Triodos Bank

2016 Half year report

Sustainable banking

means using money
with conscious thought
about its environmental,
cultural and social
impacts, and with the
support of savers and
investors who want
to make a difference,
by meeting present
day needs without
compromising those of
future generations.

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

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

2016 Half year report Triodos Bank NV

Key figures

Amounts in millions of EUR	First half-year 2016	31 December 2015
Financial		
Common equity Tier 1	789	720
Equity	835	781
Number of depository receipt holders	40,417	35,735
Funds entrusted	7,615	7,283
Number of accounts	737,859	707,057
Loans	5,223	5,216
Number of accounts	48,970	44,418
Balance sheet total	8,600	8,211
Funds under management*	4,044	4,087
Total assets under management	**12,644**	**12,298**
Common equity Tier 1 ratio	19.8%	19.0%
Total Capital ratio	19.8%	19.0%
Leverage ratio	8.8%	8.4%
Liquidity coverage Ratio	533%	451%
Net Stable Funding Ratio	157%	158%
Per share (in EUR)		
Net asset value at the end of the period	81	81
Social		
Number of co-workers at the end of the period**	1,190	1,121

	First half-year 2016	First half-year 2015
Total income	105.7	104.4
Operating expenses	-81.6	-73.9
Impairments loan portfolio	-0.2	-1.6
Value adjustments to participating interests	0.6	0.1
Operating result before taxation	24.5	29.0
Taxation on operating result	-5.9	-7.1
Net profit	**18.6**	**21.9**
Operating expenses/total income	77%	71%
Per share (in EUR)		
Net profit***	1.88	2.41

* Including funds under management with affiliated parties that have not been included in the consolidation.
** Concerns all co-workers employed by Triodos Bank NV, excluding co-workers employed by the joint venture Triodos MeesPierson.
*** The figure of net profit per share is calculated on the average number of issued shares in circulation during the financial year.

The Change We Want to Support

We want to support positive change by and for people. We believe that a better environment, a thriving cultural life and responsible communities can be realised by 'following your heart and using your head'. This ambition is firmly engrained in our mission as a bank and this perspective guides us in what we do and how we do it. We connect depositors with borrowers, investors with ventures and businesses and we provide financial and banking services to contribute to positive change. A social change that is wanted and needed by many people.

The New Economic Reality

At the same time, the political and economic world is changing at break neck speed: the implications of the recent EU referendum in the UK and the fall out for the global economy are a topic of much speculation. The presidential elections in the U.S.A. in November are likely to prompt further unrest. The refugee crisis and increased violence are becoming an everyday reality for large parts of the world.

These developments affect us all, also banks. For Triodos Bank they provide an encouragement to fulfil its mission by supporting initiatives striving for positive change.

When considering credit proposals or investment opportunities, our priority is always to enable people to use their money consciously to make a positive difference. And to do so in the communities in which they are rooted and whose values they share. That is why we provide credit to sustainable entrepreneurs, link investors with sustainable investments. We finance our lending from our savers' deposits and we pay interest to our depositors for enabling us to put their money to work in a productive way in the real economy.

In the first half of 2016, we have financed many initiatives to deliver on this ambition. In Belgium for example, we financed a company which rents out light, instead of making people buy lamps in order to get light. Changing the ownership model of the product has far-reaching consequences for the end-responsibility for waste, efficiency and environmental impact. And in this case reduces the CO_2 output substantially.

EUR 8.6 billion

During the first six months of 2016, Triodos Bank's balance sheet rose by 5% to EUR 8.6 billion.

In Spain, Huertoseducativos.org and a crowdfunding platform for school organic gardens were launched in October 2015. By June 2016, 11 projects have successfully completed their crowdfunding campaigns raising 18,000 EUR in total. The Spanish branch implemented a new core banking system in May of this year, including a more agile internet banking platform, and the launch of a mobile banking app in July.

Triodos Finance in France is an active member of an initiative to facilitate the launch of the first Social Impact Bond (SIB) in France.

We have opened a new office in Malaga, Spain and a business hub in Berlin, Germany - bringing us closer to the communities in which we operate and enabling us to build closer relationships with our customers.

Triodos Investment Management hosted the launch event for 180 private investors and their advisors of the book Catalyzing Wealth for Change: Guide to Impact Investing by Julia Balandina Jaquier. This event included an interactive session exploring the opportunities and challenges of impact investing and the catalysing role of capital.

