory context.

### 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 2017 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 86% of Triodos Bank's net profit in 2017
- Triodos Investment Management and Investment Advisory Services, which makes up 14% 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.

It is noteworthy that the privacy of client data is of increasing importance to both our stakeholders and Triodos Bank and was the subject of more detailed dialogue during the year. During 2017 we continued to exchange views with XS4all and Bits for Freedom to explore potential routes to further safeguard the privacy of our customers. We expect to develop this work further during 2018.

## European Network (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 2017 as people and sustainable enterprises continue to choose to partner with Triodos Bank.

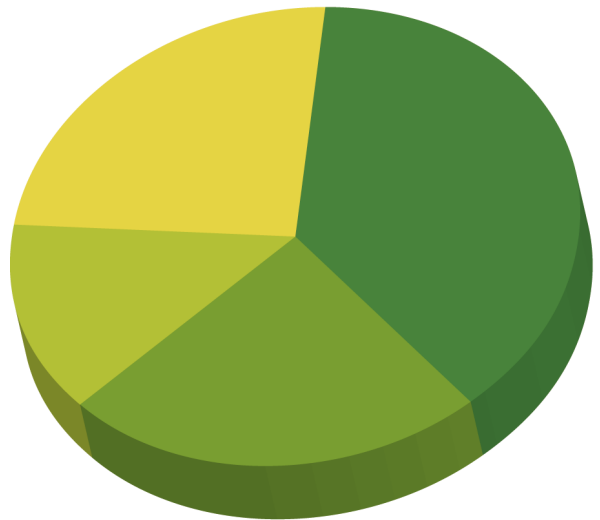
While the Spanish office is managing costs well, it is in a steep transition curve, dealing with a declining short-term interest market. Its business has shifted focus from renewable energy to SME lending and will take some time to start delivering significant revenue. The German branch remains on course for operational break-even in 2018. We are very pleased with the progress of the French activities in Triodos Finance, supported by Triodos Bank in Belgium. We are encouraged by these results, and continuing our preparatory work to establish a French branch, subject to business priorities, regulatory and other approvals.

## Loans

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).

## Outstanding loans per sector in 2017

**ENVIRONMENT 38%**  
**SOCIAL 23%**  
**CULTURE 14%**  
**RESIDENTIAL SUSTAINABLE MORTGAGES,  
MUNICIPALITIES AND PRIVATE LOANS 25%**



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](http://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 38% (2016: 38%)

This sector consists of renewable energy projects such as wind and solar power, biomass, hydro-electric, and energy saving projects. It also includes organic agriculture and projects across the entire agricultural chain, from farms, processors and wholesale



companies to natural food shops. Environmental technology, such as recycling companies and nature conservation projects, is also represented.

### **Social 23% (2016: 24%)**

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 14% (2016: 14%)**

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

### **Residential sustainable mortgages, municipalities and private loans 25% (2016: 24%)**

The remaining proportion of the loan book is primarily comprised of residential sustainable mortgages, plus some limited short-term loans including overdrafts on current accounts.

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 65% and 75% 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 2017 (2016: 71%).

Without the loans to municipalities, the ratio increased to 70% on the previous year (2016: 64%). 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 decline of the impairments for the loan portfolio to 0.03% of the average loan book (2016: 0.10%). 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 900 million or 16%, exceeding expected growth of between 5% and 15%.

Investment-type loans in the public sector are included in the loan portfolio in accordance with regulations related to financial reporting. Without them the sustainable loan portfolio would have grown by approximately 19%, mainly because of the increase of the mortgage portfolio by 36%. The increase in business loans was limited to 16%. 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

# 18.8%

**growth in  
sustainable lending**

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 697 million, or 9%, against expected growth of approximately 10%.

Detailed retail and business customer research took place across the group during 2017, 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 27 (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 but not as good as some direct banks. The equivalent figure for business clients is 14. Triodos' 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 2017, 366 organisations (2016: 390) received total donations of EUR 84 thousand (2016: EUR 173 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

Triodos Bank's balance sheet total is expected to grow more modestly. Growth of between 5 and 10% is expected in 2018. All branches will focus on continuing to deliver, or develop, a credible set of services. The number of customers is expected to grow in 2018 by between 10 and 15% across the Group. We want to continue to deliver a healthy loans to deposits ratio of between 65 and 75%, excluding investment-type loans in the public sector.

The sustainable loan portfolio and funds entrusted are expected to grow by up to 20% and up to 10% respectively. Triodos Bank's ambitions are to focus primarily on the quality and diversification of its loan portfolio. In that context we will put extra effort into identifying loans to front-runners 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 BV and Triodos Investment Advisory Services BV, both 100% subsidiaries of Triodos Bank.

Triodos' investment funds invest in sustainable themes such as inclusive finance, sustainable trade, sustainable food and agriculture, energy and climate, sustainable real estate, arts and culture, or in listed companies with above average environmental, social and governance (ESG) performance. The

investment funds publish separate annual reports and most have their own Annual General Meeting.

Triodos Investment Management is responsible for 18 funds, for both individual and professional investors, totaling EUR 3.5 billion assets under management. The total growth of the investment funds during the year was EUR 174 million, up 5% (2016: 5%).

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.

Triodos Organic Growth Fund, Triodos Microfinance Fund and Triodos Groenfonds in particular have benefited from an increasing appetite for sustainable investments, with an increase of 21%, 3% and 10% respectively in 2017 (2016: 25%, 17%, 14%).

## Prospects

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. It will focus on human dignity and development, social cohesion and inclusiveness, and responsibility and care for the earth.

Triodos Investment Management's strategic focus will continue to be on individual investors, 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.

After taking on the portfolio management of Sustainability | Finance | Real Economies SICAV – SIF, also known as the SFRE fund (pronounced Sapphire), during 2017 Triodos Investment Management will also act as fund manager of the fund from 1 January 2018. The SFRE fund was launched in March 2015 by the GABV and is designed to deploy substantial capital to financial institutions that play a key role in meeting human needs and advancing essential segments of real economies in their communities. The fund's mission to invest in sustainability-focused financial institutions. It is fully aligned with Triodos Investment Management's mission to provide growth capital to an expanding segment of financial institutions that are making a meaningful difference to the lives of millions of individuals and small businesses globally.

In the Spring of 2017, Triodos Investment Management announced it would take sustainable investing in listed securities a step further by integrating its sustainable and financial analysis within the investment process. Triodos Investment Management will do so by bringing the asset management of its SRI proposition in-house and by further intensifying its engagement activities with the aim to maximise positive change.

This intensified and more integrated investment approach will apply to the four Triodos SRI funds (Triodos Sustainable Pioneer Fund, Triodos Sustainable Mixed Fund, Triodos Sustainable Equity Fund and Triodos Sustainable Bond Fund), and for the discretionary portfolios of Triodos Bank Private Banking in The Netherlands. From the start of 2018, the asset management of the discretionary portfolios of private banking accounts will be managed by Triodos Investment Management. The migration of the asset management of the four SRI funds is scheduled for the beginning of the second quarter 2018.

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.

## The Impact of Finance from Triodos Bank

We understand impact finance to be transformational. We define it 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.

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.

We have built on this grounding during 2017 to create the prototype of an impact management tool. We intend to use it to allow us to understand, monitor and steer on impact in a more deliberate way. And we plan to test this prototype across the business during 2018 and share our progress in next year's annual report.

### Impact-driven reporting


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. In 2017 we began a long-term project to manage impact even more proactively in the business and further improve how we report and communicate this impact.

The Platform for Carbon Accounting Financials (PCAF) was launched at the Paris Climate Conference in 2015 and delivered a final report two years later at the Paris Climate Summit of 2017 and is described in more

detail earlier in the Executive Board chapter. The platform, which is made up of a number of Dutch financial institutions, has developed a common, open source methodology   to account for the carbon footprint of financial institution's loans and investments. Triodos Bank plans to start implementing the methodology and will continue to collaborate with the PCAF partners, in 2018.

Triodos Bank also sponsored and participated in a pilot with a number of partners to create a True Cost Dashboard for Finance, Food and Farming during 2017. A report, launched during the year, describes the real costs 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 2018 to see 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.

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. To date, Triodos is the only bank to publish the scorecard in full. A plan to publish a number of GABV member bank scorecards on a shared website to enable better learning inside the member banks and opportunities to deepen an understanding of these sustainable banks' impact for stakeholders outside them, has been postponed to 2018.

The impact data included in the Executive Board chapter 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.

## Methodology

The impact data, which is reported by all branches and Triodos Investment Management where possible, is based on a number of assumptions explained in detail in the impact chapter in the online annual report. In general the full impact of a project is counted when Triodos Bank has financed or co-financed it.

When there is some uncertainty about an impact figure relating to a project, we take a conservative approach to estimates including, on occasion, excluding figures altogether.

The online impact chapter provides more detail on the impact of Triodos Bank and its finance, including case studies and the methodology used to produce the impact data reported.

## Impact by Sector

### Environment

#### Renewable energy

Triodos Bank and its investment funds, offered via Triodos Investment Management, finance and co-finance 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.

To date we have reported the avoided emissions of a total project. In technical jargon, we take a contribution rather than an attribution approach. With multiple loans and investments, and different types of renewable energy technologies and geographies, a contribution approach has been both practical and, we believe, reasonable. As part of an effort to continually improve our impact reporting we intend to include an attribution analysis in the future. 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.

We have participated, since the Paris Climate Summit in 2015, in the Platform Carbon Accounting Financials (PCAF) which has stipulated a new framework methodology to account for the carbon footprint of loans and investments and we plan to start implementing this attribution approach during 2018. This will give stakeholders a clearer picture of the climate impact that results from our finance.

By the end of 2017, Triodos Bank and its climate and energy investment funds were financing 472 projects in the energy sector: including Triodos Bank's first grid connection project, 37 energy efficiency projects, 25 sustainable power projects in a construction phase and another 410 sustainable power projects (2016: 381) with a total generating capacity of 3,100 MW (2016: 2,400 MW), producing the equivalent of the electricity needs of 1.4 million European households (2016: 1.2 million). Together these projects contributed to the avoidance of over 2.4 million tonnes of CO<sub>2</sub> emissions (2016: 1.7 million tonnes).

These projects include about 200 windpower projects, 200 solar photovoltaic projects, and 36 hydro projects. The rest include biomass, heat and cold storage 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 2017 could produce the equivalent of 30 million meals in 2017, or enough food to provide a sustainable diet for approximately 27,000 people (2016: 29,000). Together they financed approximately 32,000 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 31,000 hectares of nature and conservation land (2016: 28,000 hectares), representing around 450m<sup>2</sup> of nature and conservation land per customer.

Over 146,000 smallholder farmers in 17 emerging market countries worldwide were paid directly and fairly upon delivery of their harvest in 2017, as a result of the trade finance that Triodos Sustainable Trade Fund provides to farmers' cooperatives and agribusiness. In 2017 the clients of the fund had 60,000 hectares of certified organic farmland under cultivation. An additional 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 2017 Triodos Bank and Triodos Investment Management financed directly, and via sustainable property, approximately 10,600 homes and apartments (2016: 7,200) and about 540 commercial properties (2016: 310) comprising approximately 540,000m<sup>2</sup> for office and other commercial space (2016: 460,000m<sup>2</sup>). Triodos Bank also financed about 18,000m<sup>2</sup> of buildings and brownfield sites (2016: 27,000m<sup>2</sup>).

## **Social**

### ***Health care***

As a result of its finance across Europe around 53,000 individuals (2016: 35,000) were residents of facilities at 558 elderly care homes financed by Triodos Bank and Triodos Investment Management in 2017, representing the equivalent of 28 days of care per Triodos Bank customer.

### ***Community projects and social housing***

In 2017 Triodos Bank and Triodos Investment Management financed 490 community projects (2016: 437), and 170 social housing projects, which directly and indirectly provide accommodation for approximately 94,000 people (2016: 67,000).

### ***Microfinance***

Triodos Investment Management's specialised emerging markets funds provided finance to 107 financial institutions working for inclusive finance in 44 countries (2016: 44). These organisations reached approximately 15.1 million individuals saving for their future (2016: 13.7 million) and 20.3 million customers borrowing for a better quality of life (2016: 20.2 million). Of these loan clients, 78% were 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.

# 53,000

**53,000 elderly people were residents of facilities financed by Triodos Bank and Triodos Investment Management**

## Culture

### *Arts and culture*

During 2017 Triodos Bank and Triodos Investment Management helped make it possible for 17.6 million visitors (2016: 13.7 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 means that there were the equivalent of 26 cultural experiences per Triodos Bank customer.

Triodos Bank and Triodos Investment Management finance helped approximately 3,400 artists and creative companies active in the cultural sector (2016: 3,100). Theatre, music and dance productions from creative companies were attended by 450,000 people. New productions in 2017 from the film and media sector financed by Triodos Bank (most importantly in Spain) were seen by approximately 9.0 million people (2016: 9.7 million).

Triodos Bank and Triodos Investment Management also financed a number of organisations providing affordable spaces for cultural activities such as workshops and music courses, attracting around 97,000 people (2016: 90,000).

### *Education*

Approximately 650,000 individuals benefited from the work of 455 education initiatives financed by Triodos Bank in 2017 (2016: 2.0 million). This decline was partly due to the repayment of a loan for a digital education initiative in Belgium. 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.

# Risk, Co-worker and Environmental Reports

The following and final section of the Executive Board chapter provides a summary of the results of Triodos Bank's work as a company itself. It includes highlights of Triodos Bank's activity in relation to its co-worker and its environmental performance as an organisation. It concludes, importantly, with details of Triodos Bank's approach to Risk and Compliance, crucial elements that underpin Triodos Bank's work as a resilient institution that's focused on finance for impact.

that's inspiring, healthy and welcoming. Triodos Bank's goal is to foster a workplace where each co-worker finds room to address society's most pressing questions and each individual can work effectively in line with Triodos Bank's mission and values.

The following table provides a summary of progress against the prospects identified in the 2016 annual report. This table is explored in more depth in the text itself.

### Co-worker survey

A first group wide co-worker survey was executed during the year. With a high participation amongst the co-workers (83%), the survey provided solid insights that helped be explicit about the organisation's strengths and identified points for improvement.

The proportion of committed co-workers is high (92%) compared to the European benchmark (68%). The results show that co-workers make a deliberate choice to work for Triodos Bank, and are closely connected to its mission throughout their career within the bank.

### Co-worker Report

### Co-worker Community

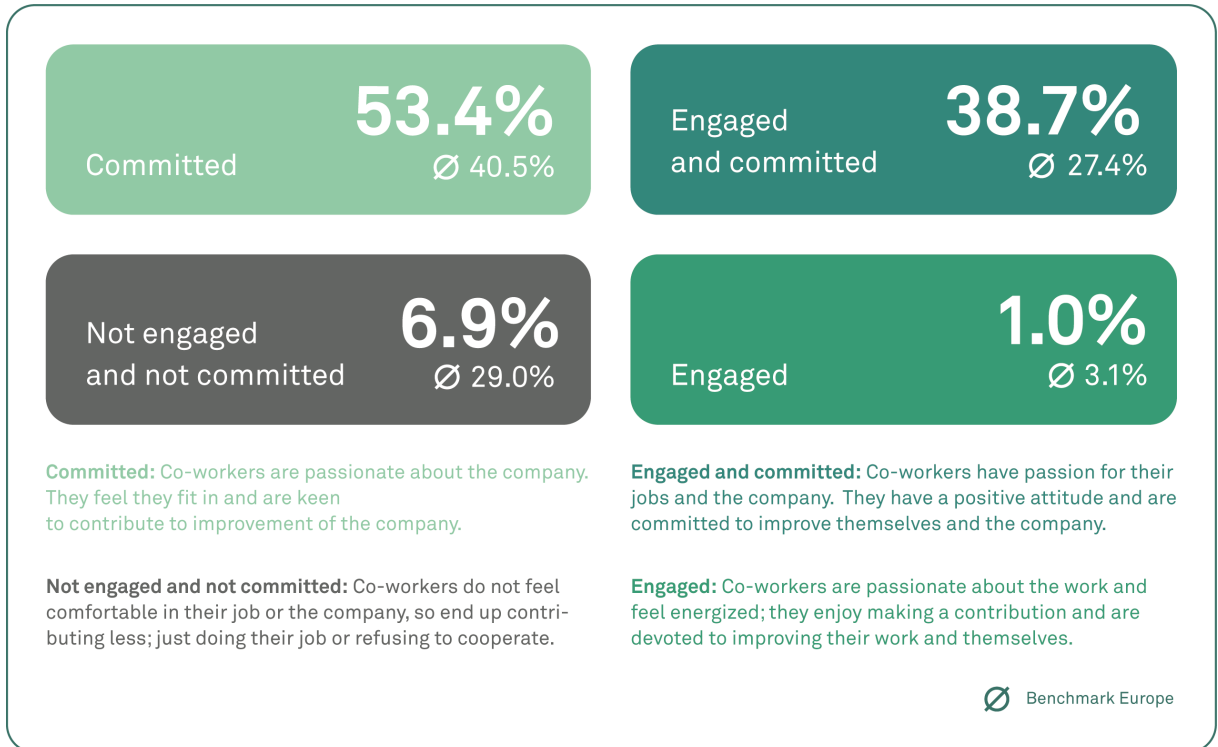
Triodos Bank's mission is to make money work for a sustainable society with human dignity at its core. Co-workers are essential to achieve this mission. The organisation's goal is to create a living, learning community of co-workers; a working environment

Our Key Objectives for 2017	How We Did	Progress at a glance
Execute a co-worker survey throughout the group to measure co-worker engagement.  Indicate where great practice is happening within Triodos Bank that can be shared for wider learning within the group.	Co-worker survey delivered, with good results, giving insights in strengths and areas for improvement.	● ● ●
Develop a strong employer branding approach, to highlight Triodos Bank's vision on working for the organisation.	The feedback of the co-worker survey provided great input for the development of the employer brand and has been incorporated in preparations to execute this work. The detailing of the concept and implementation will take place in 2018.	● ○ ○
Further develop a continuous improvement approach that allows all co-workers to take responsibility for improving work processes. Create more awareness of efficiency in the organisation and improve the quality of the customer experience.	Further roll-out of local and group wide activities on continuous improvement and alignment with leadership track and other programmes in Triodos Academy.  A Lean and Agile approach has been implemented in key areas of ICT.	● ○ ○

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



## What are our organisation's scores?



The ambition for the future is to offer co-workers opportunities to engage more closely with their work.

Opportunities to improve mostly relate to being a growing organisation. They concern, for example, the decision-making process within the organisation and the perceived distance between management and co-workers. Co-workers recognise that efficiency is an important issue for the organisation. In some departments a concern about the high work load has been reported.

The results have been shared throughout the organisation. Each business unit has taken initiatives to foster the positive elements and to address specific elements that need attention.

### Continuous improvement approach

Efforts to create a continuous improvement culture that empowers co-workers to contribute to the

improvement of work processes developed further in 2017. Tailor-made training and workshops were offered locally and group-wide. Over 70 co-workers participated, at a variety of levels, and across all functional lines.

The agile way of working was strengthened within IT and Operations. This entails the quick delivery of 'minimum viable products' that are further developed via short cycles of review and improvement. This has resulted in significantly shorter process times.

Increased attention to process improvement created space to integrate the demands of regulatory bodies. These include implementing new legislation and monitoring and delivering in-control statements. These demands also led to recurring core banking knowledge and skills training in all business units.

## Co-worker population

Triodos Bank continues to be a growing organisation. In 2017, 224 new co-workers were employed (2016: 249). The total number of co-workers at Triodos Bank increased by 8.3% in 2017, from 1,271 to 1,377.

Absence through sickness was 3.3% in 2017, higher than a target of 3%. An analysis was conducted where high sickness rates occur, and Triodos Bank is working to solve these issues by focussing on increasing the vitality of the co-workers and the organisation. Contributing factors vary and range from physical issues and personal circumstances to work-related issues such as work pressure, to the use of the work and meeting spaces.

Gender equality remains important to the organisation. In 2017 Triodos Bank employed 695 women (50.5%) and 682 men (49.5%). The share of women in management positions is 44%. Triodos Bank's objective is that no more than 70% of its board positions are held by either gender. Triodos Bank currently meets this criteria in both its Executive and Supervisory Boards.

## Remuneration

Triodos Bank believes people should be properly and appropriately paid for their work, while at the same time maintaining a ratio between the lowest and highest paid salary of between 1 to 10. Key remuneration information should be clearly and transparently communicated.

The organisation monitors remuneration within the company and between Triodos Bank and 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 between the lowest and highest paid in 2017 was 9.9 (2016: 9.9). Some specific cases are excluded from this ratio, for example when very junior co-workers are recruited as an apprenticeship or less qualified people are appointed to create job opportunities for disadvantaged people.

In addition, the GRI ratio on remuneration, which shows the ratio of the highest full-time salary to the median full-time salary, is reported in the Key Figures section at the start of this report. The ratio in 2017 was 5.7, as it was in 2016. Triodos Bank has set a maximum for this ratio of 7.

For more information on the international remuneration and nomination policy please refer to page 127 of the annual accounts.

## Diversity and inclusion

Triodos Bank's responsibility is to create a welcoming work environment for all. A diverse co-worker community contributes positively to the organisation's effectiveness, vitality and makes it resilient. It aims to identify barriers to enter the organisation in terms of diversity, through awareness raising activities. And it acts to resolve any issues that arise.

Initiatives to include those with a distance to the labour market were launched during the year. Triodos Bank offered work experience opportunities, for refugees and people reintegrating after a situation of illness, in some of its branches for example. Some of these initiatives lead to permanent roles. Triodos Bank continues to explore new ways to increase diversity and inclusion, in collaboration with local refugee communities and network among others.

## Prospects 2018

In line with the 2016 – 2018 Business Plan the following priorities have been set for 2018:

- Embedding a continuous improvement culture. There will be a focus on engaging senior and middle management to make sure this happens across the whole organisation in its daily operations. This will enable all co-workers to improve their work processes, maintain a compassionate connection with customers and create more efficiency in answering their needs.
- We will focus on the ability of co-workers to develop, deliver and participate in transformative action.
- Implementation of a strong employer branding approach. It will highlight Triodos Bank's vision on working for the organisation by sharing its unique

character, identity and the values it stands for both within and outside the organisation.

- Being a learning organisation will continue to be a key focus area. This will be reflected in Triodos Bank's learning curriculum. In addition, it will extend to the organisation's networks via collaboration with its stakeholders. With the emerging future and the challenges in society in mind Triodos Bank will deepen the connection of its co-workers to its mission and role as a mid-sized bank. Activity will include training, lunch meetings with inspiring speakers, reflection days and exchanges.

## Environmental Report 1200

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.

It is, for example, a carbon neutral organisation. Triodos Bank tries, first and foremost, to avoid emitting CO<sub>2</sub> by, for example, using video conferencing to reduce air travel. If some emissions are necessary, it attempts to limit them as far as possible.

Some CO<sub>2</sub> emissions are inevitable, given Triodos Bank's activities as a pan-European bank with significant business and relationships around the world. When these do occur, they are compensated, via "Gold standard" projects from the Climate Neutral Group.

## The year at a glance

CO<sub>2</sub> emissions per FTE in 2017 decreased to 2.36 tonnes compared to 2.62 tonnes in 2016. Total CO<sub>2</sub> emissions across the whole of Triodos Bank decreased by 1.9% compared with 2016, despite an increase in co-workers of 8.3%. There has been a decrease in energy consumption of 10.3% per FTE, a

decrease in business travel by airplane of 4.7% per FTE and a decrease of commuting by car of 4.8% per FTE.

The amount of office paper decreased further in 2017 to 85 kg/FTE (2016: 112 kg/FTE). The amount of recycled printed paper was 0.14 kg/customer, a decrease of 17.7%.

Details of the methodology Triodos Bank uses to calculate its CO<sub>2</sub> emissions are available on request.

## Sustainable Property

Triodos Bank wants its buildings to be as sustainable as possible. To make sure they are it uses BREEAM methodology, one of the world's leading ways to certify the sustainability of a building. This approach helps to identify improvements to the environmental performance of its buildings so it can act to address them.

BREEAM audits took place in Spain during the year and the results are expected early in 2018. An audit in Germany was postponed because of plans to move to a new office building in 2018. The audit will be part of the search for new premises instead.

## Working with Sustainable Partners

Triodos Bank tries to extend its positive impact on society through the sustainable choices it makes about its suppliers.

Examples include a specialist organic gardening company employed to develop 3,000 square metres of land around Triodos Bank's main office in Madrid. The company engages people at risk of exclusion, and with learning disabilities, in its work. While a family-run cleaning company which has developed a range of sustainable cleaning products is engaged in The Netherlands. The company employs 15 Syrian refugees as part of a programme to help build new, dignified and productive lives in The Netherlands.

