Triodos Bank

Half year report 2021

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

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

Half year report 2021
Triodos Bank N.V.

Key figures

amounts in millions of EUR	30 June 2021	31 December 2020
Financial		
Common equity Tier 1	1,150	1,104
Equity	1,227	1,208
Funds entrusted	12,626	11,747
Loans	9,683	9,157
Balance sheet total	15,577	13,888
Funds under management*	7,161	6,362
Total assets under management	**22,738**	**20,250**
Total Capital Ratio	18.7%	18.8%
Common Equity Tier 1 Ratio	18.6%	18.7%
Leverage Ratio	8.6%	8.8%
Per share (in EUR)		
Net asset value at the end of the period	86	85
Number of depository receipt holders	43,504	43,614
Number of accounts - retail	879,366	867,377
Number of accounts - business	84,305	81,726
Number of customers	742,002	728,056
Social		
Number of co-workers at the end of the period	1,668	1,592

* Including funds under management with affiliated parties that have not been included in the consolidation.

amounts in millions of EUR	First half-year 2021	First half-year 2020
Total income	165.9	143.6
Operating expenses	-131.4	-123.8
Impairment losses on financial instruments	1.2	-12.6
Operating result before taxation	35.7	7.2
Taxation on operating result	-8.0	-1.5
Net profit	**27.7**	**5.7**
Operating expenses/total income	79%	86%
Per share (in EUR)		
Net profit**	1.95	0.40

** The figure of net profit per share is calculated on the average number of issued shares in circulation during the financial year.

Executive Board report

- Triodos Bank among the first banks in the world to commit to the Net-Zero Banking Alliance, agreeing to align operational and attributable emissions from our portfolio with pathways to net-zero by 2050 or sooner.
- Triodos Bank reports a net profit of EUR 27.7 million after tax for the first six months of 2021, which is EUR 22 million higher than same period last year.
- The good performance in the first six months of 2021 was supported by higher revenues of EUR 22.3 million (+16%) and lower impairment expenses of EUR 13.8 million (-109%) compared with the same period in 2020.

Focus on impact and financial performance

Triodos Bank demonstrated a good financial performance in the first six months of 2021, despite the ongoing COVID-19 pandemic. While the pandemic seems to become less disruptive across Europe, the uncertainty regarding its direct and indirect impact on the future recovery and stability of the economy remains.

Considering the slowly improving macro-economic parameters in Europe, which largely determine the forward-looking component of our ECL provision, we experienced lower impairment levels for ECL stages 1 and 2 in the first half of the year 2021. For the ECL provision in stage 3 we forecast a slight increase as government support schemes are reduced or expire in several European countries. Our overall loan business remains resilient, benefitting from a geographically well-diversified loan portfolio across Europe.

Triodos Bank aims to be a frontrunner in sustainable banking. During the first half of the year, we announced that we have signed a guarantee agreement with the European Investment Fund (EIF) for the creative and cultural sector. The guarantee facility allows Triodos Bank to provide up to EUR 200 million in loans to entrepreneurs in the creative and cultural sectors over the next two years in the Netherlands, Belgium, Spain and Germany.

In the first half of this year, we focussed on improving the balance between creating non-financial impact and financial performance. Further revenue enhancements combined with structural cost improvements in the second half of the year will help us to structurally optimise the financial elements of our performance.

Further enhancement of our capital base

While our capital base continues to be strong, we had to temporarily suspend our trade in Depository Receipts ("DRs") on the 5th of January 2021, following a previous suspension in 2020. This decision was prompted by an insufficient prospect of a stable balance between inflow and outflow of capital.

We are fully engaged in assessing the possibilities of increasing tradability of the existing capital instrument, the Depository Receipts, as well as improving the possibilities of diversifying our capital base and raising new Tier 1 and Tier 2 capital. It is important to note that today, the bank's mission is as relevant as it has been during our 41 years' history, and it is with the continuity of that mission in mind that we evaluate the next possible steps for our capital base.

In defining a way forward market regulation, the interests of all our current investors, the requirements set by regulators, our attractiveness to new investors, accessibility to raising new capital and the impact on the banking organisation all play a role and must be carefully weighed. It has become apparent that we cannot provide a short-term trading solution for existing investors, without first addressing the diversification of our capital base and our long-time access to capital in a broader perspective, as well as the further optimisation of the balance between impact and financial performance. A re-opening of the DR-trade this year is therefore not to be expected. We will update our current DR Holders about the options we are considering for this integrated way forward at an Extraordinary General Meeting on the 28th of September, where a more detailed update on decision-making and the potential scenarios for creating tradability will be provided. In follow up, we expect to be able to decide on the way forward for the tradability of our DRs before the end of this calendar year.

Balancing growth and efficiency

The first half of 2021 has been both positive and challenging. The financial sector clearly has a role to play in addressing the climate, social inclusion and biodiversity challenges of our time by financing the right kind of initiatives. We continue to advocate for the conscious use of money and the enhancement of regulatory frameworks to ensure financial institutions take that responsibility. Regulators and governments are supporting this idea by introducing new regulations and sustainable finance frameworks.

At the same time, we must deal with the impact on our financial results of the persistently low interest rates, set by the European Central Bank, and the increasing costs associated with meeting growing regulatory requirements.

In the first six months of 2021 we took measures to slow down the growth of funds entrusted and to offset the associated costs. In the Netherlands for instance, we introduced negative interest above the threshold of EUR 100,000 and a monthly fee on current- and savings accounts. Nevertheless, the growth of funds entrusted continues, albeit at a lower pace. To safeguard a solid and sustainable financial performance, additional measures to contain the ongoing growth of funds entrusted will have to be considered.

Given our role as gatekeeper we continue to strengthen our activities related to Anti Money Laundering and Compliance, and hence have increased our investments and associated costs in these areas.

With continued focus, we have successfully improved the cost structure of some of our services, resulting in an improved underlying cost structure.

Creating consciousness about money

With the money deposited with us by savers and lent to our entrepreneurs, we continue to finance the social and sustainable projects we believe will have a positive impact on society and the environment.

