Triodos Bank

2015 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.

Key figures

Amounts in millions of EUR	First half-year 2015	31 December 2014
Financial		
Common equity Tier 1	690	660
Equity	729	704
Number of depository receipt holders	33,156	32,591
Funds entrusted	6,804	6,289
Number of accounts	679,059	628,321
Loans	4,595	4,266
Number	41,009	36,320
Balance sheet total	7,697	7,152
Funds under management*	3,815	3,480
Total assets under management	**11,512**	**10,632**
Common equity Tier 1 ratio	19.3%	19.0%
Total Capital ratio	19.4%	19.0%
Leverage ratio	8.6%	8.8%
Liquidity coverage Ratio	437%	642%
Net Stable Funding Ratio	165%	165%
Per share (in EUR)		
Net asset value at the end of the period	79	78
Social		
Number of co-workers at the end of the period**	1,073	1,017

	First half-year 2015	First half-year 2014
Total income	104.4	91.4
Operating expenses	-73.9	-70.5
Impairments loan portfolio	-1.6	-5.2
Value adjustments to participating interests	0.1	-0.1
Operating result before taxation	29.0	15.6
Taxation on operating result	-7.1	-4.1
Net profit	**21.9**	**11.5**
Operating expenses/total income	71%	77%
Per share (in EUR)		
Net profit***	2.41	1.32

* 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.

Disruptive Roots

For a long time banks have been almost the only providers of finance for entrepreneurs - but not any more. New ways to raise finance, often through peer to peer lending initiatives, are increasingly common. Their success will have a profound impact on traditional banks, forcing them to adapt to a new economic reality.

The European Commission has also promoted the development of these broader financial services offerings in recent months. They have done so, in part, because they recognise the growing influence of peer to peer lending and in an effort to make finance available to small and medium-sized businesses. These new approaches, of which crowd funding is the best known, enable entrepreneurs to raise investment from large numbers of people who feel close to particular initiatives, each investing relatively small amounts of money. While this fledgling industry is still in a pilot phase, it has the potential to make a very big difference and create a more diverse financial services offering. It can both replace parts of the bank's 'normal' activity and complement other areas of its traditional work.

These new approaches reflect a shift in thinking similar to the change responsible for the creation of Triodos Bank itself, 35 years ago. Its founders wanted to find a way for people to use money consciously to have a positive impact, and they chose a new and disruptive approach to banking to do it. They put sustainability at the heart of their innovation by financing projects that make a positive difference to the wider society; and they sourced their funds from savings, mostly from individuals.
Not surprisingly, Triodos Bank likes developments that come from a similar source to its own roots and is interested in exploring whether it can work with, or create, similar initiatives itself.

Amplifying Impact through partnerships

Triodos Bank also aims to amplify its impact through existing networks, either by helping to convene them, as it has with the Global Alliance for Banking on Values, a network of independent sustainable banks, or by joining up with new movements. Recently, for example, Triodos Bank became the first pan-European bank to be certified as a B Corporation. 'B Corps' are businesses that benefit people and the environment.

EUR 7.7 billion

During the first six months of 2015, Triodos Bank's balance sheet rose by 8% to EUR 7.7 billion.

They meet rigorous social and environmental standards and are essentially for business what Fair Trade certification is for coffee. B Corps are encouraging all companies to compete not just to be the best in the world, but to be the best for the world. The B Corp movement is better known in North America with more than 1,400 B Corps and is expanding in Europe. Triodos Bank wants to support and be part of this movement, to grow recognition for a more sustainable approach to doing business.

Business Developments

There are signs that the recession has bottomed out in many European countries. Any broader recovery is welcome news for the wider society and relevant to Triodos Bank's challenge to increase its impact by creating a balanced growth in lending at a time when many entrepreneurs continue to be reluctant to borrow. Sustainable mortgages are playing an increasingly important role in improving this balance and were up by 22% across the whole of Triodos Bank in the first half of 2015.