How we did in 2017

Our Key Objectives for 2017	How We Did	Progress at a glance
CO <sub>2</sub> footprint data from 2016 will be shared with suppliers to create a dialogue with our suppliers.	Data was shared with key suppliers in The Netherlands, UK, Belgium and Spain, including the architect and engineer of a new office building in Malaga	● ● ●
Management information from our Travel Agent will be shared with co-workers to create awareness about our air travel behaviour.	Information shared in The Netherlands during 'GreenWeek' and in Belgium and Spain during the year.  UK co-workers participated in a commuting challenge winning best sustained travel over a six-week period. The relatively low numbers of German co-workers meant this was not done during the year.	● ● ●
A procurement process will start in three countries (The Netherlands, Belgium and the UK) to purchase new printers. After implementation it will be monitored to see if this leads to a further reduction in paper usage.	Procurement process executed. New printers installed in The Netherlands, UK and Belgium	● ● ●
A Green Week first started in the UK to encourage more sustainable behaviour among co-workers. It extended to The Netherlands in 2016 and will be organised across Triodos Bank's European network in 2017.	All countries delivered their own Green Week during the year	● ● ●

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

Prospects 2018

- BREEAM assessments will be analysed to identify improvements per country;
- 2017 CO<sub>2</sub> footprint data will be integrated and executed in all consultations with suppliers within facility management;
- A project team will be created to update and execute Triodos Bank's mobility policy;
- CO<sub>2</sub> footprint benchmark with external organisations to be performed;

## 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 a 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, and to determine Triodos Bank's risk appetite. They are also part of the business plan cycle.

Over the past year, 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.

The strategic risk environment forms the starting point and foundation for determining the risk appetite, 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 2017.

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.

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 quarterly Enterprise Risk Committee of Triodos Bank is the body delegated by the Executive Board to take decisions on strategic risk and reputation risk of Triodos Bank as a whole.

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 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 recent growth of the company has led to additional internal organisation and governance requirements. Also new legislation demanded several additional analyses, risk assessments and adjustments of systems or procedures. Policies have been updated and models have been re-designed to meet these obligations.

No major deficiencies in the internal risk management and control systems were discovered in the financial year. The developments of the main risks within Triodos Bank are described in the integrated risk management report and discussed on a regular basis in the Audit and Risk Committee of the Supervisory Board.

### 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 only have limited impact on Triodos' capital requirements.

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 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.

In 2017, Triodos Bank successfully raised capital of over EUR 77 million. This has helped it to maintain a regulatory Common Equity Tier 1 of 19.2% at the end of 2017, well above both external and its own internal risk assessment.

Although the liquidity portfolio decreased during 2017, 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 2017. The bonds portfolio decreased by almost 25%, due to maturing bonds being placed mostly at the 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 of this report starting on page 150.

### 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 enterprise risk management framework is the basis for an integrated in control statement process. Triodos Bank is working in a rapidly changing environment, which require 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 Executive Board has no indication that the risk management and control systems have not functioned adequately and effectively in 2017.

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

### Compliance and Integrity

Triodos Bank has internal policies, rules and procedures to guarantee that management complies with relevant laws and regulations regarding customers and business partners. In addition, the compliance department independently monitors the extent to which Triodos Bank complies with its rules and procedures. External aspects of the compliance department primarily concern accepting new customers, monitoring financial transactions and preventing money laundering. Internal aspects primarily concern checking private transactions by co-workers, preventing and, where necessary, transparently managing conflicts of interest and safeguarding confidential information. 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. In 2017 a Group Data Protection Officer was appointed as part of the implementation of 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.

There were no significant incidents in 2017 concerning compliance and integrity. Triodos Bank was not involved in material legal proceedings or 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.



# UN Sustainable Development Goals

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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, new language to communicate integrated sustainability goals that are more urgent now than ever.

It was clear throughout 2017 that, in a relatively short space of time, the SDGs have gathered significant momentum among businesses, government and civil society alike. We expect the goals to 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 together 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 and we lend to and invest in thousands of projects in the cultural sector as a result. 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 second year that Triodos Bank will include the SDGs in its reporting. We consulted extensively during the year to build on last year's work and now report against the SDGs in three distinct ways:

- Via the mapping exercise that follows, which this year includes 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 lie beneath each of the SDGs. 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.

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.

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.





SDG	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
 <p data-bbox="125 635 301 744">1.5 Resilience to external shocks (for individuals and families)</p>	<p data-bbox="347 430 615 614">Our policy is to avoid predatory lending and to undertake good due diligence when making decisions about which inclusive finance institutions to invest in.</p>	<p data-bbox="671 430 975 910">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 2017 we provided inclusive finance for 15.1 million savers and 20.3 million borrowers in emerging markets, via 107 financial institutions.</p> <p data-bbox="671 940 975 1182">We have pioneered Fair Trade finance including partnering with key players such as Oxfam and Fairtrade Iberica. Through the Triodos Foundation, donations are made to Fair Trade organisations such as Comercio Justo in Spain.</p> <p data-bbox="671 1193 975 1648">Triodos Bank has an active role in eradicating urban poverty in Europe, financing organisations devoted to care and social inclusion of homeless people. It is working in the UK on a mandate to create Social Impact Bonds that help to tackle homelessness nationally. It also finances Lits Halte Soins Santé 13, managed by Le Groupe SOS, offering decent accommodation and health care to homeless people in Marseilles, France.</p>	<p data-bbox="996 430 1296 750">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.</p> <p data-bbox="996 780 1296 1022">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.</p> <p data-bbox="996 1052 1296 1315">We can further integrate poverty alleviation at a product level. In Spain, for example, every new pension opened during a campaign period in 2017 prompted a donation to a partner working with refugees, who are often living on low incomes.</p>

SDG	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
<p data-bbox="144 443 244 491"><b>2 ZERO HUNGER</b></p>  <p data-bbox="125 635 308 715">2.4 ensure sustainable food production</p>	<p data-bbox="347 428 646 563">We do not finance intensive agriculture and, instead, only and exclusively finances sustainable, organic agriculture.</p>	<p data-bbox="672 428 958 1016">We specialise in financing sustainable food production through our lending and investing activity; Triodos Organic Growth Fund (EUR 49 million) invests in mature, privately owned, sustainable consumer businesses; Triodos Groenfonds (EUR 850 million) invest in 'green' projects including sustainable food and agriculture; and Triodos Sustainable Trade Fund provides trade finance to organic and fair trade agricultural producers in developing countries, disbursing EUR 26 million in loans in 2017.</p> <p data-bbox="672 1047 976 1473">We are the financial partner for social organisations delivering services for people struggling to meet their nutritional requirements, in Europe. We finance Biosabor, in Spain, an organic agricultural company that produces 300 hectares of vegetables and fruit in a sustainable way. Good quality food surpluses are distributed to disadvantaged people (see SDG 1).</p>	<p data-bbox="999 428 1299 643">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.</p> <p data-bbox="999 670 1299 885">We also work with others (see also SDG 17) to promote sustainable food production. During 2017 we sponsored the development of 'true cost accounting' for finance, food and farming for example.</p>


SDG	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
<p data-bbox="147 443 301 491"><b>3 GOOD HEALTH AND WELL-BEING</b></p>  <p data-bbox="125 635 314 687">3.5 drugs and substance abuse</p>	<p data-bbox="347 428 651 719">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.</p>	<p data-bbox="671 428 975 719">We lend to large numbers of health care organisations whose emphasis is on quality of care, including clinics specialised in addiction treatment. Nos Pilifs, a Belgian farm and Siza in The Netherlands, provide support for people with disabilities, for example.</p> <p data-bbox="671 752 965 1071">In Spain, we finance Cálida Residencial, a home created by elderly people, for elderly people, to high environmental standards (see SDG 7 &amp; 11). While in The Netherlands we finance Ben Oude NijHuis, an affordable, small-scale home for elderly people centred around nurturing human dignity.</p> <p data-bbox="671 1100 969 1338">In numbers, that meant 53,000 elderly people in Europe benefited from care provided by initiatives financed by Triodos Bank in 2017, representing 28 days of health care financed for each Triodos Bank customer.</p> <p data-bbox="671 1367 972 1582">The Triodos Sustainable Pioneer Fund (EUR 239 million) invests in equities issued by listed companies, including medical technology firms that are pioneers in the theme of 'healthy people'.</p>	<p data-bbox="996 428 1296 719">We can contribute more powerfully by financing scalable projects, like Bristol Together, providing ex-offenders with employment opportunities via renovation projects. A project that has been repeated in other regions in the UK and in mainland Europe.</p> <p data-bbox="996 752 1283 881">And we can further contribute to the debate about how to serve elderly people's financial needs in the future.</p>

SDG	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
<p data-bbox="144 472 264 519"><b>4 QUALITY EDUCATION</b></p>  <p data-bbox="125 662 304 847">4.4 upskill youth and adults 4.7 promote sustainable development knowledge and skills</p>	<p data-bbox="347 456 586 830">Our approach is to only finance education initiatives – from kindergartens to adult education – that benefit individual’s personal development and society in terms of social cohesion in general, and sustainable economic development in particular.</p>	<p data-bbox="608 456 882 561">We lend to, and invest in, education initiatives that benefited 650,000 individuals in 2017.</p> <p data-bbox="608 590 901 936">They include projects like World Education Berkshire, raising the profile of global issues and promoting sustainable development, human rights and social justice for schools and community groups in the UK. In Germany we have financed the Alanus Hochschule, a university with a special focus on sustainability.</p> <p data-bbox="608 965 915 1178">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.</p>	<p data-bbox="936 456 1282 641">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.</p> <p data-bbox="936 670 1293 1016">We also support and participate in initiatives beyond our role as a bank directly, through initiatives like HERA (Higher Education and Research Awards) in Belgium. The awards explore how master 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.</p> <p data-bbox="936 1045 1272 1285">The Triodos Foundation co-organised the ‘Gardens for transformation’ Conference, in Madrid, engaging over 200 people from different schools and academies. The innovative event explored the power of gardens to change our vision of the world (see SDG 3).</p> <p data-bbox="936 1294 1293 1591">We want to continue to co-create innovative projects such as educativos ecológicos, (Educational organic gardens) launched by Triodos Foundation in Spain to promote crowd-funding for projects and an annual prize recognising landmark initiative. 16 crowdfunding campaigns were launched in 2017.</p>


SDG	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
<p data-bbox="144 443 254 491"><b>5 GENDER EQUALITY</b></p>  <p data-bbox="125 635 291 715">5.1 end discrimination against women</p>	<p data-bbox="347 428 649 611">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.</p> <p data-bbox="347 643 649 852">We value a diverse community in Triodos Bank itself, including gender. In 2017 50.5% of Triodos Bank co-workers were women and 44% of management positions were held by women.</p>	<p data-bbox="672 428 968 748">We finance financial institutions in developing countries and emerging economies that demonstrate a sustainable approach toward providing financial services to those traditionally excluded. In 2017 these institutions served 20.3 million loan clients, of which 78% were female.</p> <p data-bbox="672 776 968 1125">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 30 million).</p> <p data-bbox="672 1142 968 1351">We also lend directly to organisations working to end discrimination and promote equal rights, like the UK's Southall Black Sisters and Women Survivors of Gender Violence, in Spain.</p> <p data-bbox="672 1380 968 1563">Triodos Bank also promotes respect for rights of the LGBTI community by financing initiatives like Fundación Triángulo, which works in rural areas in Spain.</p>	<p data-bbox="999 428 1295 719">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.</p>

SDG	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
<p><b>6 CLEAN WATER AND SANITATION</b></p> 	<p>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 239 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.</p> <p>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.</p>		





SDG	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
<p data-bbox="144 443 305 491"><b>7 AFFORDABLE AND CLEAN ENERGY</b></p>  <p data-bbox="125 635 319 715">7.2 increase share of renewables globally</p>	<p data-bbox="347 428 636 563">Our policy is not to finance fossil fuels and exclusively to finance renewable energy initiatives in the energy sector.</p>	<p data-bbox="671 428 972 721">We finance sustainable energy via direct lending in all the countries where we operate and investments through Triodos Green Fund (EUR 850 million), Triodos Renewables Europe Fund (EUR 70 million) and via our Socially Responsible Investment funds (EUR 1,404 million).</p> <p data-bbox="671 750 951 991">Triodos Bank co-finances the award-winning Greensky, the largest onshore wind park in Belgium. The power it produces is directly injected into the rail network and supplies 170 trains daily.</p> <p data-bbox="671 1018 962 1313">As well as considerable impact in Europe – Triodos Bank financed more renewable energy initiatives in Europe than any other financial institution in 2015 – Triodos' renewable energy projects also extend to emerging markets, such as hydro projects in Nepal.</p> <p data-bbox="671 1340 972 1555">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.</p>	<p data-bbox="996 428 1296 830">As well as its direct impact as a financier, Triodos Bank acts as an opinion leader in the energy space, including engaging in debate about the urgent importance of a low carbon economy and how to move towards it. In 2017, Triodos Bank was one of a group of financial institutions to develop and launch a new methodology to measure the carbon emissions of loans and investments.</p> <p data-bbox="996 856 1269 1071">In Germany a community savings account was introduced in 2017 to include the local community in renewable energy projects and to galvanise support for the energy transition.</p> <p data-bbox="996 1098 1290 1245">We can contribute further in the future by extending our work into new areas such as energy storage, via Triodos Bank's European and global presence.</p> <p data-bbox="996 1271 1299 1487">To make the most of our pan-European experience financing renewable energy projects, a new international role to co-ordinate our renewable energy efforts will be created in 2017.</p> <p data-bbox="996 1513 1290 1755">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.</p>


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<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p>  <p>8.3 ... encourage the growth formalisation and growth of micro-, small- and medium-sized enterprises, including access to financial services</p> <p>8.4 improve ... global resource efficiency in consumption and production ... decouple economic growth and environmental degradation</p> <p>8.9 ... implement policies to promote sustainable tourism</p> <p>8.10 strengthen the capacity of domestic financial institutions encourage and expand access to banking ... and financial services for all</p>	<p>Triodos Bank 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.</p> <p>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.</p>	<p>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.</p> <p>Triodos Bank integrates resource efficiency and environmental concerns in all its products; including sustainable mortgages, credit cards for spending on sustainable products and pensions linked to front-running sustainable companies</p> <p>We are continuing to extend lending to certified green sustainable tourism projects, or those working towards it, across Europe.</p> <p>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.</p>	<p>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.</p> <p>We partner with others who share this agenda, including co-founding the Sustainable Finance Lab.</p> <p>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.</p> <p>During 2017 we participated in an industry-led review setting out how the UK government can grow a broader culture of social impact investing.</p>


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<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p>  <p>9.3 ... increase access of small-scale ... enterprises ... to financial services</p>	<p>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.</p> <p>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.</p>		


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<p><b>10 REDUCED INEQUALITIES</b></p> 	<p>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.</p> <p>We have a comprehensive approach to inequality which includes financing groups in risk of social exclusion. This 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.</p> <p>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.</p>		


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<p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b></p>  <p>11.1 ... access for all to ... affordable housing 11.4 ... protect and safeguard the world's cultural ... heritage</p>	<p>We do not finance unsustainable housing and have a proactive policy to finance social and sustainable housing as well as arts and culture projects.</p>	<p>Around 4.7% of our lending is in social and co-housing providing affordable homes for often excluded groups, including housing associations across Europe.</p> <p>We also renovate and refurbish culturally significant buildings and monuments, like Amsterdam's Stadsherstel. The historic Republiek building in Bruges, Belgium is another notable example.</p> <p>We also directly finance 'smart city' projects to build more sustainable cities. 3IA Ingenieria, in Spain, is one example. It works within an EU project to apply new efficiency models that are easily replicated.</p> <p>Financing culture is a key pillar of Triodos Bank's work. For instance, in Germany, we finance Malzfabrik, a cultural centre in the heart of Berlin, fostering creative collaboration. In the same city, we finance an apartment building which is now owned by its tenants, offering fair rates and safeguarding residents from the speculative market. Les Ateliers, in France, is another example, where local cooperation has rehabilitated an industrial building into a living hub for social initiatives working for positive changes in society.</p> <p>As well as lending extensively in the cultural sector across Europe, including significant participation in financing European films, Triodos launched a culture fund in 2006 to invest in cultural projects that preserve arts and culture. The fund has around EUR 92 million in assets.</p>	<p>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.</p> <p>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).</p> <p>We can also work with partners to advise on how best to attract and apply finance for sustainable infrastructure projects in cities. We explored this during 2017 with organisations such as Mission2020.</p>

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<p data-bbox="139 443 308 592"> <b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b>   </p> <p data-bbox="125 635 325 877">           12.2 sustainable management ... of natural resources            12.5 reduce waste generation            12.6 encourage companies to adopt sustainable practices         </p>	<p data-bbox="347 428 646 559">           Our products and services (see qualitative elements in the GABV scorecard) have responsible consumption 'built in'.         </p> <p data-bbox="347 590 646 858">           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.         </p>	<p data-bbox="672 428 972 910">           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 produced the equivalent of 30 million organic meals in 2017. As well as direct lending we have an Organic Growth Fund (EUR 49 million), which invests in mature, independent, sustainable consumer businesses.         </p> <p data-bbox="672 940 972 1100">           We proactively finance waste reduction and recycling businesses, including a number of zero-packaging shops in Belgium.         </p> <p data-bbox="672 1111 972 1487">           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 1,404 million).         </p> <p data-bbox="672 1517 972 1728">           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.         </p>	<p data-bbox="1001 428 1300 643">           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.         </p>

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<b>13 CLIMATE ACTION</b> 	<p>While most of the specific SDG 13 targets do not relate directly to Triodos Bank's activity, much of our direct loans and investment 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 1.4 million European households and avoiding 2.4 million tonnes of CO<sub>2</sub> emissions in 2017.</p> <p>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.</p>		

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<b>14 LIFE BELOW WATER</b> 	<p>Our finance in the organic sector aims to reduce marine pollution by focusing on soil quality and water conservation and health.</p> <p>As well as sustainable fishing projects, we have financed customers such as Fundació Lonxanet in Spain, who are committed to research, conservation and public awareness about the environmental importance of underwater life and coastal ecosystems.</p>		

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 <p>15.5 ...halt the loss of biodiversity</p>	<p>Our policy is not to finance any projects that degrade natural habitats or diminish biodiversity.</p>	<p>As described above we finance organic agriculture, as well as conservation organisations, which sees agriculture as part of a natural system which encourages greater biodiversity, rather than one of extraction.</p> <p>Around 3.6% of our loans were in this sector during 2017. They include organisations like the Organic Trade Board in the UK that run marketing campaigns to promote organic food and agriculture.</p> <p>In France, we financed Ginkgo, an initiative that specialises in brownfield rehabilitation, offering a new life to polluted areas of land, mostly within cities and 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.</p> <p>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.</p> <p>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 during the year.</p>	<p>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.</p> <p>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.</p>

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<p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>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 to the promotion of a culture of peace, such as Asociación PASOS in Spain, we specifically exclude the weapons industry from all financing activity.</p>		



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<p data-bbox="144 443 297 491"><b>17 PARTNERSHIPS FOR THE GOALS</b></p>  <p data-bbox="125 635 268 795">17.3 mobilise additional financial resources for developing countries</p>	<p data-bbox="347 430 619 639">We have an open culture that encourages partnerships to help strengthen sustainable financial institutions and mobilise financial resources in developing countries.</p>	<p data-bbox="671 430 968 670">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.</p> <p data-bbox="671 696 962 830">Our work in developing countries, is delivered principally through Triodos Investment Management, as described above.</p> <p data-bbox="671 856 958 1096">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.</p> <p data-bbox="671 1123 968 1363">We also run affiliate programmes in product partnership. In the UK that includes 24 organisations and charities aligned with our values, such as the Soil Association, Friends of the Earth and Amnesty International.</p>	<p data-bbox="995 430 1296 910">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 around 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.</p> <p data-bbox="995 936 1296 1443">Examples during 2017 include partnering with banks and voluntary organisations. This included Ecopolis, in Belgium, the annual encounter for national and international frontrunners in the transition towards a sustainable, low carbon economy. We also worked with academia to produce the ‘New Pathways’ report and the co-created a new methodology to measure the carbon emissions of financial institution’s loans and investments, described above.</p> <p data-bbox="995 1469 1296 1728">We can, and do, partner selectively with individual thought-leaders and academic organisations – participating in 30 academic studies in Spain alone in 2017 – to promote a growth-agnostic, sustainable economy that’s fit for the 21st century.</p>

## 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/governance](http://www.triodos.com/governance).

### 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

### Number of statement of depository receipts per holder

	Depository receipt holders		Issued capital in millions of EUR	
	2017	2016	2017	2016
1 – 50	13,772	13,664	22.1	21.3
51 – 500	21,244	20,071	325.0	296.8
501 – 1,000	3,173	2,816	179.1	157.1
1,001 and more	1,888	1,587	486.7	428.5
<b>Total</b>	<b>40,077</b>	<b>38,138</b>	<b>1,012.9</b>	<b>903.7</b>

### Number of depository receipts per country

	Depository receipts × 1,000		Depository receipt holders	
	2017	2016	2017	2016
The Netherlands	7,375	6,558	22,370	20,893
Belgium	2,336	2,114	7,054	6,606
United Kingdom	236	239	1,939	1,972
Spain	2,105	2,025	7,972	8,052
Germany	195	152	742	615
<b>Total</b>	<b>12,247</b>	<b>11,088</b>	<b>40,077</b>	<b>38,138</b>

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

as a percentage	2017	2016
Coöperatieve Centrale Raiffeisen-Boerenleenbank BA	4.6	5.0
Delta Lloyd Levensverzekering NV	3.2	3.5

receipts. It determines the price of the depository receipts, on a daily basis using a fixed calculation model that calculates the net asset value (NAV) per depository receipt.

### Depository receipt holders

Depository receipt holders are entitled to vote at the General Meeting of depository receipt holders. Each depository receipt holder is limited to a maximum of 1,000 votes. The General 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 its business interests. Members of the Supervisory Board are appointed and reappointed by the General Meeting of Triodos Bank, based on recommendations 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/governance](http://www.triodos.com/governance).

On 8 December 2016, the Monitoring Committee Corporate Governance Code published a revised Dutch Corporate Governance Code. The revised Code came into force as of 1 January 2017 and is first applicable to the 2017 financial year. 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 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 with the exception of one principle: Triodos Bank chooses not to have variable remuneration based on predetermined financial targets or achievements, as these can enhance a culture of taking 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/governance](http://www.triodos.com/governance).

## Bankers' Oath and Rules of Conduct

The Dutch Bankers' Oath was introduced on 1 April 2015. All co-workers working in the Netherlands for Dutch banks are required to take this 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 2017 Annual Report and is valid as of its date. The statement can be found in the online annual report and at [www.triodos.com/statements](http://www.triodos.com/statements).

## 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 BV, 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 BV, 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, Statutory Director of Enclude Holding BV 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 and a member of the Advisory Council of Stichting Lichter.

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. 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 2018. He is of Dutch nationality and does not own any Triodos Bank depository receipts.

### Carla van der Weerd (1964), Vice-Chair

Carla van der Weerd 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 NV, amongst others as the CFO/COO of Global Transaction Banking, as the Global Head of Operational Risk Management and as the Global Head of Risk Management & Compliance in Asset Management. Carla van der Weerd 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 and a member of the Advisory Board of the Court of Gelderland.

Carla van der Weerd was first appointed in 2010 and her present term expires in 2018. 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. and a member of the Supervisory Board of Stichting Fonds Duurzaam Funderingsherstel.

Ernst-Jan Boers was first appointed in 2014 and his present term expires in 2018. 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, member of the Supervisory Board of Arriva Netherlands, Chair of the Supervisory Board of the Confectionery Industry Pension Fund, Chair of the Supervisory Board of Robeco pension fund, and Chair of the Board of Foundation KDP (KPMG Deferred Payments) as well as Chair of the SCOOR foundation. 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 and member of the editorial board of SHIFT TO Long term investing. She is also a member of the Supervisory Board of Birdlife Netherlands and Chair of its audit committee. 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.

### Gary Page (1965)

Gary Page is a member of Triodos Bank's Audit and Risk Committee. 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.

### Udo Philipp (1964)

Udo Philipp is a member of Triodos Bank's Nomination and Compensation Committee. He is an advisor to Sven Giegold, Member of the European Parliament in Brussels, and Dr. Gerhard Schick, Member of the Bundestag in Berlin (both representatives of the German Green Party). He was Managing Director and Founding Partner of the German subsidiary of EQT Partners based in Munich and held various senior positions at EQT. Prior to this Udo Philipp was CFO of Bertelsmann Professional Information, Munich and CEO of its medical publishing division, and Private Secretary to the Federal Minister of Economics and consultant. He started his career in corporate banking with Dresdner Bank. Udo Philipp is a non-executive Chair of Institut für Finanzdienstleistungen and a non-executive board member of Oekom Research AG.

Udo Philipp was first appointed in 2015 and his present term expires in 2019. He is of German nationality and does not own any Triodos Bank 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 and Vice-Chair of the Supervisory Board of the Vilans Foundation. She is a member of the Board of Academy for Liberal Arts 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 Academy for Liberal Arts.

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.

### Marjatta van Boeschoten (1946)

Marjatta van Boeschoten was a member of Triodos Bank Supervisory Board from 2001 to 2009. She was a lawyer of the Supreme Court in England for seven years before becoming a management development consultant. She is director of Phoenix Consultancy and has worked with large organisations in the public and private sectors in the UK and internationally. She is General Secretary of the Anthroposophical Society in Great Britain.

Marjatta van Boeschoten was first appointed to the SAAT Board in 2009 and her present term expires in 2018. Her nationality is British and she owns one Triodos Bank depository receipt.

### Frans de Clerck (1945)

Frans de Clerck is a co-founder of Triodos Bank Belgium (1993) and a former member of the Executive Board of Triodos Bank NV. He is a member of the Supervisory Board of Stichting Triodos Holding, and a member of the Supervisory Board of the Hélène De Beir Foundation. Frans de Clerck has been awarded the Citizenship Prize 2015 by the Belgian P & V Foundation.

Frans de Clerck was first appointed in 2010 and his present term expires in 2018. He is of Belgian nationality and owns 211 Triodos Bank depository receipts.

