Triodos Bank

TRIODOS BANK UK LIMITED

A private company limited by shares
incorporated in the United Kingdom and
registered in England and Wales.

Registered number: 11379025

ANNUAL REPORT

For the year ended 31 December 2020

Triodos Bank UK Limited

Registered Office:

Triodos Bank
Deanery Road
Bristol BS1 5AS
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Email: contact@triodos.co.uk
Website: www.triodos.co.uk

Triodos Bank UK Limited is a company limited by shares, registered in England & Wales with company number: 11379025. Triodos Bank UK Limited is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. Financial Services Registration Number: 817008.

Board of Directors

Gary Page	Chair, Independent Non-Executive Director	
Richard Burrett	Independent Non-Executive Director	
Karen Furlong	Independent Non-Executive Director	Appointed 26 August 2020
Pierre Aeby	Non-Executive Director	
Bevis Watts	Executive Director	

Company Secretary

Emily Wilson	Corporate Secretary

Management Team

Bevis Watts	Chief Executive Officer	
Richard Ingle	Chief Financial Officer	
Sarah Binstead	Chief Risk Officer	Until 28 August 2020
Sian Williams	Chief Risk Officer	From 4 January 2021
Judy Rose	Chief Operating Officer	
Rebecca Pritchard	Head of Business Banking	Until 3 July 2020
Gwyn Rhodes	Head of Business Banking	From 8 February 2021
Gareth Griffiths	Head of Retail Banking	
Zoe Sear	Head of Marketing & Communications	
Ann Evans	Head of Human Resources	
Stefan Hargrave	Head of Internal Audit	

Independent auditors

PricewaterhouseCoopers LLP
2 Glass Wharf
Temple Quay
Bristol BS2 0FR

Mission

Triodos Bank's mission is to help create a society that protects and promotes quality of life and human dignity for all. Since 1980, our sustainable financial products have enabled individuals and organisations to use their money in ways that benefit people and the environment.

CONTENTS

STRATEGIC REPORT

Since 1995, Triodos Bank has operated in the UK as a branch of the overseas registered company, Triodos Bank N.V. (incorporated in the Netherlands). In 2019, Triodos Bank UK Limited, a private company limited by shares, was established to enable Triodos Bank to continue operating in the UK following the UK's departure from the European Union. Triodos Bank UK Limited is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

Triodos Bank UK Limited (hereafter 'Triodos Bank UK' or 'the Bank') is a wholly-owned subsidiary of Triodos Bank N.V. and is, and will remain, closely aligned to the existing mission and business strategy as part of the Triodos Bank group (hereafter 'Triodos Bank').

Triodos Bank is a global pioneer in sustainable banking, using the power of finance to support projects that benefit people and the planet. We believe that banking can be a powerful force for good: serving individuals and communities as well as building a more sustainable society. We support our customers to generate value in a transparent and sustainable way.

Fair review of the business

Triodos Bank UK is a traditional retail deposit-funded lending operation, lending primarily to 'Small to Medium-sized Enterprises' whose objectives are aligned with those of the Bank. Recent growth has been organic, attracting borrowers and savers with ambitions aligned with the Bank to make money work for positive social, environmental and cultural change.

Triodos Bank UK adopts and fully aligns to the mission, purpose and values of Triodos Bank, and will continue to do so under its subsidiary model. The purpose of Triodos Bank is to make money work for positive social, environmental and cultural change and this is reflected through the strategy, policies and procedures which embed a positive corporate, risk management and conduct risk management culture. These values also support the Bank's commitment to ensuring the fair treatment of its customers and ensuring that the products and services provided continue to meet customer demands and needs.

The companies, institutions and projects to whom Triodos Bank UK lends 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 UK offers the following products and services:

- Savings products and current accounts for customers;
- Loan products to mission-aligned organisations;
- Investment products in the form of impact investment funds;
- Direct investment in the form of corporate bonds and direct capital investments in mission-aligned organisations and projects; and
- Corporate finance advice to organisations to structure appropriate capital and fund raising.

The current footprint of Triodos Bank is relative to the size of the UK economy is small but there is considerable demand for a more conscious and sustainable form of banking in the UK, which delivers benefit for Triodos Bank UK customers, society and the financial system.

Triodos Bank UK's balance sheet is funded by customer deposits and equity and has a loans to funds entrusted (deposits) ratio of 76%. Customer deposits, combined with capital, including the share capital provided by the parent company, Triodos Bank N.V, support a healthy liquidity position and a Liquidity Coverage Ratio (LCR) of 414%. This aligns with the Triodos Bank business model to have self-supporting balance sheets across the corporate group over the medium term, with little or no reliance on wholesale funding.

Highlights from 2020

2020 was a year of consolidating Triodos Bank UK as a newly authorised subsidiary bank and to focus on the Bank's mission and vision. It was to be an opportunity to celebrate the 25th anniversary of Triodos Bank in the UK and the success of the Bank in demonstrating that we can make money work for positive social, social, environmental and cultural change.

The global COVID-19 pandemic was unexpected and impacted most elements of society, but through it the Bank, its employees (whom we call 'co-workers'), customers and suppliers have all demonstrated great resilience. Within just a few weeks, the majority of the Bank's co-workers had transferred to successful home working. The Bank quickly recognised that customers would be impacted by COVID-19 and there was additional focus on identifying and offering support to both retail and business customers. Triodos Bank UK worked closely with lending customers to provide support, such as capital repayment holidays, and became a registered lender under the Coronavirus Business Interruption Loan Scheme (CBILS).

Despite the financial pressures prevalent in our communities, Triodos Bank UK experienced strong growth in customer numbers, exceeding forecasts in account openings and loan growth, indicating that in disruptive times, customers were focussing more on depositing with, and borrowing from, a sustainable bank whose values matched their own.

Support for Triodos Bank UK was also evident from the interest in investing in the Bank, with a Tier 2 capital bond raising £5.7 million in capital in December 2020, exceeding the initial target of £5.0 million.

Development and performance of the business during year

During the year Triodos Bank UK made a profit after tax of £5,641,000, which equates to a return on equity of 3.2%. This compares to profit after tax for 2019 of £3,656,000 although note that this represents only eight months of trade May to December 2019, as explained in the Transfer of business section below. Annualised return on equity for May to December 2019 was 3.2%[1]. The key events in the year and the primary drivers of the financial performance are described in more detail below:

Transfer of business

On 1 May 2019, Triodos Bank UK Limited acquired the net assets and liabilities of the UK branch of Triodos Bank N.V. via a transfer under *Part VII of the Financial Services and Markets Act 2000*. This transfer was effected to ensure that Triodos Bank would continue to be able to trade in the UK in the event that its existing branch specific passporting rights were revoked, as a result of the UK leaving the European Union.

Although this relates to a 2019 event, this is included to explain that whilst the comparative accounting period is the full year 2019, this represents only eight months of trade May to December 2019.

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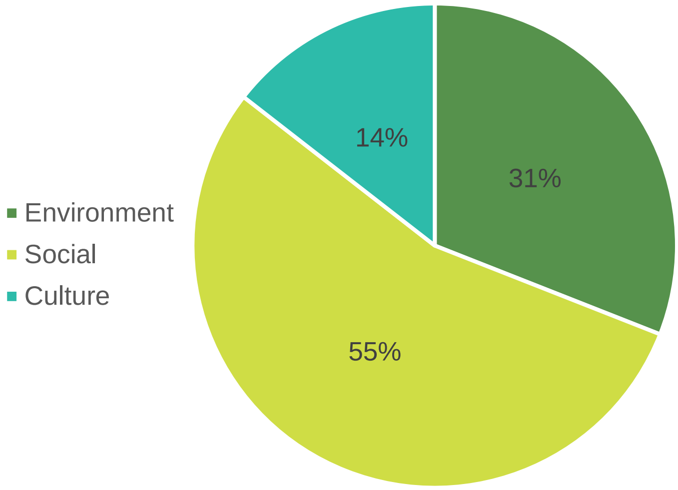
[1] Annualised return on equity is calculated as £3,656,000 multiplied by 12 (months) divided by 8 (months of trade in 2019) divided by the average of equity at 1 May 2019 and 31 December 2019.

Loan and advances to customers

Total loans and advances to customers grew 10% in the year from £975 million to £1,070 million. Gross new lending in the year totalled £187 million (2019: £145 million). The year-end lending by value can be broken down per sector as follows:



The growth of the loan portfolio is an important indicator of the contribution Triodos Bank UK 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 UK's mission as detailed below.

To make sure that Triodos Bank UK only finances sustainable enterprise, potential borrowers are first assessed on the added value they create in these areas, ensuring selected projects meet our positive screening criteria and are above our minimum standards. The commercial feasibility of a prospective loan is then assessed, and a decision made about whether it is a responsible banking option. The criteria and guidelines Triodos Bank UK use to assess companies can be viewed at www.triodos.com/about-us.

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

Environment (31% of lending by value; 2019: 32%)

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

Social (55% of lending by value; 2019: 53%)

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% of lending by value; 2019: 15%)

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

Customer accounts

Customer accounts are current accounts and variable and fixed term savings accounts from individuals or businesses, the majority of which are small or medium sized. Triodos Bank UK's customer account balances grew 22% in the year from £1,156 million to £1,413 million.

Net interest income

Net interest income for the year was £32.3 million (2019: £19.3 million). This is driven by the development of loans and funds entrusted volumes described above along with changes in rates earned or charged on these loans and funds entrusted, which were impacted by changes in Bank of England base rates.

Net fee and commission income

Net fee and commission income for the year totalled £2.2 million (2019: £1.4 million). This is derived from lending, payment transactions, corporate finance and Triodos Investment Management B.V. impact fund distribution activities.

Operating expenses

Total operating expenses for the year were £25.6 million (2019: £16.3 million), of which £10.4 million (2019: £6.6 million) were co-worker costs and £7.1 million (2019: £5.1 million) were intercompany recharges from the parent company, Triodos Bank N.V. These recharges cover the costs of IT services and development and other general overheads.

Triodos Bank UK's cost income ratio for the year was 73.9% (2019: 79.0%).

Impairments

During the year impairment charges for financial assets and off balance sheet liabilities of £3.0 million (2019: £0.1 million) were recognised under the expected credit loss method required by International Financial Reporting Standard 9 (IFRS 9). For more information on credit risk policies see accounting policies 7 and 16 and for more information on credit risk in the portfolio see note 27.

Capital

Triodos Bank UK's regulatory capital consists of Common Equity Tier 1 (CET1) capital, which includes ordinary share capital, retained earnings and reserves after adjustment for intangible assets; and Tier 2 Bonds issued in December 2020. All ordinary share capital is held by the Bank's parent company, Triodos Bank N.V.

Triodos Bank UK's policy is to maintain a strong capital base to provide an adequate buffer in a severe stress scenario and thereby to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on the shareholder's returns is also recognised and Triodos Bank UK maintains a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a stronger capital position.

Triodos Bank UK's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources. Triodos Bank UK has received a total capital ratio (TCR) requirement from the regulator of 11.51%. A key input to the TCR-setting process is the internal capital adequacy assessment process (ICAAP).

Triodos Bank UK manages its activities to comply with all externally imposed capital requirements and ended the year with a CET1 ratio of 22.6% (2019: 20.3%) and a total capital ratio of 23.4% (2019: 20.3%).

Liquidity

Triodos Bank UK's lending is funded entirely by customer deposits, equity and the Tier 2 eligible bonds, resulting in a strong liquidity position. At year end and at all times throughout the year, Triodos Bank UK was significantly in excess of all liquidity targets and requirements: its Liquidity Coverage Ratio (LCR) was 414% (2019: 506%).

See note 27 for more information.

Outlook

Triodos Bank UK expects to continue to grow its lending, customer accounts and other income streams with customers that are aligned to the Triodos Bank mission. Careful investment will enable Triodos Bank UK to grow its income streams more quickly than its cost base, resulting in improved profitability.

Although operational and business performance held up well throughout 2020, COVID-19 continues to create significant uncertainty. While progress with the vaccine rollout is welcome and should alleviate restrictions to trade and society and allow a return to business as usual, there are still many uncertainties, including vaccine availability and efficacy against emerging variants. How and when businesses can recommence trade will be carefully considered.

Our values proposition creates clear differentiation in the market. Allied with a strong liquidity and capital position, this gives a strong base for continued growth.

Key performance indicators

The key metrics used by the Board and senior management to measure performance are shown below, along with their values at 31 December 2020 and 31 December 2019:

Key performance indicator	2020	2019
Loans and advances to customers	£1,070 million	£975 million
Customer account balances	£1,413 million	£1,156 million
Common equity tier 1 ratio	22.6%	20.3%
Total capital ratio	23.4%	20.3%
Leverage ratio	10.1%	11.7%
Liquidity coverage ratio	414%	506%
Operating expenses / total income	73.9%	79.0%
Return on equity	3.2%	3.2%[2]
Number of co-workers	208	204

Customers

At year end, Triodos Bank UK had 73,046 customers, an increase of 20% during 2020, largely fuelled by take up of our Personal Current Account. We are one of only six banks that have consistently seen net gains from the current account switching service[3], as we also did in 2019.

There were 314 customer complaints logged in the year, which is an 18% decrease since 2019 despite increasing customer numbers. This trend can be attributed, at least in part, to a greater focus on delivering fair customer outcomes, such as resolving customer queries at first point of contact. Of these complaints there were eight referrals to the Financial Ombudsman Service, one of which was partially upheld.

Environment

The mission of Triodos Bank means that we finance enterprises that make a positive environmental difference as well as taking great care of our own environmental performance. All the lending of Triodos Bank UK is subject to lending criteria that minimises negative impacts and promotes environmental benefits. As a corporate group, Triodos Bank measures the environmental impact of our operations and the impact of our portfolio.

Full details and a comprehensive description of our approach and methodology can be found in the consolidated Annual Report for Triodos Bank (www.annual-report-triodos.com). The consolidated group Annual

[2] Please see footnote 1.
[3] As published in the Current Account Switch Service Dashboard by Pay.uk at https://www.bacs.co.uk/Resources/FactsAndFigures/Pages/CurrentAccountSwitchServiceStatistics.aspx

Report is an integrated report which reports against the Sustainable Development Goals and according to the Global Reporting Initiative framework.

During 2020, in the main Bristol office we installed more LED lights with movement sensors, replaced our end of life cooling equipment with new chillers (to meet the 2030 carbon regulations) and upgraded the building management system to improve our lighting, heating and cooling efficiency.

We also updated our office BREEAM 4-star rating and maintained other initiatives including:

- Organic wall paints and recycled and recyclable fixtures and fittings;
- Water efficient bathrooms and kitchen design;
- Fair-trade, organic consumables and recognition as a fair-trade workplace;
- Photovoltaic cells on the office roof generating renewable electricity (in 2020 these recorded improved performance which is thought to be due to improved air quality);
- Purchased electricity from renewable sources;
- Gas that is 100% Biogen produced at the same location that our food waste is processed;
- Vegetarian catering supplied in compostable containers to allow composting of any waste;
- Paper from recycled sources which is also recycled; and
- Offsetting emissions with the Climate Neutral Group.

We work in partnership with our suppliers to improve the sustainability of the products that we purchase, for example, in 2020 we replaced some carpets with a 100% recycled yarn product which is manufactured using 50% less energy.

