

Triodos  Bank

Half-year report 2011

# 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.

## Key figures

Amounts in millions of EUR	First half-year 2011	Second half-year 2010	First half-year 2010
<b>Financial</b>			
(Core) Tier 1 capital	363	338	319
Equity****	384	362	341
Number of depository receipt holders	18,272	16,991	15,692
Funds entrusted	3,242	3,039	2,859
Number of accounts	322,345	278,289	253,172
Loans	2,384	2,128	1,881
Number	19,842	17,283	15,547
Balance sheet total****	3,737	3,495	3,302
Funds under management*	2,111	2,122	1,996
<b>Total assets under management****</b>	<b>5,848</b>	<b>5,617</b>	<b>5,298</b>
Total income	58.6	50.6	52.1
Operating expenses	-43.6	-41.4	-36.6
Value adjustments to receivables	-5.0	-3.6	-6.2
Value adjustments to participating interests	-0.1	-0.1	-0.0
Operating result before taxation	9.9	5.5	9.3
Taxation on operating result	-2.3	-1.2	-2.1
<b>Net profit</b>	<b>7.6</b>	<b>4.3</b>	<b>7.2</b>
(Core) Tier 1 ratio	13.4%	13.8%	14.1%
Solvency (BIS ratio)	14.3%	14.7%	14.9%
Operating expenses / total income	74%	82%	70%
Per share (in euros)			
Net asset value at the end of the period	72	73	71
Net profit**	1.48	1.03	1.62
Dividend	—	1.95	—
<b>Social</b>			
Number of co-workers at the end of the period***	697	636	611

The figures shown in the half-year report have not been subjected to an external audit.

\* Including funds under management at affiliated parties not included in the consolidation. For the sake of uniformity, this statement presents balance sheet totals other than for Triodos Bank Private Banking, where the total assets under management are invested according to Triodos criteria.

\*\* Earnings per share are calculated over the average number of outstanding shares during the financial year.

\*\*\* Including all co-workers employed by Triodos Bank NV or group companies, not including co-workers employed by joint ventures.

\*\*\*\* With effect from 2010, the accounting policy for pensions has changed. This is in connection with the release of the pension provision which was required under the previous accounting policy. The comparative figures for the first half year of 2010 have been adjusted to reflect this change in accounting policy.

# Executive Board Report

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Locally and globally, the first six months of 2011 have seen dramatic change. While some of these transitions have come at a high cost, they have also opened a window to important new opportunities. The aftermath of the Japanese tsunami, for example, has prompted major economic powers to rethink their energy strategies. Germany in particular has rejected nuclear power and plans to replace it with safer, renewable alternatives.

The ongoing financial crisis is also a transition that presents challenges and opportunities. When the financial crisis first hit, Triodos Bank enjoyed a period of marked growth. Customers across Europe responded to a very different banking model, and Triodos Bank grew at record levels. This strong growth continues today, with more customers than ever choosing Triodos Bank.

At the same time, the impact of the crisis on Triodos Bank and its customers is complex and far reaching. Many in Europe are grappling, for example, with the move by European governments to implement austerity measures. Governments in all of the countries where Triodos Bank operates have cut financial support for sustainable industries in different ways; from the reduction of incentives for renewable energy production, to cuts in subsidies in

the cultural sector, and diminishing grants for education reducing services for disadvantaged young people.

Despite the shorter-term challenge that these cuts present, Triodos Bank sees an opportunity in the longer term to reduce dependence on government subsidies and avoid the volatility they can create.

The current economic conditions have also challenged entrepreneurs in some sustainable sectors. This is particularly true in biomass, a technology that has not yet reached maturity and is highly dependent on volatile markets for waste materials. At the same time, there is continued growth in the demand for organic products in many markets, and more generally, increased empowerment among consumers to make responsible choices.

At a macro-level, the legacy of the crisis has resulted in continued uncertainty in the financial industry. Many banks have tried to transform their business models, but not always successfully.

Again, Triodos Bank sees these challenges as an opportunity - in this case, to spur debate about meaningful reform in the financial sector. In this debate, Triodos Bank seeks to serve as a point of

# Triodos Bank remains

**a strong and profitable  
financial institution,  
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reference for a new and successful way of doing business. This is true not just in the countries where Triodos Bank operates, but worldwide, through its work with the Global Alliance for Banking on Values. Together with like-minded banks from this network, Triodos Bank is working to promote new models and engage a broad range of partners in its efforts.