In the first half of 2021, Triodos Bank's mortgages, offered in the Netherlands, Belgium and Spain, have received the Energy Efficient Mortgage Label (EEML), a clear and transparent label that enables consumers, lenders and investors to identify mortgages that help make the built environment more sustainable.

Triodos Bank Spain successfully started with the distribution of investment funds from Triodos Investment Management and selected third-party distributors; in the Netherlands a new marketing campaign (Made for Change) called on citizens to embrace the change ability within themselves and put that ability towards nurturing positive developments in society. We made a public call for more ambition from other banks in Belgium to combat the climate emergency. In the UK we've been instrumental in the creation of investable business models connected to nature restoration.

Triodos Regenerative Money Centre is one of the initiators of *Aardpeer*, which strives to secure agricultural land for at least seven generations and is committed to the transition to a social and nature-friendly food chain.

In March 2021, all funds of Triodos Investment Management were designated as Article 9 products under the new European Sustainable Finance Disclosure Regulation (SFDR) – this is the highest sustainability standard available. While this may seem logical, the response process was quite onerous given that the regulation was drafted with mainstream markets in mind, and not for pure play investors or pioneers like Triodos Investment Management.

On 21 April 2021, Triodos Bank became one of the first banks to join the Net-Zero Banking Alliance (NZBA), convened by the UN, laying the groundwork for the huge but critical challenge facing the global banking community. The members of the Net-Zero Banking Alliance commit to align operational and attributable emissions from their portfolios with pathways to net-zero by 2050 or sooner.

Leadership transition

On 9 February 2021, we announced the decision of Jellie Banga to step down from her role as Vice-Chair of the Executive Board and Chief Operating Officer (COO), effective 1 May 2021. In reviewing the scope of Jellie's role, it was decided to split the role into a COO role – focusing on the operating side of the bank – and a Chief Commercial Officer (CCO) role - focusing on the commercial side of the bank. This brings the total number of Executive Board members to five. The Supervisory Board has made good progress with the nomination process for both the COO and the CCO roles and is announcing nominated candidates for introduction at the upcoming Extraordinary General Meeting, which is scheduled for 28 September 2021. Further details can be found on triodos.com/agm.

As announced last year, Peter Blom stepped down as Chair of the Executive Board and Chief Executive Officer, after more than 40 years' service in Triodos Bank, much of it as a member of the Executive Board. Peter said farewell at Triodos Bank's annual meeting on 21 May 2021. In that same meeting Jeroen Rijpkema was presented to the shareholders and subsequently welcomed to the Executive Board as the new Chair and Chief Executive Officer.

Financial results

Triodos Bank's total assets under management increased by EUR 2,488 million in the first six months of 2021 to EUR 22.7 billion, driven by an increase of EUR 1,689 million of the total Balance Sheet to EUR 15.6 billion (end of 2020: 13.9 billion) and by the growth of our funds under management by EUR 799 million to EUR 7.2 billion at the end of June 2021 (end of 2020: EUR 6.4 billion).

The growth of the total Balance Sheet was driven by a strong increase of our funds entrusted by EUR 879 million in the first half year to EUR 12.6 billion per 30 June 2021 (ultimo 2020: EUR 11.7 billion), and by the participation in the TLTRO tender III.7 for EUR 800 million summing up to EUR 1.6 billion (end of 2020: EUR 0.8 billion).

On the asset side, the additional funding was primarily used to further develop our sustainable loan portfolio. Triodos Bank recorded an increase of sustainable loans by EUR 613 million in the first half year to EUR 9.5 billion at the end of June 2021 (end of 2020: EUR 8.9 billion). The remainder of the additional funding was partly invested in highly liquid debt securities (EUR 61 million) or resulted in an increase of our cash position (EUR 1,009 million).

The strong inflow of funds entrusted is also reflected in the decline of our loans-to-funds entrusted ratio, which amounts to 76.7% at the end of June 2021 (end of 2020: EUR 77.9%).

In the first six months of 2021, Triodos Bank recorded a net profit of EUR 27.7 million, which is significantly higher than the same period in 2020 (EUR 5.7 million) and in 2019 (EUR 18.1 million).

The bank's total income per end of June 2021 of EUR 165.9 million is significantly above prior year level (as per June 2020: EUR 143.6 million). The bank's interest income (EUR 106.7 million) improved compared with prior year due to an increase of higher yielding lending volumes. Furthermore, Triodos Bank participated in the TLTRO tender III.5 and III.7. This resulted in the first half of 2021 in additional income of EUR 5.8 million. However, the bank's overall net interest margin continues to be under pressure due to the very low interest rate environment in Europe and negative interest rates to be paid for excess liquidity from funds entrusted.

Our commission income also improved to EUR 56.7 million compared to EUR 50.8 million as per June 2020, a result of our initiatives to further diversify our income sources.

Total operating expenses (excluding loan impairments and valuation effects) increased to EUR 131.4 million in the first six months of 2021 (first half 2020: EUR 123.8 million). This development was driven by additional co-worker expenses for Compliance and Anti-Money Laundering (AML) topics and additional Deposit Guarantee Scheme (DGS) contribution, which is related to the increased volume of funds entrusted in the first half of the year. These expense drivers also have a material impact on our ability to further improve our Cost-Income-Ratio.

The bank reports a Cost-Income-Ratio of 79% per end of June 2021 (first half 2020: 86%), which was supported by higher revenues and the additional income from TLTRO.

The bank reported a net release of the ECL provision of EUR 1.2 million (gain) per end of June 2021 (first half 2020: EUR 12.6 million (loss)). The ECL expenses 2020 were significantly impacted by the COVID-19 pandemic in the first quarter of 2020, which at that time resulted in a sharp drop of forward-looking parameters (e.g. GDP growth in Europe) and therefore triggered a material increase of the ECL provision in stages 1 and 2 in the first half year of 2020, whilst the expected recovery of the economy over the last six month led to the slight net release of the ECL provision in the first half year of 2021.

Resilient capital and liquidity position

Triodos Bank pursues a healthy capital position, which enables growth in our main business areas and allows us to create sustainable impact in line with our mission. During the COVID-19 crisis we have intensified our internal monitoring, ensuring resilience and compliance of the bank's overall capital position during the crisis. Due to the suspension of the DR trade in January 2021, the DR capital remained stable per end of June 2021.