Triodos Bank UK's environmental impacts decreased significantly in 2021, partly due to the response to the COVID-19 pandemic including transferring most co-workers to home working. Highlights include:

- Total carbon emissions from energy for Triodos Bank UK in 2020 were 1.7 tonnes per Full Time Equivalent (FTE) down from 2.1 tonnes per FTE in 2019 (a reduction of nearly 20%);
- A 59% reduction in waste including a small reduction of the proportion of waste going to landfill;
- In-house printing decreased 68.5%, with the average monthly print of 40,672 pages reduced to 12,806. Total paper usage (printing plus printed stocks) decreased from 27kg per FTE to 7.7kg per FTE; and
- Business travel by kilometre reduced nearly 90%.

In addition, there were also significant environmental benefits from co-workers not commuting to the office.

However, we recognise that the transfer to homeworking has also transferred some of the environmental impacts to co-workers' residences, particularly impacts from heating and energy.

In 2021, we expect that co-workers will start to return to the office (at least in part) and there will again be a change in the distribution of environmental impacts. Planning for the 'new normal' at Triodos Bank UK will seek to identify and retain any benefits (environmental, as well as social and operational) that have been successfully demonstrated during lockdown, such as greater use of videoconferencing and minimisation of paper-based processing. Further digitisation planned over the next three years is also expected to drastically reduce paper consumption.

Employees

The Bank's mission has human dignity and quality of life central to all that we do and it is through our co-workers that we achieve success. Our people strategy is designed to support our mission, by creating an environment in which our diverse community of co-workers can thrive, as healthy and resilient people, delivering sustainable high performance and social, cultural and environmental impact.

Due to the COVID-19 pandemic, for much of 2020 the majority of the Bank's co-workers were encouraged and supported to work from home. While this helped to safeguard the health of individuals and limit the transmission of the coronavirus, it also had an impact on mental health, communication and connection. Triodos Bank UK implemented a number of key initiatives and platforms throughout the year to support co-workers' well-being, including a weekly virtual meeting with all co-workers, online social events and encouragement to connect and make time for well-being. A COVID-19 engagement survey conducted across the Triodos Bank Group confirmed these initiatives were positively received.

Diversity was an important focus during 2020 and it is a priority for Triodos Bank UK to have a co-worker population representative of our customers and communities. As such, we benchmark ourselves against local and national data, aiming to attract and recruit individuals from underrepresented sectors of the communities in which we operate. In 2020, we introduced a contextual recruitment system to our recruitment process and broadened our candidate attraction approach, to ensure greater representation in our recruited co-workers. We have continued to participate in a number of initiatives to promote diversity and inclusion, including:

- Living Wage Employer;
- Inclusive employers;
- Women in Finance Charter;
- Disability Confident Committed;
- B Corp Certification; and
- Trained Mental Health First Aiders (MHFA England).

Equality, diversity and inclusion training for all co-workers is to be provided each year and at the end of 2020, the Triodos Inclusion Forum was created.

At year end, Triodos Bank UK employed 208 people or 193 FTE, with attrition at 9.4%. Overall, the gender ratio is 51% men, 49% women and at senior management levels 67% men, 33% women.

Triodos Bank UK measures and monitors gender pay gap. However, given the relatively small number of co-workers in the UK business, we do not publish this data as small numbers of co-workers can disproportionately affect our results, both positively and negatively. Pay ratios (highest to median salaries) for Triodos Bank UK are published as part of the consolidated Triodos Bank Annual Report.

Principal risks and uncertainties

The risk management objective for Triodos Bank UK is to create an environment within which it can pursue its mission within risk appetite in a sustainable, prudent way to its fullest extent. This is supported by its Enterprise-Wide Risk Management Framework (ERMF).

Our ERMF articulates the risk management standards, approach and control framework that identifies, assesses, responds, monitors and reports on risk exposures faced by the Bank. It is owned operationally by the Chief Risk Officer (CRO) and approved by the Audit and Risk Committee (ARC).

Triodos Bank UK's ERMF seeks to align to the Group Risk Management Framework. However, it also reflects the UK regulatory environment where necessary, as guided and approved by the ARC.

The Board sets clear risk appetite statements, driven in conjunction with the 3-year strategic planning process, and both inputs support the ERMF content. The CRO also undertakes an annual review that seeks to confirm that it remains fit for purpose in the period in between.

A standard Three Lines of Defence model is incorporated in the ERMF and applied within Triodos Bank UK to provide clarity of responsibilities based on an appropriate segregation of duties across each line of defence. Operating in such a way allows each function to understand the boundaries of its responsibilities and how they fit into the internal control and risk management system. Application of this model provides for periodic Internal Audit assurance activity around the ERMF.

An outline of the key risks managed through the ERMF together with a sub-Board operational level risk review of each is included in the table below:

ERMF Risk	Risk mitigation / review
Strategic Risk The risk of failing to achieve the institution's overall objectives due to internal and/or external causes. Incorporates: Selection, Execution, and Modification Risks.	The senior executive governance committee is referred to as the Core Management Committee (CMC). The CMC monitor 'flash' financial performance trends on a weekly basis, and 'formally' at each monthly meeting through the actual versus forecast management information; this is also a component of the standard Board reporting. Related solvency metrics are assessed and managed within the Board-approved Internal Capital Adequacy Assessment Process (ICAAP) requirements that incorporate appropriate stress testing to maintain the Bank's balance sheet strength in this regard. This provides focus on Capital levels and Profit & Loss (P&L) achievement. The external environment has created business performance challenges during the year, centred around the COVID-19 impacts faced by our customers, but overall business performance has nevertheless been strong.
Reputational Risk The risk arising from negative perception on the part of customers, counterparties, shareholders, investors, regulators or other stakeholders that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding. Incorporates: People-related, Process-related and External world interaction Risks.	The CMC monitors the related aggregated risk profile at their monthly meetings, driven from established underlying processes across a range of potential sources of Triodos Bank UK's Reputational Risk, e.g. complaints received and negative press / social media coverage. The current Reputational Risk profile is considered to be within the risk appetite however, where necessary, the underlying processes will identify any potential areas of concern and escalate to the CMC, ARC and/or Board for appropriate management.
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. Incorporates: Legal, Process, Product, People, Fraud, IT Systems, Continuity, Information Security, and Outsourcing Risks.	Operational risks are managed initially through a CMC sub-committee, the Non-Financial Risk Committee with subsequent escalations up to the CMC, ARC and/or Board as appropriate. The established ERMF provides for the management of Operational Risk, through the system of controls, inherent risk registers, and, current and emerging risk logs, together with risk event / near miss reporting. Triodos Bank UK continues to further strengthen the established operational resilience framework, principally through the ongoing maturity development of risk appreciation across the business.
Compliance Risk The risk of legal or regulatory sanctions material financial loss, or loss to reputation a bank may	Compliance risks are also managed initially through the Non-Financial Risk Committee with subsequent

suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities. Incorporates: Integrity, Conflict of Interest, and Money Laundering Risks.	escalations up to the CMC, ARC and/or Board as appropriate. The established ERMF provides for the management of Compliance Risk against the context of the Bank's regulatory footprint; management provided through systems and controls, including identification of current and emerging regulatory requirements, risk and control self-assessments and the use of risk event / near miss reporting to identify regulatory breach situations. Regular reviews of the ERMF and risk and control environment, in line with continuous improvement are conducted to strengthen further the established framework, principally through the ongoing maturity development of compliance-risk appreciation across the business.
Conduct Risk The risk that the firm or an individual's behaviour will result in poor customer outcomes. This may be as a result of product design, distribution and sales of products or product servicing. Incorporates: Culture, Product, Sales, and Post Sales Risks.	Conduct risks are managed initially through the Non-Financial Risk Committee with subsequent escalations up to the CMC, ARC and/or Board as appropriate. Appropriate conduct is an inherent component across all the Bank's operational activity, and embedment of this continues, together with the following specifics: • The Bank is committed to working with its customers and service providers to ensure that its products are simple, fair and transparent. • A programme of customer satisfaction research is established to support driving further enhancements and improvements to customer service. • Complaints are monitored along with a broad range of other conduct risk metrics at Executive and Board Committees on a monthly basis. • Product governance is overseen and monitored by a Product Governance Committee. • Particular consideration is given to the treatment of Vulnerable Customers.
Credit Risk Categorised by: Obligor Risk: The risk that a counterparty fails to meet contractual or other agreed obligations (such as those in respect of credits or loans granted, exposures incurred or guarantees received), including where such is due to restrictions on foreign payments. Counterparty Risk (which is a Financial Institution): The risk that the counterparty to a	Credit risks are managed initially through a CMC sub-committee, the Credit Committee, with subsequent escalations up to the CMC, ARC and/or Board as appropriate. Business lending is a core activity of the Bank and in response has an experienced Credit Risk team established which reviews applications in accordance with the established Board approved lending and sector policies.

transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Concentration Risk: The risk that any single exposure or group of exposures will produce losses large enough (relative to a bank's capital, total assets or overall risk level) to threaten a bank's health or ability to maintain its core operations (includes Country, Sector, and Single Obligor, Concentration Risks.	The Bank does not hold a large portfolio of wholesale investments, but those held are subject to a Board approved policy that restricts investment into high quality counterparties only (mostly financial and government related institutions). The established risk appetite has on balance driven a relatively good quality lending portfolio maintained by the Credit Risk team's effective oversight and monitoring activity.
Liquidity Risk Categorised by: Liquidity Funding Risk: The risk that the bank will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the firm. Liquidity Market Risk: The risk that the bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.	Liquidity risks are managed initially through a CMC sub-committee, the Asset and Liability Committee, with subsequent escalations up to the CMC, ARC and/or Board as appropriate. Liquidity risk is defined by the Overall Liquidity Adequacy Rule (OLAR) and assessed and managed by the Board within the approved Internal Liquidity Adequacy Assessment Process (ILAAP). These requirements incorporate appropriate stress testing to maintain the Bank's balance sheet strength. The Treasury team develops effective process to manage and control liquidity and funding on a day-to-day basis with oversight from the Risk team. The Bank aims to always hold sufficient liquid assets (deposits with other institutions, and high quality liquid assets such as Gilts) to cover client commitments, meet regulatory requirements and to survive a combined long term liquidity stress scenario for 8 months with management actions. In addition, the Bank uses other key measures including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank continues to benefit from a strong liquidity position due to the nature of its customer base and no reliance on wholesale funding.
Market Risk The risk of losses in on and off balance positions arising from movements in market prices and changes in interest rates, foreign exchange rates, and equity and commodity prices. Market risk is often propagated by other forms of financial risk such as credit and market-liquidity risks. Incorporates: Interest Rate, Model, and Foreign Exchange Risks.	Market risks are managed initially through a CMC sub-committee, the Asset and Liability Committee, with subsequent escalations up to the CMC, ARC and/or Board as appropriate. The majority of Triodos Bank UK's risk arises from changes in interest rates as the Bank has minimal foreign exchange exposure. Interest rate related risks are modelled and managed monthly in accordance with regulatory requirements.

Uncertainty is not conducive for stability. During 2020 the UK's impending departure from the European Union (Brexit) continued to drive uncertainty for the Bank. In addition, the impact from COVID-19 also created significant risks, and both are included below within several principal risks managed by Triodos Bank UK through the established ERMF.

These are summarised as follows:

COVID-19

Like all businesses across the world, the pandemic has created significant challenges and uncertainty. The Bank's established crisis management and business continuity framework was successfully instigated at the outset to administer, manage and govern the initial response(s).

As the extent of the pandemic continued to develop, Triodos Bank UK's Crisis Team, comprising appropriate members of the Bank's senior executive, continued to manage and govern the situation, with ongoing communication with all appropriate stakeholders including the Board.

The impacts on the Bank's business included amended daily working practices, maintenance of effective corporate governance, maintaining effective customer facing processes, understanding and managing the impacts on our depositor base, understanding and managing the cash flow implications on our business portfolios, and effectively managing our ongoing solvency position.

The Bank's established control environment effectively responded to and mitigated the impacts faced to date and remain focussed on that position. The control environment has been subject to fortnightly regulatory focus and challenge by the Prudential Regulation Authority (PRA) during the year to date and will continue into 2021.

Brexit

The principal risk of Brexit led to the subsidiarisation of the Triodos Bank UK Branch in May 2019. Some specific 'subsidiarisation'-related risks remain and are included separately below. In terms of the operational risks and impacts faced as the UK moved towards its exit from the European Union on 31 December 2020, Triodos Bank UK was not faced with large potential exposures.

The risks and challenges the Bank faced to its business model and operational business continuity were reviewed and challenged at the monthly CMC, including the potential direct and indirect impacts on our business, customers and suppliers. Specific Board engagement and challenge was also provided as we moved closer to the end of the transition period.

Looking into 2021, residual impacts will only begin to be able to be addressed as the post-exit financial services agreements evolve.

Subsidiarisation

The remaining principal risks to Triodos Bank UK created by the subsidiarisation process are:

- Increased regulatory compliance requirements: Triodos Bank UK's banking licence was authorised by the PRA in addition to the existing FCA authorisation (as a branch). A step change in regulatory compliance requirements as a UK-incorporated bank continues to embed. Appropriate resourcing and investment continue to be required to drive through the necessary underlying enhancements to the strength and quality of our ERMF.
- Group reliance: Triodos Bank UK's business model continues to retain Triodos Bank N.V. as a principal 'third party' provider of services. This model is expected to continue for the foreseeable future and, whilst there are benefits to this relationship, it does create additional risk as it reduces the flexibility of the UK subsidiary.
- Regulatory divergence: potential increased costs of regulatory compliance both within the UK and as part of an EU-based group.
- Operational capability change: to address the risks detailed above will involve ongoing significant 'change' requirements across our operations and this programme of change continues to drive challenges and enhancements for the Bank. This includes plans for a significant uplift in the Bank's capabilities in respect of the ongoing automation of financial crime controls, and, business continuity / operational resilience controls.

Climate change

Triodos Bank UK's mission, purpose and values have supported an increasing focus on this topic through the positive environmental change we drive.

Flowing from the Bank of England's ongoing regulatory development through 2020, this topic continues to receive focus from Triodos Bank UK as we build a framework that provides compliance with the building regulatory requirements. Identification and quantification of the financial risks inherent in our balance sheet continues to gather momentum. Whilst a risk to manage, the increasing regulatory and political focus will also provide opportunities for Triodos Bank UK as we continue to push this change agenda with activity that remains aligned to our mission, purpose and values.

In 2015 Triodos Bank was one of the founding members of the Partnership for Carbon Accounting Financials (PCAF) and in 2020 Triodos Bank UK was one of the founding members of the UK Chapter. The aim is to develop a framework to support transparent and standardised carbon accounting in line with the recommendations of the Task Force on Climate-Related Financial Disclosures, promoting progress in line with the Paris Climate Agreement. The PCAF methodology is used to report on carbon within the consolidated group reporting available in the Triodos Bank N.V. Annual Report (www.annual-report-triodos.com).

Sector competition

Triodos Bank UK's chosen sector has historically been a relatively 'niche' market. Increasing environmental awareness and action, especially as an evolving outcome from COVID-19, provides continual strong competition in the sector; mainstream banks increasingly embrace sustainability as a business opportunity and compete aggressively to take advantage of available lending opportunities, while 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 on safeguarding systems.