### Willem Lageweg (1951)

Willem Lageweg was CEO of MVO Netherlands, a centre of excellence which encourages corporate social responsibility among companies until July 2016. Prior to that he worked for Rabobank Netherlands where he held various positions such as spokesperson & Communications Director, Director of Cooperation and Project Director for Major Cities. He began his career at the National Cooperative Council for Agriculture and Horticulture. Currently he holds a number of administrative, supervisory and advisory positions, including at the Transition Coalition Food, Louis Bolk Institute, SIB Kenya, Close the Gap, Institute for Positive Health and Platform Integrity and Business Ethics.



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.

# Supervisory Board Report

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The Supervisory Board supervises and reviews the activities and the decisions of the Executive Board, the development of Triodos Bank's operations, strategy development and the realisation of Triodos Bank's mission. In addition, the Supervisory Board provides advice and guidance to the Executive Board. Its review 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.

## Triodos Bank in a changing banking landscape

The Supervisory Board is pleased that Triodos Bank has continued to extend its impact, deliver a fair profit and be both relevant and a reference point for all stakeholders in values-based banking.

Technological, regulatory and market developments affected and changed the banking landscape in 2017. The Supervisory Board continues to be satisfied with the bank's response but is fully aware of the significant challenges it faces while being an effective, integrated values-based bank that applies its strengths and its opportunities in the market.

During 2017 the Supervisory Board monitored the bank's strategic focus and the three-year business plan after its second year of execution. The Supervisory Board discussed the 2018 plan which has been refined and adjusted to meet the challenges of a rapidly changing external landscape and market conditions – in particular the effects of a low interest environment, increasing competition and Brexit. The challenge for the increasing number of businesses interested in integrating sustainability in their operations continues to be generating more impact, while maintaining a resilient financial foundation and delivering a fair return. Also Triodos Bank is continuously working to improve its business model and its operations. The Supervisory Board's dialogue with the Executive Board is primarily focused on making the bank's integrated approach successful, creating sustainable value over the long-term for all

its stakeholders while ensuring it remains financially resilient.

The Supervisory Board supports the Executive Board, and Triodos Bank's co-workers, in their continuing efforts to make a deep-seated and positive difference to the development of people's quality of life.

## Activities of the Supervisory Board

### Triodos' strategic focus

The Supervisory Board, in various discussions, encouraged the Executive Board in their efforts to respond to a more challenging external landscape, both strategically and practically while remaining true to Triodos Bank's essence. This wider environment includes the increasing role of technology, privacy issues that this raises, a continuing low interest environment and stricter regulatory requirements.

### Impact, Risk, Return

2017 was marked by managed growth, increased impact and robust financial performance despite a low interest rate environment. The ratio of funds entrusted to loans showed an improvement by the year end and is now in a more healthy balance.

In its discussions with the Executive Board, the Supervisory Board pays particular attention to the continuous improvement of Triodos Bank's business model and operating model while remaining focussed on Impact, Risk and Return. The Supervisory Board and the Executive Board also discussed how best to make use of digital opportunities.

The Supervisory Board monitors Triodos Bank's financial health, its financial ratios, its capital position and the impact of stricter regulatory capital requirements.

### Other topics

During 2017, topics discussed at the Supervisory Board's meetings and contacts with the Executive Board included:

- Strategy: the update of the business plan 2016-2018 with a focus on 2018, developments in different countries and at Triodos Investment Management, the main strategic risks of the business, and a quarterly analysis of Triodos Bank's overall performance, health and development.
- Finance: Triodos Bank's economic developments and their financial impact. More specifically, the bank's capital position, the 2016 financial results, the management letter of the independent external auditor, the 2016 annual report and the Executive Board report and the 2017 half-year report.
- Risk and Audit: the design and effectiveness of the internal risk management framework and control systems, the 'risk appetite' and the actual risk profile, the audit findings, the auditor's reports, quarterly reports and loan reports, the readiness for, and implementation of, new capital and other regulatory requirements.
- Human resource management: senior management development and talent management, organizational 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. Presentations to the full Supervisory Board were given by local branch management and Triodos Investment Management.
- Regulators: We aim to always follow the advice from regulators.
- Contacts with the Dutch Central Bank: The Chair and the Vice Chair (who is also the Chair of the Audit and Risk Committee) met with the Dutch Central Bank.
- 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 Annual General Meeting.

## 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 six. The composition of the Supervisory Board was carefully considered during this process in the light of the required competences.

### 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 2017 there were four male and two female Supervisory Board members. The Supervisory Board complies with its diversity policy and meets the gender target set by Dutch law.

### 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 Weerd (Chair)
- Ernst-Jan Boers (until 31 December 2017)
- Fieke van der Lecq
- Gary Page

#### Nomination and Compensation Committee

- Ernst-Jan Boers (Chair)
- Aart de Geus
- Udo Philipp

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

### Activities of the Audit and Risk Committee

The Audit and Risk Committee (ARC) met six times during 2017. Triodos Bank's Chief Financial Officer was present at all but one meeting. The (interim) Head of Internal Audit and the Director Risk were present at all meetings. The external auditor and the Director Finance were present at all meetings, to discuss relevant items. Four of the six ARC meetings concentrated on audit & financial figures, whereas risk was the main topic in the other two meetings. In addition, one meeting was held with the external auditor, without the Executive Board being present. During the year, two new ARC members were appointed (Gary Page and Fieke van der Lecq) and one member resigned (David Carrington).

In its regular review of the year-end and half-year results, the ARC satisfied itself that the bank's financial numbers had been agreed by the external auditor without any material and/or uncertainties. No unforeseen matters were brought to the ARC's attention and all accounting decisions and assumptions have been adequately supported. The financial results and the outlook of the individual business units were discussed in the ARC before discussed in the full Supervisory Board.

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 & 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 independent external auditor presented their management letter as well as their independent auditor's and assurance report, discussing amongst others the key audit matters and

their view of the Triodos' Internal Control environment.

The internal audit function is the independent third line of defence in Triodos Bank. To enable Internal Audit to better support the business to manage their risks, to provide assurance and insights within a growing complex environment, some improvements have been put in place. The ARC was closely involved in the appointment of the new Head of Internal Audit (as per 1 January 2018).

### Activities of the Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) met six times formally. Triodos Bank's CEO was present at the meetings as well as the Director HR 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.

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 127 of the annual accounts.

The nomination topics in 2017 included the composition of the Supervisory Board and the Supervisory Board succession planning. 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 2017 and setting new ones for 2018.

## 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 standing practice that members of the Supervisory Board resign after their second term. However, reappointment after the second term is possible in exceptional circumstances.

Name (nationality)	Year of birth	Gender	Sustainability & other expertise particularly relevant to Triodos Bank	Key areas of expertise			
				Banking & Finance	Audit & Risk	Governance & Management	HR & Organisational Development
Aart de Geus (Dutch) (Chair)	1955	M	•			•	•
Carla van der Weerd (Dutch) (Vice-Chair)	1964	F		•	•	•	
Ernst-Jan Boers (Dutch)	1966	M		•	•	•	
Fieke van der Lecq (Dutch)	1966	F	•	•	•	•	
Gary Page (British)	1965	M		•	•	•	
Udo Philipp (German)	1964	M	•	•	•		

## Meetings of the Supervisory Board

All meetings of the Supervisory Board are held jointly with the Executive Board. Every meeting in 2017 (six in total) 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 and a discussion about an external evaluation report concerning the functioning of the Supervisory Board and its members.

A Supervisory Board branch visit was organised by Triodos Bank's UK branch during the year. Presentations and discussions were held with senior

management of the UK branch, developing and deepening insights into Triodos Bank's UK activities. Furthermore, two or more Supervisory Board members visited the local Depository Receipt Holder meetings in the UK, Spain, Germany, Belgium and The Netherlands.

The Chair of the Supervisory Board and the Chief Executive Officer maintained frequent contacts throughout the year; the Chair of the Audit and Risk Committee was in regular and close contact with the Chief Financial Officer, as was the Chair of the Nomination and Compensation Committee with the Chief Executive Officer.

## Attendance of the Supervisory Board members in 2017

Supervisory Board members in 2017	Supervisory Board Meetings attended during term of appointment	Audit and Risk Committee Meetings attended during term of appointment	Nomination and Compensation Committee Meetings attended during term of appointment
Aart de Geus (Chair)	100% (6/6)		100% (6/6)
Carla van der Weerd (Vice-Chair)	100% (6/6)	100% (6/6)	
Ernst-Jan Boers	100% (6/6)	100% (6/6)	100% (3/3)
David Carrington	100% (3/3)	100% (3/3)	
Mathieu van den Hoogenband	100% (3/3)		100% (3/3)
Fieke van der Lecq	100% (3/3)	100% (3/3)	
Gary Page	100% (3/3)	100% (3/3)	
Udo Philipp	100% (6/6)		100% (6/6)

## Independence and Self-evaluation

### Independence

The composition of the Supervisory Board was such that members could act critically and independently of one another, the Executive Board and any other interest. The Supervisory Board complies with the independence criteria of the Dutch Corporate Governance Code. Aart de Geus deviates from one of the independence criteria (article 2.1.8) of the Dutch Corporate Governance Code because a family member is a Triodos Bank 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 conflicts of interest of Board members. No conflicts of interest occurred during 2017.

### Education

As part of the Supervisory Board's permanent education programme, it organises annual meetings with both internal and external experts. This helps inform the Supervisory Board about contemporary, developments in society and the sectors that have an impact on Triodos Bank's operations. In 2017, education sessions were organised on the following topics: digitalization, Triodos' investment offering, the Spanish banking market, the regulatory landscape, banking in a European environment and innovation.

### Self-evaluation

The results of the 2016 self-evaluation were discussed by the Supervisory Board and recommendations have been implemented as a result. The Supervisory Board's annual self-evaluation of the Supervisory Board, its individual members and its committees took place in the last quarter of 2017 by an external facilitator. The results of the evaluations are discussion items for the Supervisory Board in March 2018.

The Executive Board members reflected on their personal key priorities for 2017 and 2018 and shared them with the full Supervisory Board. These priorities are evaluated by the Supervisory Board early in 2018.

## Conclusion

The Supervisory Board believes the Annual Accounts and the Executive Board Report provide a true and fair view of Triodos Bank's position. The Supervisory Board proposes that the Annual General Meeting adopts the Annual Accounts of 2017 and discharges the members of the Executive Board for their management of Triodos Bank during 2017 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 Triodos Bank's co-workers for their efforts. The Supervisory Board is confident that Triodos Bank will be able to meet the challenges in the coming years and will continue to act as a reference point for values-based banking.

Zeist, 14 March 2018

Supervisory Board,  
Aart de Geus, Chair  
Carla van der Weerd, Vice-Chair  
Ernst Jan Boers  
Fieke van der Lecq  
Gary Page  
Udo Philipp

# Triodos Bank NV

## Annual Accounts 2017

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## Consolidated Balance Sheet as at 31 December 2017

Before appropriation of profit in thousands of EUR	Reference <sup>1</sup>	31.12.2017	31.12.2016
<b>Assets</b>			
Cash	1	1,365,729	732,219
Government paper	2	26,500	178,902
Banks	3	216,375	467,529
Loans	4	6,597,901	5,708,338
Interest-bearing securities	5	1,401,215	1,718,786
Shares	6	20	20
Participating interests	7	14,649	16,411
Intangible fixed assets	8	32,843	25,159
Property and equipment	9	72,894	56,491
Other assets	10	31,588	24,800
Prepayments and accrued income	11	142,606	152,349
<b>Total assets</b>		<b>9,902,320</b>	<b>9,081,004</b>
<b>Liabilities</b>			
Banks	12	64,363	31,582
Funds entrusted	13	8,721,888	8,024,620
Other liabilities	14	22,308	16,834
Accruals and deferred income	15	76,283	100,934
Provisions	16	4,583	3,353
<b>Total liabilities</b>		<b>8,889,425</b>	<b>8,177,323</b>
Subordinated liabilities	17	–	–
Capital	18	612,368	554,415
Share premium reserve	18	169,840	151,157
Revaluation reserve	18	1,186	484
Statutory reserve	18	24,988	18,540
Other reserve	18	167,118	149,845
Result for the period	18	37,395	29,240
<b>Equity</b>		<b>1,012,895</b>	<b>903,681</b>
<b>Total equity and liabilities</b>		<b>9,902,320</b>	<b>9,081,004</b>
Contingent liabilities	19	84,563	75,173
Irrevocable facilities	20	1,148,667	925,510
		<b>1,233,230</b>	<b>1,000,683</b>

<sup>1</sup> References relate to the notes starting on page 86. These form an integral part of the consolidated annual accounts.

Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost. For further explanation see the general accounting principles.

## Consolidated Profit and Loss Account for 2017

in thousands of EUR	Reference <sup>1</sup>	2017	2016
<b>Income</b>			
Interest income	21	179,259	174,557
Interest expense	22	-26,438	-32,435
<b>Interest</b>		<b>152,821</b>	<b>142,122</b>
<b>Investment income</b>	23	<b>1,569</b>	<b>179</b>
Commission income	24	88,542	76,917
Commission expense	25	-3,692	-3,510
<b>Commission</b>		<b>84,850</b>	<b>73,407</b>
Result on financial transactions	26	786	404
Other income	27	244	1,518
<b>Other income</b>		<b>1,030</b>	<b>1,922</b>
<b>Total income</b>		<b>240,270</b>	<b>217,630</b>
<b>Expenses</b>			
Co-worker and other administrative expenses	28	179,582	160,632
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	29	10,588	11,226
<b>Operating expenses</b>		<b>190,170</b>	<b>171,858</b>
Impairments loan portfolio and other receivables	30	1,841	5,711
Value adjustments to participating interests		-1,334	1,485
<b>Total expenses</b>		<b>190,677</b>	<b>179,054</b>
<b>Operating result before taxation</b>		<b>49,593</b>	<b>38,576</b>
Taxation on operating result	31	-12,198	-9,336
<b>Net profit</b>		<b>37,395</b>	<b>29,240</b>
<b>Amounts in EUR</b>			
Net profit per share		3.19	2.83
Dividend per share		1.95	1.95

<sup>1</sup> References relate to the notes starting on page 86. These form an integral part of the consolidated annual accounts.

Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost. For further explanation see the general accounting principles.

## Consolidated Statement of Comprehensive Income for 2017

in thousands of EUR	2017	2016
<b>Net result</b>	<b>37,395</b>	<b>29,240</b>
Revaluation of property, equipment and participating interest after taxation	702	176
Exchange rate results from business operations abroad after taxation	-1,181	311
<b>Total amount recognised directly in equity</b>	<b>-479</b>	<b>487</b>
<b>Total comprehensive income</b>	<b>36,916</b>	<b>29,727</b>

Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost. For further explanation see the general accounting principles.

## Consolidated Statement of Changes in the Equity for 2017

in thousands of EUR

### Equity as at 1 January 2016

Adjustment opening balance

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 2016

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

Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost.

For further explanation see the general accounting principles.

	Share capital	Share premium	Revaluation reserve	Statutory reserve	Other reserve	Result for the period	Total equity
	484,329	123,935	503	11,286	119,737	40,727	780,517
			-195		101		-94
	60,347	36,961					97,308
	9,739	-9,739					-
			176				176
							-
				311			311
					21,368	-21,368	-
						-19,359	-19,359
					15,582		15,582
							-
				6,943	-6,943		-
							-
						29,240	29,240
	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

## Consolidated Cashflow Statement for 2017

in thousands of EUR	Reference <sup>1</sup>	2017	2016
<b>Cashflow from operating activities</b>			
Net profit		37,395	29,240
Adjustments for:			
• depreciation	29	10,776	11,226
• value adjustments to receivables	30	1,841	5,711
• value adjustments to participating interests	7	-1,334	1,485
• value adjustments to participating interests	23	-1,389	-
• value adjustments and exchange rate differences on property and equipment	9	427	2,534
• movements in provisions	16	1,230	-85
• other movements in accrued and deferred items		-14,885	21,995
<b>Cashflow from business operations</b>		34,061	72,106
Movement in government paper	2	152,402	34,331
Movement in banks, deposits not on demand	3	137,241	58,136
Movement in loans	4	-891,404	-498,357
Movements in shares	6	-	45
Movement in banks, liabilities not on demand	12	32,781	-8,216
Movement in funds entrusted	13	697,268	742,056
Other movements from operating activities		-1,324	-10,556
<b>Cashflow from operating activities</b>		<b>161,025</b>	<b>389,545</b>
<b>Cashflow from investment activities</b>			
Investment in interest-bearing securities	5	-244,749	-456,180
Disinvestment in interest-bearing securities	5	562,320	427,362
Investment in participating interests	7	-51	-3,572
Disinvestment in participating interests	7	4,044	-
Net investments in:			
• intangible fixed assets	8	-13,269	-12,639
• property and equipment	9	-22,021	-5,884
<b>Cashflow from investment activities</b>		<b>286,274</b>	<b>-50,913</b>
<b>Cashflow from financing activities</b>			
Redemption in subordinated liabilities	17	-	-5,250
Increase in equity		76,636	97,308
Payment of cash dividend		-4,338	-3,777
Purchases of depository receipts for own shares		-	-
<b>Cashflow from financing activities</b>		<b>72,298</b>	<b>88,281</b>

in thousands of EUR	Reference <sup>1</sup>	2017	2016
<b>Net cashflow</b>		<b>519,597</b>	<b>426,913</b>
Cash and cash equivalents at beginning of the year		1,011,475	584,562
<b>Cash and cash equivalents at the end of the year</b>		<b>1,531,072</b>	<b>1,011,475</b>
On demand deposits with central banks	1	1,365,729	732,219
On demand deposits with banks	3	165,343	279,256
<b>Cash and cash equivalents at the end of the year</b>		<b>1,531,072</b>	<b>1,011,475</b>
Supplementary disclosure of the cashflow from operating activities			
Interest paid		-28,885	-34,737
Interest received		182,796	176,878
Tax on profit paid		-12,852	-14,397
Dividend received from investments		186	179

<sup>1</sup> References relate to the notes starting on page 86. These form an integral part of the consolidated annual accounts.

Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost. For further explanation see the general accounting principles.

# Notes to the Consolidated Financial Statements

in thousands of EUR

## General

Triodos Bank, having its legal address in Nieuweroordweg 1 in Zeist, The Netherlands, is a public limited liability company (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-seventh financial year of Triodos Bank NV.

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

## Accounting principles

### General

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

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

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

or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

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

Income and expenses are attributed to the period to which they relate or to the period in which the service was provided. Revenues are 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.

### Change in accounting principles

Triodos Bank has property for own use in The Netherlands, Spain and United Kingdom. Due to the changes in the Dutch laws and regulations ('Besluit actuele waarde') the accounting standards for property for own use have been changed where replacement cost is replaced by actual cost based on Besluit actuele waarde and chapter 212 of the Dutch Accounting Standards. However, actual cost is not internationally interpretable. Valuers outside The Netherlands are not familiar with the accounting standard actual cost which makes it impracticable to value property for own use. In order to keep on providing reliable information about the effects of property for own use on Triodos Bank financial position it is decided to change the accounting standard from actual cost to historical cost that is allowed within Besluit actuele waarde and chapter 212 of the Dutch Accounting Standards. The change in accounting principle has been corrected retrospectively in the financial statements and the



## Adjustment

	1 January 2016
Total equity before adjustment	780,517
Decrease in property and equipment	-115
Increase other liability regarding corporate tax payable	-44
Decrease in accruals and deferred income regarding deferred taxes	65
<b>Total equity after adjustment</b>	<b>780,423</b>

impact on equity of this change in accounting principle is reflected in the table above and is further disclosed in several notes. Impact on result 2016 is EUR 84.

### 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.

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 BV in Zeist, participating interest 100%, group company, fully consolidated;
- Kantoor Nieuweroord BV in Zeist, participating interest 100%, group company, fully consolidated;
- Stichting Triodos Beleggersgiro in Zeist, group company, fully consolidated;
- Triodos Custody BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Finance BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos IMMA BVBA in Brussel, participating interest 100%, group company, fully consolidated;
- Triodos Investment Management BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Investment Advisory Services BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos MeesPierson Sustainable Investment Management BV in Zeist, participating interest 50%, joint venture with joint control, consolidated pro rata to the participating interest held;
- Triodos Nieuwbouw BV in Zeist, participating interest 100%, group company, fully consolidated.

### Transactions in foreign currencies

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

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.

### Leasing

Triodos Bank leases land to build a new building for 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 instalments to be paid are presented as interest expense.

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

### 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 paper 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 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.

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 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.

The development costs for the banking system will be amortised over the estimated useful life from the moment the system is used, to a maximum of 10 years.

Management contracts paid by Triodos Bank when acquiring the participating interest in Triodos Investment Management BV will be written off over a period of 20 years till October 2026. The remaining depreciation period is nine 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 replacement cost 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.

## 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 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 purchased up to 2% of the issued and paid-up share capital.

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

## Derivatives and hedge accounting

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.

### Taxation on operating result

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

Deferred tax items arising from differences between the balance sheet value and the fiscal value are valued at nominal value insofar these may be recovered through future profits (temporary differences).

Deferred tax assets arising from operating losses are reviewed at each reporting date. To the extent that future taxable profits do not exceed the tax losses recognised, an impairment loss is recognised.

### Earnings per share

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

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

## Cash flow statement

The cashflow statement sets out the movement in Triodos Bank's funds, broken down into operating activities, investment activities and financing activities. The funds consist of cash and the on demand deposits with banks. The cashflow statement is produced using the indirect method and gives details of the source of cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arise from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

## Segment reporting

The segments (branches and 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 the Company 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 NV holds by its related party Stichting Triodos Beleggersgiro on behalf of their customers segregated from the assets and liabilities of the bank the following securities:

	2017	2016
Triodos Cultuurfonds NV	67,982	69,652
Triodos Fair Share Fund	347,837	321,343
Triodos Groenfonds NV	417,642	385,060
Triodos Sicav I	474,667	417,237
Triodos Sicav II	40,296	35,142
Triodos Vastgoedfonds NV	12,580	11,602
Triodos Impact Strategies NV	19,846	18,295
<b>Total as at 31 December</b>	<b>1,380,850</b>	<b>1,258,331</b>

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

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:

	2017	2016
On demand deposit Dutch Central Bank	1,004,514	607,398
On demand deposit Belgian Central Bank	16,011	14,193
On demand deposit German Central Bank	31,858	9,981
On demand deposit Spanish Central Bank	254,143	56,995
On demand deposit United Kingdom Central Bank	42,436	39,085
Cash in ATM's	16,767	4,567
<b>Balance sheet value as at 31 December</b>	<b>1,365,729</b>	<b>732,219</b>

### 2. Government Paper

	2017	2016
Spanish treasury bills	26,500	162,500
United Kingdom treasury bills	–	16,402
<b>Balance sheet value as at 31 December</b>	<b>26,500</b>	<b>178,902</b>

The movement in the Government paper is as follows:

	2017	2016
Balance sheet value as at 1 January	178,902	213,233
Purchase	58,825	268,114
Repayments	–194,825	–292,486
Sale	–15,764	–
Exchange rate results on foreign currencies	–638	–9,959
<b>Balance sheet value as at 31 December</b>	<b>26,500</b>	<b>178,902</b>

### 3. Banks

	2017	2016
On demand deposits with banks	165,343	279,256
Deposits with banks	51,032	188,273
<b>Balance sheet value as at 31 December</b>	<b>216,375</b>	<b>467,529</b>

An amount of EUR 14.5 million of the deposits is encumbered (2016: EUR 29.7 million). These are on demand deposits at Cecabank in the amount of EUR 1 million (2016: EUR 1 million), ING Bank EUR 13 million (2016: EUR 13 million), Rabobank EUR nihil (2016: EUR 15 million) and Mastercard EUR 0.5 million (2016: EUR 0.7 million). All other deposits can be freely disposed of.

Banks classified by residual maturity:

	2017	2016
On demand	165,343	279,256
1 to 3 months	50,032	187,273
3 months to 1 year	–	–
1 to 5 years	1,000	1,000
Longer than 5 years	–	–
<b>Balance sheet value as at 31 December</b>	<b>216,375</b>	<b>467,529</b>

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

	2017	2016
ABN Amro	1,418	109,514
Banco Cooperativo	1,087	25,754
Barclays	113	1,172
Caja de Ingenieros	832	4,316
Cecabank	23,821	19,055
Coventry	19,029	58,580
DZ Bank	8,305	22,158
ING Bank	77,263	90,321
KBC Bank	29,216	19,905
Van Lanschot Bank	1,041	555
Nationwide Building Society	–	23,432
Rabobank	1,130	40,420
Royal Bank of Scotland	31,261	32,756
Yorkshire Bank	16,890	14,059
Other	4,969	5,532
<b>Balance sheet value as at 31 December</b>	<b>216,375</b>	<b>467,529</b>

#### 4. Loans

	2017	2016
Loans	6,647,497	5,765,388
Provision for doubtful debts	–49,596	–57,050
<b>Balance sheet value as at 31 December</b>	<b>6,597,901</b>	<b>5,708,338</b>

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 145.1 million which equals the notional value of the interest rate swaps (2016: EUR nil). The fair value of the interest rate swaps as at 31 December 2017 is EUR 364.6 thousand (2016: EUR nil). 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:

	2017	2016
Payable on demand	191,073	192,884
1 to 3 months	583,364	631,471
3 months to 1 year	397,422	429,912
1 to 5 years	1,712,240	1,526,954
Longer than 5 years	3,763,398	2,984,167
<b>Balance sheet value as at 31 December</b>	<b>6,647,497</b>	<b>5,765,388</b>

EUR 496.0 million (2016: EUR 571.0 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:

	2017			2016		
	Specific	Collective	Total	Specific	Collective	Total
Balance sheet value as at 1 January	53,679	3,371	57,050	65,493	2,558	68,051
Addition	6,817	4,140	10,957	9,623	1,102	10,725
Write-off	-8,987	-	-8,987	-14,735	-	-14,735
Release	-7,693	-1,574	-9,267	-6,050	-248	-6,298
Exchange rate differences	-138	-19	-157	-652	-41	-693
<b>Balance sheet value as at 31 December</b>	<b>43,678</b>	<b>5,918</b>	<b>49,596</b>	<b>53,679</b>	<b>3,371</b>	<b>57,050</b>

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 decline of the impairments for the loan portfolio to 0.03% of the average loan book (2016: 0.10%).