In line with rules set by the ECB / DNB and based on the shareholder's resolution at the Annual General Meeting (AGM) of shareholders in May 2021, Triodos Bank has paid out a dividend amount of EUR 0.65 per depository receipt in the first half of the year 2021. The remaining profit for the year 2020 was allocated to the earnings reserve as integral part of the overall capital position. Finally, this resulted in a capital position of EUR 1.2 billion per end of June 2021.

The bank's capital ratios (CET-1 and TCR) were strengthened with the shareholder's resolution at the AGM in May 2021 to partially retain profits. Capital has been utilised for additional RWA-consuming lending business in the first half of the year 2021 and has contributed to new impact creation. Per end of June 2021 the bank reported a CET-1 ratio of 18.6% (end of 2020: 18.7%) and TCR of 18.7% (end of 2020: 18.8%).

Both ratios are well above the regulatory requirements and well above our internal minimum target levels.

The bank's overall liquidity position increased slightly over the last six months. The group's Liquidity Coverage Ratio (LCR) increased to 242% per end of June 2021 (end of 2020: 232%), which is well above the regulatory requirements.

Triodos Bank in 2021

An important focus for Triodos Bank, and for the Executive Board, is to address the challenge presented by the suspension of trade of the Depository Receipts of ordinary shares ("DRs") and the impact this has on our Depository Receipt holders within the broader perspective of our capital strategy. We will update our current DR Holders about the options we are considering at an Extraordinary General Meeting on the 28th of September this year. A decision about the best way forward will take additional time and is to be expected by the end of the year at the earliest. A re-opening of the DR-trade this year is therefore not yet anticipated.

We expect to grow fee income over time by growing the activities of Triodos Investment Management as well as fees-based banking activities. Triodos Bank has the ambition to grow its bank balance sheet modestly, maintaining a stable loan to deposit ratio. Both will increase our positive impact, contributing to a fair return while maintaining an overall modest risk appetite.

External developments, including the impact of the COVID-19 crisis on our customers, may influence the ability to grow volumes and profit. We will respond to these developments, seizing the opportunities that present itself in a pro-active way. Fulfilling the bank's mission while maintaining a sound level of risk and return remain key. In addition, we will therefore continue to work on improving cost efficiency.

Together, these efforts are expected to lead to more impact, the realisation of profitable growth within a challenging interest environment and ensure we can meet increasing regulatory requirements. We are confident that Triodos will be able to fulfil its frontrunner role to 'Change Finance' and help support our customers to deliver the positive change the world's sustainability challenges demand.

The geographical diversification of the loan portfolio contributes to a modest asset risk profile and therefore reduces the earnings volatility. As the COVID-19 pandemic continues and economic developments will remain uncertain, the build-up of the ECL provision may continue through the year 2021 in line with the IFRS requirements. However, as mentioned before we expect a shift in this ECL impairments build up towards increasing impairments in stage 3 (defaults) in favour of a release in stages 1 and 2.

Triodos Bank's capital and liquidity position is in line with internal target ratios and well above the regulatory minimum requirements. In the second half of the year Triodos Bank is expecting to receive guidance from the regulator about the new MREL[1] capital requirement, which results from the implementation of the guidelines on capital reserves set by the European Banking Authority (EBA) for banks in the Eurozone. This might result in additional funding costs.

The performance in the first six months provides a solid base for the remainder of 2021. We remain committed to our dividend policy, which under normal conditions aims to distribute to depository receipt holders a fair share of the profits realised. For the full year 2021, we plan to return to our long-term dividend policy, subject to the regulator withdrawing its dividend guidance.

In the short-term, our business customers might face economic challenges, especially if COVID-19 related government support schemes expire. However, in the medium and long term, we believe our customers are well positioned to be part of the economic recovery - more sustainable and socially inclusive - that is expected to emerge and to contribute tangible impact to our societies.

Zeist, 18 August 2021

Triodos Bank Executive Board

Jeroen Rijpkema, Chair
Carla van der Weerdt
André Haag

[1] MREL = the issuance and quality of the minimum requirement for own funds and eligible liabilities.

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Segment information

Segment income statement for the first half year 2021

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom
Material items of income and expense			
- Net interest income	42,044	20,353	20,370
- Investment income	-	-	-
- Net fee and commission income	20,440	3,811	1,412
- Net income from other financial instruments at FVTPL	-	-	-
- Other revenue	597	-	181
- Intercompany revenue	269	27	-78
Total segment revenue	**63,350**	**24,191**	**21,885**
Personnel and other administrative expenses	-45,935	-16,879	-15,096
Depreciation and amortisation	-278	-718	-561
Impairment losses on financial instruments	909	1,361	-724
Segment profit before tax	**18,046**	**7,955**	**5,504**
Taxation on operating result	-4,369	-1,995	-464
Net profit	**13,677**	**5,960**	**5,040**
Operating expenses/total income	73%	73%	72%

In segment Other, head office operations are included. These operations are charged to the other segments through the line item personnel and other administrative expenses.

Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
18,754	5,959	**107,480**	-50	-715	-	**106,715**
-	-	**-**	-	99	-	**99**
3,753	1,640	**31,056**	24,998	658	-	**56,712**
33	-	**33**	-	301	-	**334**
1,233	23	**2,034**	4	23	-	**2,061**
-331	3	**-110**	-	110	-	**-**
23,442	**7,625**	**140,493**	**24,952**	**476**	**-**	**165,921**
-18,560	-6,343	**-102,813**	-20,752	4,016	-	**-119,549**
-2,526	-249	**-4,332**	-93	-7,431	-	**-11,856**
-642	290	**1,194**	-2	-	-	**1,192**
1,714	**1,323**	**34,542**	**4,105**	**-2,939**	**-**	**35,708**
-308	-528	**-7,664**	-1,051	707	-	**-8,008**
1,406	**795**	**26,878**	**3,054**	**-2,232**	**-**	**27,700**
90%	86%	76%	84%			79%

Segment income statement for the first half year 2020

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom
Material items of income and expense			
- Net interest income	33,804	19,237	17,229
- Investment income	-	-	-
- Net fee and commission income	17,068	3,538	2,488
- Net income from other financial instruments at FVTPL	92	-	30
- Other revenue	49	-	31
- Intercompany revenue	392	-2	-156
Total segment revenue	**51,405**	**22,773**	**19,622**
Personnel and other administrative expenses	-39,822	-18,608	-14,079
Depreciation and amortisation	-373	-664	-515
Impairment losses on financial instruments	-2,740	-1,116	-1,230
Segment profit before tax	**8,470**	**2,385**	**3,798**
Taxation on operating result	-1,887	-875	-202
Net profit	**6,583**	**1,510**	**3,596**
Operating expenses/total income	78%	85%	74%

In segment Other, head office operations are included. These operations are charged to the other segments through the line item personnel and other administrative expenses.