This all provides both opportunities and challenges for the Bank as competitors currently appear focused on positioning 'ethics' around a customer perspective (customer treatment) and environmental aspects given climate change concerns. The Triodos Bank UK approach remains distinct in terms of a deeper focus on social equality, treating customers in the same way we approach business in general, evidenced though, for example, highlighting there is no such thing as free banking (and hence charging for current accounts).

Section 172 statement

Triodos Bank UK's Section 172 statement provides insight to how the Directors have considered their duty to promote the success of the company for the benefit of its shareholder while also having regard to the interests of other stakeholders and broader issues such as the longer-term impacts of decision making.

The mission of Triodos Bank UK has at its core quality of life, human dignity and the environment. The Board acknowledge their role as leaders and stewards of culture at Triodos Bank UK, but they also recognise that culture is influenced by every facet of an organisation. Therefore, the values of Triodos Bank are built into all of the operations of the business, including the deliberations and decisions of the Board and the broader impact and influence that we have on people, community and the environment.

The values and mission of Triodos Bank have never been more important than in 2020 and in our response to the COVID-19 pandemic.

As the seriousness of the COVID-19 pandemic emerged, the Board were meeting significantly more frequently to ensure that the Bank remained resilient, customers had support and access to information, and most importantly, that co-workers were able to work safely. 2020 was a successful and real-life test of Triodos Bank UK's crisis management and business continuity planning.

The Board considered use of the government's Coronavirus Job Retention Scheme ('Furlough') when it was first announced and agreed that with the uncertain severity and duration of business impacts from the COVID-19 pandemic it would be prudent to apply for the scheme. In total, eight co-workers were furloughed between April and October, mainly from within areas where business need was reduced by lockdown and home-working (like office services and events management). However, by the year-end, the resilience of the Bank (and its customers) was apparent and the decision was taken to repay the furlough monies granted by the government (a total of £36,000).

There has been a lot of focus on 'building back better' following the pandemic which has led an increased interest in sustainability and what is important. Triodos Bank's leadership is evident in its contribution to initiatives and campaigns like Bankers for Net Zero, Make My Money Matter, and the Financing a Just Transition Alliance. Towards the end of 2020 the Directors also started considering if there were any learnings that may be taken from the pandemic for Triodos Bank UK such as more flexibility for co-workers and minimising the need for travel.

Shareholder

Triodos Bank N.V. is the sole shareholder of Triodos Bank UK and both share a mission to create positive social, environmental and cultural change. The Directors of Triodos Bank UK have established ways of working that promote collaboration and consultation with the shareholder, including sharing key Board papers and holding quarterly discussions between the Chair and shareholder. Close engagement with the shareholder supports the pursuit of a shared mission and aligned strategies and also ensures that Triodos Bank UK can respond to the interests of its own stakeholders and a different regulatory context.

Customers

Transparency and integrity continue to drive the culture of Triodos Bank UK, particularly in our approach to customers. We put customer interests and needs at the heart of what we do.

The Board monitors key behavioural indicators regularly via a suite of regular metrics which are designed to evidence the fair treatment of customers and delivery of fair customer outcomes. In light of the challenges to individual financial circumstances as well as customers' wellbeing, a proactive approach to communicating with customers has been embedded. The Board ensured there was regular communication with customers offering support throughout the year and co-workers' awareness of customer vulnerability was heightened to help identify those that might need extra support. Where it was identified that support may be needed, each customer's situation was reviewed on a case by case basis in order to deliver a supportive and fair customer outcome. Where appropriate, customers were also signposted to independent organisations able to provide support.

The Board led a strategy to develop the Bank's technology proposition in 2020 with delivery of some key milestones in order to enhance our resilience to the threat of financial crime to help protect our customers, including the implementation of a fraud prevention and anti-money laundering compliance monitoring system which monitors the Bank's processes and services. The foundations for a more progressive digital operating model and improved customer experience have been delivered, including rationalisation of the product offering, simplification of onboarding, and streamlining the customer journey, with further customer benefits planned for 2021. This supports the strategy to attract and retain customers and drive our mission for fairer, more transparent banking.

Suppliers

The Board have established an expectation of sustainable procurement that combines social and environmental aspects with the standard focus on value for money when buying goods or services. Triodos Bank UK strives for long-term collaborative relationships with our suppliers. Engagement with suppliers is conducted in a competitive, fair and transparent manner that considers the needs of Triodos Bank customers and the supplier (and complies with European Union law, UK Law and international best practice).

Our policies outline our ambition to work in partnership with suppliers to align our positive impact ambitions and promote the use and adoption of more sustainable products, production processes, and supply chains.

The Board recognised that COVID-19 would also create changes for our suppliers and how we engaged with them. Triodos Bank UK worked closely with suppliers to address and adapt to the challenges throughout the year to support long term supplier relationships. For example, contracts that supported the Bank's Bristol office including cleaning, maintenance, and provisions, were maintained despite low office attendance reducing demand. Arrangements for other suppliers were adjusted to accommodate the COVID-19 restrictions; training providers transferred to digital platforms and all our vendor management meetings were held online. Triodos

Bank UK supplier services have remained resilient throughout this period and have caused minimal disruption to our customers.

In 2021, the Board will be looking to further enhance operational resilience, governance, monitoring and control of supplier relationships.

Employees

The Directors' understanding of the interests of co-workers has been established through reports on engagement surveys and discussions with co-workers both formally through annual Q&A sessions, shared development and strategy sessions, and also informally by establishing and leading an open and approachable culture.

Monitoring co-worker well-being was a priority through 2020 given the challenges to individuals from remote working and there was an active campaign to offer support, opportunities to connect, and a greater focus on mental health. A survey of co-workers in May 2020 sought to understand whether co-workers felt supported through the challenges presented by the pandemic and to generate ideas of what else the Bank could do to provide support. The Board also had an increased focus on Conduct to ensure that co-workers continued to do the right thing.

The Board oversaw the development of a new People Strategy which prioritises diversity and inclusion, talent attraction and retention, and co-worker development in addition to embedding values and behaviours aligned to the Triodos Bank mission.

Regulators

The Board are committed to demonstrating that Triodos Bank UK is diligent in not only meeting regulatory requirements but also maintaining a resilient business that has a keen focus on the interests of its customers. The Directors of Triodos Bank UK aim to have relationships with the Bank's regulators based on openness and transparency. Throughout 2020, as the COVID-19 pandemic developed the Board held frequent meetings to maintain close oversight of the business to ensure the Bank was resilient and responsive to challenges. Information from these meetings was shared with the PRA to demonstrate that Triodos Bank UK was safeguarding and supporting our customers' interests. Where the Bank was challenged by pandemic events, for example, unexpected customer call volumes increased call waiting times, the Bank was pro-active in advising the regulators and providing a remediation plan to address the issue and ensure there was no customer detriment.

Future developments

In 2021, we aim to grow our customer base by embedding improvements to the customer journey and continuing a programme to simplify and improve our retail and business products. Efficiency and improving our cost to income ratio are key objectives for 2021. This will increase the opportunity and impact that Triodos Bank UK can deliver.

Growth and efficiency gains will provide scope to increase the impact of business lending through three Impact themes:

- Energy and Climate – promoting energy savings and energy efficiency to reduce emissions and support a transition to lower emissions energy;
- Food and Agriculture – supporting a shift in agriculture to address challenges like soil depletion, climate change, biodiversity, malnutrition and food equality; and
- Social Inclusion – improving social integration and supporting communities and the most vulnerable through housing and support services.

We are also looking forward to the 'new normal' post COVID-19, re-connecting with co-workers and customers and taking advantage of the growing interest in sustainable finance from both customers and other firms in the sector to progress our vision for Changing Finance by Financing Change.

Approval

Approved by the Board of Directors on 18 March 2021 and signed on its behalf by

Gary Page

Chair

Bevis Watts

Chief Executive Officer

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2020 for Triodos Bank UK Limited.

For comprehensive analysis on the operations and impact of Triodos Bank, including the UK, please refer to the consolidated group reporting in the Triodos Bank N.V. Annual Report (www.annual-report-triodos.com).

Directors

The Directors of Triodos Bank UK Limited during the year (unless otherwise disclosed) and at the date of signing the financial statements were:

	Role	Total Directorships (incl. Triodos Bank UK)
Gary Page	Chair, Independent Non-Executive Director, Member of Audit & Risk Committee	3
Richard Burrett	Independent Non-Executive Director, Chair of Audit & Risk Committee	5
Karen Furlong	Independent Non-Executive Director (appointed 26 August 2020)	5
Pierre Aeby	Non-Executive Director, Member of Audit & Risk Committee	5
Bevis Watts	Executive Director	5

The Board aims to meet at least eight times per year. During 2020, there were seven planned Board meetings plus a separate Strategy day, and 13 special, short meetings which were convened to ensure the Board addressed issues emerging from the COVID-19 pandemic. In 2020, Board attendance was close to 100% with two Directors each missing one of the short, special meetings.

The Board of Triodos Bank UK have established an Audit & Risk Committee to support the work of the Board that aims to meet at least four times per year. The members of the Audit & Risk Committee are Richard Burrett (Committee Chair), Pierre Aeby and Gary Page. In 2020, the Committee held 5 meetings with 100% attendance.

Directors' recruitment and diversity[4]

The Triodos Bank UK Board Succession and Diversity Policy guides recruitment and diversity of Directors.

Recruitment strategies are designed around an assessment of skills available on the Board and the skills needed to deliver the Bank's strategic objectives. Recruitment of new Directors is managed directly by the Board with the support of the Company Secretary and internal HR department. All Directors have extensive experience in regulated firms, primarily in the banking industry.

The Board's approach to diversity is aligned to the organisation's commitment to a diverse and inclusive workplace and which reflects the communities in which it does business. The objective for Board composition is to include at least 30% female and 30% male membership. Currently, the Board only includes one female Director which at 20% of the total is below the 30% target. While it is challenging to achieve good diversity on a

[4] As required for the Pillar 3 Report

small Board, the Board is committed to ensure that future recruitment actively considers how to encourage and support a greater diversity of candidates.

Results and dividends

The profit for the year, after taxation, was £5,641,000 (2019: £3,656,000). The Directors recommend the payment of a dividend of 1.34 pence per share (there was no dividend paid in 2019). The dividend proposal is made according to Triodos Bank UK's Dividend Policy and is in line with the guidance issued by the PRA on distributions by banks in December 2020.

Directors' indemnity

Triodos Bank N.V. has purchased and has maintained Directors' and Officers' liability insurance cover for the benefit of the Directors and Officers of Triodos Bank UK throughout the financial year and it is currently in force.

Triodos Bank UK also has qualifying third party indemnity provisions in its Articles of Association for the benefit of each of the Bank's Directors serving in 2020 and as at the date of approval of this report.

Political and charitable donations

Triodos Bank UK donated £62,000 to charitable organisations in 2020 (2019: £8,000). Triodos Bank UK has not made any donations to any registered UK political party but donated £6,000 to the Impact Investing Institute in 2020 and £10,000 to the All Party Parliamentary Group on Fair Business Banking in 2019 as we actively support the aims of these organisations.

Significant events since year end

On 22 February 2021 the UK government announced a roadmap for easing the restrictions imposed to manage the COVID-19 pandemic. While this provides optimism that our communities and the UK economy will recover, until then Triodos Bank UK will continue to closely monitor our customers for vulnerability and consider how we can provide customers with support as well as ensuring our own resilience.

On 22 September 2020 Triodos Bank N.V. announced that the Group CEO, Peter Blom, has decided to step down from his role and will leave on 21 May 2021. On 9 February 2021, Triodos Bank announced the decision of Jellie Banga to step down from her role as Chief Operating Officer effective 1 May 2021. Triodos Bank N.V. has provided assurance to the Chair of Triodos Bank UK Limited that its plans to manage this transition are progressing well.

Fitch Ratings announced on 16 February 2021 that it has assigned Triodos Bank N.V. a Long-Term Issuer Default rating at 'BBB' with a stable outlook and a Viability Rating at 'bbb'. The rating gives Triodos Bank a better position on the financial markets should the need arise. It will improve access to institutional debt funding and potentially reduce the cost of funding. Therefore, it supports the financial health of Triodos Bank N.V. The Stable Outlook reflects Fitch's view that Triodos Bank N.V.'s ratings have sufficient headroom at their current level to absorb significant shocks under various scenarios to Fitch's baseline economic forecast. Triodos Bank UK Ltd is included in the assessment as part of the Triodos Bank Group, but does not have its own credit rating.

At the date of this report, the Directors are not aware of any other matter or circumstance which has arisen which has significantly affected or may significantly affect the operations of the Bank, the results of those operations or the state of affairs of the Bank in the financial year subsequent to 31 December 2020 not otherwise disclosed in this report.

Future developments

The ambition and plans for the future development of Triodos Bank UK are set out in the Strategic Report (on page 17).

Employee engagement and business relationships

How the Directors engage with key stakeholders such as employees, customers and suppliers are considered a fundamental aspect of Triodos Bank UK's mission and values and are therefore detailed in the Strategic Report (on page 15).

GHG emissions, energy consumption and energy efficiency

Mandatory reporting of GHG emissions, energy consumption and energy efficiency is provided in the consolidated Group Annual Report.

Triodos Bank was part of the collaborative effort to establish the Partnership for Carbon Accounting Financials (PCAF), a globally recognised standard for carbon accounting, and which has been used for the last 2 years to measure the emissions of Triodos Bank's entire portfolio of loans and direct investments. A report on how the PCAF standard is applied to Triodos Bank's portfolio is available at www.annual-report-triodos.com.

Directors' responsibilities with respect to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that Triodos Bank UK has adequate resources to continue in business for the foreseeable future.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions including but not limited to the political environment in the UK, future projections of profitability, cash flows and capital resources. The Directors have also considered the UK's withdrawal from the European Union and the COVID-19 outbreak and their possible short and long-term impacts on the Bank and its stakeholders.

In response to the COVID-19 pandemic, the Bank has demonstrated an ability to successfully operate and serve its customers with the majority of co-workers working remotely. We recognise that working from home can present challenges to co-workers' well-being and therefore maintaining effective and flexible support for co-workers will continue to be vital. The principal risk to the Bank from the impacts of COVID-19 is credit losses. The Directors have made provision for expected credit losses and, although further losses are possible given the rapidly evolving situation, these are considered highly unlikely to affect the Bank's going concern status as the Bank has maintained a strong capital position. The impact of COVID-19 is considered more fully in the Strategic report.

The principal risk to Triodos Bank from the UK's withdrawal from the European Union was addressed through subsidiarisation in 2019. Of the remaining risks (described in the Strategic report), the impact of increasing regulatory divergence from the European Union is considered the most significant and will continue to be monitored and addressed, but is not considered likely to affect the Bank's going concern status.

In addition, note 27 to the financial statements includes Triodos Bank UK's policies and processes for managing its capital, its financial risk management and its exposures to credit risk, liquidity risk and market risk.

Triodos Bank UK has adequate financial resources and the Directors believe that the Bank is well placed to manage its business risks successfully. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement of disclosure of information to auditors

The Directors who held office at the date of the approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director, to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. Their confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Approval

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the necessary information to assess the company's position and performance, business model and strategy.

Approved by the Board of Directors on 18 March 2021 and signed on its behalf by

Gary Page

Chair

Bevis Watts

Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TRIODOS BANK UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Triodos Bank UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group headed by Triodos Bank N.V., of which the company is a member.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group in the period under audit.