The impact of low interest rates

To deliver positive change and bolster our resilience as an institution, we want to lend as much as possible of the money deposited with us to sustainable business and projects. The proportion of money lent in this way was 61% at the end of June 2016. We could never lend it all, as we have to make sure we have money readily available for depositors who want to retrieve their funds. The money we don't lend has to be deposited somewhere safe, and is often placed with central banks or government institutions with no, or very low risk.
The wider economic reality of slow, or no growth results in a huge surplus of liquidity in markets, looking for a place to be productive. It means that interest rates are at unprecedented low levels, and in the case of the European Central Bank (ECB) they even charge a negative interest rate. For the ECB this is a conscious choice. They hope that the availability of vast amounts of low-interest money will stimulate lending for economic growth. It has forced banks to lower interest rates, both for borrowers and depositors, prompting some banks to introduce negative interest rates during 2015 and through the first half of 2016.
Low interest rates have a particular impact on Triodos Bank because it finances all of its lending from deposits. Maintaining reasonable interest rates are a challenge for Triodos Bank, in a market where money is available almost 'for free' and surplus liquidities are deposited or invested at a negative interest rate. In practice, more savings impact negatively on financial results when we cannot immediately convert them into sustainable loans.

Despite the challenge of low interest rates, Triodos Bank's financial performance overall is in line with plans in the first half of 2016; results which are a strong basis for the bank's further development. The surplus and 'cheap' liquidity in the market, causing early redemptions, had a strong impact on the net growth of the loan portfolio. New lending is developing according to plan and in some countries is even better.

Banking activities

During the first six months of 2016, Triodos Bank's balance sheet rose by 5% to EUR 8.6 billion. Growth during the same period in 2015 was 8%. Stable and healthy growth of the loan book is important for Triodos Bank and directly contributes to its mission. In the first half of the year our impact lending increased by 4.1% (2015: 7%). Mortgages accounted for an important part of this increase. In the first half of 2016 mortgages granted increased by 16%, compared to 22% in the same period last year.
In general, growth of the loan portfolio is modest compared to last year. Income and results of the Spanish branch in particular are under pressure from the high level of early redemptions on loans due to the low interest environment. This is expected to normalise in due course.

630 thousand

In the first six months of 2016 the number of customers increased by 23,000 to a total of 630,000.

The loans to deposit ratio, calculated for our impact lending, decreased slightly from 62% at the end of 2015 to 61% in the first half year 2016. Total loans showed a decrease from 72% at the end of 2015 to 69% on 30 June 2016. The total loans number includes short term investments made for liquidity purposes. Triodos Bank strives to lend between 70% and 80% of funds entrusted.

Sustainable banking with Triodos Bank remains attractive for many people. Funds entrusted, which are composed of savings, fixed-term deposits, and current account balances, increased by 5% compared with 8% during the same period in 2015. The impairments for the loan portfolio amounted to EUR 0.2 million compared with EUR 1.6 million in the same period of 2015, reflecting a robust loan portfolio quality. In the first six months of 2016 the number of customers increased by 23,000 to a total of 630,000, an increase of 4%. During the same period, Triodos Bank's equity increased by 7% to EUR 835 million, compared to 4% during the same period in 2015. Across our European branches we received a very positive response to campaigns to raise new capital in order to maintain Triodos Bank's strong capital position.

Funds under management

Funds under management consist of two parts: funds managed by Triodos Private Banking and the total amount of money invested in funds managed by Triodos Investment Management.
Despite challenging market conditions, the assets under management by Triodos Investment Management have remained stable at EUR 3.1 billion. Inflow continued to be strong for the majority of the funds, but for the SRI funds results were neutralised by lower stock prices. In the first half of 2016, funds managed by Triodos Private Banking grew by 5% to almost EUR 1 billion (first half year of 2015: 9%).
Total assets under management by the Triodos Group increased by 2.8% to EUR 12.6 billion in the first half of the year (8.3% to 11.5 billion in the first half year of 2015).

Financial results

In the first six months of 2016, Triodos Bank's net profit reached EUR 18.6 million. This is 15% below the same period in 2015 (EUR 21.9 million).
The main reasons for the lower net profit are lower interest margins and the contribution we are required to make to the Dutch Deposit Guarantee Scheme (DGS). The DGS came into effect in 2016. The additional cost of the DGS contribution to a large extent explains the marked increase of the cost/income ratio (77% versus 71% for the same period last year). New regulatory levies and government taxes related to banking activities amount to a total of EUR 4.4 million (2015: EUR 1.1 million).

Capital position

Triodos Bank has a common equity Tier 1 ratio of 19.8%. This is an important indicator of a bank's solvency. Triodos Bank aims to have a strong capital position. To maintain this position and to enable further growth of its loan portfolio, the bank continues to raise new capital – across our European branch network, as well as through targeted campaigns.

