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 2019

Triodos Bank UK Limited

Registered Office:

Triodos Bank
Deanery Road
Bristol BS1 5AS
Telephone: 0330 355 0355
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	Chairman, Independent Non-Executive Director	Appointed 25 January 2019
Richard Burrett	Independent Non-Executive Director	Appointed 25 January 2019
Pierre Aeby	Non-Executive Director	
Bevis Watts	Executive Director	

Company Secretary

Emily Wilson	Corporate Secretary	Appointed 3 June 2019

Management Team

Bevis Watts	Chief Executive Officer	
Richard Ingle	Chief Financial Officer	
Sarah Binstead	Chief Risk Officer	
Judy Rose	Chief Operating Officer	
Rebecca Pritchard	Head of Business Banking	
Gareth Griffiths	Head of Retail Banking	Appointed 22 July 2019
Zoe Sear	Head of Marketing & Communications	
Ann Evans	Head of Human Resources	Appointed 17 June 2019
Stefan Hargrave	Head of Internal Audit	
Huw Davies	Head of Retail Banking	Until 30 June 2019

Auditors

PricewaterhouseCoopers LLP
2 Glass Wharf
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

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2019 for Triodos Bank UK Limited.

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 expected departure from the European Union. Triodos Bank UK Limited was authorised by the PRA in January 2019 and is regulated by the PRA and the FCA.

Transfer of the net assets of the UK branch to Triodos Bank UK Limited (hereafter 'Triodos Bank UK' or 'Bank') was effected on 1 May 2019 (an authorised transfer under Part VII of the Financial Services and Markets Act 2000).

Triodos Bank UK 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 use our customer assets to generate value in a transparent and sustainable way.

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 accounts were:

Non-Executive Directors

Gary Page	Chairman, Independent Non-Executive Director	Appointed 25 January 2019
Richard Burrett	Independent Non-Executive Director, Chair of Audit & Risk Committee	Appointed 25 January 2019
Pierre Aeby	Non-Executive Director	

Executive Directors

Bevis Watts	Executive Director

The Board of Triodos Bank UK have established an Audit & Risk Committee to support the work of the Board. The 3 non-executive Directors are members of the Audit & Risk Committee. The Board aim to meet at least 8 times per year and the Audit & Risk Committee aim to meet at least 4 times per year. In 2019, the Board met 10 times and following subsidiarisation, the Audit & Risk Committee met 3 times. Attendance of Board Directors and Committee members was 100%.

Given the challenges of forming a new Board, three Board Directors were incumbent or transferred from other Triodos Boards. This created inadequate diversity which we will address in 2020.

Results and Dividends

The profit for the year, after taxation, was £3,663,000. The Directors do not recommend payment of a dividend, nor has any been paid.

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 2019 and as at the date of approval of this report.

Political and charitable donations

Triodos Bank UK donated £8,000 to charitable organisations in 2019. Triodos Bank UK has not made any donations to any registered UK political party but did donate £10,000 to the All Party Parliamentary Group on Fair Business Banking as we actively support its aims including levelling the playing field between business and their lenders, by putting forward positive proposals for change.

Significant events since year end

On 31 January 2020, the UK officially withdrew from the European Union and entered a 'Transition Period'. The potential impacts on the Bank and its stakeholders have been considered and although the precise terms of the withdrawal are not yet clear the Directors believe that Triodos Bank UK is well-prepared for the possible outcomes.

The Bank considers the COVID-19 pandemic to be a significant event since year end. The impact of the pandemic on the financial results of 2020 cannot be assessed at this stage, but the directors expect it to have a downward effect on profitability. Measures to mitigate the operational risks are in place. Additional measures are dependent on the response of the authorities and our own assessments.

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 Company, the results of those operation or the state of affairs of the Company in the financial year subsequent to 31 December 2019 not otherwise disclosed in this report.

Future developments

The ambition and plans for the future development 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).

Directors' Responsibilities

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 Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the 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 applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and 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 company 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the Bank's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

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 addition, note 26 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 and liquidity 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 bass 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 company'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 3 April 2020 and signed on its behalf by

G Page   Bevis Watts

Gary Page

Chairman

Bevis Watts

Chief Executive Officer

STRATEGIC REPORT

Fair review of the business

Triodos Bank UK is largely 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 largely 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 Triodos Bank mission 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 relative to the size of the economy for Triodos Bank UK 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.

Highlights from 2019

This proved to be a challenging year for a number of reasons particularly subsidiarisation which drove increased costs, both in terms of the initial project that managed the required changes to obtain regulatory approval from the PRA and for the ongoing costs required to maintain Triodos Bank UK within that new regulatory environment. Also like many other firms across the industry, continuation of both the low interest rate environment and Brexit uncertainty, provided challenges to our margin and profit growth potential.

Despite the increased costs, the subsidiarisation project has been a success for Triodos Bank, particularly given the large-scale degree of change delivered during the year.

Following subsidiarisation, Triodos Bank UK holds capital resources in the form of Common Equity Tier 1 (CET1), equivalent to meet its capital requirements under the Capital Requirements Directive IV and as calculated through the Internal Capital Adequacy Assessment Process (ICAAP). All initial capital was injected by Triodos Bank N.V.

Triodos Bank UK's balance sheet is funded by customer deposits and equity and has a loan to funds entrusted (deposits) ratio of 84%. The remaining customer deposits are held as liquidity which combined with the cash associated with the initial capitalisation of the subsidiary on 1 May 2019 has generated a healthy liquidity position and a Liquidity Coverage Ratio (LCR) of 506%. 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.

Development and performance of the business during year

During the year Triodos Bank UK made a profit after tax of £3,663,000, which equates to an annualised return on equity for the eight-month period May to December 2019 of 3.2%. The key events in the year and the primary drivers of the financial performance are described in more detail below.

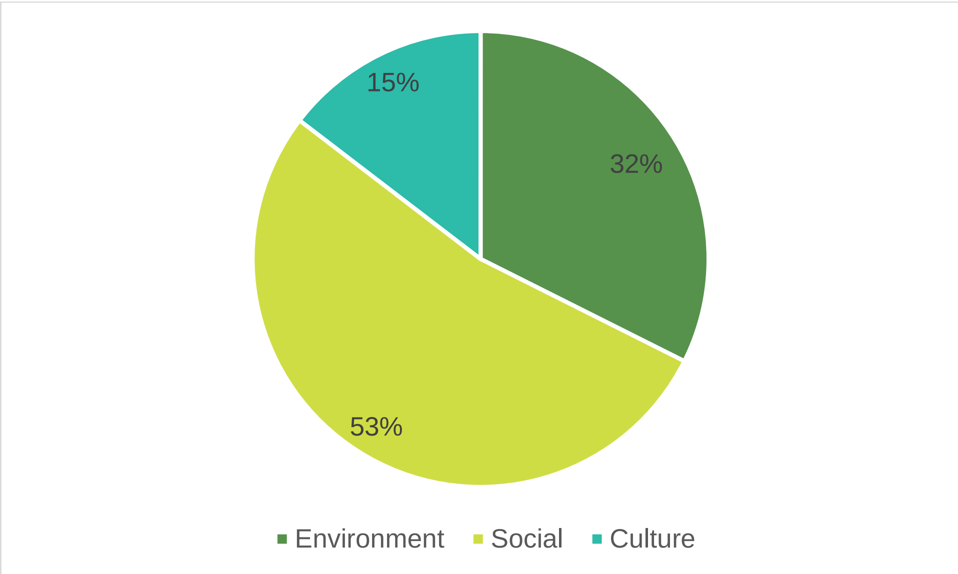
Transfer of business

On 1 May 2019, Triodos Bank UK Limited acquired the net assets and liabilities of the UK branch of Triodos Bank N.V., Triodos Bank UK's immediate parent company and ultimate controlling party, 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.

The financial impacts of this transfer are set out in full in note 9 to the financial statements.

Loan and advances to customers

Total loans and advances to customers grew significantly in the eight months since subsidiarisation, from £873m to £975m. Gross new lending in the period totalled £145m. 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 absolute criteria and 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 on www.triodos.com/about-us.

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

Environment (32% of lending by value)

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 (53% of lending by value)

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 (15% of lending by value)

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, savings accounts and fixed term accounts from individuals or corporates, the majority of which are small or medium sized businesses. Triodos Bank UK customer account balances grew in the eight months since subsidiarisation, from £1,103m to £1,156m.

Interest Income

Net interest income for 2019 was £19,254,000. This is driven by the development of loans and funds entrusted described above.

Net fee and commission income for the year totalled £1,419,000. This is derived from, lending, payment transactions, corporate finance and fund distribution activities.

Operating expenses

Total operating expenses for the year were £16,432,000, of which £6,603,000 were co-worker costs and £5,050,000 were intercompany recharges from the parent company, Triodos Bank N.V. These recharges cover the costs of IT services and other general overheads.

Triodos Bank UK's cost income ratio for eight months of operation from May to December 2019 was 79%.