Our audit approach

Overview

Audit scope

- The company is based wholly in the United Kingdom, and does not have any subsidiaries, branches or service centres. The company relies upon certain key group functions at Triodos Bank N.V., including Information Technology ("IT") and for IFRS 9 loan loss impairment modelling. We therefore audited the company as a standalone entity, while instructing PricewaterhouseCoopers Accountants N.V. to perform work on our behalf related to those group functions.

Key audit matters

- Loan loss impairment under IFRS 9
- Impact of Covid-19

Materiality

- Overall materiality: £1,770,000 (2019: £1,760,000) based on 1% of CET 1.
- Performance materiality: £1,327,500 (2019: £1,320,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations such as, but not limited to, the relevant rules of the Prudential Regulatory Authority and Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reading correspondence with regulatory authorities such as the Financial Conduct Authority and the Prudential Regulation Authority in relation to compliance with banking regulations.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of the loan impairment provision (see related key audit matter below).
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Loan loss impairment under IFRS 9	
In accordance with the requirements of IFRS 9 'Financial Instruments', the company determines loan impairments in Stage 1 by recognition of loss	

allowances measured at an amount equal to the 12-month expected credit losses, in Stage 2 by recognition of loss allowances measured at an amount equal to the lifetime expected credit losses for under-performing financial assets, and in stage 3 by recognition of loss allowances measured at an amount equal to the lifetime expected credit losses for credit-impaired financial assets. There is a high level of judgement in determining the multiple economic scenarios to be used and their associated weighting.	We understood management's process relating to the generation, selection and weighting of economic scenarios. We used our risk modelling experts as we evaluated: • The approach to the generation and selection of economic scenarios representing the upside, downside and base case; • The appropriateness of the economic scenarios used, focusing on the key UK GDP growth assumption; and • The review, challenge, and approval of the economic scenarios within the governance processes
The GDP growth assumptions included within the multiple economic scenarios also involves a high degree of estimation uncertainty.	In respect of the GDP growth assumptions used, we have performed the following key procedures to support our conclusions: • We critically assessed the GDP growth rates used by comparing them to our internal economists' views; • The GDP growth rates were compared to external sources; and • We performed sensitivity analysis and stress testing on the GDP growth rate assumptions We critically assessed the key assumptions adopted in the economic scenarios by comparing them to our independent view of the economic outlook and market consensus data. We also assessed the risk of bias in the forecasts, as well as the existence of contrary evidence. We independently re-performed the model calculation and assessed the appropriateness of the weightings adopted. Based on the evidence assessed, we found the GDP growth assumptions to be materially appropriate, and the economic scenarios adopted to reflect an unbiased, probability weighted view With respect to the post model adjustment to move loans into stage 2 from industry sectors which were deemed to be higher risk, we evaluated whether the

The use of post model adjustments also involves significant judgement from management to recognise any shortcomings in the ECL model.	use of a post model adjustment was appropriate, the method for measuring the adjustment, the assumptions used in developing the estimate, and assessed the appropriateness of disclosures. We considered that the use of a post model adjustment was an appropriate approach.
The company determines the Stage 3 loan impairment allowance by taking into account expected future cash flows, including value and recoverability of the corresponding collateral.	In respect of the allowance for those loans in Stage 3, we have performed the following risk-based key procedures to support our conclusions: • Discussed the credit status for a sample of individual loans with management and reviewed minutes of the Credit Committee; • Considered specific scenarios to each loan (including cure, consensual sale of security and forced sale of security) to ascertain whether the judgements applied in the calculation of the ECL were appropriate; • Agreed the valuation of the corresponding collateral to underlying appraisal reports and/or other information and the inspection of legal agreements and supporting documentation in order to confirm the existence and legal right to collateral; and • Recalculated the loan loss allowance.
	In respect of the disclosures relevant to IFRS 9 'Financial Instruments', we have assessed the adequacy of the disclosures, including those on estimation uncertainty and judgements.
The significance of the number of areas involving estimates and judgements taken by management increase the risk of material misstatement. This is therefore considered to be a key audit matter in our audit.	We used our credit risk modelling specialists to support the audit team in the performance of these audit procedures.
Relevant references in the Annual Report: Note 27 - Financial risk management.	
Impact of COVID-19	
The global COVID-19 pandemic, and the associated societal restrictions imposed by the UK Government, have adversely affected the UK population and economy. The virus emerged in the UK in January 2020 and spread quickly, prompting the government to impose widespread restrictions on the population in March 2020. Restrictions were eased and re-imposed throughout 2020 and in early 2021, including two further national lockdowns. At the time of issuing this report, the UK remains in its third lockdown.	Our planning and execution of our audit has given specific consideration to the impact of COVID-19 on the company.

The UK government has deployed a range of support measures for people and businesses, and the company has been active in some of these schemes, for example providing payment holidays and in issuing government backed loans.	In assessing management's consideration of the impact of COVID-19 on the financial statements, we have undertaken the following procedures: • Performed inquiries with management and the PRA; • Assessed the impact of Covid-19 on estimates and the assumptions that underpin them, for example related to expected credit losses; • Reviewed management's going concern assessment, which considered the potential impact of Covid-19 on future profitability; and • Evaluated the adequacy of the disclosures made in the financial statements with respect to the impact of Covid-19.
As at 31 December 2020, two vaccines have received regulatory approval and have begun to be administered to priority groups, such as the elderly. These, and the development of other vaccines, create an expectation that the restrictions will be eased in the foreseeable future. However, there remains significant uncertainty over the successful rollout and efficacy of the vaccines, the future mutation and spread of the virus, the extent and impact of government measures and economic outlook.	As a result of these procedures, we concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of the financial statements.
Management has considered the impact of COVID-19 when preparing the financial statements and for it's going concern assessment.	

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We considered reliance on the company's parent, Triodos Bank N.V., including (but not limited to) for IT support services and IFRS 9 loan loss impairment modelling. As a result, we have instructed PricewaterhouseCoopers Accountants N.V. to complete certain aspects of work in these areas on our behalf, but with our oversight.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£1,770,000 (2019: £1,760,000).
How we determined it	1% of CET 1
Rationale for benchmark applied	We consider that CET 1 is the most appropriate benchmark to use for the company, as a wholly-owned subsidiary of a group, and whose strategy is not solely one of profit maximisation. In addition, CET 1, as the primary funding source of the company, is the key measure considered by those charged with governance, as well as the company's regulators, when assessing the performance of the business.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,327,500 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above £88,500 (2019: £87,991) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's going concern assessment;
- Evaluation of stress testing performed by management and consideration of whether the stresses applied are appropriate for assessing going concern; and
- Evaluation of the company's forecast financial performance, liquidity and capital positions over the going concern period including an evaluation of the impact of Covid-19 on the financial outlook of the company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit & Risk Committee, we were appointed by the directors on 7 December 2018 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2019 to 31 December 2020.

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
18 March 2021

FINANCIAL STATEMENTS 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Interest income	1	37,933	24,844
Interest expense	2	(5,613)	(5,590)
Net interest income		**32,320**	**19,254**
Fee and commission income	3	3,172	1,922
Fee and commission expense	3	(932)	(503)
Net fee and commission income		**2,240**	**1,419**
Other operating (expense)/income	4	(8)	37
Total income		**34,552**	**20,710**
Personnel expenses	5	(10,384)	(6,603)
Other administrative expenses	6	(15,165)	(9,746)
Operating expenses		**(25,549)**	**(16,349)**
Impairment loss on financial instruments	27	(2,972)	(87)
Profit before tax		**6,031**	**4,274**
Tax on profit	8	(390)	(618)
Profit and total comprehensive income for the year		**5,641**	**3,656**

Accounting policies on pages 37 – 48 and notes on pages 49 – 74 form an integral part of these financial statements.

On 1 May 2019 the operations and all assets and liabilities of the UK branch of Triodos Bank N.V., Triodos Bank UK Limited's immediate parent company and ultimate controlling party, were transferred to Triodos Bank UK Limited via a transfer under Part VII of the Financial Services and Markets Act 2000.

This transfer was effected to ensure that Triodos Bank would continue to be able to trade in the UK in the event that its existing branch-specific passporting rights were revoked, as a result of the UK leaving the European Union. See note 9 for further information on this transfer.

Therefore all operations were acquired on this date, and are continuing. The comparative figures presented above and throughout the document represent a twelve-month accounting period but only eight months of trading.

BALANCE SHEET AS AT 31 DECEMBER 2020

	Note	31-Dec-20 £'000	31-Dec-19 £'000
Assets			
Cash and cash equivalents	10	375,679	236,613
Loans and advances to credit institutions	11	22,705	27,455
Loans and advances to customers	12	1,070,386	975,151
Debt securities	13	153,005	115,269
Intangible fixed assets	14	1,312	1,548
Property, plant and equipment	15	12,327	12,456
Right of use assets	16	1,322	945
Deferred tax asset	17	161	171
Other assets	18	2,473	8,855
Total assets		**1,639,370**	**1,378,463**
Liabilities			
Deposits from credit institutions	19	34,142	36,256
Customer accounts	20	1,412,742	1,155,946
Debt issued	21	5,703	-
Lease liabilities	16	1,332	961
Current tax	8	218	599
Other liabilities	22	3,219	8,502
Provisions	23	662	488
Total liabilities		**1,458,018**	**1,202,752**
Equity			
Called up share capital	24	172,000	172,000
Merger reserve	9	55	55
Retained earnings		9,297	3,656
Total equity		**181,352**	**175,711**
Total equity and liabilities		**1,639,370**	**1,378,463**

Accounting policies on pages 37 – 48 and notes on pages 49 – 74 form an integral part of these financial statements.

The financial statements of Triodos Bank UK Limited (registered number 11379025) on pages 32 - 36 were approved by the Board of Directors and authorised for issue on 18 March 2021. They were signed on its behalf by:

Gary Page

Chair

Bevis Watts

Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Called up share capital £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019		1	-	-	1
Issue of share capital	24	171,999	-	-	171,999
Impact of Part VII transfer	9	-	55	-	55
Total comprehensive income		-	-	3,656	3,656
Balance at 31 December 2019		**172,000**	**55**	**3,656**	**175,711**
Total profit and comprehensive income		-	-	5,641	5,641
Balance at 31 December 2020		**172,000**	**55**	**9,297**	**181,352**

Accounting policies on pages 37 – 48 and notes on pages 49 - 74 form an integral part of these financial statements.

Retained earnings represent the cumulative profits arising from the normal course of business.

The merger reserve was formed as a result of the transfer of the assets and liabilities of the UK branch of Triodos Bank N.V. to Triodos Bank UK Limited on 1 May 2019.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

£'000	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
Profit before tax		6,031	4,274
Adjustments for:			
Depreciation and amortisation		895	548
Gain on fixed asset disposal		6	-
Debt securities premium and discount amortisation		1,182	772
Increase/(Decrease) in ECL on financial instruments		1,721	(62)
Increase/(Decrease) in provisions		174	(126)
Interest on lease liabilities		39	13
Tax expense		(390)	(618)
Cash flow from business operations		9,658	4,801
Changes in net operating assets:			
Increase in loans and advances to customers		(96,953)	(101,865)
Decrease in deferred tax asset		10	36
Decrease/(Increase) in other assets		6,383	(4,924)
(Decrease)/Increase in deposits from credit institutions		(2,114)	3,056
Increase in deposits from customers		256,795	53,008
Decrease in lease liabilities		-	(25)
(Decrease)/Increase in current tax liability		(381)	52
(Decrease)/Increase in other liabilities		(5,283)	1,521
Cash flow from operating activities		**168,115**	**(44,340)**
Cash flow from investment activities			
Transfer of business from Triodos Bank N.V.		-	156,471
Divestment/(Investment) in intangible assets		28	(33)
Investment in property, plant and equipment		(471)	(129)
Investment in debt securities		(61,980)	(24,672)
Maturity of debt securities		23,900	4,800
Increase in interest receivable on debt securities		(841)	-
Cash flow from investment activities		**(39,364)**	**136,437**
Cashflow from financing activities			
Payment of lease liabilities		(140)	(26)
Increase in debt issued and borrowed funds		5,703	-
Increase in equity		-	171,999
Cash flow from financing activities		**5,563**	**171,973**
Net cash flow		**134,314**	**264,070**
Cash and cash equivalents at the beginning of the year		264,071	1
Cash and cash equivalents at the end of the year		398,385	264,071
Represented by:			
Cash and cash equivalents	10	375,679	236,613
On demand deposits with credit institutions	11	21,405	27,057
Other loans and advances to credit institutions	11	1,301	401

Accounting policies on pages 37 – 48 and notes on pages 49 - 74 form an integral part of these financial statements.

ACCOUNTING POLICIES

1 General

Triodos Bank UK Limited (the Bank) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Bank's registered office is Deanery Road, Bristol, BS1 5AS, and it is a wholly owned subsidiary of Triodos Bank N.V., a company incorporated in the Netherlands.

The Bank's principal activity is to finance companies, institutions and projects that add cultural value and benefit people and the environment, with the support of depositors and investors who want to encourage socially responsible business and a sustainable society.

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

2 Basis of preparation

The Directors present the financial statements of Triodos Bank UK Limited for the year ended 31 December 2020. The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The financial statements are presented on the historical cost basis.

At the time of approving the financial statements, the directors have a reasonable expectation that the Bank has adequate resources to continue in operation for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

All financial information presented in the financial statements has been rounded to the nearest thousand pounds unless otherwise stated.

3 Foreign currency transactions

The functional and presentational currency of the Bank is pound sterling as it is the currency of the primary economic environment in which the Bank operates.

Transactions in foreign currencies are recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on the settlement of foreign currency transactions and from the translation of monetary assets and liabilities are reported in Other income.

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

4 Revenue recognition

A. Net interest income

Interest income or expense on financial instruments is determined using the effective interest rate method. The effective interest rate allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount.

Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the effective interest rate to the gross carrying amount. When a financial asset becomes credit-impaired, and is therefore regarded as in Stage 3 of the expected credit loss model, the interest income is calculated by applying the effective interest rate to the net amortised cost.

B. Fee and commission income

Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer, in line with the requirements of International Financial Reporting Standard 15 (IFRS 15). The arrangements are always contractual and the cost of providing the service is incurred as each service is performed. The price is usually fixed and always determinable. The below table explains the different fee income categories involved when income is recognised.

Type of service	Nature and timing of satisfaction of performance obligations	Income recognition
Payment transactions	Fees charged for processing payment transactions of customers. Fees are charged when the transaction is processed.	Income related to transactions is recognised at the point in time when the transaction takes place.
Lending	These comprise non-utilisation fees and other non-material fees. Performance obligation is satisfied for non-utilisation fees when the facility has been held available as contractually agreed.	Non-utilisation fees are recognised over time based on amounts contractually due for holding facilities available.
Fund Distribution	Fees taken for distribution of the funds of Triodos Investment Management B.V., a group company, in the UK. Fees are calculated based on the value of funds under management on a daily basis, and paid monthly.	Fees are recognised at the point that they are paid.
Corporate Finance	These comprise fees for capital raising, advisory and modelling work. For each of these fee categories, contracts may contain several performance obligations.	Values are allocated to each performance obligation at inception of the contract, and revenue is recognised on completion of each performance obligation.

5 Personnel expenses

Short-term employee benefits, such as salaries, paid absences, other benefits and social security costs are accounted for on an accruals basis over the period in which the employees provide the related services.