While the financial crisis has put pressure on its return on equity, Triodos Bank remains a strong and profitable financial institution, making more impact on people and the environment than ever before. Its levels of lending, where depositor's money delivers real improvements on people's quality of life, are growing significantly in many markets. So, while it may take more time to reach a longer term target of return on equity of 7%, Triodos Bank will continue to deliver meaningful, lasting change for communities around Europe and the rest of the world.

## Banking Activities

During the first six months of 2011, Triodos Bank's balance sheet rose by 7%, to EUR 3.7 billion. Growth during the same period last year was 11%. This provides continuing evidence of Triodos Bank's steady growth.

The loan portfolio grew by 12%, compared to 13% during the same period in 2010, which is in line with an ambitious target for this year. The ratio of loans to deposits improved from 70% at the end of 2010 to 74%. This is in line with Triodos Bank's aspirations to ensure a healthy balance between entrusted funds and investments in sustainable projects.

The portfolio continues to perform well. While the addition to the provisions for bad debts has decreased slightly, compared to the same period last year, the provisions remain at relatively high levels given the difficult economic conditions facing many borrowers - most notably, for some energy from biomass projects.

Funds entrusted, which are composed primarily of savings and fixed-term deposits, increased by 7%. Growth in funds entrusted during the same period in 2010 was 11%.

During the first half of the year the equity increased by 6% to EUR 384 million. Growth during the same period in 2010 was 7%.

## Funds under Management

Funds under management, which mainly consist of investment funds managed by Triodos Investment Management, as well as Private Banking, grew to EUR 2.1 billion during the first six months of the year.

Funds under management and Private Banking combined was down by 1%, compared with growth of 6% during the same period of 2010. Triodos Investment Management's funds declined by 3% to EUR 1.7 billion, compared to an increase of 6% during the same period of 2010. While there was growth in some investment funds, the two which previously benefited most from Dutch government tax benefits - Triodos Groenfonds and Triodos Cultuurfonds - declined due to government decisions to decrease the tax benefits related to them. Private Banking grew to EUR 397 million, up 11% compared to 10% during the same period of 2010.

## Financial Results

In the first six months of 2011 Triodos Bank's profit rose by 4% compared to the same period in 2010, and by EUR 0.3 million to EUR 7.6 million.

Banking regulations are changing in an effort to build a more resilient financial sector, by strengthening the solvency of banks and introducing strict liquidity requirements. Triodos Bank already complies with

# 12% +

The loan portfolio grew by  
EUR 257 million or 12%.

both, as published by the Basel Committee and better known as Basel III. The regulations are required to be fully implemented by 2019.

Although not required to, Triodos Bank performed the stress test that the European Banking Authority has required of a subset of European banks to test their resilience under a major economic shock, based on publicly available scenarios and methodology. The results confirm a strong financial position with a total capital ratio of 13.6% and a Core Tier 1 of 12.7% after a two year stress scenario. This is more than 2.5 times higher than the minimum 5.0% Core Tier 1 ratio required for the purpose of this stress test.

## Capital Raising Success

Triodos Bank has always had a strong capital position. To maintain it, it is raising new capital in each of the countries where it operates during 2011, both by making shares available throughout the year and through targeted campaigns.

This strategy has proved to be successful. The ongoing availability of depository receipts, combined with two campaigns in Spain and Belgium raised over EUR 37 million by the end of July. Campaigns in other branches are planned for later in the year, and the target of EUR 60 to 90 million in new capital is expected to be reached by the year end.

## Prospects

In the second half of 2011, Triodos Bank will continue with these capital raising campaigns run via local branches and with institutional investors. This money will further strengthen the capital position so Triodos Bank can continue to grow its impact in future years.

Barring unforeseen circumstances, steady growth in volume in the second half of 2011 is expected.