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 5.9 million (2016: EUR 3.3 million). The increase is related to further refinements of the calculation.

EUR 0.1 million of the addition to the provision relates to interest that has been invoiced but has not been received (2016: EUR 0.2 million).

A breakdown related to received collateral, relevant industries, sectors and per geographic region can be found in the pillar 3 report 2017 which can be found on the internet site of Triodos Bank.

## 5. Interest-bearing Securities

	2017	2016
Dutch Government bonds	82,500	104,800
Belgian Government bonds	240,600	260,600
Spanish Government bonds	184,950	301,100
United Kingdom Government bonds	104,380	91,035
Other bonds	788,785	961,251
<b>Balance sheet value as at 31 December</b>	<b>1,401,215</b>	<b>1,718,786</b>

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

Issuer	Listed	Non-listed	2017		Of which Green bond <sup>1</sup>
			term of maturity less than a year	term of maturity more than a year	
<b>Public sector entities</b>					
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 Oficial (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 Leon, 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	–
Deutschsprachigen 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	–	–
<b>Total public sector entities</b>	<b>1,010,025</b>	<b>84,000</b>	<b>270,217</b>	<b>823,808</b>	<b>106,260</b>

<sup>1</sup> 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	Listed	Non-listed	2017		Of which Green bond <sup>1</sup>
			term of maturity less than a year	term of maturity more than a year	
<b>Non-public sector entities</b>					
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	–
Aquaflin NV, Belgium	–	16,000	2,000	14,000	16,000
Société Régionale Wallonne du Crédit Social (government guaranteed), Belgium	–	5,000	5,000	–	–
<b>Total non-public sector entities</b>	<b>256,190</b>	<b>51,000</b>	<b>36,560</b>	<b>270,630</b>	<b>255,690</b>
<b>Total</b>	<b>1,266,215</b>	<b>135,000</b>	<b>306,777</b>	<b>1,094,438</b>	<b>361,950</b>

<sup>1</sup> 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	Listed	Non-listed	2016		Of which Green bond <sup>1</sup>
			term of maturity less than a year	term of maturity more than a year	
<b>Public sector entities</b>					
Spain, government	301,100	–	66,100	235,000	–
Belgium, government	260,600	–	10,000	250,600	–
The Netherlands, government	104,800	–	22,300	82,500	–
Comunidad Autonoma de Madrid, Spain	92,240	–	3,675	88,565	–
European Investment Bank	91,716	–	–	91,716	66,716
United Kingdom, government	91,033	–	10,545	80,488	5,858
Instituto de Crédito Oficial (government guaranteed), Spain	84,384	–	68,500	15,884	25,000
Region Wallonne, Belgium	40,000	40,000	10,000	70,000	–
Nordic Investment Bank, Finland	40,000	–	–	40,000	40,000
Communauté Francaise de Belgique, Belgium	15,000	10,000	15,000	10,000	–
Xunta de Galicia, Spain	12,000	–	2,000	10,000	–
Junta de Castilla y Leon, Spain	10,000	–	–	10,000	–
Comunidad Autonoma de Aragon, Spain	7,300	–	7,300	–	–
Freistaat Bayern, Germany	3,300	–	3,300	–	–
Deutschsprachigen Gemeinschaft Belgiens, Belgium	–	20,000	–	20,000	–
Provincie Vlaams-Brabant, Belgium	–	6,000	–	6,000	–
Brussels Region, Belgium	–	5,000	–	5,000	–
<b>Total public sector entities</b>	<b>1,153,473</b>	<b>81,000</b>	<b>218,720</b>	<b>1,015,753</b>	<b>137,574</b>

<sup>1</sup> 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	Listed	Non-listed	2016		Of which Green bond <sup>1</sup>
			term of maturity less than a year	term of maturity more than a year	
<b>Non-public sector entities</b>					
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden (FMO), The Netherlands	140,000	40,000	130,000	50,000	140,000
NRW Bank (government guaranteed), Germany	54,560	–	15,000	39,560	54,560
Landwirtschaftliche Rentenbank, Germany	50,000	–	–	50,000	50,000
Nederlandse Waterschapsbank, The Netherlands	26,895	–	–	26,895	12,000
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
Kreditanstalt für Wiederaufbau (government guaranteed), Germany	18,858	–	–	18,858	18,858
ING Bank N.V., The Netherlands	13,000	–	–	13,000	13,000
Investitionsbank Berlin, Germany	10,000	–	10,000	–	–
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 NV, Belgium	–	18,000	2,000	16,000	18,000
Société Publique de Gestion de l'Eau SA, Belgium	–	15,000	15,000	–	–
Société Wallonne du Crédit Social (government guaranteed), Belgium	–	5,000	–	5,000	–
<b>Total non-public sector entities</b>	<b>376,313</b>	<b>108,000</b>	<b>172,000</b>	<b>312,313</b>	<b>362,918</b>
<b>Total</b>	<b>1,529,786</b>	<b>189,000</b>	<b>390,720</b>	<b>1,328,066</b>	<b>500,492</b>

<sup>1</sup> 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 55.2 million at the Dutch Central Bank (2016: EUR 44.2 million) and EUR 0.0 million at a bank in The Netherlands (2016: EUR 22.8 million). The security for drawn loans amounts to EUR 6.0 million (2016: EUR 6.0 million) at a bank in Spain.

In connection with differences between the acquisition prices and redemption values, as at 31 December 2017 an amount of EUR 33.5 million (2016: EUR 39.6 million) has been included under Prepayments and accrued

income and an amount of EUR 0.9 million (2016: EUR 1.0 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 a 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 111.5 million which equals the notional value of the interest rate swaps (2016: EUR 42.0 million). The fair value of the interest rate swaps as at 31 December 2017 is EUR 450.4 thousand (2016: EUR 181.0 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:

	2017	2016
Balance sheet value as at 1 January	1,718,786	1,689,968
Purchase	248,976	469,955
Repayments	-495,875	-400,362
Sale	-66,445	-27,000
Exchange rate results on foreign currencies	-4,227	-13,775
<b>Balance sheet value as at 31 December</b>	<b>1,401,215</b>	<b>1,718,786</b>

## 6. Shares

	2017	2016
S.W.I.F.T. SCRL	20	20
Triodos Multi Impact Fund	–	–
<b>Balance sheet value as at 31 December</b>	<b>20</b>	<b>20</b>

The shares in S.W.I.F.T. SCRL are held in the framework of the Bank's participation in S.W.I.F.T. payment transactions. The shares in Triodos Multi Impact Fund were held in the framework of the Triodos Investment Management activities.

The movement in shares is as follows:

	2017	2016
Balance sheet value as at 1 January	20	65
Purchase	–	–
Sales	–	–45
<b>Balance sheet value as at 31 December</b>	<b>20</b>	<b>20</b>

## 7. Participating Interests

	2017	2016
<b>Other participating interests</b>	<b>14,649</b>	<b>16,411</b>

As part of its mission, Triodos Bank wishes sustainable banking to create more and more impact over the world. In this respect, Triodos Bank provides equity funding to like minded financial institutions in order to increase growth of the sustainable banking sector. No significant influence can be exercised on our participating interests. The value of these interests is based on the published share price. In absence of a public share price or if such a public share price is established in a non active stock exchange market (low trading activity) Triodos Bank estimates the fair value through the net asset value.

The other participating interests can be broken down as follows.

	2017	2016
New Resource Bank, San Francisco <sup>1</sup>	7,278	5,191
Merkur Bank KGaA, Copenhagen <sup>1</sup>	1,190	1,233
Cultura Bank Sparebank, Oslo <sup>1</sup>	102	110
GLS Gemeinschaftsbank eG, Bochum <sup>1</sup>	50	50
Banca Popolare Etica Scpa, Padova <sup>1</sup>	130	130
Ekobanken Medlemsbank, Järna <sup>1</sup>	50	51
Social Enterprise Finance Australia Limited, Sydney	1	469
Bpifrance Financement S.A., Maisons-Alfort.	127	117
Sustainability – Finance – Real Economies SICAV-SIF public limited liability company, Luxembourg	1,066	1,469
Sustainalytics Holding B.V., Amsterdam	–	2,472
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO), The Hague	1,311	1,680
Thrive Renewables Plc, Bristol	2,959	3,025
Visa Inc, San Francisco <sup>1</sup>	335	364
La Bolsa Social, plataforma de financiación participativa, S.A., Madrid	50	50
<b>Balance sheet value as at 31 December</b>	<b>14,649</b>	<b>16,411</b>

<sup>1</sup> Credit institution

The movement of the participating interests is as follows:

	2017	2016
Balance sheet value as at 1 January	16,411	13,803
Acquisitions	–	3,302
Increase of capital	51	270
Revaluation	3,485	–1,269
Repayment of capital	–	–
Sales	–4,044	–
Exchange rate results on foreign currencies	–1,254	305
<b>Balance sheet value as at 31 December</b>	<b>14,649</b>	<b>16,411</b>

## 8. Intangible Fixed Assets

	2017	2016
Development costs for information systems	28,103	20,799
Management contracts	1,763	1,965
Computer software	2,977	2,395
<b>Balance sheet value as at 31 December</b>	<b>32,843</b>	<b>25,159</b>

### 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:

	2017	2016
Purchase value as at 1 January	35,095	30,209
Cumulative amortisation as at 1 January	-14,296	-15,978
Balance sheet value as at 1 January	20,799	14,231
Capitalised expenses	11,391	11,134
Amortisation <sup>1</sup>	-4,038	-2,838
Impairments	-	-1,697
Exchange rate results on foreign currencies	-49	-31
<b>Balance sheet value as at 31 December</b>	<b>28,103</b>	<b>20,799</b>
Purchase value as at 31 December	45,919	35,095
Cumulative amortisation as at 31 December	-17,816	-14,296
<b>Balance sheet value as at 31 December</b>	<b>28,103</b>	<b>20,799</b>

<sup>1</sup> excluding disposal in the amount of EUR 0.5 million (2016: EUR 6.2 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:

	2017	2016
Purchase value as at 1 January	4,030	4,030
Cumulative amortisation as at 1 January	-2,065	-1,864
Balance sheet value as at 1 January	1,965	2,166
Amortisation	-202	-201
<b>Balance sheet value as at 31 December</b>	<b>1,763</b>	<b>1,965</b>
Purchase value as at 31 December	4,030	4,030
Cumulative amortisation as at 31 December	-2,267	-2,065
<b>Balance sheet value as at 31 December</b>	<b>1,763</b>	<b>1,965</b>

### Computer software

Computer software relate to software that has been purchased.

The movement in computer software is as follows:

	2017	2016
Purchase value as at 1 January	4,284	4,329
Cumulative amortisation as at 1 January	-1,889	-2,137
Balance sheet value as at 1 January	2,395	2,192
Purchase	1,927	1,536
Amortisation <sup>1</sup>	-1,345	-1,333
<b>Balance sheet value as at 31 December</b>	<b>2,977</b>	<b>2,395</b>
Purchase value as at 31 December	4,951	4,284
Cumulative amortisation as at 31 December	-1,974	-1,889
<b>Balance sheet value as at 31 December</b>	<b>2,977</b>	<b>2,395</b>

<sup>1</sup> excluding disposal in the amount of EUR 1.3 million (2016: EUR 1.6 million).

## 9. Property and Equipment

	2017	2016
Property for own use	57,552	39,991
Equipment	15,342	16,500
<b>Balance sheet value as at 31 December</b>	<b>72,894</b>	<b>56,491</b>

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

	2017	2016
Purchase value as at 1 January	46,930	47,866
Cumulative revaluation as at 1 January	-1,782	-2,269
Adjustment cumulative revaluation regarding change of the accounting standard from actual cost to historical cost	-	487
Reclassification purchase value from property to equipment as a consequence of the change of the accounting standard from actual cost to historical cost	-	-397
Cumulative depreciation as at 1 January	-5,157	-3,969
Adjustment cumulative depreciation regarding change of the accounting standard from actual cost to historical cost	-	-601
Reclassification cumulative depreciation from property to equipment as a consequence of the change of the accounting standard from actual cost to historical cost	-	220
<b>Balance sheet as at 1 January</b>	<b>39,991</b>	<b>41,337</b>
Purchase	18,990	1,688
Depreciation	-1,067	-820
Adjustment depreciation regarding change of the accounting standard from actual cost to historical cost	-	-6
Revaluation	186	-
Exchange rate differences	-548	-2,208
<b>Balance sheet value as at 31 December</b>	<b>57,552</b>	<b>39,991</b>
Purchase value as at 31 December	64,869	46,930
Cumulative revaluation as at 31 December	-1,596	-2,269
Adjustment cumulative revaluation regarding change of the accounting standard from actual cost to historical cost	-	487
Cumulative depreciation as at 31 December	-5,721	-4,550
Adjustment cumulative depreciation regarding change of the accounting standard from actual cost to historical cost	-	-607
<b>Balance sheet value as at 31 December</b>	<b>57,552</b>	<b>39,991</b>



Prior year figures have been adjusted due to a change to the accounting standard from actual cost to historical cost. For further explanation see the general accounting principles. After the restatement due to the change in accounting principle, an impairment has been recognised on one building for Triodos Bank's own use. This building is valued at its recoverable value which is EUR 2.4 million lower than cost.

The purchase in 2017 of EUR 18,990 relates to the development of a new office building in The Netherlands and the acquisition of an office building in Spain.

Property for Triodos Bank's own use includes land which is leased with a market value of EUR 3.5 million. 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:

	2017	2016
Purchase value as at 1 January	36,968	37,543
Reclassification purchase value from property to equipment as a consequence of the change of the accounting standard from actual cost to historical cost	–	397
Cumulative depreciation as at 1 January	–20,468	–20,779
Reclassification cumulative depreciation from property to equipment as a consequence of the change of the accounting standard from actual cost to historical cost	–	–220
<b>Balance sheet value as at 1 January</b>	<b>16,500</b>	<b>16,941</b>
Purchase	3,031	4,196
Sale	–	–
Depreciation <sup>1</sup>	–4,124	–4,219
Adjustment depreciation regarding reclassification from property	–	–114
Exchange rate differences	–65	–304
<b>Balance sheet value as at 31 December</b>	<b>15,342</b>	<b>16,500</b>
Purchase value as at 31 December	38,587	36,968
Cumulative depreciation as at 31 December	–23,245	–20,468
<b>Balance sheet value as at 31 December</b>	<b>15,342</b>	<b>16,500</b>

<sup>1</sup> excluding disposal in the amount of EUR 1.3 million (2016: EUR 4.6 million).

## 10. Other Assets

	2017	2016
Assets not in use <sup>1</sup>	18,256	11,319
Receivable regarding the deposit guarantee scheme	4,551	4,551
Other	8,781	8,930
<b>Balance sheet value as at 31 December</b>	<b>31,588</b>	<b>24,800</b>

<sup>1</sup> Assets not in use relates to obtained collateral on written off loans.

## 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:

	2017	2016
Premium on investments in interest bearing securities	33,509	39,603
Interest receivable	33,912	37,449
Deferred taxes	11,054	9,653
Derivatives	14,478	35,747
Other prepayments and accrued income	49,653	29,897
<b>Balance sheet value as at 31 December</b>	<b>142,606</b>	<b>152,349</b>

The deferred tax asset relates for an amount of EUR 7.6 million (2016: EUR 7.3 million) to tax losses incurred by the German branch for which it is expected that these will be fully recovered against future profits. No compensation is expected for 2017, but for the years thereafter. 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.

An increase of EUR 20 million of other prepayments and accrued income relates to mortgages in The Netherlands. This sum was paid to the notary before the year end on concluding a number of mortgages, but before the mortgages could be distributed on to the relevant customers.

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

2017	Total	Notional amount			Fair value
		<= 1 year	> 1 year <= 5 years	> 5 years	
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
<b>Total derivatives</b>	<b>484,124</b>	<b>396,654</b>	<b>80,839</b>	<b>6,631</b>	<b>14,478</b>

2016	Total	Notional amount			Fair value
		<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	273,638	234,566	33,367	5,705	18,671
Non deliverable forwards	63,502	16,961	41,309	5,232	7,932
Swap	144,411	90,803	53,608	–	9,144
<b>Total derivatives</b>	<b>481,551</b>	<b>342,330</b>	<b>128,284</b>	<b>10,937</b>	<b>35,747</b>

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.

## Liabilities

### 12. Banks

	2017	2016
<b>Deposits from banks</b>	<b>64,363</b>	<b>31,582</b>

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

Deposits with banks classified by residual maturity:

	2017	2016
Payable on demand	1,000	–
1 to 3 months	1,225	920
3 months to 1 year	3,927	3,732
1 to 5 years	30,257	18,188
Longer than 5 years	27,954	8,742
<b>Balance sheet value as at 31 December</b>	<b>64,363</b>	<b>31,582</b>

### 13. Funds Entrusted

	2017	2016
Savings	5,393,794	5,207,837
Other funds entrusted	3,328,094	2,816,783
<b>Balance sheet value as at 31 December</b>	<b>8,721,888</b>	<b>8,024,620</b>

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:

	2017			2016		
	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	4,207,291	3,132,842	7,340,133	3,904,560	2,581,973	6,486,533
1 to 3 months	523,981	116,965	640,946	536,535	140,249	676,784
3 months to 1 year	313,597	46,506	360,103	368,693	48,522	417,215
1 to 5 years	309,681	30,162	339,843	350,611	41,717	392,328
Longer than 5 years	39,244	1,619	40,863	47,438	4,322	51,760
	<b>5,393,794</b>	<b>3,328,094</b>	<b>8,721,888</b>	<b>5,207,837</b>	<b>2,816,783</b>	<b>8,024,620</b>

#### 14. Other Liabilities

This item consists of various amounts payable, including Dutch and foreign taxation and social security contributions totalling EUR 8.4 million (2016: EUR 9.0 million). These items are short term liabilities (< 1 year).

Prior year figure have been adjusted due to the change of the accounting standard for property for own use from actual cost to historical cost. The adjustment relates to tax on profit payable in the amount of EUR 12.0 thousand. For further explanation see the general accounting principles.

#### 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:

	2017	2016
Discount on investments	872	970
Interest payable	8,359	10,807
Deferred taxes	6,228	4,582
Adjustment deferred tax regarding change of the accounting standard for property for own use from actual cost to historical cost	–	–68
Derivates	13,437	34,652
Other accruals and deferred income	47,387	49,991
<b>Balance sheet value as at 31 December</b>	<b>76,283</b>	<b>100,934</b>

The deferred tax liability relates for an amount of EUR 2.0 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.

Prior year deferred tax have been adjusted. For further explanation see the general accounting principles.

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

2017	Total	Notional amount			Fair value
		<= 1 year	> 1 year <= 5 years	> 5 years	
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
<b>Total derivatives</b>	<b>484,147</b>	<b>396,676</b>	<b>80,840</b>	<b>6,631</b>	<b>13,437</b>

2016	Total	Notional amount			Fair value
		<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	290,582	251,510	33,367	5,705	19,211
Non deliverable forwards	63,502	16,961	41,309	5,232	7,598
Swap	128,803	75,195	53,608	–	7,843
<b>Total derivatives</b>	<b>482,887</b>	<b>343,666</b>	<b>128,284</b>	<b>10,937</b>	<b>34,652</b>

Triodos Bank entered into currency contracts with Triodos 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.

## 16. Provisions

	2017	2016
Building maintenance	1,581	1,614
Other provisions	3,002	1,739
<b>Balance sheet value as at 31 December</b>	<b>4,583</b>	<b>3,353</b>

A provision in the amount of 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.

The movement of the provisions is as follows:

	2017	2016
Balance sheet value as at 1 January	3,353	3,438
Addition	2,699	1,599
Withdrawal	-149	-368
Release	-1,222	-1,063
Exchange rate differences	-98	-253
<b>Balance sheet value as at 31 December</b>	<b>4,583</b>	<b>3,353</b>

## 17. Subordinated Liabilities

This related to a 10-year bond loan dated 12 July 2006. The nominal interest rate was 5.625% and the issue price was at 99.314%. The bond was subordinated to other liabilities. The bond matured on 12 July 2016.

The movement in subordinated liabilities is as follows:

	2017	2016
Balance sheet value as at 1 January	-	5,250
Withdrawal	-	-5,250
<b>Balance sheet value as at 31 December</b>	<b>-</b>	<b>-</b>

## 18. 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 18 May 2018 are entitled to the final dividend for the financial year 2017. 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 2017, 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	37,395
Addition to the other reserves	-13,513
<b>Dividend (EUR 1.95 per depository receipt)</b>	<b>23,882</b>

## Fair values

The following table sets out the fair value of the financial instruments held as at 31 December 2017. 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, taken into account market interest rates as at the end of the year. The fair value of the loans includes floating rate UK business banking loans, for which the interest percentage contains a floor. For these loans the fair value is determined by calculating the present value of the contractual cash flows of the loan (based on forward rates) plus the option value of the embedded 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.



	2017		2016	
	Balance sheet value	Fair value	Balance sheet value	Fair value
<b>Assets</b>				
Cash	1,365,729	1,365,729	732,219	732,219
Government paper including discounts	26,504	26,510	179,062	179,223
Banks	216,375	216,287	467,529	467,472
Loans	6,597,901	6,664,156	5,708,338	5,866,087
Interest-bearing securities including premiums/discounts	1,433,848	1,481,963	1,757,259	1,822,073
Shares	20	20	20	20
Participating interests	14,649	14,649	16,411	16,411
Other	246,422	220,026 <sup>1</sup>	219,196	169,076 <sup>1</sup>
	<b>9,901,448</b>	<b>9,989,340</b>	<b>9,080,034</b>	<b>9,252,581</b>
<b>Liabilities</b>				
Banks	64,363	62,832	31,582	32,347
Funds entrusted	8,721,888	8,732,121	8,024,620	8,046,043
Other	102,302	102,301	120,151	120,151
Equity	1,012,895	1,012,895	903,681	903,681
Revaluation on equity	–	79,191	–	150,359
	<b>9,901,448</b>	<b>9,989,340</b>	<b>9,080,034</b>	<b>9,252,581</b>

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

Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost. For further explanation see the general accounting principles.

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.

## Off-balance Sheet Liabilities

### 19. Contingent Liabilities

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

	2017	2016
Credit substitute guarantees	30,651	9,400
Non-credit substitute guarantees	53,912	65,773
	<b>84,563</b>	<b>75,173</b>

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).

### 20. Irrevocable Facilities

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

	2017	2016
Undrawn debit limits on current accounts and credit cards	165,752	171,051
Accepted loans not yet paid out	874,303	599,285
Valid loan offers not yet accepted	106,259	152,488
Other facilities	2,353	2,686
	<b>1,148,667</b>	<b>925,510</b>

### 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 6,864 million (2016: EUR 6,393 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 6.8 million in 2017 (2016: EUR 5.9 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 NV'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 NV'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. As such Triodos Bank has not recognised a provision for this, but has decided to disclose this matter as a contingent liability in the annual accounts.

Should the case be decided against Triodos Bank, then the amount involved to settle the Belgian VAT incurred by Triodos Bank Belgian branch until balance sheet date would amount to approximately EUR 4.0 million (2016: EUR 2.6 million). The potential impact on result and equity will be the amount after deduction of corporate income tax in the year of payment. In 2017 the corporate income tax rate in Belgium was 33.99%.

## Rental commitments

in thousands of EUR

Location	Amount per annum	Residual term
Zeist, The Netherlands	536	12 months
Zeist, The Netherlands	166	12 months
Zeist, The Netherlands	410	15 months
Berlin, Germany	11	20 months
Brussels, Belgium	807	72 months
Edinburgh, United Kingdom	25	81 months
Albacete, Spain	9	2 months
Badajoz, Spain	26	24 months
Barcelona, Spain	60	3 months
Bilbao, Spain	14	3 months
Gerona, Spain	6	13 months
Granada, Spain	31	6 months
La Coruña, Spain	12	3 months
Las Palmas, Spain	10	3 months
Madrid, Spain	35	3 months
Malaga, Spain	80	12 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	197	18 months

## Lease commitments

in thousands of EUR

Lease commitments relates primarily to cars have been entered between 2 and 48 months with an annual charge of EUR 845.