Despite relatively muted growth there are positive signals that the sustainable sectors Triodos Bank work in are progressing. Examples include the renewable energy market, for instance. Triodos Bank wants to be part of this mature European market in the next phase of its development. As the renewables market develops, so does the way Triodos Bank operates in it. As part of an effort to diversify its loan book and stay involved in the sector Triodos Bank is shifting its emphasis from relatively large amounts of project finance to both project finance and smaller lending.

Similar efforts to diversify happened across Triodos Bank's loan book in the first half of 2015 increasing its impact. The quality of its loan book remains high. The total amount of assets under management including Triodos Bank and the investment funds and Private Banking grew by 0.9 billion, or 8%, in the first half year of 2015 to EUR 11.5 billion (2014: 10.6 billion).

The Low Interest Rate Environment

Today banks operate within the context of low interest rates and growing regulations. 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 almost free and surplus liquidities are deposited or invested at a negative interest rate. In practice, more savings impact negatively on financial results.

Despite the challenge of low interest rates, Triodos Bank's financial performance is in line with plans in the first half of 2015; results which are a strong basis for the bank's further development.

Banking activities

During the first six months of 2015, Triodos Bank's balance sheet rose by 8% to EUR 7.7 billion. Growth during the same period in 2014 was 6%.

Stable and healthy growth of the loan book is crucial for Triodos Bank and directly contributes to its mission. A proactive approach will ensure it can continue to provide 100% of our loans to the sustainable enterprises in the real economy. These loans grew 7% compared with 4% in the first half year 2014.
The loans to deposit ratio when calculated against our impact lending decreased slightly from 63% at the end of 2014 to 62% in the first half year 2015. The balance accounts however show a stable ratio of 68% compared to the year 2014 as these figures include short term investments, which are accounted for as loans, but were, in practice, part of the investment portfolio. Triodos Bank strives to lend between 70% and 80% of funds entrusted.

Sustainable banking with Triodos Bank remains an attractive proposition for many people. Funds entrusted, which are composed of savings, fixed-term deposits, and sums in current accounts, increased by 8% compared with 7% during the same period in 2014.

48,000

In the first six months of 2015 the number of customers increased by 48,000 to a total of 578,000.

The addition to the provision for bad debts decreased markedly to EUR 1.6 million compared with EUR 5.2 million in the same period of 2014. This development reflects a robust loan portfolio and has a positive impact on Triodos Bank's net profit.

In the first six months of 2015 the number of customers increased by 48,000 to a total of 578,000, an increase of 9%.

During the same period, Triodos Bank's equity increased by 4% to EUR 729 million, as it did during the same period in 2014. The public continues to respond to campaigns in branches to raise new capital and 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.

Assets under management by Triodos Investment Management increased by 9% to EUR 2.9 billion. In the same period in 2014 they decreased by 4%. Part of this increase was due to the Triodos Sustainable Funds (Triodos SICAV I), which grew by 19% during the first half of 2015.

In the first half of 2015, funds managed by Triodos Private Banking grew by 9% to EUR 0.9 billion, in line with plans. In the same period in 2014 they grew by 8%.

Financial results

In the first six months of 2015, Triodos Bank's net profit reached EUR 21.9 million. This is 91% higher compared to the same period in 2014 (EUR 11.5 million). In 2014 Triodos Bank was obliged to contribute to the rescue of the Dutch bank SNS Reaal, diminishing its relative results. Without this levy the increase in profit in the first half of 2015 would be 35%. This growth of the net profit is to a large extent realized by low additions to the provision for bad debts in the first half of 2015.

Capital position

Triodos Bank has a common equity Tier 1 ratio, which is an important indicator of a bank's solvency, of 19.3%. Triodos Bank wants to have a strong capital position. To maintain it and to enable further growth of its loan portfolio, the bank is continuing to raise new capital in 2015. This is done through issuing shares (depository receipts). These are made available throughout 2015 as well as through targeted campaigns, a strategy which has proven successful.