In the first six months of 2016 the bank raised EUR 39.6 million in new capital.

Outlook

Triodos Bank expects to continue to grow in the second half of 2016. To support this growth, the bank aims to raise capital in the magnitude of EUR 60 million to EUR 75 million in the second half of 2016.

Steady growth in volumes of funds entrusted and sustainable loans to entrepreneurs and projects is also expected in the second half of 2016, although early redemptions on loans may have a limiting effect on the net growth of the loan book. Excluding unforeseen circumstances, Triodos Bank's balance sheet total is expected to grow approximately 5%, in line with plan.

Net profit is expected to be between EUR 25 million and EUR 33 million (3 to 5% return on equity), in line with plan.

Zeist, 26 August 2016
Triodos Bank Executive Board

Key figures for the first half-year of 2016 by branch and business unit

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom	Bank Spain	Bank Germany	Total banking activities	Investment Management	Investment Advisory Services	Private Banking	Other	Elimination intercompany transactions	Total
Funds entrusted	2,972,657	1,590,283	1,088,382	1,773,154	199,283	7,623,759					-9,053	7,614,706
Number of accounts	368,999	70,658	51,194	233,897	13,111	737,859						737,859
Loans	2,130,231	1,255,808	777,235	847,697	212,382	5,223,353					-714	5,222,639
Number of accounts	34,092	3,109	1,491	7,957	2,321	48,970						48,970
Balance sheet total	3,462,609	1,790,417	1,304,523	1,995,510	265,105	8,818,164				1,255,827	-1,473,758	8,600,233
Funds under management							3,040,295	28,258	962,634	12,889		4,044,076
Total assets under management	**3,462,609**	**1,790,417**	**1,304,523**	**1,995,510**	**265,105**	**8,818,164**	**3,040,295**	**28,258**	**962,634**	**1,268,716**	**-1,473,758**	**12,644,309**
Total income	32,541	19,763	14,738	17,189	3,462	87,693	14,929	316	2,535	1,681	-1,417	105,737
Operating expenses	-21,846	-13,504	-10,625	-17,035	-4,230	-67,240	-10,818	-231	-2,038	-2,755	1,439	-81,643
Impairments loan portfolio	1,077	-241	38	-1,066	21	-171						-171
Value adjustments to participations										573		573
Operating result	11,772	6,018	4,151	-912	-747	20,282	4,111	85	497	-501	22	24,496
Taxation on operating result	-2,821	-1,876	-892	397	175	-5,017	-1,027	-21	-125	346	-6	-5,850
Net profit	**8,951**	**4,142**	**3,259**	**-515**	**-572**	**15,265**	**3,084**	**64**	**372**	**-155**	**16**	**18,646**
Average number of co-workers on a full-time basis	167.3	115.2	123.4	260.2	41.8	707.9	124.5	1.7	19.3	208.1		1,061.5
Operating expenses/total income	67%	68%	72%	99%	122%	77%	72%	73%	80%			77%

Consolidated balance sheet as at 30 June 2016

in thousands of EUR	Reference*	30 Jun 2016	31 Dec 2015
Assets			
Cash		597,660	285,819
Government paper		177,460	213,233
Banks		556,351	545,152
Loans	1	5,222,639	5,215,692
Interest-bearing securities	2	1,756,279	1,689,968
Shares		20	65
Participating interests		17,878	13,803
Intangible fixed assets		24,946	18,589
Property and equipment		57,018	58,392
Other assets		25,784	18,154
Prepayments and accrued income		164,198	152,284
Total assets		**8,600,233**	**8,211,151**
Liabilities and equity			
Banks		34,975	39,798
Funds entrusted	3	7,614,706	7,282,564
Other liabilities		21,137	20,744
Accruals and deferred income		85,266	78,840
Provisions		3,540	3,438
Subordinated liabilities		5,250	5,250
Capital		518,638	484,329
Share premium reserve		129,222	123,935
Revaluation reserve		1,055	503
Statutory reserve		17,876	11,286
Other reserve		149,922	119,737
Result for the year		18,646	40,727
Total equity and liabilities		**8,600,233**	**8,211,151**
Contingent liabilities	4	69,623	63,060
Irrevocable facilities	5	797,148	717,672
		866,771	**780,732**

* References relate to the notes starting on page 22.