## 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 140 regarding a mortgage tool.
- For a period of at least 1 year a variable annual charge of approximately EUR 395 regarding the use of a banking system.
- For a period of at least 6 years a variable annual charge of approximately EUR 2,298 regarding the use of a banking system.
- For a period of at least 3 years a variable annual charge of approximately EUR 55 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 920.
- Services relating payment transactions for a period of at least 3 years with an variable annual charge of approximately EUR 4,800.
- Services relating payment transactions for a period of at least 1 year with an variable annual charge of approximately EUR 90.
- Services relating payment transactions for a period of at least 3 years with an annual charge of approximately EUR 106.
- Services relating payment transactions for a period of at least 2 years with an annual charge of approximately EUR 33.
- Services relating payment transactions for a period of at least 4 years with an annual charge of approximately EUR 22.
- Services relating payment transactions for a period of at least 3 years with an annual charge of approximately EUR 22.
- Services relating protection of payment systems for a period of at least 0.5 years with an variable annual charge of approximately EUR 500.
- Services relating maintenance of building equipment for a period of at least 0.5 year with an annual charge of EUR 28.
- Services relating disaster recovery for a period of at least 0.5 year with an annual charge of EUR 7.
- Services relating management of investment accounts with an annual charge of EUR 64.
- Services relating providing temporary co-workers for the customer contact centre for a period of at least 3 months with an variable annual charge of approximately EUR 630.
- Services relating archive storage and destruction for a period of at least 1 years with an variable annual charge of approximately EUR 20.
- Services relating a marketing campaign amounting EUR 345.

Triodos Bank has been working on the realization of a new office building since 2011, with the objective to start using the building in 2016. Due to delay in (legal) proceedings, the effective start of the construction works will be early 2018. Completion of the new office is now scheduled for 2019. Total direct construction costs for the building amounts to EUR 49 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

### 21. Interest Income

	2017	2016
Loans	160,467	152,893
Banks	333	867
Government papers and interest-bearing securities	17,581	20,483
Other investments	878	314
	<b>179,259</b>	<b>174,557</b>

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 includes transaction results in the amount of EUR 1.2 million (2016: 0.4 million).

### 22. Interest Expense

	2017	2016
Funds entrusted	19,416	28,909
Subordinated liabilities	–	160
Banks	4,801	2,822
Other	2,221	544
	<b>26,438</b>	<b>32,435</b>

### 23. Investment Income

	2017	2016
Dividend from other participations	186	179
Realised result from other participations	1,383	–
	<b>1,569</b>	<b>179</b>

#### 24. Commission Income

	2017	2016
Guarantee commission	747	521
Share register	1,895	2,265
Payment transactions	21,312	18,953
Lending	17,252	14,780
Asset Management	7,708	6,918
Management fees	36,702	32,429
Other commission income	2,926	1,051
	<b>88,542</b>	<b>76,917</b>

#### 25. Commission Expense

	2017	2016
Commission to agents	142	190
Asset Management	924	982
Other commission expense	2,626	2,338
	<b>3,692</b>	<b>3,510</b>

#### 26. Result on Financial Transactions

	2017	2016
Exchange results for foreign currency transactions	-21	-311
Transaction results on currency forward contracts	807	715
	<b>786</b>	<b>404</b>

#### 27. Other Income

This relates to fees for other services performed and results from asset disposals.

Visa Inc. acquired Visa Europe. Through our Credit Card provider network in Spain (ServiRed), Triodos Bank indirectly participated in Visa Europe. ServiRed decided to distribute the receivables of the Visa transaction. Consequently, Triodos Bank received in 2016 EUR 1.3 million (before tax) in cash and shares in Visa Inc. This one-time income is in 2016 reported as other income.

## Expenses

### 28. Co-worker and Other Administrative Expenses

	2017	2016
Co-worker costs:		
• salary expenses	72,572	63,832
• pension expenses	9,024	8,242
• social security expenses	12,713	11,602
• temporary co-workers	13,123	10,266
• other staff costs	7,698	7,580
• capitalised co-worker costs	-6,538	-3,788
	<b>108,592</b>	<b>97,734</b>
Other administrative expenses:		
• office costs	5,250	5,238
• IT costs	13,263	11,105
• external administration costs	9,556	8,713
• travel and lodging expenses	3,731	3,799
• fees for advice and auditor	9,696	6,937
• advertising charges	7,072	6,935
• accommodation expenses	8,685	8,336
• regulatory expenses	10,137	8,681
• other expenses	3,600	3,154
	<b>70,990</b>	<b>62,898</b>
	<b>179,582</b>	<b>160,632</b>
Average number FTE's during the year	<b>1,203.2</b>	<b>1,094.9</b>

### Pension expenses

	2017	2016
Pension expenses, defined contribution schemes	3,364	3,124
Pension expenses, defined benefit pension schemes	5,660	5,118
	<b>9,024</b>	<b>8,242</b>



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 52,766 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 52,766, a defined contribution scheme applies; the commitment to the participating co-workers consists of paying the outstanding contribution to a maximum of EUR 103,317.

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 NV. 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 10% 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 organization. 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 organization 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 realizing the mission of Triodos Bank.

This International Remuneration and Nomination Policy has been revised in 2017 and was approved by the Supervisory Board on November 10th, 2017.

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 NV depository receipts. For 2017 no collective end-of-year token of appreciation was awarded.
- 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 2017 (it was 9.9 in 2016 and 9.8 in 2015)), 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](http://www.triodos.com) website.

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

	2017			2016		
	Amount outstanding	Average interest rate	Repayments	Amount outstanding	Average interest rate	Repayments
Pierre Aeby	125	2.2%	–	125	2.2%	–
Jellie Banga	496	1.9%	–	579	2.0%	–

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:

	2017	2016
Fixed salary expenses	793	778
Pension expenses	80	74
Pension allowance for salary above EUR 100.000	122	115
Private use company car	11	43
Social expenses	34	34
	<b>1,040</b>	<b>1,044</b>

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

	2017	2016
Peter Blom, Chair	300	300
Pierre Aeby	253	253
Jellie Banga	240	225
	<b>793</b>	<b>778</b>

## Remuneration paid to the Supervisory Board

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

Amounts in EUR	2017 Remuneration	2017 Remuneration Committees	2017 Compensation for travel time	2017 Total	2016 Total
Aart de Geus (Chair)	25,000	3,000	2,000	30,000	30,000
Carla van der Weerd (Vice-Chair)	17,500	5,000	2,000	24,500	25,500
Ernst-Jan Boers	17,500	6,479	2,000	25,979	23,500
David Carrington (until 19 May 2017)	7,291	1,667	5,000	13,958	32,500
Mathieu van den Hoogenband (until 19 May 2017)	7,291	1,771	3,000	12,062	28,750
Fieke van der Lecq (as per 19 May 2017)	10,812	2,471	–	13,283	–
Gary Page (as per 19 May 2017)	10,812	2,471	5,000	18,283	–
Udo Philipp	17,500	3,000	8,000	28,500	29,500
	<b>113,706</b>	<b>25,859</b>	<b>27,000</b>	<b>166,565</b>	<b>169,750</b>

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 & Risk Committee;
- EUR 5,000 Chair of the Audit & 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 (amounts in EUR):

Amounts in EUR	2017 Remuneration	2017 Compensation for travel time	2017 Total	2016 Total
Josephine de Zwaan (Chair)	10,000	3,000	13,000	18,000
Mike Nawas (Vice-Chair)	7,000	6,000	13,000	16,000
Marjatta van Boeschoten	7,000	5,000	12,000	13,000
Sandra Castaneda Elena (until 19 April 2017)	2,333	2,000	4,333	12,000
Frans de Clerck	7,000	6,000	13,000	15,000
Willem Lageweg (as per 20 May 2016)	7,000	1,000	8,000	4,083
Koen Schoors (as per 19 May 2017)	4,083	3,000	7,083	–
	<b>44,416</b>	<b>26,000</b>	<b>70,416</b>	<b>78,083</b>

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 NV') audit firm that relates to services concerning the financial year.

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

2017	PwC Accountants NV	Other PwC network	Total PwC network
Audit of the financial statements	592	317	909
Other audit-related engagements	145	–	145
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
<b>Total</b>	<b>737</b>	<b>317</b>	<b>1,054</b>

2016	PwC Accountants NV	Other PwC network	Total PwC network
Audit of the financial statements	473	287	760
Other audit-related engagements	365	–	365
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
<b>Total</b>	<b>838</b>	<b>287</b>	<b>1,125</b>

Our auditor, PwC Accountants NV, has rendered, for the period to which our statutory audit 2017 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
- Agreed upon procedures on interest rate risk and DGS reporting to the Dutch Central Bank

### Regulatory expenses

The regulatory expenses can be broken down as follows:

	2017	2016
Bank tax	2,653	2,276
Depository Guarantee Scheme	6,820	5,874
Single resolution fund	664	531
	<b>10,137</b>	<b>8,681</b>

## 29. Depreciation, Amortisation and Value Adjustments of Intangible and Tangible Fixed Assets

	2017	2016
Amortisation of intangible fixed assets	5,584	4,372
Impairment of intangible fixed assets	–	1,697
Depreciation of property and equipment	5,190	5,038
Adjustment depreciation regarding change of the accounting standard for property for own use from actual cost to historical cost	–	119
Impairment of tangible fixed assets	–186	–
	<b>10,588</b>	<b>11,226</b>

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

Prior year depreciation have been adjusted. For further explanation see the general accounting principles.

## 30. Impairments Loan Portfolio and Other Receivables

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

	2017	2016
Addition to provision doubtful debts	10,957	10,725
Correction on addition to provision doubtful debts regarding interest that has been invoiced but not received	–85	–244
Release of provision doubtful debts	–9,267	–6,298
Impairments other receivables	236	1,528
<b>Total expense</b>	<b>1,841</b>	<b>5,711</b>

## 31. Taxation on Operating Result

	2017	2016
Taxation to be paid	11,833	10,072
Adjustment taxation to be paid regarding change of the accounting standard for property for own use from actual cost to historical cost	–	–32
Deferred taxation	365	–701
Adjustment deferred taxation regarding change of the accounting standard for property for own use from actual cost to historical cost	–	–3
	<b>12,198</b>	<b>9,336</b>

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

	2017	2016
Result before taxation	49,593	38,576
Statutory tax rate	25.0%	25.0%
Statutory tax amount	12,398	9,644
Difference arising from other tax rates abroad, exemptions and non-deductible items	-200	-303
Restatement of deferred taxation items as the result of amended tax rates	-	-5
<b>Effective tax amount</b>	<b>12,198</b>	<b>9,336</b>
<b>Effective tax rate</b>	<b>24.6%</b>	<b>24.2%</b>

Prior year taxation on operating results have been adjusted. For further explanation see the general accounting principles.

### Fiscal unity

Triodos Bank, as a parent company, forms a tax unity for value added tax and corporate income tax purposes with Triodos Finance, Triodos Investment Management, Triodos Investment Advisory Services, 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 Mees Pierson and Triodos Fair Share Fund at competitive rates. The services relate to the secondment of co-workers, management services, administration, accommodation, ICT and advertising.
- Triodos Bank holds funds of and provides banking services to related parties at competitive rates.
- Triodos Bank provides credit facilities and bank guarantees to investment funds and international funds at competitive rates.
- Triodos Bank, 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 Investment Management, Triodos Investment Advisory Services and Triodos Mees Pierson obtain information for research into sustainability from Sustanalytics at competitive rates.



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## Segment Reporting

### 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 <sup>1</sup>	697,919	408,486		
<b>Total assets under management</b>	<b>4,809,290</b>	<b>2,438,218</b>	<b>1,290,142</b>	<b>2,215,671</b>
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
<b>Net profit</b>	<b>20,926</b>	<b>8,908</b>	<b>5,375</b>	<b>-1,239</b>
Average number of FTE's during the year	206.9	128.0	151.9	264.8
Operating expenses/total income	70%	69%	78%	96%

<sup>1</sup> 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
	<b>444,105</b>	<b>11,197,426</b>	<b>3,475,897</b>	<b>1,425,417</b>	<b>-1,592,437</b>	<b>14,506,303</b>
	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
	<b>-1,344</b>	<b>32,626</b>	<b>5,094</b>	<b>-325</b>		<b>37,395</b>
	47.6	799.2	158.3	245.6		1,203.1
	115%	78%	80%			79%

## Key Figures 2016 by Branch and Business Unit

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom	Bank Spain
Funds entrusted	3,212,861	1,656,570	1,076,587	1,860,438
Number of accounts	384,651	73,696	52,209	234,737
Loans	2,333,628	1,323,859	831,564	969,194
Number of loans	34,154	3,286	1,290	8,905
Balance sheet total	3,747,452	1,895,244	1,268,564	2,048,487
Funds under management <sup>1</sup>	702,290	350,902		
<b>Total assets under management</b>	<b>4,449,742</b>	<b>2,246,146</b>	<b>1,268,564</b>	<b>2,048,487</b>
Total income	71,985	41,332	28,593	36,829
Operating expenses	-51,838	-28,050	-22,407	-34,570
Impairments loan portfolio	-2,144	-378	81	-3,019
Value adjustments to participations				
Operating result	18,003	12,904	6,267	-760
Taxation on operating result	-4,243	-3,830	-1,137	762
<b>Net profit</b>	<b>13,760</b>	<b>9,074</b>	<b>5,130</b>	<b>2</b>
Average number of FTE's during the year	190.6	117.7	130.3	266.5
Operating expenses/total income	72%	68%	78%	94%

<sup>1</sup> 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.

Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost.

For further explanation see the general accounting principles.

	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
	224,322	8,030,778			-6,158	8,024,620
	14,445	759,738				759,738
	251,081	5,709,326			-988	5,708,338
	3,130	50,765				50,765
	308,194	9,267,941		1,300,674	-1,487,611	9,081,004
		1,053,192	3,301,926	17,981		4,373,099
	<b>308,194</b>	<b>10,321,133</b>	<b>3,301,926</b>	<b>1,318,655</b>	<b>-1,487,611</b>	<b>13,454,103</b>
	7,080	185,819	30,780	4,352	-3,321	217,630
	-8,607	-145,472	-22,848	-6,897	3,359	-171,858
	-251	-5,711				-5,711
				-1,485		-1,485
	-1,778	34,636	7,932	-4,030	38	38,576
	395	-8,053	-1,983	709	-9	-9,336
	<b>-1,383</b>	<b>26,583</b>	<b>5,949</b>	<b>-3,321</b>	<b>29</b>	<b>29,240</b>
	42.9	748.0	131.4	215.5		1,094.9
	122%	78%	74%			79%

## Key Figures 2017 by Country

in thousands of EUR	The Netherlands	Belgium
Names	Triodos Bank NV, Kantoor Buitenzorg BV, Kantoor Nieuweroord BV, Stichting Triodos Beleggersgiro, Triodos Custody BV, Triodos Finance BV, Triodos Investment Management BV, Triodos Investment Advisory Services BV, Triodos MeesPierson Sustainable Investment Management BV, Triodos Nieuwbouw BV	Triodos Bank NV, Triodos IMMA BVBA
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	
<b>Operating result</b>	<b>33,267</b>	<b>13,659</b>
Taxation on operating result	-7,692	-4,751
<b>Net profit</b>	<b>25,575</b>	<b>8,908</b>
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 NV	Triodos Bank NV	Triodos Bank NV	Triodos Finance BV		
	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
	<b>6,694</b>	<b>-2,493</b>	<b>-1,674</b>	<b>140</b>		<b>49,593</b>
	-1,319	1,254	330	-20		-12,198
	<b>5,375</b>	<b>-1,239</b>	<b>-1,344</b>	<b>120</b>		<b>37,395</b>
	-	-	-	-		-
	151.9	264.8	47.6	12.2		1,203.1

## Key Figures 2016 by Country

in thousands of EUR	The Netherlands	Belgium
Names	Triodos Bank NV, Kantoor Buitenzorg BV, Kantoor Nieuweroord BV, Stichting Triodos Beleggersgiro, Triodos Custody BV, Triodos Finance BV, Triodos Investment Management BV, Triodos Investment Advisory Services BV, Triodos MeesPierson Sustainable Investment Management BV, Triodos Nieuwbouw BV	Triodos Bank NV, Triodos IMMA BVBA
Nature of activities	Bank, Private Banking and Investment management	Bank and Private Banking
Geographical location	Zeist	Brussel
Total income	104,620	41,332
Operating expenses	-79,144	-28,050
Impairments loan portfolio	-2,144	-378
Value adjustments to participations	-1,485	
<b>Operating result</b>	<b>21,847</b>	<b>12,904</b>
Taxation on operating result	-5,514	-3,830
<b>Net profit</b>	<b>16,333</b>	<b>9,074</b>
Public subsidies received	-	-
Average number of FTE's during the year	528.8	117.7

Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost.

For further explanation see the general accounting principles.



	United Kingdom	Spain	Germany	France	Elimination intercompany transactions	Total
Triodos Bank NV	Triodos Bank NV	Triodos Bank NV	Triodos Bank NV	Triodos Finance BV		
Bank	Bank	Bank	Bank	Agency for branch Belgium and market research		
Bristol	Madrid	Frankfurt	Paris			
28,593	36,829	7,080	2,497	-3,321	217,630	
-22,407	-34,570	-8,607	-2,439	3,359	-171,858	
81	-3,019	-251			-5,711	
					-1,485	
<b>6,267</b>	<b>-760</b>	<b>-1,778</b>	<b>58</b>	<b>38</b>	<b>38,576</b>	
-1,137	762	395	-3	-9	-9,336	
<b>5,130</b>	<b>2</b>	<b>-1,383</b>	<b>55</b>	<b>29</b>	<b>29,240</b>	
-	-	-	-		-	
130.3	266.5	42.9	8.7		1,094.9	

## Tax Paid by Country

in thousands of EUR	The Netherlands	Belgium
<b>2017</b>		
Tax on Profit	6,649	4,822
Value Added Tax (VAT)	8,314	758
Banking Tax	–	2,091
<b>2016</b>		
Tax on Profit	8,619	3,830
Value Added Tax (VAT)	6,161	674
Banking Tax	–	1,749

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

United Kingdom	Spain	Germany	France	Total
1,365	-	-	16	12,852
1,502	2,173	383	-	13,130
-	562	-	-	2,653
1,933	-	-	15	14,397
1,037	2,466	234	136	10,708
-	527	-	-	2,276

## Lending by Sector in 2017 after intercompany eliminations

in thousands of EUR	Total			The Netherlands			Belgium
	amount	%	number	amount	%	number	amount
<b>Environment</b>							
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
	<b>2,506,485</b>	<b>38.0</b>	<b>3,480</b>	<b>627,028</b>	<b>24.0</b>	<b>1,082</b>	<b>766,707</b>
<b>Social</b>							
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
	<b>1,522,848</b>	<b>23.2</b>	<b>3,322</b>	<b>367,744</b>	<b>14.2</b>	<b>1,114</b>	<b>369,818</b>
<b>Culture</b>							
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
	<b>887,965</b>	<b>13.5</b>	<b>2,200</b>	<b>422,235</b>	<b>16.2</b>	<b>709</b>	<b>141,235</b>
<b>Private loans</b>	<b>1,097,505</b>	<b>16.5</b>	<b>51,306</b>	<b>733,435</b>	<b>28.2</b>	<b>28,926</b>	<b>215,643</b>
<b>Municipality loans</b>	<b>583,098</b>	<b>8.8</b>	<b>31</b>	<b>451,615</b>	<b>17.4</b>	<b>22</b>	<b>27,634</b>
<b>Total</b>	<b>6,597,901</b>	<b>100.0</b>	<b>60,339</b>	<b>2,602,057</b>	<b>100.0</b>	<b>31,853</b>	<b>1,521,037</b>

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	41,413	10.5	6
<b>50.4</b>	<b>729</b>	<b>336,264</b>	<b>37.4</b>	<b>526</b>	<b>492,551</b>	<b>41.8</b>	<b>1,020</b>	<b>283,935</b>	<b>72.0</b>	<b>123</b>
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	–
<b>24.3</b>	<b>638</b>	<b>455,858</b>	<b>50.7</b>	<b>430</b>	<b>268,713</b>	<b>22.6</b>	<b>906</b>	<b>60,715</b>	<b>15.5</b>	<b>234</b>
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
<b>9.3</b>	<b>405</b>	<b>107,085</b>	<b>11.9</b>	<b>311</b>	<b>178,430</b>	<b>15.1</b>	<b>714</b>	<b>38,980</b>	<b>9.9</b>	<b>61</b>
<b>14.2</b>	<b>2,003</b>	<b>21</b>	<b>0.0</b>	<b>1,085</b>	<b>147,914</b>	<b>12.5</b>	<b>13,672</b>	<b>492</b>	<b>0.1</b>	<b>5,620</b>
<b>1.8</b>	<b>2</b>	<b>–</b>	<b>0.0</b>	<b>–</b>	<b>93,989</b>	<b>8.0</b>	<b>5</b>	<b>9,860</b>	<b>2.5</b>	<b>2</b>
<b>100.0</b>	<b>3,777</b>	<b>899,228</b>	<b>100.0</b>	<b>2,352</b>	<b>1,181,597</b>	<b>100.0</b>	<b>16,317</b>	<b>393,982</b>	<b>100.0</b>	<b>6,040</b>

## Lending by Sector in 2016 after intercompany eliminations

in thousands of EUR	Total			The Netherlands			Belgium
	amount	%	number	amount	%	number	amount
<b>Environment</b>							
Organic farming	130,867	2.3	823	33,244	1.4	274	3,046
Organic food	85,673	1.5	835	23,476	1.0	325	14,483
Renewable energy	1,371,741	24.0	939	175,002	7.5	81	493,539
Sustainable property	502,385	8.8	481	262,101	11.3	183	171,224
Environmental technology	69,578	1.2	250	26,858	1.2	34	17,560
	<b>2,160,244</b>	<b>37.8</b>	<b>3,328</b>	<b>520,681</b>	<b>22.4</b>	<b>897</b>	<b>699,852</b>
<b>Social</b>							
Retail non-food	14,027	0.3	194	4,804	0.2	67	813
Production	18,181	0.3	125	3,461	0.1	35	11,883
Professional services	59,781	1.0	416	33,474	1.4	114	10,977
Social housing	377,448	6.7	377	48,764	2.1	148	63,109
Healthcare	726,548	12.7	1,240	238,632	10.2	448	209,921
Social projects	140,175	2.5	526	1,400	0.1	14	18,022
Fair trade	3,813	0.1	32	305	0.0	6	1,600
Development cooperation	16,150	0.3	35	8,207	0.4	7	3,798
	<b>1,356,123</b>	<b>23.9</b>	<b>2,945</b>	<b>339,047</b>	<b>14.5</b>	<b>839</b>	<b>320,123</b>
<b>Culture</b>							
Education	219,433	3.8	522	32,670	1.4	83	70,358
Child care	11,990	0.2	86	7,600	0.3	60	2,896
Arts and culture	339,567	5.9	806	241,082	10.3	226	33,529
Philosophy of life	86,529	1.5	326	18,499	0.8	72	6,008
Recreation	142,676	2.5	352	98,687	4.2	167	8,808
	<b>800,195</b>	<b>13.9</b>	<b>2,092</b>	<b>398,538</b>	<b>17.0</b>	<b>608</b>	<b>121,599</b>
<b>Private loans</b>	<b>813,650</b>	<b>14.3</b>	<b>42,350</b>	<b>533,325</b>	<b>22.9</b>	<b>31,763</b>	<b>172,355</b>
<b>Municipality loans</b>	<b>578,126</b>	<b>10.1</b>	<b>50</b>	<b>541,049</b>	<b>23.2</b>	<b>47</b>	<b>9,930</b>
<b>Total</b>	<b>5,708,338</b>	<b>100.0</b>	<b>50,765</b>	<b>2,332,640</b>	<b>100.0</b>	<b>34,154</b>	<b>1,323,859</b>

Belgium			United Kingdom			Spain			Germany	
%	number	amount	%	number	amount	%	number	amount	%	number
0.2	57	51,280	6.2	261	43,088	4.4	224	209	0.1	7
1.1	98	7,918	1.0	51	33,197	3.4	335	6,599	2.6	26
37.3	341	205,378	24.7	179	346,631	35.8	278	151,191	60.3	60
12.9	164	36,511	4.4	25	21,115	2.2	96	11,434	4.6	13
1.3	39	7,134	0.8	11	17,999	1.9	125	27	0.0	41
<b>52.8</b>	<b>699</b>	<b>308,221</b>	<b>37.1</b>	<b>527</b>	<b>462,030</b>	<b>47.7</b>	<b>1,058</b>	<b>169,460</b>	<b>67.6</b>	<b>147</b>
0.1	13	5,813	0.7	13	2,573	0.3	64	24	0.0	37
0.9	54	305	0.0	7	2,307	0.2	27	225	0.1	2
0.8	68	11,953	1.4	49	3,351	0.3	82	26	0.0	103
4.8	37	265,075	31.9	177	500	0.1	9	–	0.0	6
15.9	297	118,012	14.2	104	119,986	12.4	333	39,997	15.9	58
1.4	103	17,093	2.0	88	102,531	10.6	317	1,129	0.4	4
0.1	12	1,428	0.2	5	480	0.0	9	–	0.0	–
0.3	17	298	0.0	1	3,847	0.4	10	–	0.0	–
<b>24.3</b>	<b>601</b>	<b>419,977</b>	<b>50.4</b>	<b>444</b>	<b>235,575</b>	<b>24.3</b>	<b>851</b>	<b>41,401</b>	<b>16.4</b>	<b>210</b>
5.3	192	22,425	2.7	46	64,359	6.6	174	29,621	11.8	27
0.2	12	489	0.1	3	741	0.1	10	264	0.1	1
2.5	128	14,786	1.8	54	49,537	5.1	375	633	0.3	23
0.4	27	46,486	5.6	165	13,435	1.4	57	2,101	0.8	5
0.7	42	19,180	2.3	51	15,996	1.7	83	5	0.0	9
<b>9.1</b>	<b>401</b>	<b>103,366</b>	<b>12.5</b>	<b>319</b>	<b>144,068</b>	<b>14.9</b>	<b>699</b>	<b>32,624</b>	<b>13.0</b>	<b>65</b>
<b>13.0</b>	<b>1,584</b>	<b>–</b>	<b>0.0</b>	<b>–</b>	<b>107,721</b>	<b>11.1</b>	<b>6,296</b>	<b>249</b>	<b>0.1</b>	<b>2,707</b>
<b>0.8</b>	<b>1</b>	<b>–</b>	<b>0.0</b>	<b>–</b>	<b>19,800</b>	<b>2.0</b>	<b>1</b>	<b>7,347</b>	<b>2.9</b>	<b>1</b>
<b>100.0</b>	<b>3,286</b>	<b>831,564</b>	<b>100.0</b>	<b>1,290</b>	<b>969,194</b>	<b>100.0</b>	<b>8,905</b>	<b>251,081</b>	<b>100.0</b>	<b>3,130</b>

# 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 Chief Financial Officer and its activities are supervised by the Audit and Risk Committee of the Supervisory Board.