Impairments

During the year loan impairment charges of £87,000 were recognised under the expected credit loss method required by IFRS 9. For more information on credit risk policies see accounting policy 13 and for more information on credit risk in the portfolio see note 26.

Capital

Triodos Bank UK's capital comprises only of ordinary shares, all of which are held by the immediate parent, Triodos Bank N.V.

Triodos Bank UK ended the year with a CET1 ratio of 20.3%, in excess of its regulatory minimum.

Liquidity

Triodos Bank UK's lending is funded entirely by customer deposits and equity, resulting in a strong liquidity position. At year-end and at all times throughout the year, Triodos Bank was significantly in excess of all liquidity targets and requirements. See note 26 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. The business transfer process for the subsidiary required a lot of resource and management oversight in 2019, but now this is complete careful investment will enable Triodos Bank UK to grow its income streams more quickly than its cost base, resulting in improved profitability.

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 2019.

Key performance indicator	31 December 2019
Loans and advances to customers	£975m
Customer account balances	£1,156m
Common equity tier 1 ratio	20.3%
Leverage ratio	11.7%
Operating expenses / total income	79.0%
Return on equity	3.2%
Number of co-workers	204

Customers

Triodos Bank UK had 61,000 customers at year-end, including more than 10,000 customers who have opened a Personal Current Account. We are only one of six banks that has consistently seen net gains from the current account switching service.

Since the transfer of the business from the branch to Triodos Bank UK on 1 May 2019 there have been 253 customer complaints all of which have been resolved. There were 4 referrals to the Financial Ombudsman Service, none of which were 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 also 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 Report is an integrated report which reports against the Sustainable Development Goals and according to the Global Reporting Initiative framework.

With regard to Triodos Bank UK's own operations, the UK office is a BREEAM 4-star facility where:

- The majority of the fixtures and fittings are made from recyclable materials and have been designed to be recyclable at their end of life;
- The wall paints used are organic;
- The bathrooms and kitchens have been designed to minimise water use;
- Photovoltaic cells have been installed on the roof to generate renewable electricity;
- Fair-trade, organic consumables mean we are a fair-trade workplace;
- The energy that is purchased is 'green' energy from renewable sources; and
- Paper is from recycled sources and is also recycled.

We also work in partnership with our suppliers to improve the sustainability of the products that we purchase, including reducing the meat in purchased catering, reducing plastic packaging or increasing recycled and recyclable components.

There has been greater focus on alternatives to business travel and modes of business travel. The use of systems that promote online connectivity and flexible working (such as videoconferencing) is improving. Where co-workers need to travel for business meetings, they are encouraged to use public transport or even our electric bicycles. We also encourage our workforce to commute sustainably with good cycling facilities and access to a bicycle purchase scheme.

Since the transfer of the business from the branch to Triodos Bank UK on 1 May 2019 we recorded that total carbon emissions were 2.3 tonnes per Full Time Equivalent (FTE). Paper use, which includes material printed in-house and sent to customers, totalled 24.7kg per FTE. We have made considerable efforts to promote reuse and recycling and minimise waste going to landfill and in 2019 19% of all waste was sent to landfill.

We are vigilant for opportunities to further reduce our emissions and environmental impact and we also fully offset our emissions with the Climate Neutral Group.

Employees

The Bank's mission has human dignity at its core and our co-workers are essential to achieve this. Our ambition is to create a living, learning community of co-workers that's inspiring, healthy and welcoming.

Triodos Bank prioritises co-worker well-being and participates in or has adopted a number of initiatives that promote diversity and inclusion, such as:

- B Corp Certification;
- Living Wage Employer;
- Women in Finance Charter;
- Disability Confident Committed; and
- Mental Health First Aid.

At year-end, Triodos Bank UK employed 199 people or 184 FTE, with levels of attrition at just under 14%. Overall, the gender ratio is 46% men, 54% women and at senior management levels 55% men, 45% women.

Triodos Bank UK measures and monitors gender pay gap and will publish the results once the threshold for mandatory reporting has been met. Pay ratios (highest to median salaries) for Triodos Bank UK are published as part of the Triodos Bank consolidated 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 all risk exposures faced by the Bank, and incorporates a three lines of defence model. It is owned operationally by the Chief Risk Officer (CRO) and approved by the Audit and Risk Committee.

Triodos Bank UK's ERMF seeks to align to the Group Risk Management Framework. However, it does also reflect the UK regulatory environment where necessary, as guided and approved by the Board, and where relevant, the Audit & Risk Committee.

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.

As noted, a standard Three Lines of Defence model is 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. The Senior Executive Team is referred to as the Core Management Committee (CMC). It should be noted that 'regulatory risk' is defined within the Compliance Risk included in the table, however, given the nature of the regulatory environment Triodos Bank UK faces, each risk will also have, to varying degrees, its own regulatory risk profile that is inherently managed; for example prudential risk is primarily managed through Strategic, Liquidity and Market risks.

In support of this, details of the underlying related risks and uncertainties currently being managed by Triodos Bank UK are included below the table.

ERMF Risk	Risk Mitigation / Review
Strategic Risk **The risk of a lack of achievement of the institution's overall objectives due to internal and/or external causes.** **Incorporates; Selection, Execution, and, Modification Risks.**	Financial performance trends are monitored at each monthly CMC meeting and every Board meeting through the actual versus forecast management information. Related solvency metrics are assessed and managed within the Board approved 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 in relation to the capital benefits driven from retained profits. The external environment has created business performance challenges during the year, centred around the competitive lending sector the Bank now faces.
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 Reputational Risk profile at their monthly meetings, driven from established underlying processes across a range of potential sources of Reputational Risk, e.g. complaints received and negative press / social media coverage. The current Reputational Risk profile is not considered to be of concern, however, where necessary, the underlying processes will identify and escalate potential areas of concern as they happen to the CMC, Audit & Risk Committee and Board.
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 the Non-Financial Risk Committee; with subsequent escalations up into the CMC, Audit & Risk Committee and Board. The established Risk Management Framework 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. Post subsidiarisation, Triodos Bank UK continues to further strengthen its management and oversight of key outsourcing (including to Triodos Bank N.V.) and to its established operational resilience framework, principally through the 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**	Compliance risks are also managed initially through the Non-Financial Risk Committee; with subsequent

bank may 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 into the CMC, Audit & Risk Committee and Board. The established Risk Management Framework (RMF) provides for the management of Compliance Risk against the context of Triodos Bank UK's regulatory footprint; management provided through the system of controls, and, identification of current and emerging regulatory requirements, together with the use of risk event / near miss reporting to identify regulatory breach situations. Post subsidiarisation, regulatory compliance continues to be an inherently required output of our RMF, and activity continues to further strengthen the established framework, principally through the maturity development of compliance-risk appreciation across the business.
Conduct Risk **The firm or individual's behaviour will result in poor customer outcomes. This may be as a result of product design, distribution & sales of products or product servicing.** **Incorporates; Culture, Product, Sales, and, Post Sales, Risks.**	Conduct risks are also managed initially through the Non-Financial Risk Committee; with subsequent escalations up into the CMC, Audit & Risk Committee and Board. Appropriate conduct is a requirement that should be an inherent component across all the Bank's operational activity, and embedment of this continues post subsidiarisation, 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 regular basis. • New product governance is overseen and monitored by a Product Governance Committee.
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 is defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's**	Credit risks are managed initially through the Credit Committee; with subsequent escalations up into the CMC, Audit & Risk Committee and Board. Business lending is a core activity of the Bank, and in response has an experienced Credit Risk team which review applications in accordance with the established Board approved lending and sector policies. 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; financial and government related institutions.

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 established risk appetite has driven a 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 meet efficiently 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 the Asset and Liability Committee; with subsequent escalations up into the CMC, Audit & Risk Committee and Board. Liquidity risk is assessed and managed within the Board approved Individual Liquidity Adequacy Assessment Process (ILAAP) requirements that incorporate appropriate stress testing to maintain the Bank's balance sheet strength in this regard. The Treasury team manages liquidity on a day-to-day basis, with oversight from the Risk team. The Bank continues to benefit from a strong liquidity position due to the nature of its customer base.
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 the Asset and Liability Committee; with subsequent escalations up into the CMC, Audit & Risk Committee and Board. The majority of the Bank's risk arises from changes in interest rates as we have minimal foreign exchange exposure. Interest rate related risks are modelled and managed monthly in accordance with regulatory requirements.

Uncertainty is not conducive for stability. The UK's departure from the European Union (Brexit) and the implied volatility that has driven, and will potentially continue to create uncertainty for the Bank. This is though one of several principal risks and uncertainties currently being managed by Triodos Bank UK, all of which are managed in conjunction with the established ERMF.

These are summarised as follows:

Brexit

The principal risk led to the subsidiarisation of the UK Branch Triodos Bank, and specific 'subsidiarisation' related risks are included separately below. In terms of the operational risks and impacts created by the UK's exit from the European Union, Triodos Bank UK is not faced with large potential exposures.