Prospects

Triodos Bank expects to continue to develop its growth in the second half of 2015, in line with its mission to create lasting sustainable benefits for people, the environment and culture. To support its growth, in the second half of 2015 Triodos Bank will continue to focus on raising capital. Triodos Bank expects to reach a target of between EUR 60 and 70 million of new capital in 2015. The financial performance is an important indication of Triodos Bank's ability to deliver long-term sustainable benefits.

Steady growth in volumes of funds entrusted and its sustainable loans to entrepreneurs and projects is expected in the second half of 2015.

Excluding unforeseen circumstances, Triodos Bank expects to reach a profit in 2015 between EUR 30 and 35 million.

This expected profit is influenced by contributions, in the amount of approximately EUR 4 million, required for the Dutch deposit guarantee scheme and the Resolution Fund, recently set up to finance the restructuring of failing credit institutions. These yearly contributions start in the second half of 2015.

Zeist, 26 August 2015

Triodos Bank Executive Board

Key figures for the first half-year of 2015 by branch and business unit

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom	Bank Spain
Funds entrusted	2,535,622	1,427,916	1,120,266	1,541,119
Number of accounts	340,051	65,460	48,579	213,657
Loans	1,772,423	1,018,247	790,315	810,492
Number	29,782	2,635	1,251	5,604
Balance sheet total	2,941,331	1,589,202	1,351,076	1,759,726
Funds under management				
Total assets under management	**2,941,331**	**1,589,202**	**1,351,076**	**1,759,726**
Total income	31,173	18,960	14,304	18,812
Operating expenses	-18,535	-13,185	-8,718	-15,773
Impairments loan portfolio	-80	-869	-108	-895
Value adjustments to participations				
Operating result	12,558	4,906	5,478	2,144
Taxation on operating result	-3,014	-1,234	-1,191	-679
Net profit	**9,544**	**3,672**	**4,287**	**1,465**
Average number of co-workers on a full-time basis	145.8	110.5	105.0	244.8
Operating expenses/total income	59%	70%	61%	84%

Bank Germany	Total banking activities	Investment Management	Investment Advisory Services	Private Banking	Other	Elimination intercompany transactions	Total
186,960	6,811,883					-7,883	6,804,000
11,312	679,059						679,059
204,450	4,595,927					-1,029	4,594,898
1,737	41,009						41,009
278,689	7,920,024				1,163,635	-1,387,157	7,696,502
		2,889,756	26,591	886,007	12,473		3,814,827
278,689	**7,920,024**	**2,889,756**	**26,591**	**886,007**	**1,176,108**	**-1,387,157**	**11,511,329**
3,420	86,669	14,249	801	2,448	1,602	-1,409	104,360
-4,096	-60,307	-10,562	-584	-1,951	-1,932	1,423	-73,913
391	-1,561						-1,561
					116		116
-285	24,801	3,687	217	497	-214	14	29,002
1	-6,117	-921	-54	-124	148	-4	-7,072
-284	**18,684**	**2,766**	**163**	**373**	**-66**	**10**	**21,930**
40.0	646.1	107.7	7.5	17.5	181.9		960.7
120%	70%	74%	73%	80%			71%

Consolidated balance sheet as at 30 June 2015

before appropriation of profit in thousands of EUR	Reference*	30 Jun 2015	31 Dec 2014
Assets			
Cash		250,644	175,225
Government paper		256,536	208,782
Banks		684,500	575,743
Loans	1	4,594,898	4,266,324
Interest-bearing securities	2	1,672,959	1,710,625
Shares		20	4
Participating interests		9,503	8,720
Intangible fixed assets		15,771	13,364
Property and equipment		41,711	39,821
Other assets		16,966	13,215
Prepayments and accrued income		152,994	140,581
Total assets		**7,696,502**	**7,152,404**
Liabilities and equity			
Banks		52,224	54,627
Funds entrusted	3	6,804,000	6,288,828
Other liabilities		13,186	19,208
Accruals and deferred income		91,026	79,489
Provisions		1,719	1,377
Subordinated liabilities		5,250	5,250
Equity		729,097	703,625
Total equity and liabilities		**7,696,502**	**7,152,404**
Contingent liabilities	4	59,780	62,260
Irrevocable facilities	5	655,896	593,771
		715,676	**656,031**

* References relate to the notes starting on page 18.