	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
	17,283	5,598	**93,151**	-70	-1,087	-	91,994
	-	-	**-**	-	278	-	278
	3,946	673	**27,713**	22,408	693	-	50,814
	-	-	**122**	-	166	-	288
	114	16	**210**	3	33	-	246
	-249	-3	**-18**	-	674	-656	-
	21,094	**6,284**	**121,178**	**22,341**	**757**	**-656**	**143,620**
	-16,985	-5,837	**-95,331**	-18,559	1,129	656	-112,105
	-2,181	-247	**-3,980**	-275	-7,420	-	-11,675
	-6,498	-1,040	**-12,624**	-	-	-	-12,624
	-4,570	**-840**	**9,243**	**3,507**	**-5,534**	**-**	**7,216**
	1,044	110	**-1,810**	-902	1,167	-	-1,545
	-3,526	**-730**	**7,433**	**2,605**	**-4,367**	**-**	**5,671**
	91%	97%	82%	84%			86%

Selected assets and liabilities per segment 30 June 2021

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom
Loans and advances to customers	4,259,358	1,816,822	1,301,055
Number of loans	36,617	5,351	7,118
Total assets	**7,671,579**	**2,526,953**	**2,028,864**
Funds under management	880,825	1,034,259	-
Total assets under management	**8,552,404**	**3,561,212**	**2,028,864**
Deposits from customers	5,803,702	2,084,255	1,764,525
Number of accounts	460,425	85,242	91,124
Total liabilities	**7,147,215**	**2,300,303**	**1,814,892**
Average number of FTE's during the year	297	153	200

Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
1,712,915	628,261	9,718,411	-	-	-35,170	9,683,241
20,370	14,851	84,307	-	-	-2	84,305
2,748,731	**827,041**	**15,803,168**	**28,924**	**1,862,701**	**-2,117,801**	**15,576,992**
-	-	1,915,084	6,059,588	66,912	-880,825	7,160,759
2,748,731	**827,041**	**17,718,252**	**6,088,512**	**1,929,613**	**-2,998,626**	**22,737,751**
2,305,535	681,595	12,639,612	-	-	-13,740	12,625,872
198,996	43,579	879,366	-	-	-	879,366
2,554,475	**751,141**	**14,568,026**	**6,760**	**632,921**	**-857,819**	**14,349,888**
272	58	980	200	319		1,499

Selected assets and liabilities per segment 31 December 2020

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom
Loans and advances to customers	3,987,316	1,815,425	1,195,193
Number of loans	35,980	5,134	5,950
Total assets	**6,696,893**	**2,354,844**	**1,830,507**
Funds under management	791,061	845,356	
Total assets under management	**7,487,954**	**3,200,200**	**1,830,507**
Deposits from customers	5,271,173	2,082,155	1,577,467
Number of accounts	462,714	85,254	84,170
Total liabilities	**6,241,472**	**2,097,279**	**1,628,010**
Average number of FTE's during the year	269	144	188

Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
1,636,375	560,349	**9,194,658**	-	-	-37,948	**9,156,710**
20,540	14,124	**81,728**			-2	**81,726**
2,434,715	**787,177**	**14,104,136**	**33,122**	**1,782,579**	**-2,031,440**	**13,888,397**
		1,636,417	5,449,248	67,288	-791,061	**6,361,892**
2,434,715	**787,177**	**15,740,553**	**5,482,370**	**1,849,867**	**-2,822,501**	**20,250,289**
2,216,340	613,518	**11,760,653**	-	-	-13,446	**11,747,207**
201,016	34,223	**867,377**	-	-	-	**867,377**
2,245,571	**689,325**	**12,901,657**	**14,012**	**569,752**	**-805,236**	**12,680,185**
273	58	**932**	180	297		**1,409**

Interim condensed consolidated financial statements

Consolidated balance sheet

in thousands of EUR	Reference*	30.06.2021	31.12.2020
ASSETS			
Cash and cash equivalents		3,964,734	2,955,787
Loans and advances to banks		254,854	150,563
Loans and advances to customers	1	9,683,241	9,156,710
Debt securities at amortised cost	2	1,378,036	1,317,301
Investment securities		33,454	31,214
Intangible assets		47,702	45,763
Property and equipment		98,583	101,490
Investment property		10,804	10,914
Right-of-use assets		18,314	19,346
Non-trading derivatives		7,557	1,795
Deferred Tax Assets		14,049	14,864
Current tax receivable		1,644	1,764
Other assets		46,145	61,914
Non-current Assets Held for Sale		17,875	18,972
Total assets		**15,576,992**	**13,888,397**
LIABILITIES			
Deposits from banks	3	1,608,119	815,140
Deposits from customers	4	12,625,872	11,747,207
Lease liabilities		18,971	19,963
Non-trading derivatives		10,774	10,452
Deferred Tax Liabilities		5,742	4,337
Current tax liabilities		16,826	16,540
Other liabilities		53,005	55,794
Debt issued and other borrowed funds		6,691	6,368
Provisions		3,888	4,384
Total liabilities		**14,349,888**	**12,680,185**

in thousands of EUR	Reference*	30.06.2021	31.12.2020
EQUITY			
Share Capital		723,353	723,353
Share premium reserve		200,811	200,811
Translation reserve		-4,478	-4,385
Cost of hedging reserve		135	-55
Fair value reserve		-788	-2,025
Other reserve		45,985	43,806
Retained earnings		234,386	219,504
Result for the period		27,700	27,203
Equity		**1,227,104**	**1,208,212**
Total equity and liabilities		**15,576,992**	**13,888,397**
Contingent liabilities	5	75,241	73,104
Irrevocable facilities	6	1,877,349	1,936,333
		1,952,590	**2,009,437**

* Reference to the notes to the consolidated financial statements starting on page 34.