The Bank does face several risks and challenges though, and the potential impacts incorporate a range of risks from our existing business model through to our operational business continuity. All are regularly considered by the CMC, Board and Audit & Risk Committee in order that continual review and challenge exists for all potential direct and indirect impacts on our business, our customers and suppliers. This challenge will continue post the exit date until the subsequent environment becomes clear.

Subsidiarisation

Several principal risks to Triodos Bank UK have been created by the subsidiarisation process, these are:

- Group reliance: Triodos Bank UK's business model retains Triodos Bank N.V. as a principal 'third party' provider of services. This model is expected to continue in 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.
- Increased regulatory compliance requirements: Triodos Bank UK's banking licence was authorised by the PRA. There has been a related step change in regulatory compliance requirements from the previous UK branch operation (both in relation to the PRA and FCA), which has required increased resourcing investment to drive through the necessary underlying enhancements to the strength and quality of our ERMF.
- Operational capability change: both points above highlight significant change requirements across our operations and this programme of change has driven challenges for the Bank.

This has included a significant uplift in the Bank's required 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 have been attempting to drive. We were therefore heartened by the Bank of England's new regulatory focus on the financial risks driven by climate change during 2019, and fully support this development.

This topic has and will continue to receive focus from Triodos Bank UK as we comply with these regulatory requirements. This will enhance our identification and quantification of the financial risks inherent in our balance sheet, but, while being a risk to manage, can 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.

Sector competition

Triodos Bank UK's chosen sector has historically been a relatively niche market. However, increasing environmental awareness and action has driven increased competition in the sector and this remains a risk and challenge for the Bank.

Interest rate benchmark reform

Triodos Bank UK is party to one syndicated loan whose interest rate is based on an interbank offered rate. Triodos Bank UK is not the lead party in the syndicate. Other than this Triodos Bank UK has no exposures to interbank offered rates. Therefore we do not anticipate a material impact from interest rate benchmark reform.

To summarise, Triodos Bank UK's principal risks and uncertainties will essentially be no different to many other banks in the UK, however, we clearly require to effectively manage, mitigate and control our specific risk profile, and this is driven through the effective application of our ERMF.

s172 statement

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 subsidiarisation of UK business of Triodos Bank on 1 May 2019 was effected to address the uncertainty surrounding the UK's withdrawal from the European Union and to support the long-term prospects and ambitions for Triodos Bank in the UK. Consequently, a significant focus of the Board of Triodos Bank UK through 2019 has been establishing and embedding the governance, regulatory and management frameworks that are necessary for a banking business regulated by the PRA and FCA. An ambition of the Board has been to demonstrate the resilience and sustainability of the business to our key stakeholders including our regulators, customers and employees as well as the sole shareholder, Triodos Bank N.V..

Maintaining the confidence of our key stakeholders requires an iterative process and while we recognise there is still more that can be done, we also acknowledge the significant achievements throughout the year that we believe will ensure that Triodos Bank will continue to be a success in the UK.

Operational resilience has been, and will continue to be, a fundamental theme at Triodos Bank UK. It was at the heart of the decision to subsidiarise the business and establish robust governance and management of the new entity. It has also been a focus in the strategies for Information Communication Technology (ICT), supplier management and employee well-being and ultimately in our determination to provide high-quality and robust customer service.

The threat of the climate emergency and the risks it presents, in both the short and long term, has become a global focus. Triodos Bank gave its backing to the newly launched United Nations Principles for Responsible Banking and continues to push the banking sector to adopt the principles and redefine their social purpose. Triodos Bank is a pioneer within financial services on environment and climate change and has led the development of frameworks for banks to better manage their climate change impacts. It is also a key part of the mission of Triodos Bank UK and we continue to pursue and invest in opportunities to minimise the impact of the bank and enable and influence our customers, co-workers, suppliers and communities to take action on climate change.

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 promotes collaboration and consultation with the shareholder in pursuit of their shared mission and aligned strategies, and which also ensures that Triodos Bank UK can respond to the interests of its own stakeholders and a different regulatory context.

Customers

Honesty and integrity are key elements of the culture of Triodos Bank UK, particularly in our approach to customers. Our ambition is to put customer interests and needs at the heart of what we do.

The Directors have overseen the development of an enhanced approach to conduct and customer through 2019 through a maturing conduct risk strategy. This has led to a more responsive approach to vulnerable customers and situations with potential for customer harm or vulnerability.

The Board monitors customer outcomes and feedback including key customer behavioural indicators and considers current market trends, to identify and prioritise key improvements to the customer experience and to protect consumers from harm.

In 2019, Triodos Bank initiated a long-term strategy to develop the Bank’s technology proposition and thereby improve the customer experience and simultaneously strengthen our safeguards and response to the threat of fraud and financial crime.

Suppliers

Triodos Bank UK strives for long-term and vested relationships that are based on shared value and mindset. Through the adoption of supplier engagement policies, the Board of Directors 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. Supplier engagement is conducted in an honest, competitive, fair and transparent manner that considers the needs of its suppliers in addition to complying with European Union law, UK Law and international best practice. These policies also outline an ambition to work in partnership with suppliers to align our positive impact ambitions and promote more sustainable products, production processes and supply chains.

The Directors closely monitor the performance of key suppliers and in 2019 a project was launched to further enhance the governance, monitoring and control of supplier relationships with a particular focus on operational resilience.

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 and by being visible and present in the business.

The biennial co-worker engagement survey was conducted in 2019 and provided insight into how co-workers feel about the organisation including engagement, well-being, management and also perceptions of the operational success of the business. It revealed that co-workers are proud to work for Triodos Bank UK and they feel a strong connection to its mission and values. The survey also revealed that co-workers feel that Triodos Bank UK could be more innovative and efficient but also that there was confidence in management to address this. This has reinforced the Board's focus on efficiency and resilience and their commitment to building on the People Strategy.

A salary benchmarking survey in 2019 provided assurance that co-workers are paid in line with the sectors expectations and also our real living wage commitments.

Regulators

The transfer of the UK branch of Triodos Bank to Triodos Bank UK required a banking license and transferred the primary supervision of the Bank to the PRA and FCA (from the De Nederlandsche Bank (the Dutch Central Bank)).

The Directors of Triodos Bank UK have been conscious of the importance of establishing new relationships with the PRA and the FCA which are founded on openness and transparency. 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.

Future Developments

For Triodos Bank UK, 2019 was a year of establishing the subsidiary as a new, separately regulated banking business, to mitigate the uncertainty that surrounded the UK's anticipated departure from the European Union and ensure the continued successful operation of Triodos Bank in the UK. Consequently, 2020 represents the opportunity to build on that foundation and focus on ambitious plans in pursuit of the Bank's mission: To help create a society that protects and promotes quality of life and human dignity for all and enable individuals and organisations to use their money in ways that benefit people and the environment.

To maximise opportunity and impact, Triodos Bank UK aims to grow its customer base by improving the customer journey and the product offering by simplifying the retail and business product ranges. We will be investigating options to build a sustainable 'business ecosystem', leveraging Triodos Bank capabilities and complementing them with aligned partner capabilities. Efficiency and improving our cost to income ratio will be key objectives for 2020 alongside enhancing operational resilience.

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

Triodos Bank UK has sufficient liquidity to meet the requirements of the foreseeable future.

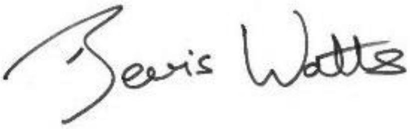
2020 is also the 25th anniversary of Triodos Bank operating in the UK and will be a time to celebrate the progress of Triodos Bank towards Financing Change and Changing Finance. It will also be a time to reflect that in this era of climate emergency and growing inequality the mission of Triodos Bank, is becoming increasingly relevant and urgent.

Approval

Approved by the Board of Directors on 3 April 2020 and signed on its behalf by

Gary Page

Chairman



Bevis Watts

Chief Executive Officer

INDEPENDENT AUDITORS’ REPORT

Independent auditors' report to the member 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 2019 and of its profit and cash flows for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; 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 company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Context

As a consequence of the UK's planned exit from the European Union, Triodos Bank N.V. ('TBNV') formed a UK subsidiary, Triodos Bank UK Limited ('TBUK'), which was granted a bank licence on 25 January 2019. The business and associated assets and liabilities of the UK Branch were transferred to TBUK on 1 May 2019, effected where relevant through a court order under Part VII of the Financial Services and Markets Act 2000.

Overview

- Overall materiality: £1.76 million, based on 1% of net assets.

- 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 TBNV, including IT and for IFRS 9 loan loss impairment modelling. We therefore audited the company as a standalone entity, while instructing PwC Netherlands to perform work on our behalf related to those group functions.

- The area of focus for our audit which involved the greatest allocation of our resources and effort was the appropriateness of the assumptions used in the calculation of loan loss impairment under IFRS 9.