Zeist, 26 August 2011

Triodos Bank Executive Board

## Key figures for the first half-year of 2011 by branch and business unit

in thousands of EUR	Bank The Netherlands	Bank Belgium	Bank United Kingdom	Bank Spain
Funds entrusted	1,534,238	842,873	426,739	398,082
Number of accounts	193,072	43,190	32,343	51,902
Loans	799,601	528,620	430,820	485,075
Number	15,596	1,908	1,078	1,098
Balance sheet total	1,666,367	952,290	548,358	530,017
Funds under management				
<b>Total assets under management</b>	<b>1,666,367</b>	<b>952,290</b>	<b>548,358</b>	<b>530,017</b>
Total income	18,790	10,104	7,125	8,446
Operating expenses	-12,790	-6,990	-4,992	-6,175
Value adjustments to receivables	-4,438	-529	-280	345
Value adjustments to participations				
Operating result	1,562	2,585	1,853	2,616
Taxation on operating result	-314	-433	-537	-874
<b>Net profit</b>	<b>1,248</b>	<b>2,152</b>	<b>1,316</b>	<b>1,742</b>
Average number of co-workers on a full-time basis	121.8	79.3	75.9	106.4
Operating expenses/total income	68%	69%	70%	73%

Bank Germany	Total banking activities	Investment Management	Private Banking	Other	Eliminations	Total
43,460	3,245,392				-3,854	3,241,538
1,862	322,369				-24	322,345
140,948	2,385,064				-582	2,384,482
162	19,842					19,842
154,088	3,851,120			691,014	-805,406	3,736,728
		1,705,583	397,476	8,121		2,111,180
<b>154,088</b>	<b>3,851,120</b>	<b>1,705,583</b>	<b>397,476</b>	<b>699,135</b>	<b>-805,406</b>	<b>5,847,908</b>
1,925	46,390	10,701	1,499	438	-396	58,632
-2,928	-33,875	-8,806	-988	-453	492	-43,630
-126	-5,028					-5,028
				-83		-83
-1,129	7,487	1,895	511	-98	96	9,891
335	-1,823	-470	-116	96	-24	-2,337
<b>-794</b>	<b>5,664</b>	<b>1,425</b>	<b>395</b>	<b>-2</b>	<b>72</b>	<b>7,554</b>
29.0	412.4	80.9	11.6	111.8		616.7
152%	73%	82%	66%			74%



## Consolidated balance sheet as at 30 June 2011

Before profit appropriation in thousands of EUR	30 Jun 2011	31 Dec 2010	30 Jun 2010
<b>Assets</b>			
Cash	52,933	44,814	34,851
Banks	595,515	595,800	686,119
Loans	2,384,482	2,127,643	1,880,906
Interest-bearing securities	555,672	586,672	557,518
Shares	4	4	4
Participating interests	2,566	2,623	2,754
Intangible fixed assets	13,993	14,646	14,908
Property and equipment	32,515	32,106	31,641
Other assets	21,276	21,319	6,245
Prepayments and accrued income	77,772	68,993	86,913
<b>Total assets</b>	<b>3,736,728</b>	<b>3,494,620</b>	<b>3,301,859</b>
<b>Liabilities and equity</b>			
Banks	35,313	23,983	14,619
Funds entrusted	3,241,538	3,038,676	2,858,658
Other liabilities	5,623	6,817	7,791
Liabilities and deferred income	46,657	39,910	56,880
Provisions	350	318	345
Subordinated liabilities	22,800	22,800	22,800
Equity	384,447	362,116	340,766
<b>Total liabilities and equity</b>	<b>3,736,728</b>	<b>3,494,620</b>	<b>3,301,859</b>
Contingent liabilities	66,228	43,090	43,701
Irrevocable facilities	763,658	734,941	508,407
	<b>829,886</b>	<b>778,031</b>	<b>552,108</b>