The Bank operates a defined contribution pension plan. The commitment to the participating co-workers consists of paying any outstanding contribution. Employee contributions are optional, and employer contributions amount to between 8% and 10%. These contributions are recorded as an expense under personnel expenses. Contributions that are due but have not yet been paid are recorded as liabilities.

6 Financial instruments

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

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

Designated as at fair value through profit or loss

A financial instrument may be designated as at fair value through profit or loss only if such designation:

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

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

Amortised cost assets

A financial instrument may be measured at amortised cost if:

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

Assets designated at fair value through other comprehensive income

An equity instrument may be designated irrevocably at fair value through other comprehensive income. Other assets have to meet both the following criteria:

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

Fair value through profit or loss

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

Amortised cost liabilities

All financial liabilities that are not subsequently measured at fair value are measured at amortised cost.

Application

To determine the appropriate method for subsequent measurement, an assessment is made of the business model of each portfolio of financial instruments. Business models are assessed at portfolio level, being the level at which they are managed. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives of the portfolio, its risk management and the ability to monitor sales of assets from a portfolio. The criteria for classifying cash flows as solely principal and interest are assessed against the contractual terms of a facility, with attention to leverage features; prepayment and extension terms; and triggers that might reset the effective rate of interest.

All of the Bank’s financial instruments are measured at amortised cost less impairment allowance where applicable.

7 Impairment of financial assets

At each balance sheet date each financial asset and off balance sheet liability is assessed for impairment. Loss allowances are calculated for all financial assets and off balance sheet liabilities, regardless of whether there is objective evidence of impairment. These are classified into the following categories in line with IFRS 9:

- Stage 1: Assets that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month expected credit loss (ECL) is recognised and interest revenue is calculated on the gross carrying amount of the asset. 12-month ECLs are the expected credit losses that result from default events that are expected within 12 months after the reporting date.
- Stage 2: For assets that have experienced a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment, lifetime ECLs are recognised and interest income is still calculated on the gross carrying amount of the asset. Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3: For assets that have objective evidence of impairment at the reporting date, lifetime ECLs are recognised and interest income is calculated on the net carrying amount.
- Purchased or originated credit-impaired (POCI): For assets that have objective evidence of impairment at purchase or origination, lifetime ECLs are recognised and interest income is calculated using the credit-adjusted effective interest rate on the net carrying amount.

All corporate loans in the portfolio are periodically reviewed on an individual basis to assess creditworthiness. The frequency depends on the debtor's creditworthiness as assessed at the prior review, the degree of market exposure and the market in which the debtor operates. The credit committee discusses and, if necessary, takes action with respect to overdue payments from debtors. If there is any doubt regarding the continuity of the debtor's core operations and/or a debtor fails to settle agreed interest and repayment instalments for a prolonged period, this debtor falls under the category of doubtful debtors and will be managed intensively.

Expected credit losses are a probability weighted estimate of credit losses, considering various scenarios. For doubtful debtors scenarios are specific to the circumstances of the debtor, whereas for all other financial assets and off balance sheet liabilities the scenarios are based on macro-economic conditions.

Significant increase in credit risk

When determining whether the risk of default on a financial asset or off balance sheet liability has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining probability of default (PD) as at the reporting date; with
- The remaining PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators, for example developments in the sector; and
- a backstop of 30 days past due.

For corporate loans the Bank determines PD based on its internal credit rating system, which comprises 14 grades, each of which corresponds to a PD. The use of these grades is explained further in the Critical judgements and estimates accounting policy.

Corporate loans are assessed at inception and then periodically, and movements in internal credit rating provide the basis to determine whether a significant increase in credit risk has occurred. The credit quality of all counterparties is reviewed and rated at least annually. In addition, the Bank's focus on relationship management supports early identification of risk factors.

Definition of default

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The borrower is more than 90 days past due on any material credit obligation to the Bank.

Financial assets are considered to be past due when any amount of principal, interest or fee has not been paid at the date it was due. Materiality is relative to the size of the exposure.

Overdrafts are considered as being past due when:

- The customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- Qualitative: e.g. breaches of covenant;
- Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- Based on both data developed internally and data obtained from external sources.

Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect changes in circumstances.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by sector and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Write-offs

Financial assets are written off when the Bank concludes that there is no longer any realistic prospect of recovery of part or all of the financial asset. For loans that are individually assessed for impairment, the timing of write off is determined on a case-by-case basis. Such loans are reviewed regularly and written off when no further cash flows are expected.

8 Modified assets and liabilities

The Bank can make concessions or modifications to original terms of loans as a response to a borrower's request or financial difficulties.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate (EIR), the Bank records a modification gain or loss. A modification is considered to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial asset of, or greater than, ten percent. Modified loans that had a prepayment clause with no or insignificant prepayment fee in their original terms, and modified loans for which the contractual prepayment fee was paid upon modification are considered to be prepaid and are therefore derecognised.

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit-impaired at recognition date triggering POCI classification.

When assessing whether or not to derecognise a loan to a customer, amongst others the Bank considers the following qualitative factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion; and
- Restructuring.

If the difference between the net present value of the modified cash flows using the original effective interest rate and the carrying value is equal to or great than ten percent of the carrying value, the modification is also deemed substantial.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk, including classification as Stage 3.

Forbearance

When the borrower is in financial difficulty, rather than taking possession or otherwise enforcing collection of collateral, loan terms can be modified. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy.

Indicators of financial difficulties include defaults on covenants or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be performing;
- The probation period of 24 months has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period; and
- The customer does not have any contracts that are more than 30 days past due.

9 Cash and cash equivalents

On the balance sheet, cash and cash equivalents comprise cash with central banks. Loans and advances to credit institutions with an original maturity of less than three months are additionally included in the cash flow statement.

Cash and cash equivalents are carried at amortised cost on the balance sheet.

10 Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss over the asset's estimated economic life using methods that best reflect the pattern of economic benefits. These estimated useful economic lives are:

- Internally developed assets: 5 to 10 years
- Computer software: 3 to 5 years

Direct costs relating to internally developed assets are capitalised once technical feasibility and economic viability have been established. These costs include co-worker costs and the costs of materials and services. Capitalisation of costs ceases when the asset is capable of operating as intended.

During and after development, accumulated costs are reviewed for impairment against the benefits that the asset is expected to generate. Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred.

11 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to profit or loss on a straight-line basis so as to write off the depreciable amount of each item of property, plant and equipment over its estimated useful life. The depreciable amount is the cost of an asset less its residual value.

The estimated useful lives of the Bank's property, plant and equipment are:

- Property for own use: 40 years (or lease term if shorter)
- Plant and equipment: 3 to 5 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

12 Leases

As a lessee

The Bank assesses whether a contract is or contains a lease, at inception of a contract. The Bank recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- Lease payments to be made under extension options, when it is reasonably certain that the option will be used.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to restore a leased asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right of use assets are depreciated over the shorter of lease term or useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Bank expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The impacts on profit or loss are the depreciation charges on the right of use assets and the interest charges on the lease liabilities.

As a lessor

The Bank enters into lease agreements as a lessor with respect to some of its office space.

Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The Bank does not act as a lessor for any finance leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration under the contract to each component.

13 Impairment of intangible assets, property, plant and equipment, and right of use assets

At each balance sheet date, the Bank assesses whether there is any indication that its intangible assets, property, plant and equipment or right of use assets are impaired. If any such indication exists, it estimates the recoverable amount of the asset and the impairment loss if any.

If an asset does not generate cash flows that are independent from those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been taken into account in estimating future cash flows. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill cannot be reversed.

14 Provisions and contingent liabilities

The Bank recognises a provision when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable, or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

15 Tax

Income tax expense, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in profit or loss or equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the asset will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Deferred tax assets and liabilities are offset where the Bank has a legally enforceable right to offset, and where they relate to income taxes levied by the same taxation authority.

16 Critical judgements and estimates

UK company law and International Accounting Standards require the Board, in preparing the financial statements, to select suitable accounting policies, apply them consistently and where necessary make judgements and estimates that are reasonable and prudent. The Bank's reported results are sensitive to the accounting policies, judgements and estimates that underlie the preparation of its financial statements.

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

The judgements and estimates that, in the opinion of the directors, have the most significant effect on the amounts recognised in the financial statements are discussed below, and relate to loan impairment. See the Impairment of financial assets accounting policy for an explanation of the calculation of impairment of financial assets under IFRS 9.

The measurement of credit impairment under the expected credit loss model depends on management's assessment of whether a significant increase in credit risk has occurred for each loan, its economic forecasts including the probability of each of these, and its modelling of expected performance of each loan in each economic scenario. For loans and advances to customers all three elements require judgements or estimates that significantly impact the value of impairment losses.

A. Key judgement: Significant increase in credit risk

As explained in the Impairment of financial assets accounting policy, for loans and advances to customers the Bank's approach to determining whether a significant increase in credit risk has occurred is, in large part, based on its internal credit rating system.

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying judgement of experienced credit risk professionals. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
– Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.	– Internally collected data on customer behaviour – e.g. utilisation of overdraft facilities. – Affordability metrics. – External data from credit reference agencies, including industry-standard credit scores.	– Payment record – this includes overdue status as well as a range of variables about payment ratios. – Utilisation of the granted limit. – Requests for and granting of forbearance. – Existing and forecast changes in business, financial and economic conditions.

– Data from credit reference agencies, press articles, changes in external credit ratings. – Quoted bond and credit default swap (CDS) prices for the borrower where available. – Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.		

The internal credit rating system comprises 14 ratings as explained in the Impairment of financial assets accounting policy:

- Loans with initial ratings 1-3 are considered to exhibit a significant increase in credit risk if they are downgraded by four grades;
- Loans with initial ratings 4-7 are considered to exhibit a significant increase in credit risk if they are downgraded by three grades;
- Loans with initial ratings 8-9 are considered to exhibit a significant increase in credit risk if they are downgraded by two grades;
- Loans with initial ratings 10-12 are considered to exhibit a significant increase in credit risk if they are downgraded by one grade; and
- Loans with ratings of 14 are considered to be in default. Therefore a downgrade of a loan with rating 13 would put it in default.

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

In addition to the above, during 2020 several clients made use of general moratoria that were provided by the Bank without any conditions. The use of these measures has helped clients in these uncertain times. Making use of general moratoria without conditions is in itself not a trigger for significant increase in credit risk, but it could indicate a significant increase in credit risk. The Bank assessed the use of these moratoria in the different sectors within the portfolio and moved all customers in six sectors with a high dependency on these measures into Stage 2. This decision is a key judgement.

B. Key estimate: economic forecasts

The Bank formulates three economic scenarios for ECL calculations: a base case, which is the core scenario, and two less likely scenarios, one upside and one downside. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities such as the Bank of England and the Office for Budget Responsibility, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key driver of credit risk is GDP growth, with the interest rate level also having a small impact on one lending sector.

As described in the Key judgement: loan performance in different macro-economic conditions section below, the performance of each loan in Stages 1 and 2 is determined by the macro-economic conditions and its sector.

The economic scenarios used as at 31 December 2020 included the following GDP growth estimates and probability distribution for the years ending 31 December 2020 to 2023 and for the long-term. Taken together these are a key estimate.

	Probability	2020	2021	2022	2023	Long-term
Base	55%	-11.0%	5.0%	5.5%	2.0%	1.0%
Upside	15%	-11.0%	7.5%	7.5%	3.0%	1.0%
Downside	30%	-11.0%	3.6%	3.6%	1.5%	1.0%

A decrease of 3.0% in all GDP growth estimates for 2021-2023 would increase expected credit loss by £288,000.

C. Key judgement: loan performance in different macro-economic conditions

Each loan is assigned to one of 19 sectors, for example Social Housing, Renewable energy or Art & culture. A key judgement is made to determine per sector the correlation between the change in UK Gross Domestic Product (GDP) and the probability of default (PD) and net collateral value (NCV), which is High, Medium, Low or None. The table below shows the impact per correlation level.

GDP correlation	Maximum impact; if GDP deviates by more than 2% from the long-term average	
	PD (factor)	NCV
High	5.6	15%
Medium	3.2	10%
Low	1.8	5%
None	No impact	No impact

The correlation between GDP and PD is used to translate the PD that each corporate loan is assigned at review, as explained in the Impairment of financial assets accounting policy, to a PD that is used in the ECL model. For example, if GDP is forecast to decline by 1% in a given scenario that would be a 2% deviation from the long-term forecast growth of 1%. For a loan in a sector with Medium GDP PD correlation this would therefore cause PD to increase by a factor of 3.2. Similarly, if the loan were in a sector with Low GDP NCV correlation this would cause NCV to decline by 5%, increasing the modelled loss given default.

Impacts for GDP deviations from the long-term historical average of less than 2% can be calculated by interpolation.

The table below shows the weighted average PD used in the ECL calculation per internal credit rating as at the balance sheet date. Note that these do not in all cases increase uniformly because the weighted average for each grade depends on the sector of the loans at that grade.

Grading	12-month weighted-average PD	Grading	12-month weighted-average PD
Grade 1	0.22%	Grade 8	13.18%
Grade 2	0.12%	Grade 9	15.65%
Grade 3	0.29%	Grade 10	31.38%
Grade 4	0.57%	Grade 11	66.24%
Grade 5	1.42%	Grade 12	82.38%
Grade 6	2.74%	Grade 13	50.99%
Grade 7	5.42%	Grade 14	In default

Predicted relationships between GDP and PD and NCV per sector are key judgements that have been developed based on analysis of historical data and calibrated by management judgement of the impact of the current stressed economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

1 Interest income

An analysis of the company's revenue is as follows:

	2020 £'000	2019 £'000
Cash and cash equivalents	574	1,319
Loans and advances to credit institutions	92	8
Loans and advances to customers	35,617	22,359
Debt securities	1,650	1,158
	37,933	**24,844**

The interest income includes that derived from loans and related transactions, as well as related commissions, which by their nature are similar to interest payments.

Interest income can be broken down by geography as follows:

			2020		
	UK £'000	Ireland £'000	Other EU £'000	USA £'000	Total £'000
Cash and cash equivalents	574	-	-	-	574
Loans and advances to credit institutions	92	(1)	-	1	92
Loans and advances to customers	34,671	946	-	-	35,617
Debt securities	1,382	-	268	-	1,650
	36,719	**945**	**268**	**1**	**37,933**

			2019		
	UK £'000	Ireland £'000	Other EU £'000	USA £'000	Total £'000
Cash and cash equivalents	1,319	-	-	-	1,319
Loans and advances to credit institutions	4	(1)	-	5	8
Loans and advances to customers	21,784	575	-	-	22,359
Debt securities	912	-	246	-	1,158
	24,019	**574**	**246**	**5**	**24,844**

Income in Ireland is earned on a portfolio of loans and advances to customers with a value of £32.0 million at 31 December 2020 (2019: £32.9 million). This income stream is not affected by the UK's departure from the European Union.

2 Interest expense

	2020 £'000	2019 £'000
Deposits from credit institutions	159	105
Customer accounts	5,407	5,472
Lease liability	39	13
Bond interest	8	-
	5,613	**5,590**

3 Net fee and commission income

	2020 £'000	2019 £'000
Payment transactions including personal current account fees	810	444
Lending	1,360	877
Guarantee fees	16	13
Fund distribution	520	322
Corporate finance fees	466	266
Total fee and commission income	**3,172**	**1,922**
Payment transactions including personal current account fees	882	490
Corporate finance fees	17	13
Lending	33	-
Total fee and commission expense	**932**	**503**

Lending and guarantee fees include £31,000 (2019: £18,000) from customers in the Republic of Ireland. All other fee and commission income is earned in the United Kingdom.