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

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 to increase revenue, and management bias in accounting estimates. The engagement team shared this risk assessment with the other auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the engagement team and/or other auditors 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); and

- 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 and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

Key audit matter	*How our audit addressed the key audit matter*
Assumptions used in the calculation of loan loss impairment under IFRS 9 In accordance with the requirements of IFRS 9 ‘Financial Instruments’, TBUK 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 and for Purchased or Originated Credit Impaired (‘POCI’) by recognition of loss allowances measured at an amount equal to the lifetime expected credit losses for credit-impaired financial assets. TBUK has built an Expected Credit Loss (‘ECL’) model for the Stage 1 and Stage 2 loan impairments. With respect to Stage 3 an assessment is performed on a loan-by-loan basis. A number of key assumptions are used to derive the ECL from the model, including probability of default (‘PD’), loss-given default (LGD) and exposure at default (‘EAD’). Critical data elements as input for these models are retrieved from Triton, the core banking platform. Three global macroeconomic scenarios (including a base, upside and downside scenario) are incorporated into the model and the probability of the scenarios is weighted in order to determine the ECL. TBUK determines the Stage 3 and POCI loan impairment allowance by taking into account expected future cash flows, including value and recoverability of the corresponding collateral. The significance of the number of accounting policy choices and judgements taken by management increase the risk of material misstatement. This is therefore considered to be a key audit matter in our audit. *Relevant references in the Annual Report:* *Note 26 - Financial risk management*	Our audit procedures included testing of the overall governance of the credit and impairment process and the testing of design and operating effectiveness of the key controls directly related to: • Arrears classification and identification of impaired and forborne loans; • The parameters and data applied in the ECL models (eg. exposures, cash flows, market values of collateral etc.); and • The review and approval by management on the outcomes of the individual impairments for Stage 3 loans and the ECL model for those loans categorised as Stages 1 and 2. In respect of the allowance for those loans in Stage 1 or Stage 2, we have performed the following key procedures to support our conclusions: • Testing of the input data in respect of the critical data elements through testing of IT dependencies and a sample of input data to the core banking system; • Assessment of reasonableness and consistency of the applied model methodology (including the assumptions regarding PD, LGD and EAD and the thresholds used to determine significant increases in credit risk/stage transfers) in line with IFRS and market practice; • Evaluated the macro-economic scenarios and macro-economic variables applied by reconciling these to the minutes of the Asset and Liability Committee and challenging these by reference to observable market data; and • Assessed the model validation report and completed a reperformance of certain model validation procedures performed by TBNV on behalf of TBUK, focusing on the more significant tests like backtesting procedures on key model parameters. In respect of the allowance for those loans in Stage 3 or categorised as POCI, we have performed the following risk-based key procedures to support our conclusions: • Discussed the credit status 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. We used credit risk modelling specialists to support the audit team in the performance of these audit procedures.

Potential impact of Covid-19 Since the balance sheet date there has been a global pandemic from the outbreak of coronavirus (Covid-19). During the latter stages of finalising of the financial statements, the potential impact of Covid-19 became significant and is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. While it is too early to accurately estimate the financial and business impact of Covid-19, management has considered the potential implications of these events on the Company's going concern assessment. Relevant reference in the Annual Report and Accounts: Note 29 – Post balance sheet events.	We critically assessed management's conclusion that the matter be treated as a non-adjusting post balance sheet event and that the directors consider the impact of which cannot be reliably estimated at this stage. We considered: • The timing of the development of the outbreak across the world and in the UK; and • How the financial statements and business operations of the Company might be impacted by the disruption. In forming our conclusions over going concern, we evaluated whether management's going concern assessment considered impacts arising from Covid-19. Our procedures in respect of going concern included: • Review of management's going concern assessment and enquiries of management to understand the potential impact of Covid-19 on the Company's financial performance, business operations and regulatory capital and liquidity ratios. • Review of the Company's most recent ICAAP and ILAAP which contain the results of the latest stress tests.

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.

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, TBNV, including (but not limited to) for IT support services and IFRS 9 loan loss impairment modelling. As a result, we have instructed PwC Netherlands 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 materiality	£1.76 million
How we determined it	1% of net assets.
Rationale for benchmark applied	We consider that net assets 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, net assets is considered to be a reasonable proxy to the regulatory capital resources of the Company. Regulatory capital is a key measure considered by those charged with governance, as well as the Company's regulators, when assessing the financial position of the business.

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 set out on page 5, 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.

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 member 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 received 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. This is therefore our first year of uninterrupted engagement.

Other matter

The financial statements for the period ended 31 December 2018, forming the corresponding figures of the financial statements for the year ended 31 December 2019, are unaudited.

Darren Meek

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 April 2020

ANNUAL ACCOUNTS 2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31-Dec-19 £'000	31-Dec-18 £'000
Interest income	1	24,844	-
Interest expense	2	(5,590)	-
Net interest income		**19,254**	**-**
Fee and commission income	3	1,922	-
Fee and commission expense	3	(503)	-
Net fee and commission income		**1,419**	**-**
Other operating income	4	127	-
Total income		**20,800**	**-**
Co-worker expenses	5	(6,603)	-
Administrative expenses	6	(9,829)	-
Operating expenses		**(16,432)**	**-**
Impairment loss on financial instruments	26	(87)	
Profit on ordinary activities before tax		**4,281**	**-**
Tax on profit on ordinary activities	8	(618)	-
Profit and total comprehensive income for the year/period		**3,663**	**-**

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 figures presented above and throughout the document represent eight months of trading.

BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	31-Dec-19 £'000	31-Dec-18 £'000
Assets			
Cash and cash equivalents	10	236,613	-
Loans and advances to credit institutions	11	27,455	-
Loans and advances to customers	12	975,025	-
Debt securities	13	115,269	-
Intangible fixed assets	14	1,548	-
Property, plant and equipment	15	12,456	-
Right of use assets	16	977	-
Deferred tax asset	21	170	-
Other assets	17	8,855	1
Total assets		**1,378,369**	**1**
Liabilities			
Deposits from credit institutions	18	36,256	-
Customer accounts	19	1,155,946	-
Lease liabilities	16	974	-
Current tax	8	596	
Other liabilities	20	8,502	-
Provisions	22	377	-
Total liabilities		**1,202,652**	**-**
Equity			
Called up share capital	23	172,000	1
Merger Reserve	9	55	-
Retained earnings		3,663	-
Total equity		**175,718**	**1**
Total equity and liabilities		**1,378,369**	**1**

Accounting policies on pages 31 to 41 and notes on pages 42 to 66 form an integral part of these financial statements.

The financial statements of Triodos Bank UK Limited (registered number 11379025) on pages 26 to 66 were approved by the board of directors and authorised for issue on 3 April 2020. They were signed on its behalf by:

Gary Page

Chairman

Bevis Watts

Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital £'000	Merger Reserve £'000	Retained earnings £'000	Total £'000
Issue of share capital on incorporation on 23 May 2018	23	1	-	-	1
Balance at 31 December 2018		**1**		**-**	**1**
Issue of share capital	23	171,999	-	-	171,999
Impact of Part VII transfer	9	-	55	-	55
Total comprehensive income for the year/period			-	3,663	3,663
Balance at 31 December 2019		**172,000**	**55**	**3,663**	**175,718**

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. See Note 9 for more information.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

£'000	Note	31-Dec-19 £'000	31-Dec-18 £'000
Cash flow from operating activities			
Profit before tax		4,281	-
Adjustments for:			
Depreciation and amortisation		527	-
Debt securities premium amortisation		772	-
Net impairment loss on financial instruments		64	-
Decrease in provisions*		(237)	-
Interest on lease liabilities		13	-
Tax expense		(618)	-
Cash flow from business operations		**4,789**	-
Changes in net operating assets*:			
Increase in loans and advances to customers		(101,865)	-
Decrease in deferred tax asset		37	-
Increase in other assets		(4,924)	-
Increase in deposits from banks		3,056	-
Increase in deposits from customers		53,008	-
Decrease in lease liabilities		(25)	-
Increase in current tax liability		49	
Increase in other liabilities		1,521	-
Cash flow from operating activities		**(49,128)**	-
Cash flow from investment activities			
Transfer of business from Triodos Bank N.V.		156,471	-
Investment in intangible assets		(33)	-
Investment in property and equipment		(129)	-
Investment in debt securities		(24,672)	-
Maturity of debt securities		4,800	-
Cash flow from investment activities		**136,437**	**-**
Cashflow from financing activities			
Payment of lease liabilities		(26)	-
Increase in equity#		171,999	1
Cash flow from financing activities		**171,973**	**1**
Net cash flow		**264,070**	**1**
Cash and cash equivalents at the beginning of the year/period		1	-
Cash and cash equivalents at the end of the year/period		264,071	1
Represented by:			
Cash and cash equivalents	10	236,613	-
On demand deposits with credit institutions	11	27,057	
Other loans and advances to credit institutions	11	401	1

* Changes in balance sheet figures in 2019 are during the period of operation, i.e. May to December 2019.

\# On the transfer of business on 1 May 2019 £328m of cash transferred to the Company which can be seen in note 9. £172m of this related to an intercompany receivable in exchange for the share capital issued.