Consolidated profit and loss account

in thousands of EUR	Reference*	First half-year 2021	First half-year 2020
Income			
Interest income calculated using the effective interest method	7	118,104	104,734
Interest expense	8	-11,389	-12,740
Net interest income		**106,715**	**91,994**
Investment income	9	**99**	**278**
Fee and Commission income	10	62,175	52,862
Fee and Commission expense	11	-5,463	-2,048
Net fee and commission income		**56,712**	**50,814**
Net income from other financial instruments at FVTPL		334	288
Other income		2,061	246
Other income		**2,395**	**534**
Total income		**165,921**	**143,620**
EXPENSES			
Personnel expenses		74,444	69,263
Other administrative expenses **		45,105	42,842
Amortisation and value adjustments of intangible assets		5,750	5,194
Depreciation and value adjustments of property and equipment		6,106	6,481
Operating expenses		**131,405**	**123,780**
Impairment losses on financial instruments	12	-1,192	12,624
Total expenses		**130,213**	**136,404**

in thousands of EUR	Reference*	First half-year 2021	First half-year 2020
Operating result before taxation		**35,708**	**7,216**
Taxation on operating result **		-8,008	-1,545
Net profit		**27,700**	**5,671**
Average number of shares in circulation		14,218,233	14,260,146
Amounts in EUR			
Net profit per share ***		1.95	0.40

* Reference to the notes to the consolidated financial statements starting on page 34.
** The comparative figure has been adjusted due to a change regarding the timing in accounting for the banking tax in Belgium
*** The net profit per share is calculated by dividing the net profit by the average number of issued shares in circulation during the financial period

Consolidated statement of comprehensive income

in thousands of EUR	First half-year 2021	First half-year 2020
Net result	**27,700**	**5,671**
Items that will not be reclassified to profit or loss		
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	1,637	-4,782
Related tax	-400	974
Total items that will not be reclassified to profit or loss	**1,237**	**-3,808**
Other comprehensive income that will be reclassified to profit or loss		
Foreign operations – foreign currency translation differences	-93	-937
Foreign operations – Cost of hedging	190	-139
Total items that will be reclassified to profit or loss	**97**	**-1,076**
Total comprehensive income	**29,034**	**787**
Profit attributable to		
Owners of the Bank	27,700	5,671
Total comprehensive income attributable to		
Owners of the Bank	29,034	787
Amounts in EUR		
Other comprehensive income per share	2.04	0.05

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Consolidated statement of changes in equity

in thousands of EUR	Share capital	Share premium	Translation reserve
Equity as at			
31 December 2019	**720,088**	**198,626**	**-3,354**
Result for the period			
Foreign operations – foreign currency translation differences			-937
Net gain (loss) on hedges of net investments in foreign operations			
Equity investments at FVOCI – net change in fair value			
Total comprehensive income	**-**	**-**	**-937**
Increase of share capital	3,265	2,185	
Stock dividend	-	-	
Profit appropriation for previous financial year, addition to the other reserves			
Profit appropriation for previous financial year, dividend			
Transfer to other reserve for development costs			
Purchasing or sale of own depository receipts			
Equity as at			
30 June 2020	**723,353**	**200,811**	**-4,291**
Result for the period			
Foreign operations – foreign currency translation differences			-94
Net gain (loss) on hedges of net investments in foreign operations			
Conversion Visa shares			
Equity investments at FVOCI – net change in fair value			
Total comprehensive income	**-**	**-**	**-94**
Increase of share capital			
Transfer to other reserve for development costs			
Purchasing or sale of own depository receipts			
Equity as at			
31 December 2020	**723,353**	**200,811**	**-4,385**

Cost of hedging reserve	Fair value reserve	Other reserve	Retained earnings	Result for the period	Total equity
123	1,938	38,914	205,587	39,005	1,200,927
				5,671	5,671
					-937
-139					-139
	-3,808				-3,808
-139	-3,808	-	-	5,671	787
					5,450
					-
			39,005	-39,005	-
				-	-
		1,431	-1,431		-
			-19,974		-19,974
-16	-1,870	40,345	223,187	5,671	1,187,190
				21,532	21,532
					-94
-39					-39
	-303		303		-
	148				148
-39	-155	-	303	21,532	21,547
					-
		3,461	-3,461		-
			-525		-525
-55	-2,025	43,806	219,504	27,203	1,208,212

in thousands of EUR	Share capital	Share premium	Translation reserve
Equity as at			
31 December 2020	723,353	200,811	-4,385
Result for the period			
Foreign operations – foreign currency translation differences			
Net gain (loss) on hedges of net investments in foreign operations			-93
Equity investments at FVOCI – net change in fair value			
Total comprehensive income	-	-	-93
Increase of share capital	-	-	
Stock dividend	-	-	
Profit appropriation for previous financial year, addition to the other reserves			
Profit appropriation for previous financial year, dividend			
Transfer to other reserve for development costs			
Purchasing or sale of own depository receipts			
Equity as at			
30 June 2021	723,353	200,811	-4,478

Cost of hedging reserve	Fair value reserve	Other reserve	Retained earnings	Result for the period	Total equity
-55	-2,025	43,806	219,504	27,203	1,208,212
				27,700	27,700
					-
190					97
	1,237				1,237
190	1,237	-	-	27,700	29,034
					-
					-
			17,962	-17,962	-
				-9,241	-9,241
		2,179	-2,179		-
			-901		-901
135	-788	45,985	234,386	27,700	1,227,104