4 Other (expense)/income

	2020 £'000	2019 £'000
Rental income from property leases	23	17
Exchange results for foreign currency transactions	(39)	(9)
Other	8	29
	(8)	**37**

5 Personnel expenses

	2020 £'000	2019 £'000
Salary expenses	8,037	4,992
Pension expenses	793	522
Social security expenses	827	512
Temporary co-workers	171	193
Intercompany co-worker recharges	(99)	(57)
Other staff costs	655	441
	10,384	**6,603**

The Bank employs some co-workers who work for other group companies, and other group companies employ some co-workers who work for the Bank. These costs are recharged including a mark-up, as appropriate. Intercompany co-worker recharges represents the net of the income earned from charging intercompany entities for the time of the Bank's co-workers, less the cost of paying for co-workers recharged to the Bank.

	2020	2019
Average number of co-workers during the period:		
Executive directors	1	1
Full-time	152	102
Part-time	51	33
	204	**136**

Note that until 1 May 2019 the Bank was dormant with no co-workers, which affects the average calculation in the comparative figures for 2019 in the table above.

The pension scheme is a defined contribution scheme that has been placed with a life insurance company in the United Kingdom, with funds invested in socially responsible investment funds. The commitment to the participating co-workers consists of paying any outstanding contribution. Participation in the pension scheme is optional – co-workers are automatically enrolled but can choose to opt out. Regardless of co-worker contribution the Bank's contribution is 8% of salary, increasing to 10% after the first year of service. Co-workers may contribute any amount of their choosing.

The total cost charged to profit and loss of £793,000 (2019: £522,000) represents contributions payable by the Bank to the scheme at rates specified in the rules of the scheme. As at 31 December 2020 £85,000 of contributions due in respect of the current year that have not yet been paid over to the scheme were included in Other payables (2019: £nil).

Directors' remuneration

The remuneration of the directors, who are the key management personnel of the Bank, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2020 £'000	2019 £'000
Short-term employee benefits	322	208
Post-employment benefits	18	12
	340	**220**

One director is accruing benefits under a money purchase pension scheme (2019: one).

Information about the highest paid director during the year ended 31 December 2020 is as follows:

	2020 £'000	2019 £'000
Short-term employee benefits	190	128
Post-employment benefits	18	12
	208	**140**

6 Other administrative expenses

	2020 £'000	2019 £'000
IT costs	6,717	4,446
Intercompany recharges	2,494	1,748
Marketing costs	1,060	886
Office costs	1,393	783
Accommodation expenses	1,259	900
Fees for advice and auditor	1,153	428
External administration costs	595	319
Financial Services Compensation Scheme Levy	37	49
Travel and lodging expenses	37	140
Other costs	420	47
	15,165	**9,746**

7 Auditors' fees

	2020 £'000	2019 £'000
Statutory audit	213	206
Other assurance work	194	5
	407	**211**

8 Tax on profit

The tax charge for the year is calculated as follows:

	2020 £'000	2019 £'000
Corporation tax:		
Current year	421	581
Adjustments in respect of prior years	(41)	-
	380	**581**
Deferred tax (see note 17)		
Origination and reversal of temporary differences	10	37
	10	**37**
Total tax expense	**390**	**618**

Reconciliation of effective tax rate

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the corporation tax rate in the UK as follows:

	2020 £'000	2019 £'000
Profit before tax on continuing operations	6,031	4,274
Statutory tax rate	19.0%	19.0%
Tax at the UK corporation tax rate	1,146	812
Tax effect of non-deductible expenses in determining taxable profit	140	221
- of which recognised in merger reserve	-	(96)
Tax effect of non-taxable income in determining taxable profit	(197)	(72)
Community investment tax relief	(668)	(283)
Adjustments in respect of prior years	(41)	-
Decrease in carrying value of deferred tax asset	10	36
Total tax expense	**390**	**618**
Effective tax rate	**6.5%**	**14.4%**

The tax expense for the year is lower than would be implied by the current headline tax rate due to lending that qualifies for Community Investment Tax Relief (CITR). The CITR scheme encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and other enterprises in less advantaged areas by investing in accredited Community Development Finance Institutions (CDFIs). The Bank has made such investments. The tax relief is worth up to 25% of the value of the investment in the CDFI. The relief is spread over five years, starting with the year in which the investment is made.

The Bank invests in CDFIs because it believes in the benefits they provide to the communities in which they operate. The tax relief it obtains is provided strictly in accordance with UK tax law and has been made available to encourage this activity.

Total tax borne

The table below sets out the amount of tax borne by the Bank in the year in respect of each of the most significant taxes.

	£'000
Corporation tax	761
Irrecoverable VAT	3,415
Employer's National Insurance	825
Business rates	271
Total tax borne	5,272

All figures represent amounts paid to HMRC except for irrecoverable VAT, which is the non-deductible VAT paid on invoices to suppliers.

The Bank's approach to tax reflects its values. It sees paying taxes not as a burden, but as a contribution to the society 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.

9 Transfer of business from Triodos Bank N.V.

On 1 May 2019 the operations and all assets and liabilities of the UK branch of Triodos Bank N.V., the Bank's immediate parent company and ultimate controlling party, were transferred to the Bank via a transfer under Part VII of the Financial Services and Markets Act 2000.

This transfer was effected to ensure that Triodos Bank would continue to be able to trade in the UK in the event that its existing branch-specific passporting rights were revoked, as a result of the UK leaving the European Union.

As Triodos Bank N.V. owns 100% of the Bank's share capital this was a common control transaction, outside the scope of International Financial Reporting Standard 3 (IFRS 3).

All assets were transferred at their book value under Dutch GAAP, which Triodos Bank N.V. applied at the time of transfer. On conversion to International Accounting Standards (IAS) a merger reserve was created. The book value of assets and liabilities transferred is set out below. No consideration was paid for the transfer, because under Dutch GAAP the net book values of assets and liabilities transferred was £nil.

	Note (below table)	Before transfer of assets	Dutch GAAP value transferred	Eliminate intercompany receivable	IAS adjustments	IAS value
		£'000	£'000	£'000	£'000	£'000
Assets						
Cash and cash equivalents		-	303,668	-	-	303,668
Loans and advances to credit institutions	1	172,000	24,805	(172,000)	(2)	24,803
Loans and advances to customers	1	-	873,639	-	(424)	873,215
Debt securities		-	96,175	-	-	96,175
Intangible fixed assets		-	1,661	-	-	1,661
Property, plant and equipment		-	12,676	-	-	12,676
Right of use assets	2	-	-	-	1,010	1,010
Deferred tax asset	4	-	134	-	73	207
Other assets		-	3,932	-	-	3,932
Total assets		**172,000**	**1,316,690**	**(172,000)**	**657**	**1,317,347**
Liabilities						
Deposits from credit institutions		-	205,200	(172,000)	-	33,200
Customer accounts		-	1,102,939	-	-	1,102,939
Lease liabilities	3	-	-	-	999	999
Current tax	4	-	450	-	96	546
Other liabilities		-	6,994	-	-	6,994
Provisions	2, 3	-	1,107	-	(493)	614
Total liabilities		**-**	**1,316,690**	**(172,000)**	**602**	**1,145,292**
Equity						
Called up share capital		172,000	-	-	-	172,000
Merger reserve	5	-	-	-	55	55
Total equity		**172,000**	**-**	**-**	**55**	**172,055**

The following IAS adjustments have been made, as identified by the note numbers:

1. Move from impairment provisions calculated under an incurred loss model to an expected loss model as required by IFRS 9;
2. Recognition of Right of use assets and Lease liabilities as required by International Financial Reporting Standard 16 (IFRS 16);
3. Elimination of major maintenance provision, which is not permitted under IAS; and
4. Current tax and deferred tax impacts of the above adjustments.
5. The net impact of adjustments 1 to 4 is recognised as a merger reserve.

10 Cash and cash equivalents

	31-Dec-20 £'000	31-Dec-19 £'000
Cash with the Bank of England	373,513	235,172
Mandatory reserve with the Bank of England	2,166	1,441
Balance sheet value as at 31 December	**375,679**	**236,613**

Cash at the Bank of England is held on demand, except for the mandatory reserve, which is encumbered.

11 Loans and advances to credit institutions

Amounts falling due within one year:

	31-Dec-20 £'000	31-Dec-19 £'000
On demand deposits with credit institutions	21,405	27,057
Other loans and advances to credit institutions	1,301	401
Expected credit loss	(1)	(3)
Balance sheet value as at 31 December	**22,705**	**27,455**

An amount of £550,000 (2019: £565,000) is encumbered. This is held as collateral for Mastercard transactions in an account at US Bank.

12 Loans and advances to customers

	31-Dec-20			31-Dec-19		
	Gross carrying amount	ECL allowance (Note 27)	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate loans	1,070,849	(3,928)	1,066,921	971,281	(1,613)	969,668
Current accounts	3,502	(37)	3,465	5,496	(13)	5,483
Total	**1,074,351**	**(3,965)**	**1,070,386**	**976,777**	**(1,626)**	**975,151**

13 Debt securities

	31-Dec-20 £'000	31-Dec-19 £'000
Issued by public bodies	62,207	71,260
Issued by other issuers	90,808	44,016
Expected credit loss	(10)	(7)
Balance sheet value as at 31 December	**153,005**	**115,269**

All debt securities are listed.

The balance sheet value of debt securities excluding expected credit loss provision can be broken down as follows:

31 December 2020	Term of maturity less than a year £'000	Term of maturity more than a year £'000
Public bodies		
Central Government	16,070	40,933
Regional Government and Public Sector Entities	73	5,131
Total public bodies	**16,143**	**46,064**
Other issuers		
Credit Institutions	73	39,891
Corporate Debt Securities	48	9,423
Multilateral Development Banks	173	41,200
Total other issuers	**294**	**90,514**
Total	**16,437**	**136,578**

31 December 2019	Term of maturity less than a year £'000	Term of maturity more than a year £'000
Public bodies		
Central Government	9,001	57,098
Regional Government and Public Sector Entities	-	5,161
Total public bodies	**9,001**	**62,259**
Other issuers		
Credit Institutions	5,001	19,540
Corporate Debt Securities	-	9,460
Multilateral Development Banks	10,015	-
Total other issuers	**15,016**	**29,000**
Total	**24,017**	**91,259**

The movement in debt securities in the year is as follows:

	2020 £'000	2019 £'000
Balance sheet value as at 1 January	115,269	-
Acquired through Part VII transfer	-	96,175
Purchases	61,981	24,673
Maturity	(23,900)	(4,800)
Net (premium)/discount amortisation	(1,182)	(772)
Interest receivable movement	841	-
Expected credit loss movement	(4)	(7)
Balance sheet value as at 31 December	**153,005**	**115,269**

14 Intangible fixed assets

	Internally Developed Assets £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2019	-	-	-
Acquired through Part VII transfer	1,927	55	1,982
Additions	-	33	33
At 31 December 2019	1,927	88	2,015
Disposals	-	(28)	(28)
At 31 December 2020	**1,927**	**60**	**1,987**
Accumulated amortisation			
At 1 January 2019	-	-	-
Acquired through Part VII transfer	(320)	(1)	(321)
Amortisation charge for the year	(129)	(17)	(146)
At 31 December 2019	(449)	(18)	(467)
Amortisation charge for the year	(193)	(15)	(208)
At 31 December 2020	**(642)**	**(33)**	**(675)**
Carrying amount			
At 31 December 2019	**1,478**	**70**	**1,548**
At 31 December 2020	**1,285**	**27**	**1,312**

Internally developed assets

The internally developed assets relate to development of the Bank's personal current account offering.

These assets have an expected useful economic life of ten years. The remaining useful economic life of the assets as at 31 December 2020 is seven years.

Computer software

Computer software relates to software that has been purchased or internally developed. Computer software has a finite useful economic life of three years.

General

There are no restrictions on the title of intangible assets and no intangible assets have been pledged as security for liabilities.

Amortisation of intangible assets is included in Other administrative expenses in the Statement of Comprehensive Income.

No research and development expenditure has been incurred during the year (2019: £nil).

15 Property, plant and equipment

	Property for own use £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2019	-	-	-
Acquired through Part VII transfer	14,276	1,570	15,846
Additions	(7)	136	129
At 31 December 2019	14,269	1,706	15,975
Additions	322	149	471
Disposals	(8)	(118)	(126)
At 31 December 2020	**14,583**	**1,737**	**16,320**
Accumulated depreciation			
At 1 January 2019	-	-	-
Acquired through Part VII transfer	(1,902)	(1,268)	(3,170)
Depreciation charge for the year	(273)	(76)	(349)
At 31 December 2019	(2,175)	(1,344)	(3,519)
Depreciation charge for the year	(418)	(175)	(593)
Disposals	4	115	119
At 31 December 2020	**(2,589)**	**(1,404)**	**(3,993)**
Net book value			
At 31 December 2019	12,094	362	12,456
At 31 December 2020	**11,994**	**333**	**12,327**

There are no restrictions on title on property, plant and equipment. Property, plant and equipment has not been pledged as security for liabilities.

16 Leases

The Bank has three land and building leases for its office space for which right of use assets and lease liabilities are recognised. The bank does not recognise right of use assets or lease liabilities for any other leases.

The property in Edinburgh is held on a lease of ten years from August 2014. The property in London is held on a lease of one year from March 2020. The Bank owns the property in Bristol, but the land on which it is built is held on a long leasehold from Bristol City Council for 150 years from September 2010. Information about these leases is shown in below.

Right of use assets

	2020 £'000	2019 £'000
Cost		
At 1 January	1,025	-
Acquired through Part VII transfer	-	1,025
Additions	472	-
At 31 December	**1,497**	**1,025**
Accumulated depreciation and impairment		
At 1 January	(80)	-
Acquired through Part VII transfer	-	(27)
Charge for the year	(95)	(53)
At 31 December	**(175)**	**(80)**
Net book value		
At 1 January	945	-
At 31 December	**1,322**	**945**

Lease liabilities

	31-Dec-20 £'000	31-Dec-19 £'000
Maturity analysis - contractual undiscounted cash flow		
Less than one year	73	57
One to five years	196	61
More than five years	4,757	4,961
Total undiscounted lease liabilities as at 31 December	**5,026**	**5,079**
Lease liabilities included in the balance sheet		
Current	131	57
Non-current	1,201	904
At 31 December 2020	**1,332**	**961**

Amounts recognised in the income statement

	31-Dec-20 £'000	31-Dec-19 £'000
Interest on lease liabilities	39	13
Expenses of low value leases	7	5
	46	**18**

Amounts recognised in the statement of cash flows

During the year £140,000 was recognised in the statement of cash flows as outflow for leases (2019: £26,000).

Other leases

The Bank also leases plant and machinery with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Bank has elected not to recognise right of use assets and lease liabilities for these leases.

Leases as lessor

The Bank leases out space at its property in Bristol. At 31 December the future minimum lease payments under non-cancellable leases were receivable as follows:

	31-Dec-20 £'000	31-Dec-19 £'000
Less than one year	14	23
Between one and five years	-	4
Balance sheet value as at 31 December	**14**	**27**

During the year, lease income of £23,000 (2019: £17,000) was included in Other income.