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 2019. The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards and interpretations issued by the IFRS Interpretations Committee as adopted by the European Union (together 'IFRS').

The accounts 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 foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the foreign exchange rates 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. 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.

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 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.

Payment transactions

Fees in respect of payment transactions are contractually due and taken at the point of the transaction. They are therefore recognised at this point.

Lending fees

These comprise non-utilisation fees and other non-material fees. Non-utilisation fees are recognised over time based on amounts contractually due for holding the facility available.

Fund distribution

These are fees taken for distribution of the funds of Triodos Investment Management, a group company, in the UK. Fees are calculated based on the value of funds outstanding on a daily basis. These are paid and recognised on a monthly basis.

Corporate finance fees

These comprise fees for capital raising, advisory and modelling work. For each of these fee categories, contracts may contain several performance obligations to which a value is allocated, and revenue is recognised on completion of each performance obligation. The largest fee category is capital raising, and fees for this are typically recognised based on the value of capital raised, beginning when the minimum capital contractually required is raised.

5 Employee benefits

Short-term employee benefits, such as salaries, paid absences, and other benefits 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. Unpaid contributions are recorded as a liability.

6 Intangible 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.

7 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:

- Leasehold land and buildings: 40 years (or lease term if shorter)
- Plant and machinery: 3 to 5 years
- Furniture and fixtures: 5 years

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

8 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 (defined as leases of underlying assets with a value, when new, of $5,000 or less). 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 by 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; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within Other liabilities in the balance sheet.

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 Bank did not make any such adjustments during the periods presented.

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

Whenever 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 period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that 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 right of use assets are presented as a separate line in the balance sheet.

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.

9 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.

10 Provisions and contingent liabilities

The Bank recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

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.

11 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 that the Bank intends to settle on a net basis.

12 Financial instruments

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 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.

13 Impairments

At each balance sheet date each financial asset, financial guarantee and loan commitment is assessed for impairment. Loss allowances are calculated for all financial assets, financial guarantees and loan commitments, 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. The frequency depends on the debtor's creditworthiness, the degree of market exposure and the market in which the debtor operates. The credit committee discusses and, if necessary, takes action with respect to overdue payments from debtors. If there is any doubt regarding the continuity of the debtor's core operations and/or a debtor fails to settle agreed interest and repayment instalments for a prolonged period, this debtor falls under the category of 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, financial guarantees and loan commitment the scenarios are based on macro-economic conditions.

Significant increase in credit risk

When determining whether the risk of default on a financial asset, financial guarantee or loan commitment 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 and including forward-looking information.

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 placement of a loan on a watchlist; and
- a backstop of 30 days past due.

For corporate loans the Bank determines probability of default based on its internal credit rating system, which comprises 14 grades. 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 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.

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.

14 Cash and cash equivalents

On the balance sheet, cash and cash equivalents comprises 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.

15 Critical judgements and estimates

UK company law and IFRS require the directors, 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 are considered by the Board to be the most important to these financial statements are discussed below.

A. Critical judgement: Recognition of intragroup business transfers

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. A critical judgement was made in determining the appropriate values at which to recognise assets and liabilities transferred.

Management's judgement is that it is appropriate to recognise all assets and liabilities at inherited book values. These were taken from the accounts of Triodos Bank N.V. and include the accounting history since initial recognition. Triodos Bank UK Limited recognised in merger reserve the difference between the consideration paid and the net book value of assets and liabilities recognised at inherited book values.

Note 9 to the financial statements gives further information about the values transferred.

B. Key judgements and estimates: Loan impairment

See Accounting Policy 13 for an explanation of the calculation of loan impairments 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. All three elements require judgements or estimates that significantly impact the value of impairment losses.

Key judgement: Significant increase in credit risk

As explained in Accounting Policy 13, 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. – 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.	– 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.

The internal credit rating system comprises 14 ratings as shown in Accounting Policy 13:

- 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.

Key judgement: Loan performance in different macro-economic conditions

The performance of each loan in Stages 1 and 2 in different macro-economic scenarios is determined by its sector. The table shows by sector the impact of a deviation of 2% from a long-term historical average GDP growth of 1%, in terms of internal rating grade.

Sector	Impact of 2% deviation on
Healthcare	2 grades
Renewable energy	1 grade
Social housing	1 grade
Other sectors	2 grades

For example, if GDP is forecast to decline by 1% in a given scenario that would be a 2% deviation from the long-term historical average growth of 1%. For a loan in the healthcare sector this would therefore cause a downgrade by two grades, with a corresponding increase in the probability of default. Therefore, if the internal credit rating of the loan is grade 5 then its grade would decline to grade 7, meaning that its probability of default would increase from 0.87% to 2.81%, an increase factor of 3.2.

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

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

Key estimate: Economic forecasts

The Bank formulates three economic scenarios: a base case, which is the median 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, 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 increased credit risk is reduced GDP growth, with other macro-economic variables such as inflation, interest rates and the removal of subsidies where appropriate either having a smaller impact, or an impact linked to GDP growth.

The economic scenarios used as at 31 December 2019 included the following GDP growth for the years ending 31 December 2020 to 2022 and for the long-term, which is a key estimate.

	2020	2021	2022	Long-term
Base	1.1%	1.5%	1.5%	1.0%
Upside	1.4%	1.8%	2.0%	1.0%
Downside	0.6%	0.5%	0.5%	1.0%

A decrease of 0.5% in all GDP growth estimates for 2020-2022 would increase expected credit loss by £176,000.

C. Key estimate: Effective Interest Rate (EIR) method

See Accounting Policy 5 for an explanation of the EIR method.

Key estimate: Expected loan life

In calculating the EIR to apply to customer loans held at amortised cost, the Bank estimates future cash flows, considering all contractual terms of the loan. To calculate the carrying value it is necessary to determine the expected life over which to amortise these capitalised fees, which is determined by adjusting the contractual life for expected early repayments.

Therefore the probability of early repayment for each loan is a key assumption, affecting the value of loans and advances to customers and interest income. A decrease of 3% in the expected probability of early repayment would reduce interest income by £129,000.

NOTES TO THE FINANCIAL STATEMENTS

1 Interest income

An analysis of the Bank's interest income is as follows:

	31-Dec-19 £'000	31-Dec-18 £'000
Cash and cash equivalents	1,319	-
Loans and advances to credit institutions	8	-
Loans and advances to customers	22,359	-
Debt securities	1,158	-
	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 in 2019 can be broken down by geography as follows:

	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	911	-	246	-	1,158
	24,019	**574**	**246**	**5**	**24,844**

Income in Ireland is earned on a portfolio of loans with a value of £32,934,000 at 31 December 2019.

2 Interest expense

	31-Dec-19 £'000	31-Dec-18 £'000
Deposits from credit institutions	105	-
Customer accounts	5,472	-
Lease liability	13	-
	5,590	**-**

3 Net fee and commission income

In the following table, fee and commission income from contracts with customers is disaggregated by major type of services.

	31-Dec-19 £'000	31-Dec-18 £'000
Payment transactions including personal current account fees	444	-
Lending	890	-
Fund distribution	322	-
Corporate finance fees	266	-
Total fee and commission income	**1,922**	**-**
Commission expense	503	-
Total fee and commission expense	**503**	**-**

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

4 Other income

	31-Dec-19 £'000	31-Dec-18 £'000
Joint promotion contribution	90	-
Rental income from property leases	17	-
Exchange results for foreign currency transactions	(9)	-
Other	28	-
	127	**-**

A contribution is received from Triodos Investment Management B.V., a group company, for joint promotion of Triodos Bank in the UK.

5 Co-worker expenses

	31-Dec-19 £'000	31-Dec-18 £'000
Co-worker costs:		
Salary expenses	4,993	-
Pension expenses	522	-
Social security expenses	512	-
Temporary co-workers	193	-
Intercompany co-worker recharges	(57)	-
Other staff costs	441	-
	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 is 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.

	31-Dec-19	31-Dec-18
Average number of co-workers during the period:		
Executive directors	1	-
Full-time	147	-
Part-time	49	-
	197	**-**

The above figures for 2019 are calculated for May to December 2019, being the operational period.

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 and those who opt to participate contribute between 1 and 10% of their salary. The Bank's contribution amounts to 8% to 10% of salary depending on length of service.

The total cost charged to profit and loss of £522,000 represents contributions payable by the Bank to the scheme at rates specified in the rules of the scheme. As at 31 December 2019 there were no contributions due in respect of the current reporting period not paid over to the scheme.

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.

	31-Dec-19 £'000	31-Dec-18 £'000
Short-term employee benefits	208	-
Post-employment benefits	12	-
	220	**-**

One director is accruing benefits under a money purchase pension scheme.