Consolidated cash flow statement

in thousands of EUR	First half-year 2021	First half-year 2020
Operating activities		
Net profit	27,700	5,671
Net profit adjustments for:		
Depreciation	6,106	6,481
Amortisation	5,750	5,194
Amortisation premium and discount debt securities	5,571	4,361
Impairment losses on financial instruments	-1,192	12,624
Interest expense on lease liabilities	-208	134
Revaluation participating debt (investment securities)	-218	237
Value adjustments property and equipment (incl. leases)	-29	-
Movements in provisions	-61	-230
Taxation on operation result	8,008	1,545
Tax paid	-14,899	-5,697
Cashflow from business operations	**36,528**	**30,320**
Changes in:		
Loans and advances to banks	-99,602	-65,747
Loans and advances to customers	-531,391	-391,546
Debt securities at amortised cost	-58,905	-356,674
Deposits from banks	792,979	123
Deposits from customers	878,665	793,083
Other operating activities	16,549	16,733
Net cash flows from operational activities	**1,034,823**	**26,292**
Investment activities		

in thousands of EUR	First half-year 2021	First half-year 2020
Investment in investment securities	-243	-
Investment in intangible assets	-7,689	-5,970
Investment in property and equipment	-1,409	2,987
Divestment in property and equipment	-	-
Cash flows from investment activities	**-9,341**	**-2,983**
Financing activities		
Payments of lease liabilities	-1,457	-1,926
Increase share capital	-	5,450
Payment of cash dividend	-9,241	-
Purchase of depository receipts of own shares	-901	-19,974
Cash flows from financing activities	**-11,599**	**-16,450**
Net change in cash and cash equivalents	**1,013,883**	**6,859**
Cash and cash equivalents at the beginning of the year	3,082,404	2,475,272
Effect of exchange rate fluctuations on cash and cash equivalents held	-244	300
Cash and cash equivalents at the end of the period	**4,096,043**	**2,482,431**
On demand deposits with central banks	3,964,734	2,334,287
On demand deposits with banks	131,309	148,144
Cash and cash equivalents at the end of the period	**4,096,043**	**2,482,431**

Notes to the interim condensed consolidated financial statements

General

Corporate information

Triodos Bank, having its legal address in Nieuweroordweg 1 in Zeist, The Netherlands, is a public limited liability company (N.V.) under Dutch law (Chamber of Commerce 30062415). 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.

Statement of compliance

The interim condensed consolidated financial statements (“the half year report”) have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union 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 Report of Triodos Bank NV as at 31 December 2020.

The interim condensed consolidated financial statements for the period ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 18 August 2021.

This half year report has been reviewed and not audited by the external auditor.

The pandemic has great impact on people, companies and the economy at large, including Triodos Bank. The expected impact for Triodos Bank relates to credit risk and has a downward effect on profitability. Measures to mitigate the operational risks are in place. Triodos Bank has a resilient capital base. Our capital and liquidity ratios currently remain well above the minimum required levels and are expected to stay above the minimum. Although the continuing impact of COVID-19 on result, liquidity and capital position remain unpredictable, based on the current knowledge and scenario analysis made there is currently no material uncertainty with respect to the financial condition of the company. Based on the aforementioned these interim condensed consolidated financial statements have been prepared on the basis of the going concern assumption.

Accounting policies

The accounting policies adopted are consistent with the Annual Report of Triodos Bank NV as at 31 December 2020.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in Euro, which is Triodos Bank’s functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with Triodos Bank's Annual Report for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. Triodos Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

These amendments had no impact on the interim condensed consolidated financial statements of Triodos Bank.

Change in accounting principles

During the first half year of 2021 no changes in accounting principles have been implemented by Triodos Bank.

Significant events and transactions

Expected credit losses

For financial instruments at amortised cost, Triodos Bank determines an expected credit loss to provide for any future credit losses. The current economic environment has been impacted by the COVID-19 pandemic, which has an impact on the credit risk of the financial instruments. The changes in credit risk result in changes in the measured expected credit losses.

General

In all countries where Triodos Bank operates, measures have been taken to facilitate companies and individuals in recovering from, or bridge the current social and economic circumstances caused by the COVID-19 pandemic. Clients of Triodos Bank have been provided with general moratoria, either through industry wide or government facilities. The exact measures differ per country. Additionally, for clients that face financial difficulties, Triodos Bank tries to meet client needs. These measures relate foremost to the Loans and advances to customers.

Significant increase in credit risk

Triodos Bank has made no changes to the internal rating process of determining if financial instruments have a significant increase in credit risk. Clients that make use of the general moratoria, which have been without any financial difficulties before the pandemic, are not considered to have a significant increase in credit risk or being forborn. When a moratorium expires, a client's rating will be revised. Clients that are or have been forborn or clients that are in financial difficulties requesting measures are transferred to stage 3, default (rating 14).

During 2020 and the first half year of 2021 several clients made use of general moratoria that were provided by Triodos Bank without any conditions. The use of these measures have helped clients in these uncertain times. Making use of general moratoria without conditions, is in itself not a trigger for significant increase in credit risk, but it could indicate a significant increase of credit risk. Triodos Bank assessed the usage of these moratoria in the different sectors within the portfolio and moved the clients of six sectors with a high dependency on these measures into Stage 2 in full during 2020. As the general moratoria and governmental facilities are still in effect, these sectors have remained in Stage 2.

Economic forecasts

Any impact of future outlook is calculated with the use of macro-economic scenarios. In developing these macro-economic scenarios Triodos Bank uses significant judgement. Triodos Bank has incorporated the current economic environment, including its expected future outlook into the macro-economic scenarios. This is done by using external market information and adding internal specific information. In these macro-economic scenario's, Triodos Bank has taken into account that some sectors are expected to be more impacted by the COVID-19 pandemic than others. Under normal circumstances the macro-economic scenarios are updated on a yearly basis.

One of the key assumptions in the ECL model is the forecasted GDP growth. The table GDP growth per recovery scenario provides the future outlook for the different scenarios defined by Triodos Bank.

Based on the 1.5 years experience that we gained during the COVID-19 pandemic, the weightings of the scenarios have been adjusted compared to the 2020 weightings. The 2020 weightings were recovery scenario 1 (55%), recovery scenario 2 (15%) and recovery scenario 3 (30%). Triodos Bank operates in different European countries, the following table provides for 2021 the GDP growth and the adjusted weight of each recovery scenario, representing these European countries.