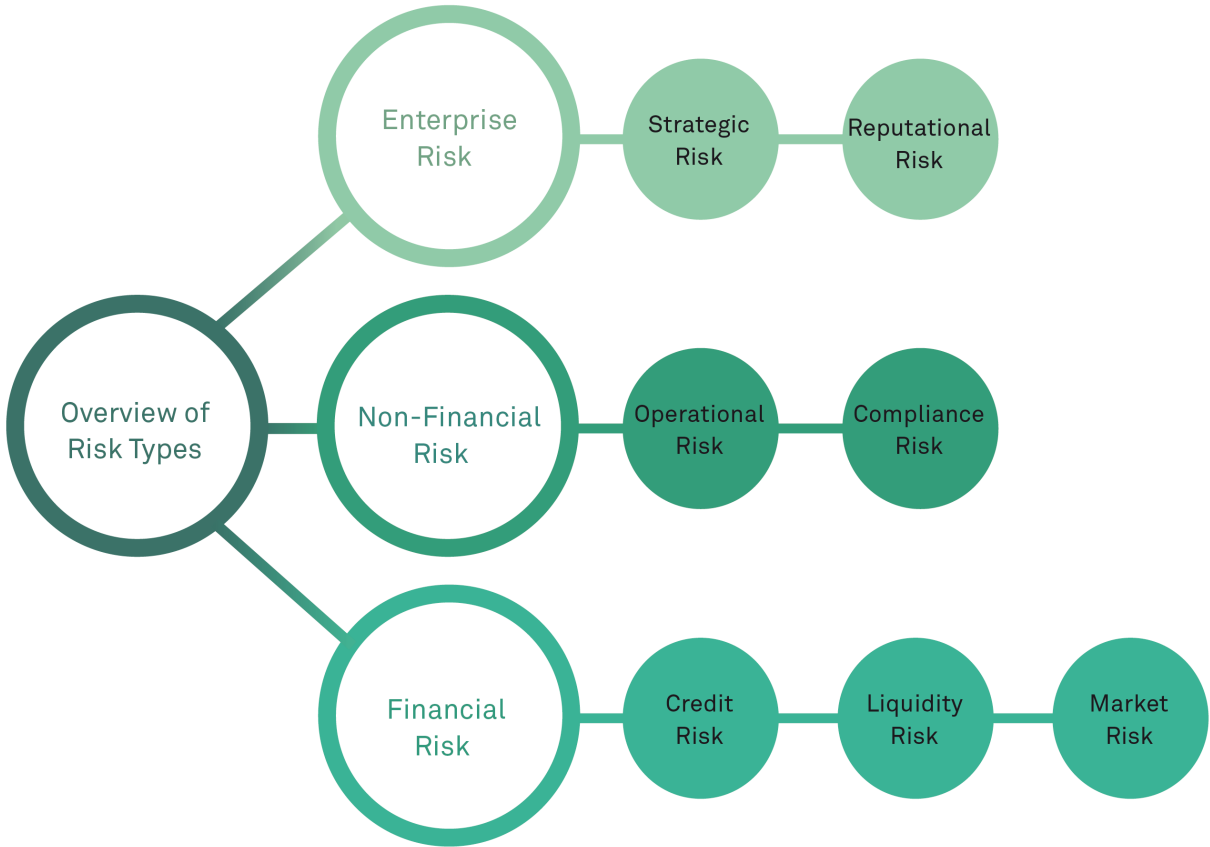
The Director Risk and Compliance provides relevant independent information, analyses and expert judgement on risk exposures, and advises on proposals and risk decisions made by the Executive Board and business or support units as to whether they are consistent with the institution's risk appetite. The 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 the next page).



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, approve 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 & 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, every three years, with an annual update.

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 has and will have impact on 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:

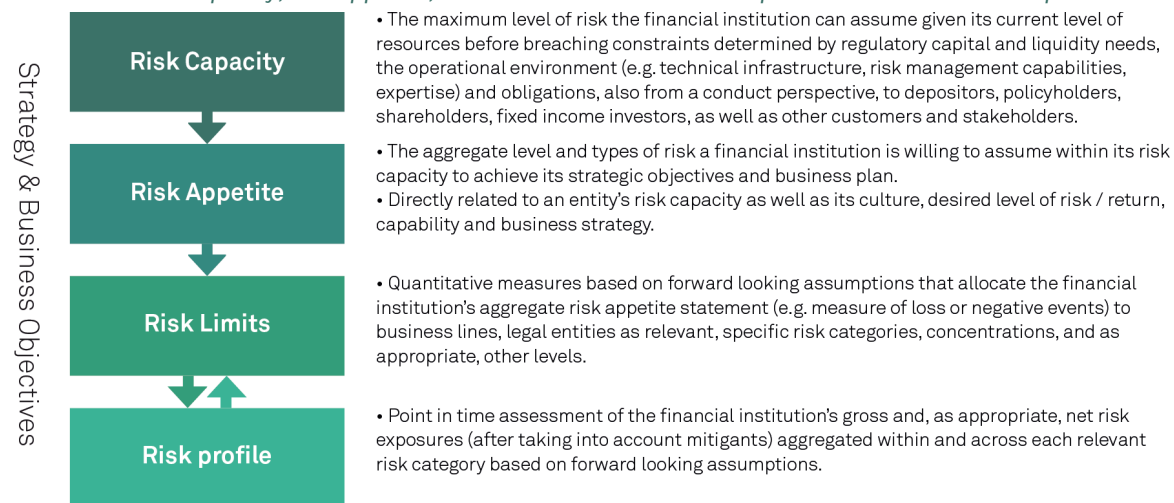
- Political and social risk: political uncertainty in the countries we operate in and at EU level and public discontent which lead to more volatility. And, like all other European banks, we are part of an ongoing discussion with the regulators about the potential implications of Brexit;
- Economic risk: 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, CRR/CRD, PSD2 and MIFID II 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 year, two of the mentioned risks have materialised 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.

## 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 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. This local limit structure, or 'cascaded' limits structure, is being developed for some of the risk types.

## 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.

Since Triodos Bank is not a SIFI (Significantly Important Financial Institution) but a LSFI (Less Significant Financial Institution), it is not required to participate in the regulatory stress test conducted by the EBA, however it is required to perform its own stress tests, e.g. for the SREP.

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.

Triodos Bank's stress testing framework provides an overarching basis to carry out all stress testing activities. It is meant to enhance the consistency of processes, governance and terminology of stress testing activities across Triodos Bank.

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.

### Business Risk

Triodos Bank defines business risk as the risk caused by changes in external factors like competitive relationships, stakeholders, reputation and business climate. Strategic risk is caused by internal factors within the organisation. Business risk arises outside of the organisation. Given that both risks can affect the organisation's ability to achieve its overall objectives, they are managed together as described under strategic risk.

### 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 87.

### Tax risk

Triodos Bank is subject to international tax risks because it operates in several European countries. These risks are managed by a framework of tax controls underpinned by close cooperation between head office and the Triodos Bank branches.

### 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 particularly important to ensure Triodos Bank can continue to offer quality financial services to its stakeholders.

### Operational Risk

Operational risks relate to losses Triodos Bank could incur as a result of inadequate or failing internal processes, systems, human behaviour or external events. Triodos Bank limits these risks with clear policies, procedures and controls for all business processes. 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 2017 the operational risk tools further increased in use and were brought further in line with the current scale and complexity of the organisation.

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. Numerous control measures have been improved and implemented in IT-systems and embedded in procedures and work instructions. Co-worker training and involvement supports these improvements because, as a learning organisation, people are key to successfully managing operational risks.

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 2017 no material losses occurred within Triodos Bank as a result of operational risk related events.

### 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 functions 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 2017 Triodos Bank continued to enhance its controls related to anti-money laundering, counter terrorist financing and sanctions regulations. As part of the implementation of the General Data Protection Regulation, a Group Data Protection Officer was appointed within the second line of defence.

There were no significant incidents in 2017 concerning compliance and integrity. Triodos Bank was not involved in material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, data protection or product liability during the year.



## 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 supranational organisations as far as an institution has a credit risk weight of 0%. Triodos Bank has set limits to avoid concentration risk in exposures on supranational organisations.

### 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.

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 2017, the net additions to the provision for doubtful debts, as a percentage of the average loan portfolio, was 0.03% (2016: 0.10%). The total of provisions related to the outstanding credits is 0.8% (2016: 1.0%) 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 only lends its funds to entrepreneurs it knows well, and 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 which are well above regulatory requirements. 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.

Although the liquidity portfolio decreased during 2017, 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 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 2017. The bonds portfolio decreased by almost 25%, 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.

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 is 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. savings 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 8,721 million of which 77% 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. 7.9% 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 2017 and is expected to increase with the further growth of Triodos Bank. The collateral needs stemming from FX forwards will decrease, 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 2017 total net amount of EUR 2.9 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 8,722 million per the end of December 2017, 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

Management of IRRBB starts with the conservative business model of Triodos Bank. The bank uses retail funds 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 taken level of interest rate risk is managed in a four-stage risk control cycle. In this cycle the relevant definitions, indicators, measurement methods, and analysis for IRRBB are set first. 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 three years ahead 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 able to steer the volume and interest rate terms of new assets and the interest rate of existing 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. If necessary 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 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.



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.

### Stress scenarios

Triodos Bank runs a variety of interest rate scenarios to assess its level of interest rate risk. The scenarios are made up of 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 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.

Secondly, loan prepayments 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 have 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 is considering a more sophisticated model, taking into account the correlation between interest rate levels and prepayment behaviour.

Thirdly, some of Triodos Bank's loans 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 key interest rate risk indicators for 2017 have increased compared to the situation at the end of 2016. The duration of equity increased from 4.4 years at the end of 2016 to 5.6 years at the end of 2017. The one year Earnings at Risk increased from 1.8% at the end of 2016 to 2.4% at the end of 2017 (in case of a decreasing interest rate scenario by 2%, where the resulting market rates are floored at 0%). The Economic Value of Equity (EVE) at Risk increased from 8.5% at the end of 2016 to 10.9% at the end of 2017 (in case of a +2% interest rate scenario). The Outlier Criterion increased from 11.4% at the end of 2016 to 13.7% at the end of 2017.

For the EUR portfolio, the duration of equity increased from 4.7 years at the end of 2016 to 6.0 years at the end of 2017. The 1 year Earnings at Risk for EUR increased from 1.8% at the end of 2016 to 2.7% at the end of 2017. The EUR EVE at Risk increased from 9.2% at the end of 2016 to 11.5% at the end of 2017.

For the sterling (GBP) portfolio, the duration of equity increased from 0.3 years at the end of 2016 to 1.4 years at the end of 2017. The 1 year Earnings at Risk for GBP decreased from 1.7% at the end of 2016 to 0.3% at the end of 2017. The GBP EVE at Risk decreased from 9.8% at the end of 2016 to 5.5% at the end of 2017. The EVE at Risk includes the impact of the +200bp shock on the valuation of the embedded floors in the business loans of the UK.

2017	Floating- rate	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
<b>Interest-bearing assets</b>						
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	–	–
<b>Total</b>	<b>2,428,229</b>	<b>1,198,381</b>	<b>1,321,718</b>	<b>2,439,428</b>	<b>2,142,971</b>	<b>9,530,727</b>
<b>Interest-bearing liabilities</b>						
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
<b>Total</b>	<b>35,452</b>	<b>1,576,438</b>	<b>2,442,358</b>	<b>3,088,266</b>	<b>1,636,578</b>	<b>8,779,092</b>

2016	Floating-rate	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
<b>Interest-bearing assets</b>						
Cash	732,219	–	–	–	–	732,219
Government paper	–	53,544	125,518	–	–	179,062
Banks	351,894	114,635	–	1,000	–	467,529
Loans	884,283	856,089	885,764	1,591,001	1,351,289	5,568,426
Interest-bearing securities	–	264,166	342,617	802,861	347,615	1,757,259
<b>Total</b>	<b>1,968,396</b>	<b>1,288,434</b>	<b>1,353,899</b>	<b>2,394,862</b>	<b>1,698,904</b>	<b>8,704,495</b>
<b>Interest-bearing liabilities</b>						
Banks	212	719	4,298	17,626	8,727	31,582
Funds entrusted	21,186	1,446,578	2,256,884	2,779,729	1,510,431	8,014,808
<b>Total</b>	<b>21,398</b>	<b>1,447,297</b>	<b>2,261,182</b>	<b>2,797,355</b>	<b>1,519,158</b>	<b>8,046,390</b>

**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.

2017	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	–
PEN	–	–	–	–	–	–
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	–	–
<b>Total</b>	<b>1,120,708</b>	<b>1,110,244</b>	<b>487,991</b>	<b>487,969</b>	<b>10,486</b>	<b>–</b>

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

2016	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	1,081,884	1,078,536	642	–	3,990	–
USD	8,858	891	402,027	402,721	7,273	–
NOK	110	–	–	–	110	–
PEN	–	–	–	–	–	–
DKK	–	–	10,278	10,278	–	–
AUD	469	–	–	–	469	–
SEK	126	75	5,744	5,744	51	–
INR	–	–	56,717	56,717	–	–
IDR	–	–	6,720	6,720	–	–
<b>Total</b>	<b>1,091,447</b>	<b>1,079,502</b>	<b>482,128</b>	<b>482,180</b>	<b>11,893</b>	<b>–</b>

Net open foreign currency position (total of net positions debit and credit): 11,893

## Capital Management

Triodos Bank wants to be strongly capitalised. Given uncertain regulatory requirements, we prefer to 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

Triodos Bank takes fulfilling its regulatory obligations seriously. It recognises that, alongside the culture of an organisation, regulatory obligations play an important role in helping to ensure banks operate appropriately.

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 2017 available capital has been at sufficient levels at all times. In 2017 new equity of (net) EUR 77 million was issued to finance Triodos Bank's further growth. In addition, a retained portion of the 2017 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 2017

Before appropriation of profit in thousands of EUR	Reference <sup>1</sup>	31.12.2017	31.12.2016
<b>Assets</b>			
Cash		1,365,729	732,219
Government paper		26,500	178,902
Banks	32	213,752	464,466
Loans		6,597,901	5,709,325
Interest-bearing securities		1,401,215	1,718,786
Shares	33	20	20
Participating interests	34	37,857	40,492
Intangible fixed assets	35	29,973	21,552
Property and equipment	36	41,054	35,786
Other assets		57,461	40,732
Prepayments and accrued income		133,902	143,597
<b>Total assets</b>		<b>9,905,364</b>	<b>9,085,877</b>
<b>Liabilities</b>			
Banks		64,363	31,582
Funds entrusted	37	8,730,086	8,030,741
Other liabilities		21,257	17,246
Accruals and deferred income		72,810	100,211
Provisions	38	3,953	2,416
<b>Total liabilities</b>		<b>8,892,469</b>	<b>8,182,196</b>
<b>Subordinated liabilities</b>		<b>–</b>	<b>–</b>
Capital	39	612,368	554,415
Share premium reserve	40	169,840	151,157
Revaluation reserve	41	1,186	484
Statutory reserve	42	24,988	18,540
Other reserves	43	167,118	149,845
Result for the period		37,395	29,240
<b>Equity</b>		<b>1,012,895</b>	<b>903,681</b>
<b>Total equity and liabilities</b>		<b>9,905,364</b>	<b>9,085,877</b>
Contingent liabilities		84,563	75,173
Irrevocable facilities		1,148,667	925,510
		<b>1,233,230</b>	<b>1,000,683</b>

<sup>1</sup> References relate to the notes starting on page 178. These form an integral part of the parent company annual accounts. Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost. For further explanation see the general accounting principles.



## Company Profit and Loss Account for 2017

in thousands of EUR	Reference <sup>1</sup>	2017	2016
<b>Income</b>			
Interest income	44	179,263	174,552
Interest expense	45	-26,261	-32,434
<b>Interest</b>		<b>153,002</b>	<b>142,118</b>
<b>Investment income</b>		<b>1,569</b>	<b>179</b>
Commission income	46	51,991	44,439
Commission expense	47	-3,693	-3,895
<b>Commission</b>		<b>48,298</b>	<b>40,544</b>
Result on financial transactions	48	885	426
Other income	49	245	1,519
<b>Other income</b>		<b>1,130</b>	<b>1,945</b>
<b>Total income</b>		<b>203,999</b>	<b>184,786</b>
<b>Expenses</b>			
Co-worker and other administrative expenses	50	151,051	137,714
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	51	9,241	9,652
<b>Operating expenses</b>		<b>160,292</b>	<b>147,366</b>
Impairments loan portfolio and other receivables	52	1,841	5,711
Value adjustments to participating interests	53	-1,334	1,485
<b>Total expenses</b>		<b>160,799</b>	<b>154,562</b>
<b>Operating result before taxation</b>		<b>43,200</b>	<b>30,224</b>
Taxation on operating result	54	-10,565	-7,214
Result on participating interests after taxation		4,760	6,230
<b>Net profit</b>		<b>37,395</b>	<b>29,240</b>

<sup>1</sup> References relate to the notes starting on page 178. These form an integral part of the parent company annual accounts. Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost. For further explanation see the general accounting principles.

## Company Statement of Changes in the Equity for 2017

in thousands of EUR

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### Equity as at 1 January 2016

Adjustment opening balance

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 2016

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

Prior year amounts have been adjusted regarding change of the accounting standard for property for own use from actual cost to historical cost.

For further explanation see the general accounting principles.

	Share capital	Share Premium	Revaluation reserve	Statutory reserve	Other reserve	Result for the period	Total equity
	484,329	123,935	503	11,286	119,737	40,727	780,517
			-195		101		-94
	60,347	36,961					97,308
	9,739	-9,739					-
			176				176
							-
				311			311
					21,368	-21,368	-
						-19,359	-19,359
							-
					15,582		15,582
				6,943	-6,943		-
							-
						29,240	29,240
	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

# Notes to the Company's Financial Statements

in thousands of EUR

## General

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

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

## Assets

### 32. Banks

	2017	2016
On demand deposits with banks	162,720	276,192
Deposits with banks	51,032	188,274
<b>Balance sheet value as at 31 December</b>	<b>213,752</b>	<b>464,466</b>

An amount of EUR 14.5 million of the deposits is encumbered (2016: EUR 29.7 million). These are on demand deposits at Cecabank in the amount of EUR 1 million (2016: EUR 1 million), ING Bank EUR 13 million (2016: EUR 13 million), Rabobank EUR nihil 2016: (EUR 15 million) and Mastercard EUR 0.5 million (2016: EUR 0.7 million). All other deposits can be freely disposed of.

### 33. Shares

	2017	2016
S.W.I.F.T. SCRL	20	20
<b>Balance sheet value as at 31 December</b>	<b>20</b>	<b>20</b>

The movement in shares is as follows:

	2017	2016
Balance sheet value as at 1 January	20	20
Purchase	–	–
Sales	–	–
<b>Balance sheet value as at 31 December</b>	<b>20</b>	<b>20</b>

### 34. Participating Interests

	2017	2016
Participating interests in group companies	21,912	22,774
Other participating interests	15,945	17,718
<b>Balance sheet value as at 31 December</b>	<b>37,857</b>	<b>40,492</b>

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:

	2017	2016
Balance sheet value as at 1 January	40,492	37,347
Adjustment balance sheet value as at 1 January regarding change of the accounting standard for property for own use from actual cost to historical cost	–	–195
Acquisitions	–	3,302
Incorporations	–	–
Increase of capital	51	270
Result on participating interests	4,760	6,240
Adjustment result on participating interests regarding change of the accounting standard for property for own use from actual cost to historical cost	–	–10
Transfer from or to provision for negative equity of participating interests	311	–
Dividend paid	–5,944	–5,498
Revaluation	3,485	–1,269
Repayment of capital	–	–
Sale	–4,044	–
Exchange rate result on foreign currency	–1,254	305
<b>Balance sheet value as at 31 December</b>	<b>37,857</b>	<b>40,492</b>

### 35. Intangible Fixed Assets

	2017	2016
Development costs for information systems	27,271	19,561
Computer software	2,702	1,991
<b>Balance sheet value as at 31 December</b>	<b>29,973</b>	<b>21,552</b>

#### 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:

	2017	2016
Purchase value as at 1 January	33,006	28,187
Cumulative amortisation as at 1 January	-13,445	-15,535
Balance sheet value as at 1 January	19,561	12,652
Capitalised expenses	11,389	11,067
Amortisation	-3,630	-2,430
Impairments	-	-1,697
Exchange rate result on foreign currency	-49	-31
<b>Balance sheet value as at 31 December</b>	<b>27,271</b>	<b>19,561</b>
Purchase value as at 31 December	43,828	33,006
Cumulative amortisation as at 31 December	-16,557	-13,445
<b>Balance sheet value as at 31 December</b>	<b>27,271</b>	<b>19,561</b>

### Computer software

Computer software relate to software that has been purchased.

The movement in computer software is as follows:

	2017	2016
Purchase value as at 1 January	3,640	3,804
Cumulative amortisation as at 1 January	-1,649	-2,008
Balance sheet value as at 1 January	1,991	1,796
Purchase	1,927	1,416
Amortisation	-1,216	-1,221
<b>Balance sheet value as at 31 December</b>	<b>2,702</b>	<b>1,991</b>
Purchase value as at 31 December	4,307	3,640
Cumulative amortisation as at 31 December	-1,605	-1,649
<b>Balance sheet value as at 31 December</b>	<b>2,702</b>	<b>1,991</b>

### 36. Property and Equipment

	2017	2016
Property for own use	26,634	20,301
Equipment	14,420	15,485
<b>Balance sheet value as at 31 December</b>	<b>41,054</b>	<b>35,786</b>

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

	2017	2016
Purchase value as at 1 January	23,335	25,211
Cumulative revaluation as at 1 January	-1,781	-2,302
Adjustment cumulative revaluation regarding change of the accounting standard from actual cost to historical cost	-	521
Reclassification purchase value from property to equipment as a consequence of the change of the accounting standard from actual cost to historical cost	-	-397
Cumulative depreciation as at 1 January	-1,253	-619
Adjustment cumulative depreciation regarding change of the accounting standard from actual cost to historical cost	-	-376
Reclassification cumulative depreciation from property to equipment as a consequence of the change of the accounting standard from actual cost to historical cost	-	220
<b>Balance sheet value as at 1 January</b>	<b>20,301</b>	<b>22,258</b>
Purchase	7,279	748
Depreciation	-584	-504
Adjustment depreciation regarding change of the accounting standard from actual cost to historical cost	-	7
Revaluation	186	-
Exchange rate differences	-548	-2,208
<b>Balance sheet value as at 31 December</b>	<b>26,634</b>	<b>20,301</b>
Purchase value as at 31 December	30,045	23,335
Cumulative revaluation as at 31 December	-1,595	-2,302
Adjustment cumulative revaluation regarding change of the accounting standard from actual cost to historical cost	-	521
Cumulative depreciation as at 31 December	-1,816	-884
Adjustment cumulative revaluation regarding change of the accounting standard from actual cost to historical cost	-	-369
<b>Balance sheet value as at 31 December</b>	<b>26,634</b>	<b>20,301</b>



The movement in equipment is as follows:

	2017	2016
Purchase value as at 1 January	31,263	31,398
Reclassification purchase value from property to equipment as a consequence of the change of the accounting standard from actual cost to historical cost	–	397
Cumulative depreciation as at 1 January	–15,778	–16,097
Reclassification cumulative depreciation from property to equipment as a consequence of the change of the accounting standard from actual cost to historical cost	–	–220
<b>Balance sheet value as at 1 January</b>	<b>15,485</b>	<b>15,478</b>
Purchase	2,997	4,119
Sale	–	–
Depreciation <sup>1</sup>	–3,997	–3,694
Adjustment depreciation regarding reclassification from property	–	–114
Exchange rate differences	–65	–304
<b>Balance sheet value as at 31 December</b>	<b>14,420</b>	<b>15,485</b>
Purchase value as at 31 December	33,511	31,263
Cumulative depreciation as at 31 December	–19,091	–15,778
<b>Balance sheet value as at 31 December</b>	<b>14,420</b>	<b>15,485</b>

<sup>1</sup> excluding disposal in the amount of EUR 0.6 million (2016: EUR 4.0 million).

## Liabilities

### 37. Funds Entrusted

	2017	2016
Savings accounts	5,393,793	5,207,838
Other funds entrusted	3,336,293	2,822,903
<b>Balance sheet value as at 31 December</b>	<b>8,730,086</b>	<b>8,030,741</b>

The Other funds entrusted item includes an amount of EUR 8.3 million (2016: EUR 6.2 million) for deposits from consolidated participating interests.