17 Deferred tax

The movements on the deferred tax accounts are as follows:

	Fixed assets £'000	Effective interest rate accounting £'000	Lease accounting £'000	Expected credit losses £'000	Total £'000
Asset/(Liability) at 1 January 2019	-	-	-	-	-
Acquired through Part VII transfer	(86)	177	(0)	116	207
Current year deferred tax charge	14	(42)	4	(12)	(36)
Asset/(Liability) at 31 December 2019	**(72)**	**135**	**4**	**104**	**171**
Current year deferred tax charge	(19)	7	(2)	4	(10)
Asset/(Liability) at 31 December 2020	**(91)**	**142**	**2**	**108**	**161**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised, or the liability is settled, based on tax rates that have been enacted or substantively enacted as at the Balance Sheet date.

Included in the net deferred tax asset is £107,000 (2019: £134,000) falling due more than twelve months after the end of the reporting period.

18 Other assets

Amounts falling due within one year:

	31-Dec-20 £'000	31-Dec-19 £'000
Amounts owed by group undertakings	1,062	4,800
Other receivables	748	643
Other prepayments and accrued income	663	3,412
Balance sheet value as at 31 December	**2,473**	**8,855**

The directors consider that the carrying amount of other assets approximates their fair value. The primary driver of the decrease is settlement in the year of amounts owed by Triodos Bank N.V.

19 Deposits from credit institutions

	31-Dec-20 £'000	31-Dec-19 £'000
Repayable on demand	15,674	17,166
With agreed maturity dates or periods of notice	18,468	19,090
Total	**34,142**	**36,256**

All amounts are payable to the Bank's parent, Triodos Bank N.V., which provides funding for the Bank's Euro lending. Operational balances between the Bank and Triodos Bank N.V. are included in Other assets and Other liabilities.

20 Customer accounts

	31-Dec-20 £'000	31-Dec-19 £'000
Savings	880,853	785,984
Other funds entrusted	531,889	369,962
Balance sheet value as at 31 December	**1,412,742**	**1,155,946**

Savings are defined as savings accounts (with or without notice) and 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 and all accounts of governments, financial institutions and non-financial corporations.

21 Debt issued

	31-Dec-20 £'000	31-Dec-19 £'000
Tier 2 bonds - nominal value	5,695	-
Tier 2 bonds - accrued interest	8	-
Balance sheet value as at 31 December	**5,703**	**-**

On 23 December 2020 the Bank issued unsecured bonds with a nominal value of £5,695,000, maturing in 2030. The bonds pay a fixed interest rate of 4% until 2025, at which point the Bank may elect to repay them in full, or the interest rate will reset to 3.9% above the Bank of England base rate for the remainder of the term.

22 Other liabilities

Amounts falling due within one year:

	31-Dec-20 £'000	31-Dec-19 £'000
Accruals and deferred income	841	6,486
Amounts owed to group undertakings	-	569
Other taxation and social security	700	266
Other payables	1,678	1,181
Balance sheet value as at 31 December	**3,219**	**8,502**

The directors consider that the carrying amount of other liabilities approximates their fair value.

23 Provisions

	31-Dec-20 £'000	31-Dec-19 £'000
Vitality leave	182	141
Subsidiarisation provision	8	133
Building purchase VAT	-	89
Dilapidation	15	-
Expected credit loss on guarantees	1	1
Expected credit loss on loan commitments	456	124
Balance sheet value as at 31 December	**662**	**488**

The provisions are as follows:

- The vitality leave provision is for the anticipated costs of paying salaries of co-workers whilst on vitality leave. This is two months of partially paid leave, for which co-workers become eligible upon completion of seven years of service.
- The subsidiarisation provision is for the remaining anticipated costs of the transition from a branch of Triodos Bank N.V. to a subsidiary, Triodos Bank UK Limited. These costs are unavoidable for the Bank to continue to trade in the UK following the UK's decision to leave the European Union.
- The dilapidation provision is for anticipated costs of restoring the Edinburgh office at the end of the lease term.
- Expected credit loss on guarantees and expected credit loss on loan commitments are calculated in line with the requirements of IFRS 9.

The balance sheet value of provisions can be broken down as follows:

31 December 2020	**Term of maturity less than a year £'000**	**Term of maturity more than a year £'000**
Vitality leave	86	96
Subsidiarisation provision	8	-
Dilapidation	-	15
Expected credit loss on guarantees	1	-
Expected credit loss on loan commitments	240	216
Total	**335**	**327**

31 December 2019	**Term of maturity less than a year £'000**	**Term of maturity more than a year £'000**
Vitality leave	72	69
Subsidiarisation provision	133	-
Building purchase VAT	89	-
Expected credit loss on guarantees	1	-
Expected credit loss on loan commitments	98	26
Total	**393**	**95**

The movements on the provisions are as follows:

	Vitality leave £'000	Subsidia-risation £'000	Building purchase VAT £'000	Dilapidation £'000	ECL guarantees £'000	ECL loan commitments £'000	Total £'000
As at 1 January 2019	-	-	-	-	-	-	-
Acquired through Part VII transfer	-	424	176	15	-	129	744
Addition	141	-	-	-	1	-	142
Utilisation	-	(94)	(87)	-	-	-	(181)
Release	-	(197)	-	(15)	-	(5)	(217)
As at 31 December 2019	141	133	89	-	1	124	488
Addition	55	-	-	15	-	332	402
Utilisation	(4)	(72)	(87)	-	-	-	(163)
Release	(10)	(53)	(2)	-	(0)	-	(65)
As at 31 December 2020	**182**	**8**	**-**	**15**	**1**	**456**	**662**

24 Called up share capital

Allotted, called up and fully paid ordinary shares of £1 each.

	Number	£'000
At 1 January 2019	**1,000**	**1**
Issued share capital	171,999,000	171,999
At 31 December 2019 and 31 December 2020	**172,000,000**	**172,000**

All shares are ordinary shares held by the parent, Triodos Bank N.V.

25 Related party transactions

Trading transactions

Balances and transactions between the Bank and its related parties other than key management personnel are disclosed below:

	Services provided		Services received	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Parent				
IT costs	-	-	5,059	3,400
Administration and co-worker costs	85	55	2,190	1,583
Loan interest	-	-	159	105
Group entities				
Joint promotion	90	90	-	-
Administration and co-worker costs	126	90	-	-
Other related parties				
Loan interest	19	15	-	-
Customer accounts interest and other charges	4	-	22	9
	324	**250**	**7,430**	**5,097**

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	31-Dec-20 £'000	31-Dec-19 £'000	31-Dec-20 £'000	31-Dec-19 £'000
Parent	1,062	4,800	33,985	36,825
Group entities	104	95	-	-
Other related parties	271	295	144	135
	1,437	**5,190**	**34,129**	**36,960**

Parent company

The Bank's immediate and ultimate parent undertaking is Triodos Bank N.V., which provides various services to the Bank, including IT systems, technical expertise and management oversight. It also provides an intercompany borrowing facility to fund the Bank's lending in Euros. The Bank employs co-workers who perform work for the parent. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

Group entities

The Bank employed one co-worker who performed work for Triodos Investment Management B.V., a group entity. The Bank was reimbursed in full for these salary costs and associated overhead costs. Triodos Investment Management B.V. also contributes towards the costs incurred by the Bank for the promotion of its investment funds. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

During the year the Bank acquired 100% of the share capital of Triodos Nominees Limited from Triodos Investments Limited. This is a nominee company with no assets or liabilities, with its registered office at Triodos Bank, Deanery Road, Bristol, BS1 5AS.

Other related parties

Triodos Foundation is a charity registered in England and Wales (company no. 03128749), all of whose trustees are employees of the Bank or Triodos Bank N.V., including CEO Bevis Watts. It rents an office floor from the Bank for £1 per annum, which it uses as an event space for local businesses and charities, including the Bank, to hire, and uses income from this to support its charitable activities. Triodos Foundation holds a deposit account with the Bank, the balance of which was £85,000 (2019: £68,000) at the year end. The value of transactions between Triodos Foundation and the Bank during the period was £22,000 (2019: £9,000).

Triodos Investments Limited is a private company registered in England and Wales (company no. 2822816), all of whose directors are employees of the Bank, including CEO Bevis Watts. It holds 100% of the ordinary share capital of Sun Roof Limited and provides a bank guarantee limited to £385,000 over all of the assets and undertakings of Sun Roof Limited present and future. Triodos Investments Limited holds a savings account and a current account with the Bank, the total balance of which was £7,000 (2019: £10,000) at the period end. The value of transactions between Triodos Investments Limited and the Bank during the period was £4,000 (2019: £nil).

Sun Roof Limited is a private company registered in England and Wales (company no. 07198329), two of whose directors are employees of the Bank. It produces electricity from photovoltaic systems and is a wholly owned subsidiary of Triodos Investments Limited. Sun Roof Limited has a loan with the Bank, the outstanding balance of which was £271,000 (2019: £293,000) at the period end. It also holds a deposit account with a balance of £10,000 (2019: £10,000) and a current account with a balance of £41,000 (2019: £47,000). The gross amount of loan repayments made by Sun Roof Limited to the Bank during the period was £41,000 (2019: £71,000).

Transactions with key management personnel

For the purpose of IAS 24 “Related Party Disclosures”, key management comprises the directors of the Bank.

Please refer to note 5 for information on directors' remuneration.

At the period end customer accounts with an aggregate value of £79,000 (2019: £127,000) were attributable to the directors.

26 Off balance sheet liabilities

Contingent liabilities

These comprise credit-substitute guarantees and non-credit-substitute guarantees.

Credit substitute guarantees are guarantees to customers for loans provided to these customers by other banks.

Non-credit substitute guarantees are guarantees to customers for all other obligations of these customers to third parties. For example:

- Obligations to purchase sustainable goods, such as wind turbines; and
- Obligations to decommission equipment or reinstate property (related to project finance provided by the Bank).

	31-Dec-20 £'000	31-Dec-19 £'000
Credit substitute guarantees	1,502	889
Non-credit substitute guarantees	1,021	1,049
	2,523	**1,938**

Irrevocable facilities

These are irrevocable offers, which may lead to a loan.

	31-Dec-20 £'000	31-Dec-19 £'000
Undrawn debit limits on current accounts	11,059	10,170
Accepted loans not yet paid out	163,095	152,795
Valid loan offers not yet accepted	1,279	1,085
	175,433	**164,050**

27 Financial risk management

This note presents information about the Bank's exposure to financial risks and management of capital. For information on the Bank's financial risk management framework, see Principal Risks and Uncertainties in the Strategic Report. 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.

A. Credit Risk

For the definition of credit risk and information on how credit risk is mitigated by the Bank, see Principal Risks and Uncertainties in the Strategic Report. For the definition of Stage 1, Stage 2 and Stage 3, and how loans are allocated to each stage, see Impairment of financial assets accounting policy.

i. Credit quality analysis

The following tables set out information about the credit quality of financial assets, loan commitments and guarantee contracts. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	31-Dec-20			
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Loans and advances to credit institutions				
AA	74	-	-	74
A	21,881	-	-	21,881
BBB	751	-	-	751
Gross amount	22,706	-	-	22,706
Allowance for expected credit losses	(1)	-	-	(1)
Carrying amount	**22,705**	**-**	**-**	**22,705**
Loans and advances to customers				
Rating 1-9: Normal risk	876,764	133,424	-	1,010,188
Rating 10-13: Increased risk	2,316	19,906	-	22,222
Rating 14: Default	-	-	41,821	41,821
Not rated	100	18	2	120
Gross amount	879,180	153,348	41,823	1,074,351
Allowance for expected credit losses	(1,220)	(1,520)	(1,225)	(3,965)
Carrying amount	**877,960**	**151,828**	**40,598**	**1,070,386**
Debt securities				
AAA	71,478	-	-	71,478
AA	56,842	-	-	56,842
A	15,220	-	-	15,220
BBB	9,475	-	-	9,475
Gross amount	153,015	-	-	153,015
Loss allowance	(10)	-	-	(10)
Carrying amount	**153,005**	**-**	**-**	**153,005**
Loan commitments				
Gross amount	151,337	24,096	-	175,433
Loss allowance	(205)	(251)	-	(456)
Carrying amount (provision)	**(205)**	**(251)**	**-**	**(456)**
Financial guarantee contracts				
Gross amount	2,523	-	-	2,523
Loss allowance	(1)	-	-	(1)
Carrying amount (provision)	**(1)**	**-**	**-**	**(1)**

	31-Dec-19			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to credit institutions				
AA	-	-	-	-
A	26,991	-	-	26,991
BBB	467	-	-	467
Gross amount	27,458	-	-	27,458
Allowance for expected credit losses	(3)	-	-	(3)
Carrying amount	**27,455**	**-**	**-**	**27,455**
Loans and advances to customers				
Rating 1-9: Normal risk	933,248	13,886	-	947,134
Rating 10-13: Increased risk	8,864	2,332	-	11,196
Rating 14: Default	-	-	18,329	18,329
Not rated	116	2	-	118
Gross amount	942,228	16,220	18,329	976,777
Allowance for expected credit losses	(575)	(188)	(863)	(1,626)
Carrying amount	**941,653**	**16,032**	**17,466**	**975,151**
Debt securities				
AAA	24,548	-	-	24,548
AA	71,260	-	-	71,260
A	10,008	-	-	10,008
BBB	9,460	-	-	9,460
Gross amount	115,276	-	-	115,276
Loss allowance	(7)	-	-	(7)
Carrying amount	**115,269**	-	-	**115,269**
Loan commitments				
Gross amount	161,260	2,790	-	164,050
Loss allowance	(93)	(31)	-	(124)
Carrying amount (provision)	**(93)**	**(31)**	-	**(124)**
Financial guarantee contracts				
Gross amount	1,938	-	-	1,938
Loss allowance	(1)	-	-	(1)
Carrying amount (provision)	**(1)**	**-**	**-**	**(1)**

The following table sets out information about the overdue status of loans and advances to corporate and retail customers in Stages 1, 2 and 3.

	31-Dec-20				31-Dec-19			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to customers								
Current	868,215	139,649	40,768	1,048,632	941,662	14,202	15,292	971,156
Overdue < 90 days	10,965	13,699	-	24,664	576	2,018	1,059	3,653
Overdue > 90 days	-	-	1,055	1,055	-	-	1,968	1,968
Gross amount	879,180	153,348	41,823	1,074,351	942,228	16,220	18,329	976,777
Allowance for expected credit losses	(1,220)	(1,520)	(1,225)	(3,965)	(575)	(188)	(863)	(1,626)
Carrying amount	877,960	151,828	40,598	1,070,386	941,653	16,032	17,466	975,151

ii. Collateral held and other credit enhancements

Loans and advances to corporate customers

Loans and advances to corporate customers account for £1,074.2 million of the £1,074.4 million gross carrying amount of loans and advances to customers (2019: £976.7 million of £976.8 million).

The Bank holds collateral against its credit exposures arising from loans and advances to corporate customers. 94.2% (2019: 94.8%) of exposures by value are subject to collateral requirements, with the principal types of collateral held being real estate or floating charges over corporate assets.