The next table shows the GDP growth per recovery scenario.

	Weight	2021	2022	2023
Recovery scenario 1	50%	4.44%	4.36%	2.25%
Recovery scenario 2	25%	4.30%	5.30%	3.50%
Recovery scenario 3	25%	4.20%	5.30%	1.50%

Assets and liabilities

1 Loans and advances to customers

Loans and advances to customers can be specified as follows:

	30.06.2021	31.12.2020
Corporate loans	6,170,624	5,987,800
Mortgage lending	3,133,780	2,739,930
Municipality loans	240,729	332,713
Current accounts and credit cards	169,943	122,593
Interest receivable	17,972	19,358
Fair value hedge accounting	-101	5,286
Allowance for ECL	-49,706	-50,970
Total balance	**9,683,241**	**9,156,710**

EUR 166.2 million (2020: EUR 252.7 million) of the loans relates to loans to local authorities with a maximum original maturity of one year and one day.

The next tables present the changes in the allowance for expected credit losses for the balance sheet periods ended.

	30.06.2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	8,148	9,384	33,438	**50,970**
Net remeasurement of allowance for expected credit losses	-1,024	-2,034	1,656	**-1,402**
Of which:				
Effect of transition between stages	*44*	*30*	*217*	***291***
Macro-economic forward looking impact	*-1,903*	*-4,631*	-	***-6,534***
Update ECL model	*14*	*32*	-	***46***
Individual loan or advance behaviour	*821*	*2,535*	*1,439*	***4,795***
Net portfolio growth	239	510	-	**749**
Other transfers	-	-	-	**-**
Write-offs	-	-	-795	**-795**
Exchange rate differences	46	78	60	**184**
Total balance	**7,409**	**7,938**	**34,359**	**49,706**

	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	4,475	997	28,307	**33,779**
Net remeasurement of allowance for expected credit losses	1,814	7,167	10,217	**19,198**
Of which:				
Effect of transition between stages	*-1,559*	*5,301*	*-*	***3,742***
Macro-economic forward looking impact	*7,553*	*1,337*	*-*	***8,890***
Update ECL model	*-30*	*-27*	*-*	***-57***
Individual loan or advance behaviour	*-4,150*	*556*	*10,217*	***6,623***
Net portfolio growth	1,877	1,282	-	**3,159**
Other transfers	-	-	-696	**-696**
Write-offs	-	-	-4,287	**-4,287**
Exchange rate differences	-18	-62	-103	**-183**
Total balance	**8,148**	**9,384**	**33,438**	**50,970**

Triodos Bank uses three stages to classify the expected credit loss (hereafter “ECL”) for financial instruments. The ECL for stages 1 and 2 is determined by the probability of default, the loss given default and the exposure at default (hereafter "PD", "LGD", and "EAD") per exposure, which are determined with the use of a model that includes several drivers. These drivers can be client specific or based on macro-economic scenarios.

- Stage 1 includes the financial instruments that have (close to) similar credit risk since origination. For this category ECL is determined based on the PD, LGD, and EAD over the 12 months after balance sheet date.
- Stage 2 includes the financial instruments which have had a significant increase in credit risk since origination. The ECL for stage 2 is determined based on the PD, LGD, and EAD over the entire lifetime of the financial instrument.
- Stage 3 includes the financial instruments which are in default. The ECL for this stage is also determined over the entire lifetime, considering default specific scenarios.

The ECL provision represents an estimate of the expected credit loss over the current portfolio. The future development of the underlying parameters can influence this estimate positively (or negatively) leading to a decrease (or increase) of expected credit losses in future periods. If the economic growth is expected to develop positively in future periods, less defaults are expected in the future such that this will have a positive effect on the ECL and results in lower ECL provision for stage 1 and 2.

Newly originated financial instruments are initially included in Stage 1. Changes in ratings of clients may trigger classifications into different stages. When a rating declines significantly, the loan is transferred from Stage 1 to Stage 2. If the decline persists and the loan goes into default, it is subsequently moved into Stage 3. Furthermore, the defaults may be cured, and credit ratings may go up, such that loans can be transferred back to Stage 2 or Stage 1.

When the drivers of the PD and LGD are changed, the ECL amounts per financial instrument are recalculated. This is captured in the net remeasurement of allowance for expected credit losses. The net remeasurement can be broken down into multiple parameters that influence the PD and LGD:
1. Remeasurement in calculated ECL of individual loans which have transferred between stage 1 and stage 2.
2. Changes in forward looking macro-economic scenarios. And,
3. Changes in individual loan or advance behaviour such as changes in rating not triggering stage transfer or loan amount due to repayment.

The total ECL provision of EUR 51.0 million per 31 December 2020 decreased by EUR 1.3 million to EUR 49.7 million per 30 June 2021 due to a decrease in the Stage 1 and Stage 2 provision of EUR 2.2 million which is partially offset by an increase in Stage 3 of EUR 0.9 million. The decrease in Stages 1 and 2 is mainly caused by the decrease of EUR 6.4 million due to more favourable macro-economic forward looking parameters. This is partly offset by an increase of EUR 3.4 million due to changes in individual loan or advance behaviour which includes amongst others changes in credit ratings and exposure.

In 2020 because of the COVID-19 pandemic, the economic circumstances resulted in a large increase in the ECL provision, mainly in Stages 1 and 2. This increase in ECL provision was expected to move to the Stage 3 ECL provision in the first half year of 2021 once defaults due to the economic downturn would materialise. Although the Stage 3 ECL provision has shown a small increase of EUR 0.9 million in the first half year of 2021, defaults have generally been low. This seems to be the result of ongoing government support in the countries where Triodos Bank is active. Once the government support schemes expire, more defaults could potentially materialise. If this is the case, higher volumes of loans would move from Stages 1 and 2 to Stage 3. If these defaults do not materialise after government support schemes expire, and the economy continues to recover, the ECL provision in Stages 1 and 2 might be partially released.

The recorded Stage 3 ECL balance sheet provision is 0.35% of the total outstanding loans and advances to customers at 30 June 2021(31 December 2020: 0.36%).