## Consolidated profit and loss account

in thousands of EUR	First half-year 2011	Second half-year 2010	First half-year 2010
<b>Income</b>			
Interest income	58,855	53,140	51,708
Interest expense	-21,202	-20,096	-17,934
<b>Interest</b>	<b>37,653</b>	<b>33,044</b>	<b>33,774</b>
Commission income	21,085	18,170	17,857
Commission expense	-531	-477	-371
<b>Commission</b>	<b>20,554</b>	<b>17,693</b>	<b>17,486</b>
Result on financial transactions	70	69	113
Other income	355	-182	705
<b>Other income</b>	<b>425</b>	<b>-113</b>	<b>818</b>
<b>Total income</b>	<b>58,632</b>	<b>50,624</b>	<b>52,078</b>
<b>Expenses</b>			
Co-worker and other administrative expenses	40,907	38,852	34,259
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	2,723	2,583	2,268
Operating expenses	43,630	41,435	36,527
Value adjustments to receivables	5,028	3,620	6,223
Value adjustments to participating interests	83	78	41
<b>Total expenses</b>	<b>48,741</b>	<b>45,133</b>	<b>42,791</b>
Operating result before taxation	9,891	5,491	9,287
Taxation on operating result	-2,337	-1,214	-2,055
<b>Net profit</b>	<b>7,554</b>	<b>4,277</b>	<b>7,232</b>

## Consolidated statement of changes in the equity

in thousands of EUR	Share capital	Share premium
<b>Equity as at 31 December 2009</b>	<b>221,029</b>	<b>51,507</b>
Increase of share capital	12,097	5,081
Stock dividend	4,132	-4,132
Revaluation of property, equipment and participation interest after taxation		
Exchange rate results from business operations abroad after taxation		
Profit appropriation for previous financial year, addition to the other reserves		
Profit appropriation for previous financial year, dividend		
Dividend not distributed in cash		
Transfer to statutory reserve for development costs		
Purchasing or sale of own depository receipts		
Result for financial period		
<b>Equity as at 30 June 2010</b>	<b>237,258</b>	<b>52,456</b>
Increase of share capital	12,094	5,110
Revaluation of property, equipment and participation interest after taxation		
Exchange rate results from business operations abroad after taxation		
Transfer to statutory reserve for development costs		
Result for financial period		
<b>Equity as at 31 December 2010</b>	<b>249,352</b>	<b>57,566</b>
Increase of share capital	12,544	5,662
Stock dividend	4,717	-4,717
Exchange rate results from business operations abroad after taxation		
Profit appropriation for previous financial year, addition to the other reserves		
Profit appropriation for previous financial year, dividend		
Dividend not distributed in cash		
Transfer to statutory reserve for development costs		
Result for financial period		
<b>Equity as at 30 June 2011</b>	<b>266,613</b>	<b>58,511</b>

Revaluation reserve	Statutory reserve	Other reserve	Retained earnings	Total equity
43	6,762	29,532	9,577	318,450
				17,178
14				14
	249			249
		975	-975	—
			-8,602	-8,602
		5,801		5,801
	1,093	-1,093		—
		444		444
			7,232	7,232
57	8,104	35,659	7,232	340,766
				17,204
2				2
	-133			-133
	-104	104		—
			4,277	4,277
59	7,867	35,763	11,509	362,116
				18,206
				—
	-109			-109
		1,566	-1,566	—
			-9,943	-9,943
		6,623		6,623
	-312	312		—
			7,554	7,554
59	7,446	44,264	7,554	384,447

## Consolidated cash flow statement

in thousands of EUR	First half-year 2011	Second half-year 2010	First half-year 2010
<b>Cash flow from operational activities</b>			
Net profit	7,554	4,277	7,232
Adjustments for:			
• depreciation, adjusted for depreciation charged on	2,723	2,583	2,268
• value adjustments to receivables	5,028	3,620	6,223
• value adjustments to participating interests	83	78	41
• exchange rate differences on property and equipment	—	-2	—
• movements in provisions	32	-27	-37
• other movements in accrued and deferred items	-2,032	950	-20,104
Cash flow from business operations	13,388	11,479	-4,377
Movement in banks, deposits not on demand	-33,549	7,738	121,240
Movement in loans	-261,867	-250,357	-226,194
Movement in shares	—	—	-1
Movement in banks, liabilities not on demand	11,330	9,364	5,059
Movement in funds entrusted	202,862	180,018	274,041
Other movements from operational activities	-1,151	-16,048	-2,688
<b>Cash flow from operational activities</b>	<b>-68,987</b>	<b>-57,806</b>	<b>167,080</b>