The general creditworthiness of a customer is the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Revaluation of collateral is considered for all loans at a minimum each year, and revaluation of loans greater than €3m is performed at a minimum every three years, as required by regulation for capital relief purposes. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

Where we have extended loans under the Coronavirus Business Interruption Lending Scheme (CBILS), we receive a guarantee of 80% of that exposure from HM Government. This is the only government backed coronavirus scheme that we partake in.

At 31 December 2020 the net carrying amount of credit-impaired loans and advances to corporate customers amounted to £40.6 million (2019: £17.5 million) and the value of identifiable collateral (mainly real estate) held against those loans and advances amounted to £36.8 million (2019: £16.6 million). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against. Collateral values are net of “haircuts” compared to collateral valuations, to represent values that could be realised in liquidation.

Assets obtained by taking possession of collateral

The Bank has not taken into possession any collateral during the year (2019: none), nor is it holding any at the year end (2019: none).

iii. Allowance for expected credit losses

The following tables show reconciliations from the opening to the closing balance of the allowance for expected credit losses by class of financial instrument.

	Stage 1 £'000
Loans and advances to credit institutions	
Balance at 1 January 2019	-
Acquired through Part VII transfer	2
Net remeasurement of loss allowance	3
New financial assets originated or purchased	0
Financial assets that have been derecognised	(2)
Balance at 31 December 2019	**3**
Net remeasurement of loss allowance	(2)
Balance at 31 December 2020	**1**

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to customers				
Balance at 1 January 2019	-	-	-	-
Acquired through Part VII transfer	504	166	855	1,525
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(8)	8	-	-
Transfer to Stage 3	(0)	(7)	7	-
Net remeasurement of loss allowance	(124)	18	(36)	(142)
New financial assets originated or purchased	246	7	37	290
Financial assets derecognised	(47)	(0)	-	(47)
Balance at 31 December 2019	**575**	**188**	**863**	**1,626**
Transfer to Stage 1	109	(109)	-	-
Transfer to Stage 2	(22)	22	-	-
Transfer to Stage 3	(11)	-	11	-
Net remeasurement of allowance for expected credit losses	393	1,349	680	2,422
New financial assets originated or purchased	197	70	-	267
Financial assets that have been derecognised	(21)	(0)	(35)	(56)
Write-offs	-	-	(294)	(294)
Balance at 31 December 2020	**1,220**	**1,520**	**1,225**	**3,965**

	Stage 1 £'000
Debt securities	
Balance at 1 January 2019	-
Acquired through Part VII transfer	-
Net remeasurement of loss allowance	(0)
New financial assets originated or purchased	7
Balance at 31 December 2019	**7**
Net remeasurement of loss allowance	3
Balance at 31 December 2019	**10**

	Stage 1 £'000	Stage 2 £'000	Total £'000
Loan commitments			
Balance at 1 January 2019	-	-	-
Acquired through Part VII transfer	97	32	129
Net remeasurement of loss allowance	(4)	(1)	(5)
Balance at 31 December 2019	**93**	**31**	**124**
Net remeasurement of loss allowance	112	220	332
Balance at 31 December 2020	**205**	**251**	**456**

	Stage 1 £'000
Financial guarantee contracts	
Balance at 1 January 2019	-
Acquired through Part VII transfer	-
New financial guarantees issued	1
Balance at 31 December 2019	**1**
Net remeasurement of loss allowance	(0)
Balance at 31 December 2020	**1**

The following table reconciles between:

- Amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and
- The 'impairment loss on financial instruments' line item in the statement of comprehensive income.

	2020				
	Stage 1	Stage 2	Stage 3	Income statement adjustments	Total
	£'000	£'000	£'000	£'000	£'000
Loans and advances to credit institutions	(2)	-	-	-	(2)
Loans and advances to customers	569	1,419	645	6	2,639
Debt securities	3	-	-	-	3
Loan commitments	112	220	-	-	332
Financial guarantee contracts	(0)	-	-	-	(0)
Total	**682**	**1,639**	**645**	**6**	**2,972**

	2019				
	Stage 1	Stage 2	Stage 3	Income statement adjustments	Total
	£'000	£'000	£'000	£'000	£'000
Loans and advances to credit institutions	1	-	-	-	1
Loans and advances to customers	75	25	1	(18)	83
Debt securities	7	-	-	-	7
Loan commitments	(4)	(1)	-	-	(5)
Financial guarantee contracts	1	-	-	-	1
Total	**80**	**24**	**1**	**(18)**	**87**

iv. Credit-impaired financial assets

The following table shows the development in the net carrying amount of credit- impaired loans and advances to customers.

	£'000
Credit impaired loans and advances to customers at 1 January 2019	-
Acquired through Part VII transfer	14,473
Additions	7,680
Write-offs	(1,350)
Releases	(3,326)
Other movements	(11)
Credit impaired loans and advances to customers at 31 December 2019	**17,466**
Additions	34,930
Write-offs	(45)
Releases	(11,753)
Credit impaired loans and advances to customers at 31 December 2020	**40,598**

There are no financial assets that were written off in the year that are still subject to enforcement activity.

B. Liquidity Risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, see the principle risks section in the Strategic Report.

i. Maturity analysis for financial liabilities and financial assets

The following tables set out the earliest possible contractual maturities of the Bank's financial liabilities and financial assets.

31 December 2020	Note	On demand £'000	Less than 3 months £'000	3 months - 1 year £'000	1 - 5 years £'000	More than 5 years £'000	Total nominal amount £'000
Financial assets							
Cash and cash equivalents	10	375,679	-	-	-	-	375,679
Loans and advances to credit institutions	11	21,404	1,301	-	-	-	22,705
Loans and advances to customers	12	3,498	31,981	87,783	416,764	542,410	1,082,436
Debt securities	13	-	7,708	8,634	90,285	39,468	146,095
		400,581	40,990	96,417	507,049	581,878	1,626,915
Financial liability							
Deposits from credit institutions	19	15,674	641	1,473	8,093	8,261	34,142
Customer accounts	20	980,249	359,608	52,696	20,189	-	1,412,742
Debt issued	21	-	-	8	-	5,695	5,703
Lease liabilities	16	-	18	55	196	4,757	5,026
		995,923	360,267	54,232	28,478	18,713	1,457,613
Off balance sheet liabilities							
Contingent liabilities	26	1,214	1,309	-	-	-	2,523
Irrevocable facilities	26	175,433	-	-	-	-	175,433
		176,647	1,309	-	-	-	177,956
Net (outflow)/inflow		**(771,989)**	**(320,586)**	**42,185**	**478,571**	**563,165**	**(8,656)**

31 December 2019	Note	On demand £'000	Less than 3 months £'000	3 months - 1 year £'000	1 - 5 years £'000	More than 5 years £'000	Total nominal amount £'000
Financial assets							
Cash and cash equivalents	10	236,613	-	-	-	-	236,613
Loans and advances to credit institutions	11	27,057	398	-	-	-	27,455
Loans and advances to customers	12	8,478	15,807	47,272	257,776	654,518	983,851
Debt securities	13	-	10,000	13,900	59,500	27,085	110,485
		272,148	26,205	61,172	317,276	681,603	1,358,404
Financial liability							
Deposits from credit institutions	16	17,166	439	1,341	9,500	7,810	36,256
Customer accounts	20	558,889	517,461	43,211	36,385	-	1,155,946
Lease liabilities	16	-	14	43	61	4,961	5,079
		576,055	517,914	44,595	45,946	12,771	1,197,281
Off balance sheet liabilities							
Contingent liabilities	26	632	1,306	-	-	-	1,938
Irrevocable facilities	26	164,050	-	-	-	-	164,050
		164,682	1,306	-	-	-	165,988
Net (outflow)/inflow		**(468,589)**	**(493,015)**	**16,577**	**271,330**	**668,832**	**(4,865)**

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Contingent liabilities and irrevocable facilities	Contractual maturity date of the off balance sheet facility. Contingent liabilities relate to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees to customers for loans provided to these customers by other banks. Non-credit substitute guarantees are guarantees to customers for all other obligations of these customers to third parties. Many of these guarantees are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. Irrevocable facilities mainly constitute accepted loans not yet paid out. Many of these facilities are for a fixed duration and bear interest at a floating rate.
All other financial assets and financial liabilities	Undiscounted cash flows, which include estimated interest payments

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- Demand deposits from customers are expected to remain stable or increase; and
- Unrecognised loan commitments are not all expected to be drawn down immediately.

ii. Liquid asset buffer

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and loans to credit institutions with original maturity less than 90 days. The Bank also holds unencumbered debt securities, which can be readily sold to meet liquidity requirements and are also eligible for use as collateral within the Bank of England Sterling Monetary Framework.

These amounts together are referred to as the "liquid asset buffer". The following table sets out the carrying amounts of the components of the Bank's liquid asset buffer at 31 December:

	2020 £'000	2019 £'000
Cash and cash equivalents	375,679	236,613
Loans and advances to credit institutions	22,705	27,455
Unencumbered debt securities issued by UK government	57,003	66,098
Unencumbered debt securities issued by others	96,012	49,177
Total liquidity reserves	**551,400**	**379,344**

iii. Financial assets pledged as collateral

An amount of £550,000 (2019: £565,000) is held as collateral for Mastercard transactions in an account at US Bank, and can be drawn on by Mastercard if the Bank fails to meet its obligations to settle its customers' Mastercard transactions.

The Bank has no other assets pledged as collateral.

C. Market Risk

For the definition of Market Risk and information on how market risk is managed by the Bank, see the principle risks section in the Strategic Report.

i. Exposure to interest rate risk

The following table analyses the Bank's interest rate exposure on financial assets and liabilities. Assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

31 December 2020	Note	Carrying amount £'000	Overnight to 3 months £'000	3 months - 1 year £'000	1 - 5 years £'000	More than 5 years £'000
Cash and cash equivalents	10	375,679	375,679	-	-	-
Loans and advances to credit institutions	11	22,705	22,705	-	-	-
Loans and advances to customers	12	1,070,386	617,921	56,310	219,849	176,306
Debt securities	13	153,005	7,710	8,717	92,081	44,497
		1,621,775	1,024,015	65,027	311,930	220,803
Deposits from credit institutions	19	34,142	16,314	1,473	8,094	8,261
Customer accounts	20	1,412,742	1,345,211	47,460	20,071	-
Debt issued	21	5,703	-	8	5,695	-
		1,452,587	1,361,525	48,941	33,860	8,261
Net assets/(liabilities)		**169,188**	**(337,510)**	**16,086**	**278,070**	**212,542**

31 December 2019	Note	Carrying amount £'000	Overnight to 3 months £'000	3 months - 1 year £'000	1 - 5 years £'000	More than 5 years £'000
Cash and cash equivalents	10	236,613	236,613	-	-	-
Loans and advances to credit institutions	11	27,455	27,455	-	-	-
Loans and advances to customers	12	975,151	560,264	35,349	164,086	215,452
Debt securities	13	115,269	10,015	14,002	61,010	30,242
		1,354,488	834,347	49,351	225,096	245,694
Deposits from credit institutions	19	36,256	17,604	1,341	9,501	7,810
Customer accounts	20	1,155,946	1,076,350	43,211	36,385	-
		1,192,202	1,093,954	44,552	45,886	7,810
Net assets/(liabilities)		**162,286**	**(259,607)**	**4,799**	**179,210**	**237,884**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in all yield curves worldwide.

The following is an analysis of the Bank's sensitivity to an increase or decrease in market interest rates, using parallel shocks to the yield curve. Floors based on regulatory requirements and expert judgement are applied to the market rates, and the maturity of customer accounts is based on expected customer behaviour rather than contractual terms. Note that the comparative figures presented include the dormant period January to April 2019, which affects the average, maximum and minimum calculations.

	2020		2019	
	200bp parallel increase	**200bp parallel decrease**	**200bp parallel increase**	**200bp parallel decrease**
Sensitivity of projected net interest income				
At 31 December	3.9%	-0.4%	8.5%	-3.6%
Average for the year	6.4%	-1.1%	5.5%	-2.5%
Maximum for the year	9.1%	-0.2%	11.5%	0.0%
Minimum for the year	3.9%	-2.8%	0.0%	-5.6%
Sensitivity of reported equity to interest rate movements				
At 31 December	-5.9%	7.8%	-4.3%	13.5%
Average for the year	-6.1%	8.2%	-3.2%	5.4%
Maximum for the year	-3.8%	11.7%	0.0%	13.5%
Minimum for the year	-7.9%	7.0%	-6.7%	0.0%

Interest rate movements affect reported equity due to the impact of increases or decreases in net interest income reported in profit or loss on retained earnings.

ii. Exposure to currency risks

Total foreign exchange exposures are managed to remain well below 2% of actual own funds. As at the reporting date, there were no significant foreign currency exposures.

28 Fair values of financial instruments

A. Valuation models

The Bank holds all assets and liabilities at amortised cost. It therefore does not hold any assets or liabilities at fair value.

For disclosure purposes, the Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Bank determines the fair value of its financial instruments using the following bases:

- The fair value of listed debt securities is the market value.
- The fair value of loans and advances to credit institutions, lease liabilities, deposits from banks, deposits from customers and debt issued has been determined by calculating the net present value of expected interest and redemption cashflows, taking into account market interest rates as at the end of the year.
- The fair value of loans and advances to customers has been determined by calculating the net present value of the interest and redemption cashflows, taking into account expected prepayment behaviour. The net present value is calculated by using market data, i.e. zero coupon rates, as at the end of the year, which are adjusted with a spread specific to the Bank. The spread is based on the expected margin the Bank expects to make over the market base rates in the coming years on new loans and advances to customers. Some loans and advances to customers include floors on the interest rates.
- The fair value of the other assets and liabilities is assumed to be equal to the balance sheet value.

B. Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	£'000	£'000	£'000	£'000	£'000
At 31 December 2020					
Assets					
Loans and advances to credit institutions	-	-	22,705	22,705	22,705
Loans and advances to customers	-	-	1,122,970	1,122,970	1,070,386
Debt securities	156,448	-	-	156,448	153,005
Liabilities				-	
Deposits from credit institutions	-	-	35,924	35,924	34,142
Customer accounts	-	-	1,426,608	1,426,608	1,412,742
Debt issued	-	-	6,442	6,442	5,703
At 31 December 2019					
Assets					
Loans and advances to credit institutions	-	-	27,455	27,455	27,455
Loans and advances to customers	-	-	986,254	986,254	975,151
Debt securities	117,488	-	-	117,488	115,269
Liabilities				-	
Deposits from credit institutions	-	-	37,310	37,310	36,256
Customer accounts	-	-	1,151,601	1,151,601	1,155,946

The fair value of cash and cash equivalents is equal to the total carrying amount as these are on demand balances and therefore not included in the table above.

29 Ultimate controlling party

The Bank’s immediate and ultimate parent undertaking is Triodos Bank N.V., registered in the Netherlands. The smallest and largest group for which consolidated financial statements are prepared is Triodos Bank N.V. The consolidated financial statements of the ultimate parent company can be obtained from Triodos Bank N.V., Nieuweroordweg 1, 3704 EC Zeist, Netherlands, or from www.triodos.com.

Triodos Bank N.V. is the Bank’s ultimate controlling party.

30 Post balance sheet events

The Directors have considered events that have occurred between 31 December 2020 and the date of approval of these financial statements. The directors recommend the payment of a dividend of 1.34 pence per share as disclosed in the Directors’ Report.

The directors do not consider that any other events that have occurred since 31 December 2020 require a change to or additional disclosure in the financial statements.