Information about the highest paid director during the year ended 31 December 2019 is as follows:

	31-Dec-19 £'000	31-Dec-18 £'000
Short-term employee benefits	128	-
Post-employment benefits	12	-
	140	**-**

6 Administrative expenses

	31-Dec-19 £'000	31-Dec-18 £'000
IT costs	4,445	-
Intercompany recharges	1,748	-
Advertising charges	976	-
Office costs	783	-
Accommodation expenses	900	-
Fees for advice and auditor	428	-
External administration costs	319	-
Financial Services Compensation Scheme levy	49	-
Travel and lodging expenses	140	-
Other costs	40	
	9,829	**-**

7 Auditor’s fees

	31-Dec-19 £'000	31-Dec-18 £'000
Statutory audit	206	-
Other assurance work	5	-
	211	**-**

8 Tax on operating result

The tax charge for the year is calculated as follows:

	31-Dec-19 £'000	31-Dec-18 £'000
Corporation tax:		
Current year	580	-
Adjustments in respect of prior years	-	-
	580	**-**
Deferred tax (see Note 21)		
Origination and reversal of temporary differences	37	-
	37	**-**
Total tax expense	**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:

	31-Dec-19 £'000	31-Dec-18 £'000
Profit before tax on continuing operations	4,281	-
Statutory tax rate	19.0%	19.0%
Tax at the UK corporation tax rate	813	-
Tax effect of non-deductible expenses in determining taxable profit	219	-
- of which recognised in merger reserve	(96)	-
Tax effect of non-taxable income in determining taxable profit	(72)	-
Decrease in carrying value of deferred tax asset	37	-
Community investment tax relief	(283)	-
Tax expense for the year	**618**	**-**
Effective tax rate	**14.4%**	**0.0%**

As described more fully in Note 9, on 1 May 2019 the assets and liabilities of Triodos Bank N.V. were transferred to Triodos Bank UK Limited. Because Triodos Bank N.V. applies Dutch GAAP and Triodos Bank UK Limited applies IFRS a merger reserve was created. The major maintenance provision was derecognised through the merger reserve as part of this acquisition process, as this is not permitted under IFRS. However, this release is taxable, so is included in the Tax effect of non-deductible expenses in determining taxable profit, but then reversed in order to reconcile to the tax expense recognised in the income statement.

The tax expense for the year is lower than would be implied by the current headline tax rate as the Bank has benefitted from 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.

Current tax balance

The tax payable in the balance sheet is as follows:

	31-Dec-19 £'000	31-Dec-18 £'000
Tax payable	596	-

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., 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.

As Triodos Bank N.V. owns 100% of the share capital of Triodos Bank UK Ltd this is a common control transaction, outside the scope of IFRS 3.

All assets were transferred at their book value under Dutch GAAP, which Triodos Bank N.V. applies. On conversion to IFRS a merger reserve is 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	Before transfer of assets £'000	Dutch GAAP assets transferred £'000	Eliminate intercompany receivable £'000	IFRS adjustments £'000	IFRS value £'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	-	(423)	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		-	1,102,938	-	-	1,102,938
Lease liabilities	3	-	-	-	999	999
Current tax	4	-	450	-	96	547
Other liabilities		-	6,994	-	-	6,994
Provisions	2, 3	-	1,107	-	(493)	615
Total liabilities		**-**	**1,316,690**	**(172,000)**	**602**	**1,145,293**
Equity						
Called up share capital		172,000	-	-	-	172,000
Merger reserve	5	-	-	-	55	55
Total equity		**172,000**	**-**	**-**	**55**	**172,055**

The following IFRS 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 IFRS 16;
3. Elimination of major maintenance provision, which is not permitted under IFRS; 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-19 £'000	31-Dec-18 £'000
Cash with the Bank of England	235,172	-
Mandatory reserve with the Bank of England	1,441	-
	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-19 £'000	31-Dec-18 £'000
On demand deposits with credit institutions	27,057	1
Other loans and advances to credit institutions	401	-
Expected Credit Loss	(3)	-
Balance sheet value as at 31 December	**27,455**	**1**

The balance sheet value of the loans and advances to credit institutions as at 31 December can be broken down as follows:

	31-Dec-19 £'000	31-Dec-18 £'000
Triodos Bank N.V.	-	1
Bank of Ireland	468	-
Barclays Bank	103	-
Coventry Building Society	100	-
Nationwide Building Society	100	-
National Westminster Bank	26,022	-
Yorkshire Building Society	100	-
US Bank	565	-
Expected Credit Loss	(3)	-
Balance sheet value as at 31 December	**27,455**	**1**

National Westminster Bank is the Bank’s clearing bank.

An amount of £565,000 is encumbered. This is held as collateral for MasterCard transactions in an account at US Bank.

12 Loans and advances to customers

	Gross carrying amount £'000	31-Dec-19 ECL allowance (Note 26) £'000	Carrying amount £'000	Gross carrying amount £'000	31-Dec-18 ECL allowance £'000	Carrying amount £'000
Retail customers						
Current accounts	115	(2)	114	-	-	-
Corporate customers						
Corporate loans	971,903	(2,235)	969,668	-	-	-
Current accounts	5,380	(11)	5,369	-	-	-
Loan commitments	-	(124)	(124)	-	-	-
Financial guarantees	-	(1)	(1)	-	-	-
Total	**977,399**	**(2,373)**	**975,025**	**-**	**-**	**-**

A continuing focus on maintaining a high-quality loan portfolio ensured impairments for the loan portfolio were very low in the period. During the eight months of trading the impairment charge in the income statement of £87,000 was less than 0.01% of the average loan book.

The balance sheet value of retail and corporate current accounts and corporate loans at 31 December 2019 can be broken down as follows:

	Term of maturity less than a year £'000	Term of maturity more than a year £'000
Retail customers		
Current accounts	114	-
Corporate customers		
Corporate loans	65,474	904,193
Current accounts	5,369	-
Total	**70,957**	**904,193**

13 Debt securities

	31-Dec-19 £'000	31-Dec-18 £'000
Issued by public bodies	71,259	-
Issued by other issuers	44,016	-
Expected credit loss	(7)	-
Balance sheet value as at 31 December	**115,269**	**-**

All debt securities are listed.

The balance sheet value of debt securities at 31 December 2019 can be broken down as follows:

Issuer	Term of maturity less than a year £'000	Term of maturity more than a year £'000	Of which Green bond* £'000
Public bodies			
Central Government	9,001	57,098	-
Regional Government and Public Sector Entities	-	5,161	5,161
Total public bodies	**9,001**	**62,259**	**5,161**
Other issuers			
Credit Institutions	5,001	19,540	5,001
Corporate Debt Securities	-	9,460	9,460
Multilateral Development Banks	10,015	-	10,015
Total other issuers	**15,016**	**29,001**	**24,476**
Total	**24,016**	**91,259**	**29,637**

*These are Green/sustainable bonds of which the proceeds are invested by the issuer in areas such as sustainable energy, energy efficiency and microfinance.

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

	31-Dec-19 £'000	31-Dec-18 £'000
Balance sheet value as at 1 January	-	-
Acquired through Part VII transfer	96,175	-
Purchases	24,672	-
Maturity	(4,800)	-
Discount/(Premium) amortisation	(772)	-
Balance sheet value as at 31 December	**115,275**	**-**

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**
Accumulated amortisation			
At 1 January 2019	-	-	**-**
Acquired through Part VII transfer	(320)	(1)	**(320)**
Charge for the year	(129)	(17)	**(147)**
At 31 December 2019	**(449)**	**(18)**	**(467)**
Carrying amount			
At 1 January 2019	**-**	**-**	**-**
At 31 December 2019	**1,478**	**70**	**1,548**

Internally developed assets

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

These assets have an expected useful economic life of ten years. The remaining useful economic life of the assets as at 31 December 2019 is eight 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 Administrative expenses in the Statement of Comprehensive Income.

No research and development expenditure has been incurred during the period.

15 Property, plant and equipment

	Leasehold land and buildings £'000	Plant and machinery £'000	Furniture & fixtures £'000	Total £'000
Cost				
At 1 January 2019	-	-	-	**-**
Acquired through Part VII transfer	14,276	494	1,076	**15,846**
Additions	(8)	132	4	**129**
At 31 December 2019	**14,269**	**626**	**1,080**	**15,975**
Accumulated depreciation and impairment				
At 1 January 2019	-	-	-	**-**
Acquired through Part VII transfer	(1,902)	(400)	(868)	**(3,170)**
Charge for the year	(274)	(31)	(44)	**(348)**
At 31 December 2019	**(2,175)**	**(431)**	**(912)**	**(3,519)**
Net book value				
At 1 January 2019	-	-	-	**-**
At 31 December 2019	**12,093**	**195**	**168**	**12,456**

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 two land and building leases for its office space. The property in Edinburgh is held on a lease of ten years from 1 August 2014. 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 28 September 2010. Information about these leases is shown below:

Right of use assets

	31-Dec-19 £'000	31-Dec-18 £'000
Cost		
As at 1 January	-	-
Acquired through Part VII transfer	1,025	-
At 31 December 2019	**1,025**	**-**
Accumulated depreciation and impairment		
At 1 January 2019	-	-
Acquired through Part VII transfer	(16)	-
Charge for the year	(32)	-
At 31 December 2019	**(48)**	**-**
Net book value		
At 1 January 2019	-	-
At 31 December 2019	**977**	**-**

Lease liabilities

	31-Dec-19 £'000	31-Dec-18 £'000
Maturity analysis - contractual undiscounted cash flow		
Less than one year	57	-
One to five years	61	-
More than five years	4,961	-
Total undiscounted lease liabilities as at 31 December	**5,079**	**-**
Lease liabilities included in the balance sheet		
Current	57	-
Non-current	917	-
At 31 December 2019	**974**	**-**

Amounts recognised in the income statement

	31-Dec-19 £'000	31-Dec-18 £'000
Interest on lease liabilities	13	-
Expenses of short-term leases	5	-
	18	**-**

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-19 £'000	31-Dec-18 £'000
Less than one year	23	-
Between one and five years	3	-
More than five years	-	-
Balance sheet value as at 31 December	**27**	**-**

During the year, lease income of £17,000 was included in Other income.