Consolidated profit and loss account

in thousands of EUR	First half-year 2016	First half-year 2015
Income		
Interest income	87,474	91,627
Interest expense	-17,338	-20,298
Interest	**70,136**	**71,329**
Income from other participations	124	99
Investment income	**124**	**99**
Commission income	36,969	33,928
Commission expense	-1,795	-1,669
Commission	**35,174**	**32,259**
Result on financial transactions	210	400
Other income	93	273
Other income	**303**	**673**
Total income	**105,737**	**104,360**
Expenses		
Personnel and other administrative expenses	77,368	70,284
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	4,275	3,629
Operating expenses	**81,643**	**73,913**
Impairments loan portfolio	171	1,561
Value adjustments to participating interests	-573	-116
Total expenses	**81,241**	**75,358**
Operating result before taxation	24,496	29,002
Taxation on operating result	-5,850	-7,072
Net profit	**18,646**	**21,930**
Amounts in EUR		
Net profit per share	1.88	2.41

Consolidated statement of comprehensive income

in thousands of EUR	First half-year 2016	First half-year 2015
Net result	18,646	21,930
Revaluation of property, equipment and participating interest after taxation	547	12
Exchange rate results from business operations abroad after taxation	-170	442
Total amount recognised directly in equity	377	454
Total comprehensive income	19,023	22,384

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Consolidated statement of changes in the equity

in thousands of EUR	Share Capital	Share premium	Revaluation reserve	Statutory reserve	Other reserve	Result for the year	Total equity
Equity as at 31 December 2014	**450,732**	**117,911**	**390**	**5,510**	**98,957**	**30,125**	**703,625**
Increase of share capital	4,590	2,621					7,211
Stock dividend	8,739	-8,739					–
Revaluation of property, equipment and participation interest after taxation			12				12
Realisation of revaluation			5		-5		–
Exchange rate results from business operations abroad after taxation				442			442
Profit appropriation for previous financial year, addition to the other reserves					12,375	-12,375	-
Profit appropriation for previous financial year, dividend						-17,750	-17,750
Dividend not distributed in cash					13,633		13,633
Transfer to statutory reserve for development costs				2,095	-2,095		–
Purchasing or sale of own depository receipts					-6		-6
Result for financial year						21,930	21,930
Equity as at 30 June 2015	**464,061**	**111,793**	**407**	**8,047**	**122,859**	**21,930**	**729,097**
Increase of share capital	20,268	12,142					32,410
Stock dividend	–	–					–
Revaluation of property, equipment and participation interest after taxation			92				92
Realisation of revaluation			4		-4		–
Exchange rate results from business operations abroad after taxation				121			121
Profit appropriation for previous financial year, addition to the other reserves					–	–	–
Profit appropriation for previous financial year, dividend						–	–
Dividend not distributed in cash					–		–
Transfer to statutory reserve for development costs				3,118	-3,118		–
Purchasing or sale of own depository receipts					–		–
Result for financial year						18,797	18,797
Equity as at 31 December 2015	**484,329**	**123,935**	**503**	**11,286**	**119,737**	**40,727**	**780,517**

Consolidated statement of changes in the equity

in thousands of EUR	Share Capital	Share premium	Revaluation reserve	Statutory reserve	Other reserve	Retained earnings	Total equity
Equity as at 31 December 2015	**484,329**	**123,935**	**503**	**11,286**	**119,737**	**40,727**	**780,517**
Increase of share capital	24,570	15,026					39,596
Stock dividend	9,739	-9,739					–
Revaluation of property, equipment and participation interest after taxation			547				547
Realisation of revaluation			5		-5		–
Exchange rate results from business operations abroad after taxation				-170			-170
Profit appropriation for previous financial year, addition to the other reserves					21,368	-21,368	–
Profit appropriation for previous financial year, dividend						-19,359	-19,359
Dividend not distributed in cash					15,582		15,582
Transfer to statutory reserve for development costs				6,760	-6,760		–
Purchasing or sale of own depository receipts					–		–
Result for financial year						18,646	18,646
Equity as at 30 June 2016	**518,638**	**129,222**	**1,055**	**17,876**	**149,922**	**18,646**	**835,359**

Consolidated cashflow statement

in thousands of EUR	First half-year 2016	First half-year 2015
Cashflow from operating activities		
Net profit	18,646	21,930
Adjustments for:		
• depreciation	4,275	3,629
• impairments loan portfolio	171	1,561
• value adjustments to participating interests	-573	-116
• exchange rate differences on property and equipment	5	–
• movements in provisions	102	342
• other movements in accrued and deferred items	-5,488	-876
Cashflow from business operations	17,138	26,470
Movement in government paper	35,773	-47,754
Movement in banks, deposits not on demand	84,653	7,761
Movement in loans	-7,118	-330,135
Movements in shares	45	-16
Movement in banks, liabilities not on demand	-4,823	-2,403
Movement in funds entrusted	332,142	515,172
Other movements from operating activities	-7,241	-9,772
Cashflow from operating activities	**450,569**	**159,323**