Savings are defined as:

- savings accounts (with or without notice) of natural persons and non-profit institutions
- fixed term deposits of natural persons and non-profit institutions

Other funds entrusted are defined as:

- current accounts of natural persons and non-profit institutions
- all accounts of governments, financial institutions (excluding banks) and non-financial corporations

Funds entrusted classified by residual maturity:

	2017			2016		
	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	4,207,291	3,141,040	7,348,331	3,904,560	2,588,094	6,492,654
1 to 3 months	523,981	116,965	640,946	536,535	140,249	676,784
3 months to 1 year	313,597	46,506	360,103	368,693	48,522	417,215
1 to 5 years	309,681	30,162	339,843	350,611	41,717	392,328
Longer than 5 years	39,244	1,619	40,863	47,438	4,322	51,760
	<b>5,393,794</b>	<b>3,336,292</b>	<b>8,730,086</b>	<b>5,207,837</b>	<b>2,822,904</b>	<b>8,030,741</b>

### 38. Provisions

	2017	2016
Provision for negative equity of participating interests	311	–
Building maintenance	800	846
Other provisions	2,842	1,570
<b>Balance sheet value as at 31 December</b>	<b>3,953</b>	<b>2,416</b>

The movement of the provisions is as follows:

	2017	2016
Balance sheet value as at 1 January	2,416	2,453
Addition	2,884	1,390
Withdrawal	-116	-353
Release	-1,133	-821
Exchange rate differences	-98	-253
<b>Balance sheet value as at 31 December</b>	<b>3,953</b>	<b>2,416</b>

### 39. Capital

The authorised capital totals EUR 1.5 billion and is divided into 30 million shares, each with a nominal value of EUR 50. At year-end, there were 12,247,373 shares (2016: 11,088,308 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 12,247,373 depository receipts (2016: 11,088,308 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:

	2017	2016
Number of shares as at 1 January	11,088,308	9,686,584
Increase of share capital	935,541	1,206,942
Stock dividend	223,524	194,782
<b>Number of shares as at 31 December</b>	<b>12,247,373</b>	<b>11,088,308</b>

### 40. 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.

### 41. Revaluation Reserve

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

## 42. Statutory Reserve

	2017	2016
Development costs	28,240	20,611
Conversion differences	-3,252	-2,071
<b>Balance sheet value as at 31 December</b>	<b>24,988</b>	<b>18,540</b>

### Development costs

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

	2017	2016
Balance sheet value as at 1 January	20,611	13,668
Transfer of other reserve	7,629	6,943
<b>Balance sheet value as at 31 December</b>	<b>28,240</b>	<b>20,611</b>

### Conversion differences

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

	2017	2016
Balance sheet value as at 1 January	-2,071	-2,382
Exchange results on participating interests	-1,181	311
<b>Balance sheet value as at 31 December</b>	<b>-3,252</b>	<b>-2,071</b>

## 43. Other Reserves

The movement in other reserves includes purchasing of own depository receipts. At year-end 2017, Triodos Bank had not purchased own depository receipts (2016: nil).

## Income

### 44. Interest Income

	2017	2016
Loans	160,467	152,893
Banks	337	862
Government papers and interest-bearing securities	17,581	20,483
Other investments	878	314
	<b>179,263</b>	<b>174,552</b>

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 includes transaction results in the amount of EUR 1.2 million (2016: EUR 0.4 million).

### 45. Interest Expense

	2017	2016
Funds entrusted	19,423	28,911
Subordinated liabilities	–	160
Banks	4,794	2,819
Other	2,044	544
	<b>26,261</b>	<b>32,434</b>

### 46. Investment Income

	2017	2016
Dividend from other participations	186	179
Realised result from other participations	1,383	–
	<b>1,569</b>	<b>179</b>

#### 47. Commission Income

	2017	2016
Guarantee commission	748	521
Share register	1,895	2,265
Payment transactions	21,312	18,953
Lending	17,252	14,780
Asset Management	6,197	5,501
Management fees	1,661	1,368
Other commission income	2,926	1,051
	<b>51,991</b>	<b>44,439</b>

#### 48. Commission Expense

	2017	2016
Commission to agents	142	190
Asset Management	925	1,361
Other commission expense	2,626	2,344
	<b>3,693</b>	<b>3,895</b>

#### 49. Result on Financial Transactions

	2017	2016
Exchange results for foreign currency transactions	78	-289
Transaction results on currency forward contracts	807	715
	<b>885</b>	<b>426</b>

#### 50. Other Income

This relates to fees for other services performed and results from asset disposals.

Visa Inc. acquired Visa Europe in 2016. Through our Credit Card provider network in Spain (ServiRed), Triodos Bank indirectly participated in Visa Europe. ServiRed decided to distribute the receivables of the Visa transaction. Consequently, Triodos Bank received EUR 1.3 million (before tax) in cash and shares in Visa Inc. This one-time income is reported as other income in 2016.

## Expenses

### 51. Co-worker and Other Administrative Expenses

	2017	2016
Co-worker costs:		
• salary expenses	59,092	52,993
• pension expenses	6,922	6,447
• social security expenses	10,813	10,062
• temporary co-workers	12,036	9,170
• other staff costs	6,376	6,399
• capitalised co-worker costs	-6,613	-3,788
	<b>88,626</b>	<b>81,283</b>
Other administrative expenses:		
• office costs	4,747	4,725
• IT costs	12,427	10,621
• external administration costs	9,556	8,713
• travel and lodging expenses	2,566	2,804
• fees for advice and auditor	7,993	5,760
• advertising charges	6,699	6,666
• accommodation expenses	8,704	8,022
• other expenses	9,733	9,120
	<b>62,425</b>	<b>56,431</b>
	<b>151,051</b>	<b>137,714</b>

#### Other expenses

In 2017 the Depository Guarantee Scheme costs, included in this category amounted to EUR 6.8 million (2016: EUR 5.9 million).

## 52. Depreciation, Amortisation and Value Adjustments of Intangible and Tangible Fixed Assets

	2017	2016
Amortisation of intangible fixed assets	4,846	3,651
Impairment of intangible fixed assets	–	1,697
Depreciation of property and equipment	4,581	4,198
Adjustment depreciation regarding change of the accounting standard for property for own use from actual cost to historical cost	–	106
Impairment of tangible fixed assets	–186	–
	<b>9,241</b>	<b>9,652</b>

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

Prior year depreciation have been adjusted. For further explanation see the general accounting principles.

## 53. Impairments Loan Portfolio and Other Receivables

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

	2017	2016
Addition to provision doubtful debts	10,957	10,725
Correction on addition to provision doubtful debts regarding interest that has been invoiced but not received	–85	–244
Release of provision doubtful debts	–9,267	–6,298
Impairments other receivables	236	1,528
<b>Total expense</b>	<b>1,841</b>	<b>5,711</b>

## 54. Taxation on Operating Result

	2017	2016
Taxation to be paid	10,200	7,950
Adjustment taxation to be paid regarding change of the accounting standard for property for own use from actual cost to historical cost	–	–32
Deferred taxation	365	–704
	<b>10,565</b>	<b>7,214</b>



## 55. Subsequent Events

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

Zeist, 14 March 2018

Supervisory Board  
Aart de Geus, Chair  
Carla van der Weerd, Vice-Chair  
Ernst-Jan Boers  
Fieke van der Lecq  
Gary Page  
Udo Philipp

Executive Board  
Peter Blom, Chair  
Pierre Aeby  
Jellie Banga

# Other Information

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## Branches

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

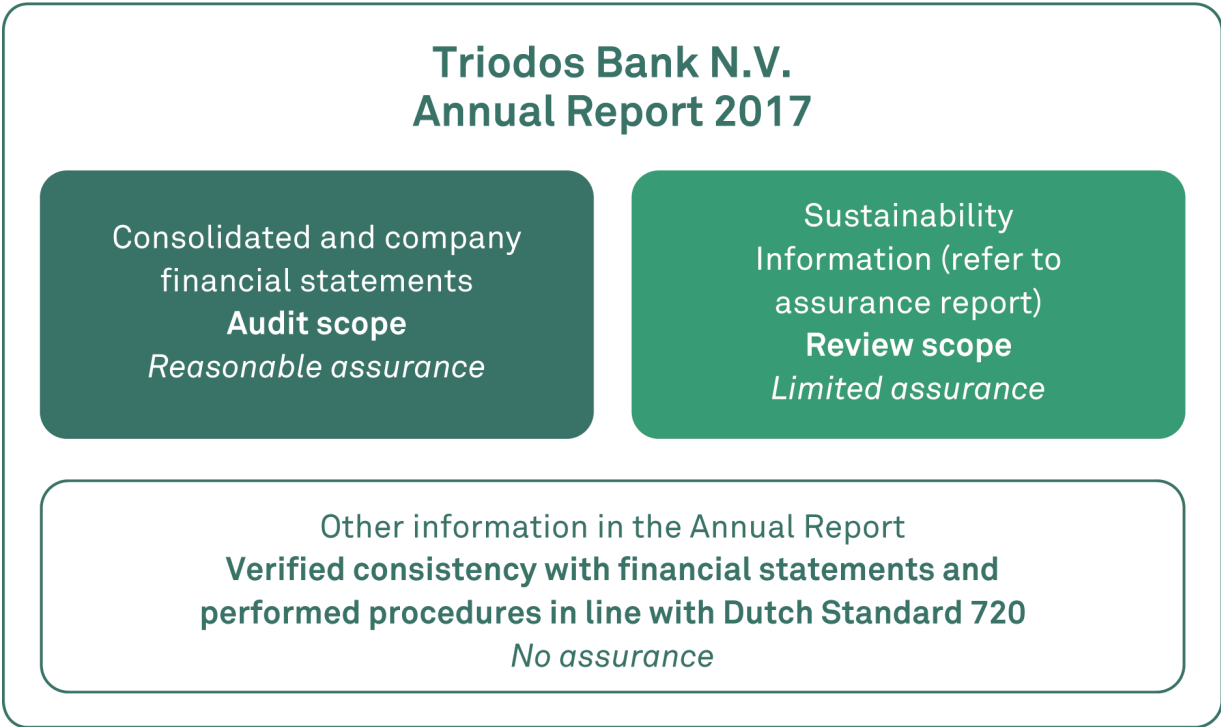
## Combined Independent Auditor’s and Assurance Report

### General

The purpose of Triodos Bank N.V. (‘the Bank’), as disclosed in the annual report on page 11, 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:



## Independent auditor's report

To: the general meeting and Supervisory Board of Triodos Bank N.V.

### Report on the financial statements 2017

#### Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Triodos Bank N.V. as at 31 December 2017, 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 2017 of Triodos Bank N.V., Zeist ('the Bank'). The financial statements include the consolidated financial statements of Triodos Bank N.V. and its subsidiaries (together: the Group) and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2017;
- the consolidated and company profit and loss account for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been 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. Our responsibilities under those standards are further described 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*

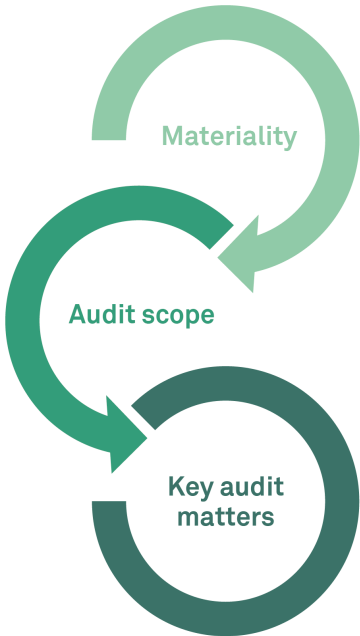
The Bank operates in a low interest environment and, being a banking institution active across Europe, is subject to regulatory developments. During 2017, these developments significantly impacted the Bank's

profitability, amongst other things as a result of regulatory costs (such as contributions to the Depository Guarantee Scheme and Resolution Fund) and banking taxes. We have addressed these developments in the context of our audit.

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 notes to the consolidated financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in loan impairments related to their main business of providing loans to customers, the fair value measurement of financial instruments and a contingent liability relating to potential VAT charges on intra-company transactions, we considered these to be key audit matters as set out in the section 'key audit matters' of this report.

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. 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. Laws and regulations and changes therein have significant impact on the banking business and have therefore been addressed to the extent it was relevant to our audit.

The outlines of our audit approach were as follows:



**Materiality**

- Overall materiality: €2.4 million.

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**Audit scope**

- We conducted audit work on the five branches, head office and Triodos Investment Management B.V.
- Site visits were conducted to all branches.
- Audit coverage: 97% of consolidated revenue, 98% of consolidated total assets and 96% of profit before tax.

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**Key audit matters**

- Valuation of the loan portfolio
- Fair value of financial instruments
- Disclosure of a contingent liability relating to potential VAT charges on intra-company transactions

## 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 judgment, 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.

<b>Overall group materiality</b>	€2.4 million (2016: €1.9 million)
<b>How we determined it</b>	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 5% of profit before tax.
<b>Rationale for benchmark applied</b>	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 Bank.
<b>Component materiality</b>	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 €0.2 million and €2 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 €120 thousand (2016: €97 thousand) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## The scope of our audit

Triodos Bank N.V. operates five branches across Europe and is the parent company of a group of legal 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 the 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, 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.

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

Revenue	97%
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Total assets	98%
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Profit before tax	96%

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 Triodos Bank N.V. head office and the Dutch branch the group engagement team performed the audit work. For Triodos Investment Management B.V. we used a component team 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 the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

The group engagement team visited all component teams and branches at least once. Furthermore, detailed instructions were sent to component teams, several update calls were held to discuss the instructions and the progress and outcome of the work performed and review of selected working papers was done.

The group consolidation, financial statement disclosures and a number of complex items were audited by the group engagement team 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 Bank. This includes the policies and procedures used by the Bank 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. Our approach was tailored towards the fact that the Bank operates an in-house developed IT-system as well as external IT-systems throughout the group.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. In addition to banking and IT-specialists, we therefore included valuation specialists and experts and tax specialists in our team.

By performing the procedures above at components, combined with additional procedures at head office level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated 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 Executive Board and the

Supervisory Board. The key audit matters are not a comprehensive reflection of all matters that were 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. Compared to prior year, we have not identified the valuation of deferred tax assets as a key audit matter anymore taken the positive developments in the expected future profitability of the German branch.

The key audit matters were addressed 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 make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
<p><b>Valuation of the loan portfolio</b></p> <p><i>See paragraphs 'The use of estimates and assumptions in the preparation of the financial' and 'Banks and loans' of the accounting principles and note 4 'Loans'.</i></p> <p>Given the size of the loan portfolio of €6,598 million (note 4 'Loans' in the financial statements) and the high level of management estimates associated with the determination of impairments, we consider this to be a key audit matter in our audit.</p> <p>The high level of management's estimate associated with the valuation of the loan portfolio means that differences in judgements and changes in assumptions may result in higher or lower impairment charges.</p> <p><i>Specific impairments</i></p> <p>The Bank assesses whether there is an indication of a possible impairment of loans on an individual basis. As of 31 December 2017, the specific allowance for impairment amounts to €43.7 million (note 4 'Loans' in the financial statements).</p> <p>In accordance with Part 9 of Book 2 of the Dutch Civil Code, impairments are based on incurred losses at balance sheet date. When a trigger is identified, the Bank determines the level of impairment which includes judgements on elements such as:</p> <ul style="list-style-type: none"> <li>• the identification of an impaired loan;</li> <li>• the estimation of expected future cash flows;</li> <li>• their timing; and</li> <li>• the market value of the underlying collateral.</li> </ul>	<p>Our audit procedures included an assessment of the overall governance of the credit and impairment process of the Bank and the testing of design and operational effectiveness of the key controls directly related to:</p> <ul style="list-style-type: none"> <li>• the identification of impairment triggers;</li> <li>• the parameters and data applied in the impairment models (e.g. exposures, cash flows, market values of collateral etc.); and</li> <li>• the review and approval by management on the outcomes of the individual impairments and the impairment models.</li> </ul> <p>We determined that we could rely on these controls for the purpose of our audit.</p> <p><i>Specific impairments</i></p> <p>We examined the methodology that is applied by the Bank 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:</p> <ul style="list-style-type: none"> <li>• classification as performing or non-performing loans based on the existence or non-existence of triggering events;</li> <li>• nature and accuracy of the expected future cash flows based on the source from which the cash flows arise;</li> </ul>

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Management's judgements change over time as new information becomes available, or as recovery strategies evolve, resulting in revised scenarios to individual impairments.

The Bank has controls in place by which the Bank regularly reviews the methodology and assumptions used for estimating both the amounts and timing of future cash flows, to reduce any differences between loss estimates and actual loss experiences.

#### *Incurred but not reported losses*

Furthermore, the Bank estimates an impairment for incurred but not reported losses ('IBNR'). As of 31 December 2017, the IBNR amounts to €5.9 million (note 4 'Loans' in the financial statements). For loans that are individually not impaired, the Bank 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 ('E');
- the loss rate ('LR'); and
- the loss identification period ('LIP').

- the accuracy of the applied discount rate given the applicable latest interest rate; and
- the valuation of the corresponding collateral based on appraisal reports and other external information.

Furthermore, we assessed the completeness of the provision through reconciliation of 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.

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 that is applied, as well as the calculation used by the Bank in determining the IBNR. We assessed the assumptions applied by management with respect to the E, LR and LIP parameters by amongst other:

- reconciling the E to the banking system;
- reperforming the calculation of the LR and reconciling the LR source data to the Bank's historical loss data; and
- performing sensitivity checks on both the LR and the LIP.

We found the IBNR calculation to be mathematically accurate and, based on our sensitivity checks, to fall within acceptable ranges.

We also assessed the completeness and accuracy of the disclosures relating to impairments of loans at amortised cost to assess compliance with disclosure requirements included in Part 9 of Book 2 of the Dutch Civil Code.

We found the recognised impairments of management were within a reasonable range of outcomes in the context of the overall loan portfolio and the related uncertainties and sensitivities as disclosed in the financial statements.



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## Key audit matter

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## How our audit addressed the matter

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### Fair value of financial instruments

See paragraphs 'Financial Instruments', 'Participating interests' and 'Derivatives and hedge accounting' of the accounting principles section, note 7 'Participating interests', note 11 'Prepayments and accrued income', note 15 'Accruals and deferred income' and the note disclosure 'fair values'.

As of 31 December 2017, the items carried at fair value in the financial statements concern:

- Participating interests amounting to €14.7 million at 31 December 2017.
- Derivatives amounting to €14.5 million on the asset side and €13.4 million on the liability side of the balance sheet.

Loans, government paper and interest-bearing securities are valued at amortised cost. The fair values, disclosed in 'Fair values' on page 118 of the financial statements, amount to €6.6 billion, €26.5 million and €1.4 billion respectively.

Quoted prices from liquid market sources can be obtained for a portion of the portfolio. The areas that involved significant audit effort and judgement relate to the valuation of illiquid instruments that are valued based on models and assumptions that are not market observable. These areas have a higher potential risk of being affected by error or bias and consequently we determined the fair value of financial instruments to be a key audit matter.

Our audit procedures included an assessment of the overall governance of the treasury and investment process of the Bank and the testing of design and operational effectiveness of the key controls with respect to financial instrument deal capturing and source data management. We determined that we could rely on these controls for the purpose of our audit.

We used our valuation specialists to assist us in performing our substantive audit procedures. For every type of financial instrument, we have tested the outcome of management's valuations of the illiquid market financial instruments by:

- assessing the appropriateness of the valuation of instruments measured based on quoted prices from liquid market sources or instruments in an illiquid market;
- 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 adequacy of the unobservable inputs applied; and
- independently reperforming management's valuation using our own valuation tools for a sample of instruments.

We found no significant differences in the reperformance of the valuation of the liquid and illiquid market financial instruments nor in the testing of the input data. In comparing the models with market practices and reperforming the valuations for a sample ourselves, 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 the financial instruments.

Finally, we assessed whether the Bank's disclosures in the consolidated financial statements in relation to the valuation of financial instruments are compliant with the disclosure requirements included in Part 9 of Book 2 of the Dutch Civil Code.

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## Key audit matter

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### Potential VAT charges on intra-company transactions

See 'Value added tax' in note 20 under 'Irrevocable facilities'.

The Bank disclosed a contingent liability relating to possible value added tax ('VAT') assessments in Belgium 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 Bank faces possible charges / VAT assessments as a result of this decision, that is effective since 1 July 2015. Following the Decision the Bank faces double VAT taxation for externally bought supplies or services by Triodos Bank NV's head office in The Netherlands which are allocated to Triodos Bank Belgian Branch.

The Bank is of the opinion that it has good arguments to not have to pay these VAT charges. Management obtained an opinion from a tax expert supporting the view of management. The outcome of the process is not known and management is of the opinion that disclosing this matter is the appropriate response. 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 2017 (2016: €2.6 million). Inclusion of this position as an off-balance sheet liability as opposed to a provision on the balance sheet is dependent on the likelihood and the ability to estimate the magnitude (€4 million is the maximum exposure). Given the high level of estimation uncertainty and the potential exposure, we considered this to be a key audit matter.

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## How our audit addressed the matter

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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 agreed 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 contingent liability. We found no significant differences.

We assessed whether the wording as included in the off-balance sheet liabilities adequately represented 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 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the Executive Board Report and the other information in accordance with Part 9 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. This resolution is subject to be renewed annually by the shareholders. This was our second year as auditors of Triodos Bank N.V.

## 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 company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 28 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 company'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 company 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 company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company'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.

### Report on the sustainability information 2017

#### Our conclusion

Based on our review procedures performed, nothing has come to our attention that causes us to believe that the sustainability information included in the Annual Report 2017 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 sustainability; and
- the events and achievements related thereto for the year ended 31 December 2017;

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria.

#### *What we have reviewed*

The sustainability information contains a representation of the policy and business operations of Triodos Bank N.V., Zeist ('Triodos') regarding sustainability and the events and achievements related thereto for 2017.

We have reviewed the sustainability information for the year ended 31 December 2017, as included in the following sections in the Annual Report 2017 ('the sustainability information') of Triodos:

- Our Purpose: Sustainable Banking page 11
- Triodos Bank Business Model: Creating Value page 12-13
- Executive Board Report sections page 14-46
  - Our Stakeholders
  - Results
  - Reflections, Risk and company results in more detail
- Appendix on pages 215-222.

The links to external sources or websites in the sustainability information are not part of the report itself. We do not provide assurance over information outside of this report.

#### The basis for our conclusion

We conducted our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assurance engagements on corporate social responsibility reports' ('Assuranceopdrachten inzake maatschappelijke verslagen'). This review engagement is aimed at obtaining limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of this 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 Bank N.V. 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).

We apply the 'detailed rules for quality systems' (Nadere voorschriften kwaliteitssystemen) 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*

Triodos developed its reporting criteria on the basis of the Sustainability Reporting Standards of GRI: Comprehensive option, as disclosed on page 7 of the Annual Report 2017. The information in the scope of this assurance engagement needs to be read and understood in conjunction with these reporting criteria. The Executive Board is responsible for selecting and applying these 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.

### *Inherent limitations*

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations and estimates and risk assessments based on assumptions. 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 report.

## **Responsibilities for the sustainability information and the assurance engagement**

### *Responsibilities of the Executive Board*

The Executive Board of Triodos is responsible for the preparation of the sustainability information in accordance with Sustainability Reporting Standards] of GRI and the internally applied reporting criteria as disclosed on page 4-9 of the sustainability information, including the identification of stakeholders and the definition of material topic. The choices made by the Executive Board regarding the scope of the sustainability information and the reporting policies are summarised in the section 'About This 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 it determines 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 company's reporting process.

## Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review engagement to obtain sufficient and appropriate assurance information to provide a basis for our conclusion.

This review engagement is aimed at obtaining limited assurance. In obtaining a limited level of assurance, the performed procedures are aimed at determining the plausibility of information and are less extensive than those aimed at obtaining reasonable assurance in an audit engagement. The assurance obtained in review engagements aimed at obtaining limited assurance is therefore significantly lower than the assurance obtained in assurance engagements aimed at obtaining reasonable assurance.

Misstatements may arise due to irregularities, including fraud or error and 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 report. The materiality affects the nature, timing and extent of our review 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 assurance engagement, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our main procedures include:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues, relevant laws and regulations and the characteristics of the organization.
- Developing an understanding of internal control relevant to the assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of the reporting criteria used and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Executive Board and related disclosures in the report.
- Evaluating the overall presentation, structure and content of the report, including the disclosures.
- Evaluating whether the sustainability information represents the underlying transactions and events free from material misstatement.
- Interviewing the Executive Board and relevant co-workers at corporate level, responsible for providing the strategy and information in the report, carrying out internal control procedures on the data and consolidating the data in the report.
- Reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the report, is substantiated adequately.
- Assessing whether the sustainability information has been prepared 'in accordance' with GRI.

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, including significant shortcomings in the internal controls.

Amsterdam, 14 March 2018  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by G.J. Heuvelink RA

## Appendix to our auditor's report on the financial statements 2017 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management'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 company'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 company 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 company's 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)

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The share capital of Triodos Bank has been entrusted to the independent Foundation for the Administration of Triodos Bank Shares (Stichting Administratiekantoor Aandelen Triodos Bank (SAAT)). 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 any control related to them. Control 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 64 of this annual report.