Consolidated profit and loss account

in thousands of EUR	First half-year 2015	First half-year 2014
Income		
Interest income	91,627	85,748
Interest expense	-20,298	-24,760
Interest	**71,329**	**60,988**
Income from other participations	99	109
Investment income	**99**	**109**
Commission income	33,928	31,455
Commission expense	-1,669	-1,727
Commission	**32,259**	**29,728**
Result on financial transactions	400	281
Other income	273	280
Other income	**673**	**561**
Total income	**104,360**	**91,386**
Expenses		
Co-worker and other administrative expenses	70,284	67,049
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	3,629	3,415
Operating expenses	**73,913**	**70,464**
Impairments loan portfolio	1,561	5,161
Value adjustments to participating interests	-116	103
Total expenses	**75,358**	**75,728**
Operating result before taxation	29,002	15,658
Taxation on operating result	-7,072	-4,147
Net profit	**21,930**	**11,511**
Amounts in EUR		
Net profit per share	2.41	1.32

Consolidated statement of comprehensive income

in thousands of EUR	First half-year 2015	First half-year 2014
Net result	**21,930**	**11,511**
Revaluation of property, equipment and participating interest after taxation	12	21
Exchange rate results from business operations abroad after taxation	442	27
Total amount recognised directly in equity	**454**	**48**
Total comprehensive income	**22,384**	**11,559**

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Consolidated statement of changes in the equity

in thousands of EUR	Share Capital
Equity as at 31 December 2013	**427,452**
Increase of share capital	14,950
Stock dividend	8,330
Revaluation of property, equipment and participation interest after taxation	
Realisation of revaluation	
Exchange rate results from business operations abroad after taxation	
Profit appropriation for previous financial year, addition to the other reserves	
Profit appropriation for previous financial year, dividend	
Dividend not distributed in cash	
Transfer to statutory reserve for development costs	
Purchasing or sale of own depository receipts	
Result for financial year	
Equity as at 31 December 2014	**450,732**
Increase of share capital	4,590
Stock dividend	8,739
Revaluation of property, equipment and participation interest after taxation	
Realisation of revaluation	
Exchange rate results from business operations abroad after taxation	
Profit appropriation for previous financial year, addition to the other reserves	
Profit appropriation for previous financial year, dividend	
Dividend not distributed in cash	
Transfer to statutory reserve for development costs	
Purchasing or sale of own depository receipts	
Result for financial year	
Equity as at 30 June 2015	**464,061**

Share premium	Revaluation reserve	Statutory reserve	Other reserve	Retained earnings	Total equity
118,162	**180**	**5,116**	**77,439**	**25,683**	**654,032**
8,079					23,029
-8,330					–
	200				200
	10		-10		–
		590			590
			8,667	-8,667	–
				-17,016	-17,016
			12,662		12,662
		-196	196		–
			3		3
				30,125	30,125
117,911	**390**	**5,510**	**98,957**	**30,125**	**703,625**
2,621					7,211
-8,739					–
	12				12
	5		-5		–
		442			442
			12,375	-12,375	–
				-17,750	-17,750
			13,633		13,633
		2,095	-2,095		-
			-6		-6
				21,930	21,930
111,793	**407**	**8,047**	**122,859**	**21,930**	**729,097**

Consolidated cashflow statement

in thousands of EUR	First half-year 2015	First half-year 2014
Cashflow from operating activities		
Net profit	21,930	11,511
Adjustments for:		
• depreciation	3,629	3,415
• impairments loan portfolio	1,561	5,161
• value adjustments to participating interests	-116	103
• exchange rate differences on property and equipment	-	-
• movements in provisions	342	185
• other movements in accrued and deferred items	-876	2,238
Cashflow from business operations	26,470	22,613
Movement in government paper	-47,754	-202,000
Movement in banks, deposits not on demand	7,761	-150,002
Movement in loans	-330,135	-150,076
Movements in shares	-16	–
Movement in banks, liabilities not on demand	-2,403	-3,781
Movement in funds entrusted	515,172	369,117
Other movements from operating activities	-9,772	-8,185
Cashflow from operating activities	**159,323**	**-122,314**