in thousands of EUR	First half-year 2016	First half-year 2015
Cashflow from investment activities		
Net investments in:		
• Investment in interest-bearing securities	-250,462	-477,586
• Desinvestment in interest-bearing securities	184,151	515,252
• participating interests	-3,126	-214
• intangible fixed assets	-8,233	-3,845
• property and equipment	-1,025	-4,081
Cashflow from investment activities	**-78,695**	**29,526**
Cashflow from financing activities		
Increase in equity	39,596	7,211
Payment of cash dividend	-3,777	-4,117
Purchases of depository receipts for own shares	–	-6
Cashflow from financing activities	**35,819**	**3,088**
Net cashflow	**407,693**	**191,937**
Cash and cash equivalents at beginning of the period	584,562	359,677
Cash and cash equivalents at the end of the period	**992,255**	**551,614**
On demand deposits with central banks	597,660	250,644
On demand deposits with banks	394,595	300,970
Cash and cash equivalents at the end of the period	**992,255**	**551,614**
Supplementary disclosure of the cashflow from operating activities		
Interest paid	-19,313	-22,417
Interest received	84,600	88,424
Tax on profit paid	-9,465	-11,044
Dividend received from investments	124	99

Notes to the interim condensed consolidated financial statements

General

Triodos Bank, having its legal address in Nieuweroordweg 1 in Zeist, The Netherlands, is a public limited liability company under Dutch law.

Basis of preparation

The interim condensed financial statements ('the half year report') have been prepared in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports and in accordance with the legal requirements for the Annual Accounts of banks contained in Section 14 Title 9 Book 2 of The Netherlands Civil Code. This half year report does not contain all the information and disclosures required for the full year Annual Accounts and should therefore be read in conjunction with the Annual Accounts of Triodos Bank NV as at 31 December 2015.

The half year report has been prepared on the basis of the going concern assumption.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Accounting principles

General

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

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

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

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

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

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

The half year report is presented in euros, Triodos Bank's functional currency. All financial information in euros has been rounded to the nearest thousand.

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

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

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

In preparing these interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2015.

Consolidation Principles

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

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

In preparing the half year report, intra-group debts, receivables and transactions are eliminated.
The group companies are consolidated in full.
The financial data for joint ventures are being consolidated pro rata to the participating interest held, if consolidation is necessary in order to provide a transparent overview of the assets and result of Triodos Bank N.V.

List of equity participations in accordance with Sections 2:379 and 2:414 of The Netherlands Civil Code:

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

Transactions in foreign currencies

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

Business operations abroad

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

Hedging of the net investment in business operations abroad

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

Financial instruments

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

Banks and loans

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

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

Provisions for loan losses are taken for doubtful debtors at an individual level based on the difference between the total amount of the debtor's outstanding liability to Triodos Bank and the future expected cash flows, discounted at the original effective interest rate of the contract. These individual provisions include provisions for concessions or refinancing given to debtors who face financial difficulties. They are only granted to the debtor in question in order to overcome their difficulties in these exceptional circumstances. These are described as forbearance measures.

A provision has been taken for Incurred But Not Reported bad debts (the IBNR) to cover the time lag between the event that prompts the debt to qualify as doubtful and the moment that fact is known to Triodos Bank. This is a generic provision and is based on statistics. Triodos Bank applies a fraction of the Expected Loss to calculate the IBNR.

Government paper and interest-bearing securities

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

Shares

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

Participating interests

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

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

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

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

Intangible fixed assets

Intangible fixed assets are stated at acquisition price or cost of manufacture minus amortisation. These costs mainly comprise the cost of direct labour; upon termination of the development phase. The amortisation will be determined in line with the estimated useful life.

The development costs for the banking system will be amortised over the estimated useful life from the moment the system is used. The current end-of-life date is December 2020.
Management contracts paid by Triodos Bank when acquiring the participating interest in Triodos Investment Management BV will be written off over a period of 20 years till October 2026. No impairment was recognised.

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

Property and equipment

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

Property for own use is stated at the current cost, which is derived from the replacement cost.
A valuation is carried out at least every five years by an external appraiser. The last valuation took place November 2013. The buildings for own use are depreciated according to the straight-line method on the basis of an estimated useful economic life of 40 years. Land for own use is not depreciated.

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

Provisions

Provisions are valued at the nominal value of the expenses expected to be incurred in settling the liabilities and losses. The provisions mainly consist of a provision for major building maintenance which is based on a long-term maintenance programme.