17 Other assets

Amounts falling due within one year:

	31-Dec-19 £'000	31-Dec-18 £'000
Amounts owed by group undertakings	4,800	-
Interest receivable	2,883	-
Other receivables	1,246	-
Other prepayments and accrued income	529	-
Balance sheet value as at 31 December	**9,458**	**-**

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

18 Deposits from credit institutions

	31-Dec-19 £'000	31-Dec-18 £'000
Repayable on demand	17,166	-
With agreed maturity dates or periods of notice	19,090	-
Total	**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.

Included in deposits from credit institutions is £17,311,000 falling due more than twelve months after the end of the reporting period.

19 Customer accounts

	31-Dec-19 £'000	31-Dec-18 £'000
Savings	785,984	-
Other funds entrusted	369,963	-
Balance sheet value as at 31 December	**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.

Included in customer accounts is £36,385,000 falling due more than twelve months after the end of the reporting period.

20 Other liabilities

Amounts falling due within one year:

	31-Dec-19 £'000	31-Dec-18 £'000
Interest payable	4,856	-
Accruals and deferred income	1,630	-
Lease liabilities	974	-
Other taxation and social security	862	-
Amounts owed to group undertakings	569	-
Other payables	1,181	-
Balance sheet value as at 31 December	**10,072**	**-**

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

21 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	1	116	207
Current year deferred tax charge	14	(41)	1	(12)	(37)
Asset/(Liability) at 31 December 2019	**(72)**	**135**	**2**	**104**	**170**

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. The Finance Act 2016 reduced the tax rate to 17% (effective from 1 April 2020). This change had been enacted at the balance sheet date and is reflected in the measurement of deferred tax balances.

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

22 Provisions

	31-Dec-19 £'000	31-Dec-18 £'000
Vitality leave	141	-
Subsidiarisation provision	133	-
Building purchase VAT	89	-
Dilapidation	15	-
Balance sheet value as at 31 December	**377**	**-**

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 if the Bank is to continue to trade in the UK following the UK's decision to leave the European Union;
- The building purchase VAT provision relates to the expected VAT payable following the purchase of the Bristol office building, the value of which is dependent upon the usage of the building in the coming year; and
- The dilapidation provision is for anticipated costs of restoring the Edinburgh office at the end of the lease term.

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

	Term of maturity less than a year £'000	Term of maturity more than a year £'000
Vitality leave	72	68
Subsidiarisation provision	133	-
Building purchase VAT	89	-
Dilapidation	-	15
Total	**222**	**15**

The movement on the provisions is as follows:

	Dilapidation provision £'000	Subsidiarisation provision £'000	Building purchase VAT provision £'000	Vitality leave provision £'000	Total £'000
At 1 January 2019	-	-	-	-	-
Acquired through Part VII transfer	15	424	176	-	615
Addition	-	-	-	141	141
Utilisation	-	(94)	(87)	-	(181)
Release	-	(197)	-	-	(197)
At 31 December 2019	**15**	**133**	**89**	**141**	**377**

23 Called up share capital

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

	Number	£'000
Incorporation on 23 May 2018	1,000	1
At 31 December 2018	**1,000**	**1**
Issued share capital	171,999,000	171,999
At 31 December 2019	**172,000,000**	**172,000**

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

24 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	
	31-Dec-19 £'000	31-Dec-18 £'000	31-Dec-19 £'000	31-Dec-18 £'000
Parent				
IT costs	-	-	3,400	-

Administration and co-worker costs	55	-	1,583	-
Loan interest	-	-	105	-
Group entities				
Joint promotion contribution	90	-	-	-
Administration and co-worker costs	89	-	-	-
Other related parties				
Loan interest	15	-	-	-
Customer accounts interest	-	-	9	-
	250	**-**	**5,097**	**-**

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	31-Dec-19	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**
	£'000	**£'000**	**£'000**	**£'000**
Parent	4,800	-	36,825	-
Group entities	95	-	-	-
Other related parties	295	-	134	-
	5,190	**-**	**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.

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 £68,000 at the period end. The value of transactions between Triodos Foundation and the Bank during the period was £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 £10,000 at the period end. It also owes the Bank £2,000 for professional fees paid by the Bank. There were no other transactions between the two entities during the period.

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 Ltd. Sun Roof Limited has a loan with the Bank, the outstanding balance of which was £293,000 at the period end. It also holds a deposit account with a balance of £10,000 and a current account with a balance of £47,000. The net amount of loan repayments made by Sun Roof Limited to the Bank during the period was £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 £127,000 were attributable to the directors.

25 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-19 £'000	**31-Dec-18 £'000**
Credit substitute guarantees	889	-
Non-credit substitute guarantees	1,049	-
	1,938	**-**

Irrevocable facilities

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

	31-Dec-19 £'000	**31-Dec-18 £'000**
Undrawn debit limits on current accounts	10,170	-
Accepted loans not yet paid out	152,795	-
Valid loan offers not yet accepted	1,085	-
	164,050	**-**

26 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.

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.

i. Credit quality analysis

For the definition of Stage 1, Stage 2, Stage 3 and POCI, and how loans are allocated to each stage, see Accounting Policy 13.

The following table sets 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-19					31-Dec-18
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**POCI £'000**	**Total £'000**	**Total £'000**
Loans and advances to credit institutions						
Gross amount	27,458	-	-	-	27,458	-
Loss allowance	(3)	-	-	-	(3)	-
Carrying amount	**27,455**	**-**	**-**	**-**	**27,455**	**-**
Loans and advances to corporate customers						
Gross amount	937,442	16,219	18,329	5,294	977,283	-
Loss allowance	(561)	(188)	(863)	(635)	(2,246)	-
Carrying amount	**936,881**	**16,031**	**17,466**	**4,659**	**975,037**	**-**
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)**	**-**
Loans and advances to retail customers						
Gross amount	114	1	-	-	115	-
Loss allowance	(2)	(0)	-	-	(2)	-
Carrying amount	**113**	**1**	**-**	**-**	**114**	**-**
Debt securities						
Gross amount	115,275	-	-	-	115,275	-
Loss allowance	(7)	-	-	-	(7)	-
Carrying amount	**115,269**	**-**	**-**	**-**	**115,269**	**-**

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-19					31-Dec-18
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**POCI £'000**	**Total £'000**	**Total £'000**
Loans and advances to customers						
Current	936,981	14,202	15,302	5,294	974,805	-
Overdue < 30 days	572	2,018	237	-	2,590	-
Overdue 30-90 days	3	0	822	-	3	-
Overdue > 90 days	-	-	1,968	-	-	-
Total	**937,556**	**16,220**	**18,329**	**5,294**	**977,399**	**-**

ii. Collateral held and other credit enhancements

The Bank holds collateral against its credit exposures arising from loans and advances to corporate customers. 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.

Loans and advances to customers

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.

At 31 December 2019 the net carrying amount of credit-impaired loans and advances to corporate customers amounted to £22,125,000 and the value of identifiable collateral (mainly real estate) held against those loans and advances amounted to £18,357,000. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Assets obtained by taking possession of collateral

The Bank has not taken into possession any collateral during the year, nor is it holding any at the year end.

iii. Amounts arising from ECL

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

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

	2019				
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	POCI £'000	Total £'000
Loans and advances to corporate customers					
Balance at 1 January	-	-	-	-	-
Acquired though Part VII transfer	491	166	855	676	2,188
Transfer to Stage 1	4	(4)	-	-	-
Transfer to Stage 2	(8)	8	-	-	-
Transfer to Stage 3	(0)	(7)	7	-	-
Net remeasurement of loss allowance	(125)	18	(36)	(41)	(185)
New financial assets originated or purchased	246	7	37	-	290
Financial assets derecognised	(47)	(0)	-	-	(47)
Balance at 31 December	**561**	**188**	**863**	**635**	**2,246**

The Bank's method of calculation does not differentiate between net remeasurement of loss allowance, new loan commitments originated and loan commitments derecognised. Therefore all movement is shown as net remeasurement of loss allowance in the below table.