in thousands of EUR	First half-year 2015	First half-year 2014
Cashflow from investment activities		
Net investments in:		
• interest-bearing securities	37,666	-179,602
• participating interests	-214	–
• intangible fixed assets	-3,845	-1,240
• property and equipment	-4,081	-2,196
Cashflow from investment activities	**29,526**	**-183,038**
Cashflow from financing activities		
Movement in subordinated liabilities	–	-50
Increase in equity	7,211	17,104
Payment of cash dividend	-4,117	-4,353
Purchases of depository receipts for own shares	-6	–
Cashflow from financing activities	**3,088**	**12,701**
Net cashflow	**191,937**	**-292,651**
Cash and cash equivalents at beginning of the period	359,677	1,193,116
Cash and cash equivalents at the end of the period	**551,614**	**900,465**
On demand deposits with central banks	250,644	667,273
On demand deposits with banks	300,970	233,192
Cash and cash equivalents at the end of the period	**551,614**	**900,465**
Supplementary disclosure of the cashflow from operating activities		
Interest paid	-22,417	-25,697
Interest received	88,424	79,362
Tax on profit paid	-11,044	-5,420
Dividend received from investments	99	109

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 Guidelines for Annual Reporting 394 on Interim Reports. 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 2014.

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

Accounting principles

General

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

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

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

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

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

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

The 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.

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.

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. Next to this specific provision a general provision has been created to cover risk arising from incurred, but not reported credit losses.

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

Derivatives are measured at fair value, except if the cost model for hedge accounting is applied.
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.

Triodos Bank has documented its hedging strategy and how it relates to the objective of risk management. Triodos Bank has also documented its assessment of whether the derivatives that are used in hedging transactions are effective in offsetting currency results of the hedged items using generic documentation. Any overhedge is recognised directly in the profit and loss account at the lower of cost and market 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 2015	31 Dec 2014
Loans	4,660,569	4,334,038
Provision for doubtful debts	-65,671	-67,714
Balance at 30 June / 31 December	**4,594,898**	**4,266,324**

This relates to loans to customers.

The mortgages, part of the loan book, grew by 22% to EUR 492.2 million (2014: EUR 404.4 million).

EUR 348.8 million (2014: EUR 302.0 million) of the loans relates to loans to local authorities with a maximum original maturity of one year and one day.

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

	30 Jun 2015			31 Dec 2014		
	Specific	General	Total	Specific	General	Total
Balance sheet value as at 1 January	66,717	997	67,714	61,201	848	62,049
Addition	4,289	330	4,619	21,042	288	21,330
Write-off	-3,958	0	-3,958	-6,448	0	-6,448
Release	-2,941	-228	-3,169	-9,436	-160	-9,596
Exchange rate differences	449	16	465	358	21	379
Balance at 30 June / 31 December	**64,556**	**1,115**	**65,671**	**66,717**	**997**	**67,714**

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 1.1 million (2014: EUR 1.0 million).

2. Interest-bearing securities

in thousands of EUR	30 Jun 2015	31 Dec 2014
Dutch Government bonds	194,800	269,800
Belgian Government bonds	322,090	336,144
Spanish Government bonds	234,300	289,000
United Kingdom Government bonds	91,221	97,093
Other bonds	830,548	718,588
Balance at 30 June / 31 December	**1,672,959**	**1,710,625**

The other bonds mainly relates to government guaranteed bonds.