Purchases of depository receipts for own shares

The purchasing and reissuing of depository receipts for own shares is charged or credited respectively to the Other reserves. Any balance remaining after the re-issuing of all own depository receipts purchased shall be placed at the disposal of the Annual General Meeting.

Own depository receipts for shares may be purchased up to 2% of the issued and paid-up share capital.

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

Derivatives and hedge accounting

Derivative financial instruments consisting of foreign currency forward contracts and interest swaps are initially recognized at fair value, with subsequent measurement at each balance sheet date except if the cost model for hedge accounting is applied. Fair values are obtained from quoted market prices in active markets, except for interest rate swaps, whose fair values are determined by discounted cash flow analysis against prevailing market interest rates. Changes in the fair value are included in the profit and loss account, as result on financial transactions.

Derivatives embedded in contracts shall be separated from the host contract and accounted for separately at fair value if:
• the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
• a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative; and
• the combined instrument is not measured at fair value with changes in fair value recognised through profit and loss.

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

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

Triodos Bank has documented its hedging strategy and how it relates to the objective of risk management. Triodos Bank has documented its assessment of whether the derivatives that are used in hedging transactions are effective in ofsetting:

• currency results of the hedged items using generic documentation;
• interest rate results of the hedged items using documentation per hedged item.

Any overhedge is recognized directly in the profit and loss account at fair value.

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

Taxation on operating result

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

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

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

Earnings per share

Earnings per share is calculated on the basis of the weighted average number of shares outstanding. In calculating the weighted average number of shares outstanding:
• Own shares held by Triodos Bank are deducted from the total number of shares in issue;
• The computation is based on monthly averages.

Cash flow statement

The cashflow statement sets out the movement in Triodos Bank's funds, broken down into operating activities, investment activities and financing activities. The funds consist of cash and the on demand deposits with banks. The cashflow statement is produced using the indirect method.

Assets

1. Loans

in thousands of EUR	30-jun-16	31-dec-15
Loans	5,276,718	5,283,743
Provision for doubtful debts	-54,079	-68,051
Total balance	**5,222,639**	**5,215,692**

This relates to loans to customers.

The mortgages, part of the loan book, grew by 16% to EUR 715.4 million (2015: EUR 616.2 million).

EUR 550.0 million (2015: EUR 726.5 million) of the loans relates to loans to local authorities with a maximum original maturity of one year and one day.

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

	30-jun-16			31-dec-15		
	Specific	General	Total	Specific	General	Total
Balance sheet value as at 1 January	65,493	2,558	68,051	66,717	997	67,714
Addition	3,368	176	3,544	11,796	1,778	13,574
Write-off	-13,285	–	-13,285	-7,682	–	-7,682
Release	-3,547	-95	-3,642	-5,591	-228	-5,819
Exchange rate differences	-554	-35	-589	253	11	264
Total balance	**51,475**	**2,604**	**54,079**	**65,493**	**2,558**	**68,051**

The provision does not relate to contingent liabilities and irrevocable facilities. In the provision for doubtful debts is included an Incurred But Not Reported (IBNR) provision in the amount of EUR 2.6 million (2015: EUR 2.6 million).

2. Interest-bearing securities

in thousands of EUR	30-jun-16	31-dec-15
Dutch Government bonds	119,800	119,800
Belgian Government bonds	260,600	285,600
Spanish Government bonds	357,300	332,300
United Kingdom Government bonds	77,523	87,733
Other bonds	941,056	864,535
Total balance	**1,756,279**	**1,689,968**

The other bonds mainly relates to government guaranteed bonds.

3. Funds entrusted

in thousands of EUR	30-jun-16	31-dec-15
Savings accounts	5,049,077	4,866,530
Other funds entrusted	2,565,629	2,416,034
Total balance	**7,614,706**	**7,282,564**

Funds entrusted classified by residual maturity:

in thousands of EUR	30-jun-16	31-dec-15
Payable on demand	6,025,721	5,621,324
1 to 3 months	671,974	709,071
3 months to 1 year	392,806	433,928
1 to 5 years	451,886	446,953
Longer than 5 years	72,319	71,288
Total balance	**7,614,706**	**7,282,564**

Off-balance sheet liabilities

4. Contingent liabilities

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

5. Irrevocable facilities

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

Other information

Solvency

in thousands of EUR

The calculation of the common equity Tier 1 ratio and the total capital ratio is based on the reporting requirement under the Capital Requirement Directive (CRD) and Capital Requirement Regulation (CRR) known as at reporting date.