in thousands of EUR	First half-year 2011	Second half-year 2010	First half-year 2010
<b>Cash flow from investing activities</b>			
Net investments in:			
• interest-bearing securities	31,000	-29,154	-46,500
• participating interests	-135	-78	—
• intangible fixed assets	-678	-806	-1,918
• property and equipment	-1,801	-1,978	-3,425
<b>Cash flow from investment activities</b>	<b>28,386</b>	<b>-32,016</b>	<b>-51,843</b>
<b>Cash flow from financing activities</b>			
Increase in equity	18,206	17,204	17,178
Payment of cash dividend	-3,320	—	-2,801
Purchases of depository receipts for own shares	—	—	444
<b>Cash flow from financing activities</b>	<b>14,886</b>	<b>17,204</b>	<b>14,821</b>
<b>Net cash flow</b>	<b>-25,715</b>	<b>-72,618</b>	<b>130,058</b>
Cash and cash equivalents at beginning of the period	415,689	488,307	358,249
<b>Cash and cash equivalents at the end of the period</b>	<b>389,974</b>	<b>415,689</b>	<b>488,307</b>
On demand deposits with central banks	52,933	44,814	34,851
On demand deposits with banks	337,041	370,875	453,456
<b>Cash and cash equivalents at the end of the year</b>	<b>389,974</b>	<b>415,689</b>	<b>488,307</b>

# Notes to the balance sheet and the profit and loss account

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## Consolidation principles

The financial data for Triodos Bank NV and group companies have been fully consolidated. The financial data for joint ventures have been consolidated in proportion to the participating interest held, if consolidation is necessary in order to provide a transparent overview of the assets and result of Triodos Bank NV.

Statement of equity participations in accordance with Sections 2:379 and 2:414 of the Netherlands Civil Code:

- Kantoer Buitenzorg BV in Zeist, participating interest 100%, group company, fully consolidated;
- Kantoer Nieuweroord BV in Zeist, participating interest 100%, group company, fully consolidated;
- Stichting Triodos Beleggersgiro in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Assurantiën BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Cultuurbank BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Custody BV in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Finanz GmbH, Frankfurt am Main, Germany, participating interest 100%, group company, fully consolidated;
- Triodos Investment Management BV, Zeist, participating interest 100%, group company, fully consolidated;
- Triodos MeesPierson Sustainable Investment Management BV, Zeist, participating interest 50%, joint venture with joint control, consolidated in proportion to the participating interest held,
- Triodos Nieuwbouw BV in Zeist, participating interest 100%, group company, fully consolidated.

## Principles for valuation and the determination of the result

With effect from 2010, the accounting policy for pensions has changed. This is in connection with the release of the pension provision which was required under the previous accounting policy. The comparative figures for the first half year of 2010 have been adjusted to reflect this change in accounting policy.

The principles for valuation and the determination of the result remain unchanged in relation to the previous financial year.

# Sustainable banking

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

Our mission is

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

## Our ambition

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

## Our market and core activities

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

### As a sustainable service provider

Customers not only want sustainable products and services, but also competitive prices and a professional service. Triodos Bank believes that these key customer values cannot be seen in isolation. So the Bank tries to offer a collective package of banking services to promote sustainable development. The Bank's aim is to create a broad customer base – a combination of private and corporate customers who have made a conscious decision to bank with Triodos. Exactly how this

happens differs in each country; our services have developed in different ways in each of the countries where we work, depending in part on the stage of development of the branches and offices in question.

### As a product innovator

A second strategic objective is to develop innovative products and sell them through Triodos Bank and third parties. These products directly reflect the mission and values at the core of the Bank's work. Product development is most advanced in The Netherlands, where Triodos Meerwaardfondsen, Triodos Groenfonds, Triodos Fair Share Fund, Triodos Vastgoedfondsen and Triodos Cultuurfonds are all distributed to the general public through other banks. The launch of Luxembourg-based funds has also laid the foundation for European-wide distribution. More than 50% of the growth in these funds now comes from distribution via third parties, bringing Triodos Bank products to a broader audience.

### As an opinion leader

Triodos Bank wants to stimulate public debate on issues such as quality of life, corporate social responsibility and sustainable banking. It also wants to use 30 years' experience to encourage society to promote more sustainable development. The implications of this public debate extend well beyond the activities of the Bank itself. Triodos' vision and approach have given the Bank international recognition. Triodos' participation in the public debate means people can see what the Bank stands for and hear its opinions about important social trends. Triodos Bank's identity is crucial in this respect, strengthening the Triodos Bank brand and reputation.



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