3. Funds entrusted

in thousands of EUR	30 Jun 2015	31 Dec 2014
Savings accounts	4,718,408	4,392,823
Other funds entrusted	2,085,592	1,896,005
Balance at 30 June / 31 December	**6,804,000**	**6,288,828**

Funds entrusted classified by residual maturity:

in thousands of EUR	30 Jun 2015	31 Dec 2014
Payable on demand	5,144,636	4,730,659
1 to 3 months	693,330	614,004
3 months to 1 year	428,247	404,659
1 to 5 years	457,750	442,052
Longer than 5 years	80,037	97,454
Balance at 30 June / 31 December	**6,804,000**	**6,288,828**

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 2015	Amounts subject to pre-regulation (EU) [1]	Amount at 31 Dec 2014	Amounts subject to pre-regulation (EU) [1]
Capital instruments and the related share premium accounts of which: ordinary shares	575,854		568,643	
Retained earnings [2]	-		-	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	131,313		104,857	
Independently reviewed interim profits net of any foreseeable charge or dividend [2]	–		–	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**707,167**		**673,500**	
Intangible assets (net of related tax liability)	-14,530	–	-12,209	–
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)	-2,547	-3,821	-1,274	-5,097

in thousands of EUR	Amount at 30 Jun 2015	Amounts subject to pre-regulation (EU) [1]	Amount at 31 Dec 2014	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	-326		-390	
Of which: filter for unrealised gain on property	-152		-186	
Of which: filter for unrealised gain on participation interest	-174		-204	
Total regulatory adjustments to Common equity Tier 1 (CET1)	**-17,403**		**-13,873**	
Common Equity Tier 1 (CET1) capital	**689,764**		**659,627**	
Additional Tier 1 (AT1) capital	**–**		**–**	
Tier 1 capital (T1 = CET1 + AT1)	**689,764**		**659,627**	
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts [3]	1,085		1,604	
Tier 2 (T2) capital before regulatory adjustments	**1,085**		**1,604**	
Tier 2 (T2) capital	**1,085**		**1,604**	
Total capital (TC = T1 + T2)	**690,849**		**661,231**	
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)	3,568,708		3,471,180	
Total risk weighted assets	**3,568,708**		**3,471,180**	
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount) [4]	19.3%		19.0%	
Tier 1 (as a percentage of risk exposure amount) [4]	19.3%		19.0%	
Total capital (as a percentage of risk exposure amount) [4]	19.4%		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 20.7% (2014: 30.6%) 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 bonds. Triodos Bank has a strong liquidity position and is funded almost entirely by 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. This is key to its strategy as a resilient, values-based bank.

• 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.
These ratios are already used for supervisory reporting, but are still subject to change. The minimum LCR will become final in 2015. Minimum NSFR standards will be set by 2018.

Liquidity coverage ratio

in thousands of EUR	30-Jun-15 Total amount	30-Jun-15 Weighted amount	31-Dec-14 Total amount	31-Dec-14 Weighted amount
Stock of high quality liquid assets:				
Total stock of high quality liquid assets	1,731	1,679	1,708	1,641
Total cash outflow	7,114	912	6,654	698
Total cash inflow	578	528	501	442
Cap on cash inflows		684		523
Net cash outflow		384		256
Liquidity Coverage Ratio		**437%**		**642%**

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-15 Total amount	30-Jun-15 Weighted amount	31-Dec-14 Total amount	31-Dec-14 Weighted amount
Total available stable funding	7,634	6,714	7,096	6,219
Total required stable funding	8,371	4,061	7,778	3,774
Net stable funding ratio		**165%**		**165%**

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

There are no subsequent events.

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial information as at 30 June 2015 of Triodos Bank N.V., Zeist, which comprises the consolidated balance sheet as at 30 June 2015, the consolidated profit and loss account, the consolidated statement of comphrehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the period of six months ended at 30 June 2015, and the notes. Management of the Company is responsible for the preparation and presentation of this interim financial information in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports. Our responsibility is to express a conclusion on this interim financial information 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 Entity'. 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 condensed consolidated interim financial information as at 30 June 2015 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports.

Corresponding figures not reviewed

The condensed consolidated interim financial information as at 30 June 2014 is not reviewed. Consequently, the corresponding figures included in the profit and loss account have not been reviewed.

Amstelveen, 26 August 2015
KPMG Accountants N.V.
P.A.M. de Wit RA

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