The tier 1 capital, tier 2 capital and total capital can be specified as follows:

in thousands of EUR	Amount at 30-jun-16	Amounts subject to pre-regulation (EU) [1]	Amount at 31-dec-15	Amounts subject to pre-regulation (EU) [1]
Capital instruments and the related share premium accounts of which: ordinary shares	647,860		608,264	
Retained earnings [2]	–		–	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	168,853		131,526	
Independently reviewed interim profits net of any foreseeable charge or dividend [2]	–		–	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**816,713**		**739,790**	
Intangible assets (net of related tax liability)	-23,499	–	-17,134	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met)	-4,269	-2,846	-2,779	-4,169

in thousands of EUR	Amount at 30-jun-16	Amounts subject to pre-regulation (EU) [1]	Amount at 31-dec-15	Amounts subject to pre-regulation (EU) [1]
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	–		–	
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-422		-302	
Of which: filter for unrealised gain on property	-80	-120	-117	-78
Of which: filter for unrealised gain on participation interest	-342	-513	-185	-123
Total regulatory adjustments to Common equity Tier 1 (CET1)	-28,190		-20,215	
Common Equity Tier 1 (CET1) capital	788,523		719,575	
Additional Tier 1 (AT1) capital	–		–	
Tier 1 capital (T1 = CET1 + AT1)	788,523		719,575	
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts [3]	35		557	
Tier 2 (T2) capital before regulatory adjustments	35		557	
Tier 2 (T2) capital	35		557	
Total capital (TC = T1 + T2)	788,558		720,132	
Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	3,990,785		3,786,145	
Total risk weighted assets	3,990,785		3,786,145	
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount) [4]	19.8%		19.0%	
Tier 1 (as a percentage of risk exposure amount) [4]	19.8%		19.0%	
Total capital (as a percentage of risk exposure amount) [4]	19.8%		19.0%	

1) Amounts subject to pre-regulation (EU) no 575/2013 treatment or prescribed Residual amount of regulation (eu) no 575/2013.
2) Retained earnings are according the CRR recognised in the Tier 1 capital after a formal decision confirming the final profit or loss of the institution for the year or with the prior permission of the competent authority.
3) These are Subordinated liabilities which are weighted for 0.7% (2015: 10.6%) in the capital, due to the maturity which is shorter than 5 years.
4) The Dutch Central Bank stated that the Common Equity Tier 1 ratio must be at least 4.5%, the Tier 1 ratio must be at least 6% and the Total capital ratio must be at least 8%.

Liquidity risk

Liquidity risk refers to the risk that Triodos Bank is unable to fulfil its payment obligations to its customers and counterparties at a particular point in time without incurring unacceptable losses.

Customers' savings and deposits are attracted in order to finance Triodos Bank's lending operations. The surplus is primarily placed with central banks, credit institutions or invested in deposits and bonds. Triodos Bank has a strong liquidity position and is funded almost entirely by equity and deposits from private customers and small and medium sized enterprises. As a result, Triodos Bank does not rely on funding from the wholesale money and capital markets.

On a daily basis the total liquidity position of Triodos Bank is monitored. On a weekly basis, the detailed liquidity position in total and at branch level is reported to the Chief Financial Officer. Every month the liquidity ratios are reported to the Asset and Liability Committee.
• The Liquidity Coverage Ratio (LCR): to ensure an adequate level of unencumbered, high-quality assets that can be converted into cash to meet liquidity needs over a 30-day time horizon under an liquidity stress scenario specified by supervisors.
• The Net Stable Funding Ratio (NSFR) indicates the relationship between available longer-term, stable funding and required longer-term, stable funding resulting from the liquidity profiles of assets and off balance sheet items. Minimum NSFR standards will be set by 2018.

Liquidity coverage ratio

in thousands of EUR	30-jun-16 Total amount	30-jun-16 Weighted amount	31-dec-15 Total amount	31-dec-15 Weighted amount
Stock of high quality liquid assets:				
Total stock of high quality liquid assets	1,911	1,851	1,664	1,609
Total cash outflow	7,367	1,141	7,672	1,093
Total cash inflow	1,091	794	1,057	736
Cap on cash inflows		794		736
Net cash outflow		347		357
Liquidity Coverage Ratio		533%		451%

The Net cash outflow must be covered by the stock of High quality liquid assets, so the ratio must be at least 100%.

Net Stable Funding Ratio

Amounts in millions of EUR	30-jun-16	30-jun-16	31-dec-15	31-dec-15
	Total amount	Weighted amount	Total amount	Weighted amount
Total available stable funding	8,539	7,274	8,130	7,113
Total required stable funding	9,434	4,634	8,953	4,507
Net stable funding ratio		**157%**		**158%**

The Net Stable Funding Ratio must be more than 100%. This means that the available stable funding must cover the required stable funding.