For an overview of the shares taken in trust and the issued depository receipts of Triodos Bank, as at 31 December 2017, please refer to page 212 of this annual report.

In exercising its voting right at the General Meeting of Triodos Bank (“AGM”), the Board of SAAT upholds the following principles:

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

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

## Article 6

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

The voting policy of SAAT is guided by article 6 of the terms of administration and the principles as stated above.

SAAT discharges its stewardship responsibilities by monitoring and engaging with Triodos Bank in line with the principles described above. It also voluntarily applies the relevant principles and best practices of the Dutch Corporate Governance Code, and other well-regarded stewardship regulations.

The Board of SAAT pays significant attention to the mid and long-term performance of Triodos Bank in terms of mission, continuity and financial return. It monitors internal and external developments to assess and anticipate any impact they might have on Triodos Bank.

Discussions and meetings take place on a confidential basis, as appropriate. Should the Board of SAAT feel Triodos Bank has not responded appropriately to questions it raises, it has the possibility to fulfil its stewardship responsibilities and act accordingly in the context of the governance of the bank.

## General Meeting

The Board of SAAT is Triodos Bank’s sole shareholder. However, in the ordinary course of business SAAT does not interact with Triodos Bank on the basis of an ownership principle. As Triodos Bank’s sole shareholder, at the most recent General Meeting in Amsterdam on 19 May 2017, SAAT voted on the items below and explained why it had made the decisions it did. For details of approved proposals visit [www.triodos.com/agn](http://www.triodos.com/agn).

The Board of SAAT approved the following proposals:

- adoption of the 2016 Annual Accounts and the proposed dividend
- discharge of the members of the Executive Board of responsibility for their management during the financial year 2016

- discharge of the members of the Supervisory Board of responsibility for their supervision during the financial year 2016
- appointment of Mrs. S.G. van der Lecq and Mr. G.E. Page as members of the Supervisory Board
- amending the articles of association of Triodos Bank
- granting a power of attorney to the members of the Executive Board to obtain depository receipts in Triodos Bank and to issue shares and to exclude or limit pre-emptive rights.

The Board of SAAT set out the following voting declaration regarding the proposals tabled at the General Meeting:

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](http://www.triodos.com/corporateinformation). The relevant topics from the Annual Accounts about the mission, the independence and the economic interests of the depository receipt holders were discussed with the Executive Board. The perspectives guiding the discussion were the capitalisation and funding of Triodos Bank; the breakdown of the loan book by sectors, clients and geography; the balance between interest and fee income; the strategy and the implementation thereof by the management and co-workers; and the markets in which Triodos Bank operates. All topics were discussed in the context of relevant ratios, and with reference to a narrative around Triodos Bank’s wider work as well as specific cases.

Regarding the mission of Triodos Bank, the discussion included: the development of the strategic focus areas and the impact of the bank through its products and services; its approach to lending; the risk profile of the loan portfolio; innovations in banking and non-banking activities; and human resource aspects. Regarding the independence of Triodos Bank and the economic interests of the depository receipt holders the discussion included: improvements in governance; capitalisation of Triodos Bank; relevant banking ratios, financial return and dividend (pay-out) policy; depository receipts and aspects of the internal

market in depository receipts; and stakeholder interaction.

A webcast from the General Meeting is available at [www.triodos.com/agma](http://www.triodos.com/agma).

## Annual Meeting of depository receipt holders

The Annual Meeting of depository receipt holders was held on 19 May 2017 in Amsterdam.

The Board of SAAT described the rationale behind its voting decisions during the meeting. It referred to the input of depository receipt holders at the informal Depository Receipt Holders’ meetings in Belgium, Germany, Spain and the UK and to their questions at the General Meeting. The Board of SAAT informed investors about the Board of SAAT’s discussions with the Executive Board which focused on Triodos Bank in general and on the Annual Report and Annual Accounts.

The Annual Meeting of depository receipt holders approved the appointment of Koen Schoors, and the reappointment of Mike Nawas as members of the Board of SAAT.

The annual survey was held in the autumn 2017. The survey of depository receipt holders was completed by over 7000 respondents. The Board of SAAT discussed the results of the survey and uses the results to enrich its perspective on the investor group whose interests is one of the important inputs that guide its voting. The results also 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’s respondents, around 90% of investors think Triodos Bank aligns its mission and financial returns effectively, as they did in 2016. Excerpts from the results of the 2017 survey can be found at [www.triodos.com/corporateinformation](http://www.triodos.com/corporateinformation). For the Board of SAAT the outcome underpins the support of the depository receipt holders for Triodos Bank’s activities and strategy.

## Meetings and decisions of the Board of SAAT

During 2017, the Board of SAAT convened three 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 included:

- The mission and the essence of Triodos Bank. The Board of SAAT explored the difference between mission, essence and the fundamental values that the bank represents. It discussed the changing external landscape and the challenges this presents for Triodos Bank's mission. Growing polarisation in the widest sense – including Brexit, climate change and the urgency of energy transition all call on Triodos Bank's contribution to improve quality of life and the transforming power of money. In addition, the Board of SAAT discussed the impact on Triodos Bank's business of low interest rates, increasing regulations and the challenge of 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.
- Triodos Bank's strategy and its strategic goals. Discussions included how the mission is applied in the strategy and its areas of focus.
- The development of the impact reporting and communication methodology.
- Stakeholder Policy and Stakeholder Engagement by Triodos Bank in general, and more specifically the materiality matrix that results from this engagement.
- The convocation to depository receipt holders considering the discussion at the AGM and the Annual Meeting of depository receipt holders 2017.
- Triodos Bank's long-term financial resilience. The Board of SAAT discussed Triodos Bank's capitalisation by the depository receipt holders, its capitalisation 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 2017 focussed on the supervision of: Triodos Bank's stakeholder policy and stakeholder dialogue; Triodos Bank's impact and added value; the strategic goals; and Triodos Bank's policies on return on investment and dividend pay-out.

The Board of SAAT conducted interviews with the nominated candidates for Supervisory Board membership. A key focus, in this respect, 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](http://www.triodos.com).

The Board of SAAT selected and nominated Koen Schoors who was appointed during the Annual Meeting of depository receipt holders. 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 for the Board of SAAT is discussed with and approved by the Supervisory Board and the Executive Board as well as (re)appointments.

In addition to its regular board meetings, the Board of SAAT engages 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 international theme days, 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 key-note 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.

- The Board of SAAT did not seek any external advice to carry out its responsibilities, during 2017.

## Composition of the Board of SAAT and independence of its members

Given the responsibility of the Board of SAAT to protect the identity and mission of Triodos Bank, it is essential that the members of the Board of SAAT are independent. For this reason, members of the Executive Board, or members of the Supervisory Board in office, may not be members of the Board of SAAT.

SAAT's articles of association stipulate that the Board of SAAT shall consist of three or more members. At present, it has six members, from the various countries where Triodos Bank has branches: one UK, two Belgian and three Dutch nationals. The composition of the Board of SAAT changed in 2017 because of the appointment of Koen Schoors by the Annual Meeting of depository receipt holders of 19 May 2017. On 19 April 2017 Sandra Castañeda Elena left the Board of SAAT to take up a management role in the Spanish branch.

For information about the remuneration of the members of the Board of SAAT, please refer to the Triodos Bank Annual Accounts on page 131.

The Board of SAAT expects that it will again be able to deepen its role as a committed shareholder in 2018. 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, but also in 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.

This report is available in full, including additional context for the Board of SAAT's work, online at [www.annual-report-triodos.com](http://www.annual-report-triodos.com).

Zeist, 14 March 2018

Board of SAAT,  
Josephine de Zwaan, Chair  
Mike Nawas, Vice-Chair  
Marjatta van Boeschoten  
Frans de Clerck  
Willem Lageweg  
Koen Schoors

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

## 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 2017.

in thousands of EUR	31.12.2017	31.12.2016
Triodos Bank NV shares taken in trust, having a nominal value of EUR 50 each	612,369	554,415
Issued depository receipts of Triodos Bank NV, having a nominal value of EUR 50 each	612,369	554,415

### Basis of preparation

The SAAT statement of shares as at 31 December 2017 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, 14 March 2018

Board of SAAT  
Josephine de Zwaan, Chair  
Mike Nawas, Vice-Chair  
Marjatta van Boeschoten  
Frans de Clerck  
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 2017

#### Our opinion

In our opinion, the accompanying SAAT statement of shares as at 31 December 2017 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 2017 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. Our responsibilities under those standards are further described 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 and distribution**

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 shares as at 31 December 2017 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, 14 March 2018  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by G.J. Heuvelink RA

### **Appendix to our auditor's report on the SAAT statement of shares 2017 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 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 company'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 represents the underlying transactions and events free from material misstatement.

We communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## Appendix – Co-worker and Environmental Statistics

### Co-worker Statistics

#### Social key figures<sup>1</sup>

	2017		2016		2015		2014		2013	
	Inside Netherlands	Outside Netherlands	Inside Netherlands	Outside Netherlands	Inside Netherlands	Outside Netherlands	Inside Netherlands	Outside Netherlands	Inside Netherlands	Outside Netherlands
Number of co-workers at year-end	700	677	631	640	547	574	485	532	417	494
Average number of ftes during the year <sup>2</sup>	593.8	604.5	523.5	566.1	456.6	517.3	401.1	481.8	358.3	426.3
Number of ftes at year-end <sup>2</sup>	618.5	630.5	560.5	594.8	482.4	538.2	429.8	500.7	366.6	471.5
Sickness rate	3.3%		2.8%		2.7%		2.6%		2.6%	

<sup>1</sup> The co-worker report includes everyone employed by Triodos Bank. Co-workers of the joint venture Triodos MeesPierson are not included.

<sup>2</sup> 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

	2017	2016	2015	2014	2013
The Netherlands and Private Banking NL	1,681	1,745	1,970	2,127	1,970
Belgium	1,531	1,150	1,595	1,549	1,918
United Kingdom	968	1,095	432	983	934
Spain	554	467	777	1,181	1,281
Germany	1,055	741	900	2,377	2,332
France	2,323	1,327	1,757	1,735	3,186
Head office	2,101	2,328	2,727	2,695	2,914
Triodos Investment Management and TIAS	2,298	2,261	2,924	2,610	3,517
<b>Average</b>	<b>1,471</b>	<b>1,435</b>	<b>1,692</b>	<b>1,856</b>	<b>2,055</b>
Increase	2.5%	-15.2%	-8.8%	-9.7%	18.7%

## Training days per co-worker

	2017	2016	2015	2014	2013
The Netherlands and Private Banking NL	2.9	2.9	1.7	3.7	2.8
Belgium	3.5	2.7	2.3	3.5	2.8
United Kingdom	4.3	1.8	0.9	3.3	1.9
Spain	8.1	7.3	11.7	7.1	7.1
Germany	2.5	1.4	1.0	3.1	2.9
France	4.9	2.4	1.6	5.3	9.0
Head office	3.8	3.8	4.4	3.0	2.2
Triodos Investment Management and TIAS	2.0	1.8	2.0	3.2	2.8
<b>Total</b>	<b>4.3</b>	<b>3.7</b>	<b>4.6</b>	<b>4.3</b>	<b>3.7</b>

## Salaries

Country	Ratio highest to median salary <sup>1</sup>					Ratio increase highest salary to increase median salary <sup>2</sup>				
	2017	2016	2015	2014	2013	2017	2016 <sup>3</sup>	2015	2014	2013
The Netherlands	4.7	4.7	4.7	4.6	4.5	0.4	0.0	0.8	1.4	1.0
Belgium	3.0	3.0	1.9	2.9	2.8	0.0	0.0	0.9	1.4	1.4
United Kingdom	4.6	4.4	4.5	4.0	4.1	0.5	0.0	2.7	0.7	1.6
Spain	6.0	6.2	6.3	6.1	6.9	0.6	0.0	0.7	0.6	0.7
Germany	2.6	2.6	2.6	2.6	2.8	1.0	0.0	1.0	1.3	0.0
France	3.9	3.4	2.9	2.3	2.3	0.2	0.0	1.0	0.2	0.0
<b>Total</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>5.6</b>	<b>5.6</b>	<b>0.4</b>	<b>0.0</b>	<b>0.8</b>	<b>1.5</b>	<b>1.0</b>

<sup>1</sup> 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).

<sup>2</sup> 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).

<sup>3</sup> 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 2017, by instrument

	“Identified staff” in senior management functions	All other “Identified staff”
Number of co-workers	12	48
<b>Remuneration (in thousands of EUR)</b>		
Total fixed remuneration	2,346	5,358
Total variable remuneration:	–	18
of which in cash	–	18
of which in shares or share-based instruments	–	–
of which in other instruments	–	–
Total amount deferred remuneration	–	–
<b>Welcome payments</b>		
Number of beneficiaries	0	0
Total amount	–	–
<b>Severance payments</b>		
Number of beneficiaries	0	2
Total amount <sup>1</sup>	–	182
Maximum amount per payment	–	124

<sup>1</sup> 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

Age	2017		2016		2015		2014		2013	
	number	%	number	%	number	%	number	%	number	%
< 28 years	72	5	66	5	73	7	86	8	72	8
28 – 35 years	295	21	309	24	272	24	262	26	252	28
35 – 42 years	406	29	366	29	317	28	285	28	252	28
42 – 49 years	315	23	296	23	270	24	219	22	186	20
49 – 56 years	198	14	162	13	128	11	105	10	90	10
>= 56 years	91	7	72	6	61	5	60	6	59	6
<b>Total</b>	<b>1,377</b>	<b>100</b>	<b>1,271</b>	<b>100</b>	<b>1,121</b>	<b>100</b>	<b>1,017</b>	<b>100</b>	<b>911</b>	<b>100</b>
Average	41.4		40.7		40.4		39.7		39.6	

#### Years of service of co-workers of Triodos Bank at year end

Years of service	2017		2016		2015		2014		2013	
	number	%	number	%	number	%	number	%	number	%
0 – 1 years	212	15	238	19	226	20	186	18	175	19
1 – 3 years	401	29	348	27	292	26	269	26	240	26
3 – 5 years	241	18	218	17	195	17	186	18	185	20
5 – 10 years	339	25	312	25	284	25	272	27	210	23
10 – 15 years	118	9	96	8	75	7	67	7	68	7
> 15 years	66	5	59	5	49	4	37	4	33	4
<b>Total</b>	<b>1,377</b>	<b>100</b>	<b>1,271</b>	<b>100</b>	<b>1,121</b>	<b>100</b>	<b>1,017</b>	<b>100</b>	<b>911</b>	<b>100</b>
Average	5.1		4.9		4.8		4.8		4.7	

## Sickness rate

	2017	2016	2015	2014	2013
The Netherlands and Private Banking NL	5.9%	3.7%	4.3%	3.1%	3.3%
Belgium	3.8%	3.5%	3.4%	2.8%	3.6%
United Kingdom	2.2%	2.2%	1.2%	0.6%	1.4%
Spain	3.4%	2.7%	2.0%	2.3%	1.9%
Germany	3.3%	2.7%	2.9%	2.1%	1.6%
France	0.0%	0.0%	0.0%	0.0%	0.0%
Head Office	2.5%	3.0%	3.0%	3.6%	3.1%
Triodos Investment Management and TIAS	2.1%	2.1%	2.0%	3.3%	2.5%
<b>Total</b>	<b>3.3%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>2.6%</b>	<b>2.6%</b>

## Attrition

	2017	2016	2015	2014	2013
The Netherlands and Private Banking NL	9.4%	5.1%	7.1%	8.6%	8.4%
Belgium	12.1%	12.3%	11.4%	3.8%	7.7%
United Kingdom	15.4%	11.9%	32.1%	16.5%	9.9%
Spain	6.2%	4.9%	15.0%	9.3%	8.9%
Germany	3.5%	7.7%	20.8%	7.0%	5.7%
France	10.0%	0.0%	0.0%	0.0%	0.0%
Head Office	5.5%	4.7%	12.9%	10.9%	3.5%
Triodos Investment Management and TIAS	9.3%	15.8%	7.8%	10.3%	5.8%
<b>Total</b>	<b>8.6%</b>	<b>7.9%</b>	<b>14.0%</b>	<b>9.5%</b>	<b>7.2%</b>

## Contract type<sup>1</sup>

	2017		2016	
	Fixed	Permanent	Fixed	Permanent
The Netherlands and Private Banking NL	44	203	34	190
Belgium	3	136	2	125
United Kingdom	8	159	13	140
Spain	10	280	12	281
Germany	3	63	1	56
France	2	13	–	10
Head Office	27	242	48	199
Triodos Investment Management and TIAS	34	150	33	127
<b>Total</b>	<b>131</b>	<b>1,246</b>	<b>143</b>	<b>1,128</b>

<sup>1</sup> 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	2017	2016	2015	2014	2013
<b>Energy consumption</b>					
Electricity in kWh/fte	2,079	2,329	2,533	2,686	2,759
Gas in m <sup>3</sup> /fte	102	103	105	103	129
<b>Business travel</b>					
By aircraft in km/fte	3,920	4,113	4,762	5,154	6,406
By car in km/fte	1,020	1,188	1,246	1,267	1,409
By public transport km/fte	684	648	713	674	810
<b>Commuting</b>					
By car in km/fte	4,318	4,535	4,435	4,534	4,744
By carpool in km/fte	145	118	109	74	79
By public transport in km/fte	3,454	3,458	3,241	3,297	3,108
By bike or on foot in km/fte	591	601	521	575	566
<b>Paper usage</b>					
Total paper usage in kg/fte	85	112	180	214	209
Blank copy recycled paper in kg/fte	13	17	26	20	23
Letter head paper/leaflets/etc. in kg/fte	72	95	155	194	186
Letter head paper/leaflets/etc. in kg/customer	0.14	0.17	0.27	0.34	0.30
<b>Co-workers</b>					
Ftes	1,197	1,089	968	879	782
External, temporary co-workers	103	102	93	65	39
<b>Buildings (absolute figures)</b>					
Surface area in m <sup>2</sup>	33,792	33,792	31,687	31,052	30,006
Volume in m <sup>3</sup>	112,678	112,678	104,661	102,407	98,397

## Emission of CO<sub>2</sub> (equivalents)

in thousands of kg	2017	2016	2015	2014	2013
Electricity <sup>1</sup>	13	22	1	100	96
Gas consumption (heating)	72	73	90	124	130
Paper	140	203	293	314	265
Public Transport	268	243	214	260	224
Car	1,489	1,499	1,324	1,145	1,046
Flights	1,082	1,083	1,119	1,141	1,145
<b>Total</b>	<b>3,064</b>	<b>3,123</b>	<b>3,041</b>	<b>3,084</b>	<b>2,906</b>
Minus: Compensation for CO <sub>2</sub> credits	-3,064	-3,123	-3,041	-3,084	-2,906
<b>CO<sub>2</sub> balance (neutral)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
CO <sub>2</sub> compensation costs per tonne (EUR)	8.40	8.40	8.40	8.40	12.50

<sup>1</sup> Due to changes in the method of calculation, the CO<sub>2</sub> emission of energy has fluctuated in previous years.

## Methodology

The data to calculate the final CO<sub>2</sub> 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<sub>2</sub> 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<sub>2</sub> 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<sub>2</sub> 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, the so-called Pillar 3 disclosures. This table shows where this information has been published.

To improve the accessibility of the annual accounts and to help the reader navigate the Pillar 3 tables, most of these tables are published in a separate report. This Pillar 3 report can be found in the download centre.

Source: CRR articles	Subject	Part	Page
No. 435	Risk management objectives and policies, key ratios, information flow, information by risk category	Risk Management	150
No. 435	In control statement and declaration of adequacy of risk management arrangements	Executive Board Report	45
No. 435	Number of directorships	Executive Board and Supervisory Board Report	67
No. 435	Recruitment and diversity policy	Website	Link to Triodos Bank website
No. 435	Key areas of expertise	Supervisory Board Report	75
No. 435	Risk committee	Supervisory Board Report	75
No. 436	Scope of application of the Capital Requirements Regulation	Risk management	172
No. 436	Differences between accounting and regulatory scope	Website – Pillar 3 report	
No. 437	Main features and terms and conditions of regulatory capital instruments	Website – Pillar 3 report	
No. 437	Reconciliation of regulatory capital items and balance sheet	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 approach to internal capital assessment	Risk management	172
No. 439	Counterparty credit risk	Website – Pillar 3 report	
No. 440	Countercyclical capital buffer	Website – Pillar 3 report	
No. 442	Credit risk adjustments descriptions and approaches	Risk management	159
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	

Source: CRR articles	Subject	Part	Page
No. 442	Reconciliation of changes in credit risk adjustments	Website – Pillar 3 report	
No. 443	Unencumbered assets	Website – Pillar 3 report	
No. 444	The use of External Credit Rating Agencies	Risk management	163
No. 444	Credit risk standardised approach: exposure and mitigation	Website – Pillar 3 report	
No. 445	Market risk	Risk management	165
No. 446	Operational risk	Risk management	157
No. 447	Equities: objectives, values and gains or losses	Notes to the consolidated financial statements	86
No. 447	Equities: total unrealised gains	Website – Pillar 3 report	
No. 448	Interest rate risk	Risk management	166
No. 450	Remuneration policy and remuneration for each of the members of the Executive and Supervisory board	Notes to the consolidated financial statements	128
No. 450	Remuneration committee	Supervisory Board Report	74
No. 450	Remuneration: required quantitative data	Appendix	216
No. 451	Leverage	Website – Pillar 3 report	
No. 453	Credit risk mitigation: policies and descriptions	Risk management	159
No. 453	Credit risk mitigation: quantitative data	Website – Pillar 3 report	
No. 492	Own funds: additional quantitative transitional information	Website – Pillar 3 report	
Not applicable	Liquidity coverage ratio and Net stable funding ratio	Website – Pillar 3 report	

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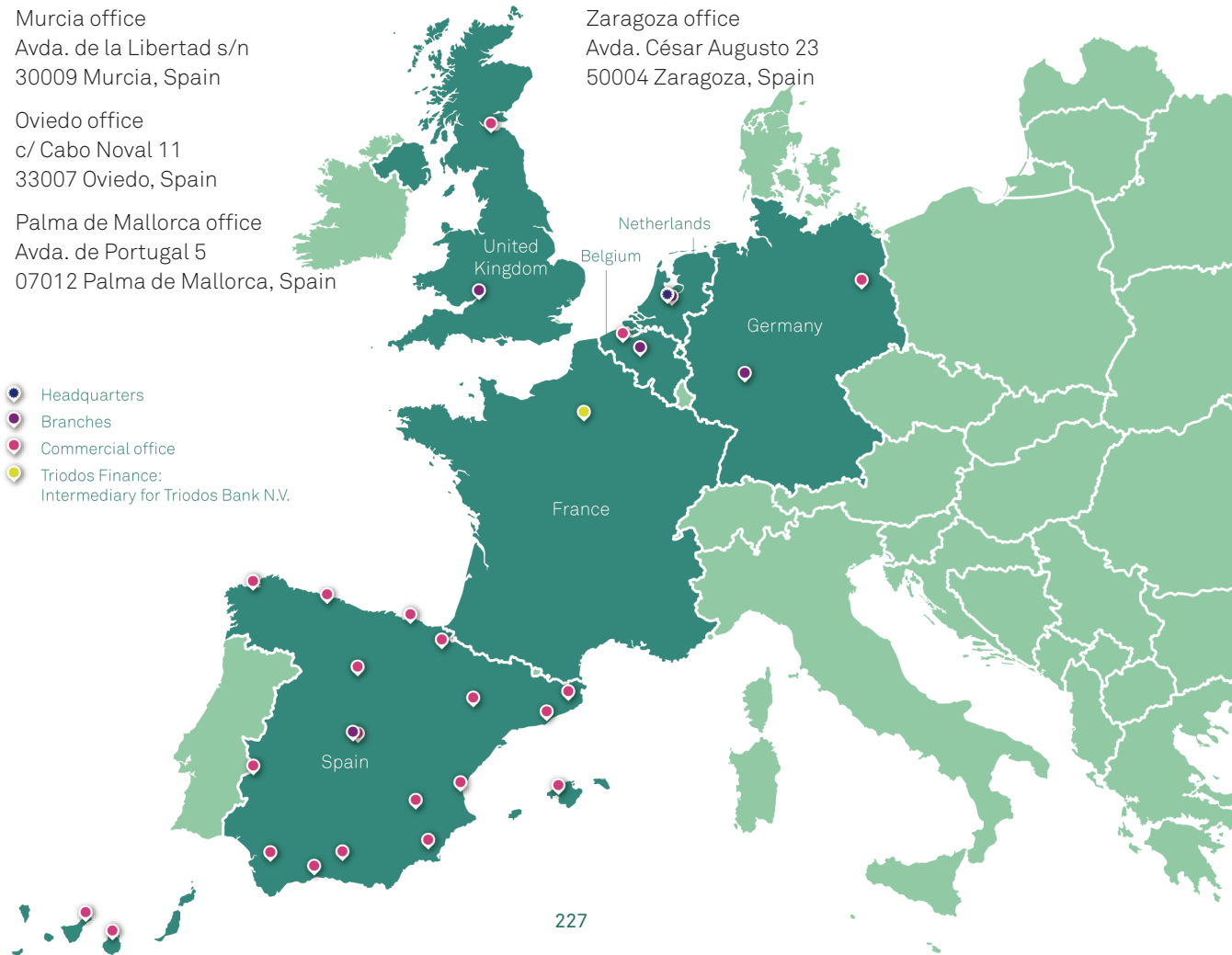
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# Sustainable banking

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.