	2019		
	Stage 1 £'000	Stage 2 £'000	Total £'000
Loan commitments			
Balance at 1 January	-	-	-
Acquired though Part VII transfer	97	32	129
Net remeasurement of loss allowance	(3)	(1)	(5)
Balance at 31 December	**93**	**31**	**124**

	2019	
	Stage 1 £'000	Total £'000
Financial guarantee contracts		
Balance at 1 January	-	-
Acquired though Part VII transfer	-	-
New financial guarantees issued	1	1
Balance at 31 December	**1**	**1**

	2019		
	Stage 1 £'000	Stage 2 £'000	Total £'000
Loans and advances to retail customers			
Balance at 1 January	-	-	-
Acquired though Part VII transfer	1	0	1
Net remeasurement of loss allowance	(0)	6	6
New financial assets originated or purchased	1	0	1
Financial assets derecognised	(0)	(0)	(0)
Write-offs	-	(6)	(6)
Balance at 31 December	**2**	**0**	**2**

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

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 losses on financial instruments' line item in the income statement.

	Loans and advances to credit institutions	**Loans and advances to corporate customers**	**Loans and advances to retail customers**	**Debt securities**	**Loan commit-ments**	**Financial guarantee contracts**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Net remeasurement of loss allowance	3	(185)	6	(0)	(5)	-	(181)
New financial assets originated or purchased	0	290	1	7	-	1	298
Financial assets derecognised	(2)	(47)	(0)	-	-		(49)
Total	**0**	**58**	**6**	**7**	**(5)**	**1**	**68**
Recoveries of amounts previously written off	-	(5)	-	-	-	-	(5)
Items included in net remeasurement of loss allowance							
- POCI provision release through interest income	-	41	-	-	-	-	41
- Interest on impaired loans	-	(17)	-	-	-	-	(17)
Total	**0**	**78**	**6**	**7**	**(5)**	**1**	**87**

Credit-impaired financial assets

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

	2019
	£'000
Credit impaired loans and advances to customers at 1 January	-
Acquired through Part VII transfer	14,473
Change in allowance for impairment	150
Classified as credit-impaired during the year	7,530
Transferred to not credit-impaired during the year	(478)
Net repayments	(2,848)
Disposals	(1,350)
Other movements	(11)
Credit impaired loans and advances to customers at 31 December	**17,466**

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 Principle Risks in the Strategic Report.

i. Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the Liquidity Coverage Ratio (LCR). At all times throughout the year the Bank managed its risk with a view to being in excess of all liquidity targets and requirements.

ii. Maturity analysis for financial liabilities and financial assets

The following table sets out the remaining contractual maturities of the Bank's financial liabilities and financial assets at 31 December 2019.

	Note	Gross carrying amount £'000	Nominal inflow/ (outflow) £'000	On demand £'000	Less than 3 months £'000	3 months - 1 year £'000	1-5 years £'000	More than 5 years £'000
Financial assets								
Cash and cash equivalents	10	236,613	236,613	236,613	-	-	-	-
Loans and advances to credit institutions	11	27,455	27,455	27,057	399	-	-	-
Loans and advances to customers	12	977,399	983,850	8,478	15,807	47,272	257,776	654,518
Debt securities	13	115,269	110,485	-	10,000	13,900	59,500	27,085
		1,356,736	1,334,504	272,148	16,205	47,272	317,276	681,603
Financial liability								
Deposits from credit institutions	18	36,256	(36,256)	(17,166)	(439)	(1,341)	(9,501)	(7,810)
Customer accounts	19	1,155,946	(1,155,946)	(558,889)	(517,461)	(43,211)	(36,385)	-
Issued loan commitments	25	-	(164,050)	(164,050)	-	-	-	-
Issued financial guarantee contracts	25	-	(1,938)	(632)	(1,306)	-	-	-
		1,192,203	(1,358,191)	(740,737)	(519,206)	(44,552)	(45,887)	(7,810)
Net inflow/(outflow)			**(23,687)**	**(468,589)**	**(503,001)**	**2,721**	**271,389**	**673,793**

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

Type of financial instrument	Basis on which amounts are compiled
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
All other financial assets and financial liabilities	Undiscounted cash flows

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.

iii. Liquidity reserves

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, which are also eligible for use as collateral with central banks.

These amounts together are referred to as the "liquidity reserves". The following table sets out the components of the Bank's liquidity reserves at 31 December 2019.

	Carrying amount £'000	Fair value £'000
Cash and cash equivalents	236,613	236,613
Loans and advances to credit institutions	27,455	27,455
Unencumbered debt securities issued by UK government	66,098	67,564
Unencumbered debt securities issued by others	49,177	49,924
Total liquidity reserves	**379,344**	**381,556**

iv. Financial assets pledged as collateral

An amount of £565,000 is encumbered. This 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 Principle Risks in the Strategic Report.

i. Exposure to interest rate risk

The following is a summary of the Bank's interest rate gap position at 31 December 2019. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

	Note	Carrying amount £'000	Less than 3 months £'000	3-6 months £'000	6-12 months £'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	975,025	560,275	18,217	17,132	164,086	215,452
Debt securities	13	115,269	10,015	5,001	9,001	61,011	30,242
		1,354,363	834,358	23,218	26,133	225,097	245,694
Deposits from credit institutions	18	36,256	17,604	440	901	9,501	7,810
Customer accounts	19	1,155,946	1,076,350	11,194	32,017	36,385	-
		1,192,203	1,093,955	11,634	32,918	45,887	7,810
Net assets/(liabilities)		**162,160**	**(259,596)**	**11,584**	**(6,785)**	**179,211**	**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 at 31 December 2019, assuming no asymmetrical movement in yield curves and a constant financial position.

	200bp parallel increase	200bp parallel decrease
Sensitivity of projected net interest income		
At 31 December	8.5%	-3.6%
Average for the period from 1 May	9.0%	-4.1%
Maximum for the period from 1 May	11.5%	-2.8%
Minimum for the period from 1 May	7.7%	-5.6%
Sensitivity of reported equity to interest rate movements		
At 31 December	-4.3%	13.5%
Average for the period from 1 May	-5.2%	8.8%
Maximum for the period from 1 May	-4.0%	13.5%
Minimum for the period from 1 May	-6.7%	5.4%

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, which is equal to regulatory capital. As at the reporting date, there were no significant foreign currency exposures.

D. Capital management

iii. Regulatory capital

The Bank's regulatory capital consists entirely of Common Equity Tier 1 (CET1) capital, which includes ordinary share capital, retained earnings and reserves after adjustment for intangible assets. The regulatory capital at 31 December 2019 is as follows:

	2019 £'000
Ordinary share capital	172,000
Deduction for Intangible assets	(1,548)
Total regulatory capital	**170,452**

All capital is held by the Bank's parent company, Triodos Bank N.V.

The Bank'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 the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a stronger capital position.

The Bank's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources. The Bank has received a total capital ratio (TCR) from the regulator of 12.51%. A key input to the TCR-setting process is the Bank's internal capital adequacy assessment process (ICAAP).

The Bank manages its activities so as to comply with all externally imposed capital requirements.

iv. Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The optimisation of the allocation of capital between specific operations and activities is, to a large extent, driven by maximisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

27 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.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models to determine the fair value of common and simple financial instruments that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are available in the market for listed debt securities. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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 £'000	Level 2 £'000	Level 3 £'000	Total fair values £'000	Total carrying amount £'000
31 December 2019					
Assets					
Cash and cash equivalents	-	236,613	-	236,613	236,613
Loans and advances to credit institutions	-	27,455	-	27,455	27,455
Loans and advances to customers	-	-	986,254	986,254	975,025
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
Loan commitments issued	-	(29)	-	(29)	124
Financial guarantee contracts issued	-	1	-	1	1
31 December 2018					
Assets					
Cash and cash equivalents	-	-	-	-	-
Loans and advances to credit institutions	1	-	-	1	1
Loans and advances to customers	-	-	-	-	-
Debt securities	-	-	-	-	-
Liabilities				-	
Deposits from credit institutions	-	-	-	-	-
Customer accounts	-	-	-	-	-
Loan commitments issued	-	-	-	-	-
Financial guarantee contracts issued	-	-	-	-	-

Where they are available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

28 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 accounts 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.

29 Post balance sheet events

The Directors have considered events that have occurred between 31 December 2019 and the date of approval of these accounts, including consideration of the UK's withdrawal from the European Union and the outbreak of COVID-19.

The directors consider the COVID-19 pandemic to be a significant event since year end. The impact of the pandemic on the financial results of 2020 cannot be assessed at this stage, but the directors expect it to have a downward effect on profitability. Measures to mitigate the operational risks are in place. Additional measures are dependent on the response of the authorities and our own assessments.

The directors do not consider that these events require a change to or additional disclosure in the accounts. They also do not consider that there have been any other significant events between 31 December 2019 and the date of approval of these accounts which would require a change to or additional disclosure in the accounts.