Subsequent event

Recently Visa Inc. acquired Visa Europe. Through our Credit Card provider network in Spain (ServiRed), Triodos Bank indirectly participated in Visa Europe. ServiRed decided to distribute the receivables of the Visa transaction. Consequently, Triodos Bank received € 1.3 million (before tax) in cash and shares in Visa Inc. in July 2016. This one-time income is not reported in the first half year 2016, but will be reported in the second half year 2016. This income will be taxable for corporate tax in Spain.

Review report

To: the Depository Receipt Holders and Supervisory Board of Triodos Bank N.V.

Introduction

We have reviewed the accompanying half year report for the six-month period ended 30 June 2016 of Triodos Bank N.V., Zeist, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated profit and loss account for the period then ended, the consolidated statement of comprehensive income, the consolidated statement of changes in the equity, the consolidated cash flow statement and the related notes to the interim condensed consolidated financial statements. The Executive Board is responsible for the preparation and presentation of this half year report in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports. Our responsibility is to express a conclusion on this half year report based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half year report for the six-month period ended 30 June 2016 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports.

Corresponding figures not audited or reviewed

We have not audited the financial statements of the previous year nor have we performed a review engagement. Consequently the corresponding figures included in the consolidated balance sheet as at 30 June 2016, the consolidated profit and loss account for the period then ended, the consolidated statement of comprehensive income, the consolidated statement of changes in the equity, the consolidated cash flow statement and the related notes to the interim condensed consolidated financial statements have not been audited or reviewed.

Amsterdam, 26 August 2016

PricewaterhouseCoopers Accountants N.V.
G.J. Heuvelink RA

Addresses

International head office

Nieuweroordweg 1, Zeist
PO Box 55
3700 AB Zeist, The Netherlands
Telephone +31 (0)30 693 65 00
www.triodos.com

Branches

The Netherlands

Utrechtseweg 44, Zeist
PO Box 55
3700 AB Zeist, The Netherlands
Telephone +31 (0)30 693 65 00
www.triodos.nl

Belgium

Hoogstraat 139/3 – Rue Haute 139/3
1000 Brussels, Belgium
Telephone +32 (0)2 548 28 28
www.triodos.be

Ghent Regional office
Steendam 8
9000 Gent, Belgium
Telephone +32 (0)9 265 77 00

United Kingdom

Deanery Road
Bristol BS1 5AS, United Kingdom
Telephone +44 (0)117 973 9339
www.triodos.co.uk

Edinburgh Regional office
50 Frederick Street
Edinburgh, EH2 1EX, Scotland
Telephone +44 (0)131 220 0869

Spain

C/ José Echegaray 5-7
Parque Empresarial Las Rozas
28232 Madrid, Spain
Telephone +34 91 640 46 84
www.triodos.es

A Coruña office
Avenida Finisterre 25
15004 A Coruña, Spain

Albacete office
C/ Francisco Fontecha, 5
02001 Albacete

Badajoz office
Avda. de Fernando Calzadilla, 1
06004 Badajoz

Barcelona office
Avenida Diagonal 418 bajos
08037 Barcelona

Bilbao office
C/ Lersundi 18
48009 Bilbao

Girona office
Pça. Catalunya 16
17004 Girona

Granada office
C/ Gran Vía de Colón 29
18001 Granada

Las Palmas de G.C. office
c/ Manuel González Martín 2
35004 Las Palmas de Gran Canaria

Madrid office
C/ Ferraz 52
28008 Madrid

Madrid office 2
C/ Mártires Concepcionistas 18
28006 Madrid

Málaga office
c/ Córdoba, 9
29001 Málaga

Murcia office
Avenida de la Libertad s/n
30009 Murcia

Oviedo office
C/ Cabo Noval 11
33007 Oviedo

Palma de Mallorca office
Avenida de Portugal 5
07012 Palma de Mallorca

Pamplona office
Avda. del Ejército, 30
31002 Pamplona

S.C. de Tenerife office
Rambla de Santa Cruz 121
38004 Santa Cruz de Tenerife

Sevilla office
C/ Marqués de Paradas 24
41001 Seville

Valencia office
C/ Del Justícia 1
46004 Valencia

Valladolid office
Acera de Recoletos 2
47004 Valladolid

Zaragoza office
Avenida César Augusto 23
50004 Zaragoza

Germany

Mainzer Landstr. 211
60326 Frankfurt am Main, Germany
Telephone +49 (0)69 717 19 100
Fax +49 (0)69 717 19 222
www.triodos.de