2 Debt securities at amortised cost

The debt securities at amortised cost can be specified as follows:

	30.06.2021	31.12.2020
Dutch government bonds	69,825	69,983
Belgian government bonds	141,055	141,697
Spanish government bonds	52,458	63,209
United Kingdom government bonds	74,964	63,120
Other bonds	1,028,300	968,775
Interest receivable	10,560	9,434
Fair value hedge accounting	889	1,146
Allowance for ECL	-15	-63
Total balance	**1,378,036**	**1,317,301**

Triodos Bank invests additional funding in highly liquid debt securities when this cannot be converted yet in sustainable loans.

3 Deposits from banks

The deposits from banks can be specified as follows:

	30.06.2021	31.12.2020
Deposits from banks	65,809	66,965
Deposits from Central Bank (TLTROIII)	1,550,000	750,000
Interest payable	-7,690	-1,825
	1,608,119	**815,140**

The deposits from banks concern credits held by Kreditanstalt für Wiederaufbau, Germany and Landwirtschaftliche Rentenbanken, Germany for interest-subsidised loans in the renewable energy sector.

Triodos Bank entered into targeted longer-term refinancing operations III (hereafter 'TLTRO') with the ECB, for both tranches 5 (as of 30 September 2020) and 7 (as of 24 March 2021). The interest rate on the TLTRO depends on the lending volumes granted to corporates (excluding financial institutions) and households (excluding mortgages).

Under the conditions of the program, if a bank shows growth in its lending volumes equal to or above 0% between 1 March 2020 and 31 March 2021, the interest rate applied on all TLTRO operations outstanding over the period between 24 June 2020 and 23 June 2021 will be 50 basis points below the average interest rate on the Deposit Facility prevailing over the same period, and in any case not higher than -1%. This additional interest rate has been extended on 10 December 2020 for 12 months ending on 23 June 2022. Growth in lending volumes for the additional period is required to be equal or above 0% between 31 October 2020 and 31 December 2021. The amount of interest to be recognised on the TLTRO depends on a reasonable expectation of whether the conditions will be met over the life of the loan. Conditions for the periods ending on 31 March 2021 have been met and for the additional period ending on 31 December 2021 Triodos Banks expects that the conditions will be met with a high probability. Interest on TLTRO is presented as part of net interest income.

Deposits from banks classified by residual maturity:

	30.06.2021	31.12.2020
Payable on demand	1,279	87
1 to 3 months	4,691	-
3 months to 1 year	1,545,236	753,067
1 to 5 years	9,712	13,378
Longer than 5 years	47,201	48,608
	1,608,119	**815,140**

4 Deposits from customers

The deposits of customers can be specified as follows:

	30.06.2021	31.12.2020
Savings accounts	8,232,778	7,762,988
Other funds entrusted	4,390,826	3,979,681
Interest payable	2,268	4,538
Total balance	**12,625,872**	**11,747,207**

Deposits from customers increased by EUR 879 million in the first half year of 2021. This has a positive impact on the liquidity of Triodos Bank.

Savings are defined as:
- savings accounts (with or without notice) of natural persons and non-profit institutions.
- fixed term deposits of natural persons and non-profit institutions.

Other funds entrusted are defined as:

- current accounts of natural persons and non-profit institutions.
- all accounts of governments, financial institutions (excluding banks) and non-financial corporations.

Deposits from customers classified by residual maturity:

	30.06.2021			31.12.2020		
	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	7,503,258	4,125,638	**11,628,896**	7,032,403	3,703,255	**10,735,658**
1 to 3 months	300,256	185,941	**486,197**	300,844	193,933	**494,777**
3 months to 1 year	260,197	38,224	**298,421**	241,029	37,005	**278,034**
1 to 5 years	140,902	36,678	**177,580**	162,358	41,743	**204,101**
Longer than 5 years	29,738	5,040	**34,778**	29,457	5,180	**34,637**
	8,234,351	**4,391,521**	**12,625,872**	**7,766,091**	**3,981,116**	**11,747,207**

Off-balance sheet liabilities

5 Contingent liabilities

Triodos Bank has the following contingent liabilities:

	30.06.2021	31.12.2020
Credit substitute guarantees	23,005	41,009
Non-credit substitute guarantees	52,236	32,095
	75,241	**73,104**

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

Non-credit substitute guarantees are guarantees to customers for all other obligations of these customers to third parties. For example:
- Obligations to purchase sustainable goods, such as wind turbines.
- Obligations to decommission equipment or reinstate property (mostly related to project finance provided by Triodos Bank).

Part of the credit substitute guarantees and non-credit substitute guarantees are secured by blocked accounts for the same amount.

6 Irrevocable facilities

Irrevocable facilities relate to liabilities in respect of irrevocable undertakings, which may lead to a further loan.

Triodos Bank has the following irrevocable facilities:

	30.06.2021	31.12.2020
Undrawn debit limits on current accounts and credit cards	336,726	385,280
Accepted loans not yet paid out	1,404,538	1,442,923
Valid loan offers not yet accepted	135,382	107,634
Other facilities	703	496
	1,877,349	**1,936,333**

Profit and loss account

7 Interest income calculated using the effective interest method

The interest income can be specified as follows:

	30.06.2021	30.06.2020
Loans	103,632	97,749
Banks	228	405
TLTRO III	5,849	-
Interest-bearing securities	5,322	5,437
Other investments	4	90
Negative interest expense other	3,069	1,053
Total interest income calculated using the effective interest method	**118,104**	**104,734**

8 Interest expense

The interest expense can be specified as follows:

	30.06.2021	30.06.2020
Deposits from customers	-3,050	-6,770
Subordinated liabilities	-131	-
Deposits from banks	-595	-604
Negative interest income banks	-5,868	-3,369
Other	-1,725	-1,203
Negative interest income other	-20	-794
Total interest expense	**-11,389**	**-12,740**
Net interest income	**106,715**	**91,994**

9 Investment income

The investment income can be specified as follows:

	30.06.2021	30.06.2020
Dividend from other participations	99	278
Total investment income	**99**	**278**

10 Fee and commission income

The fee and commission income can be specified as follows:

	30.06.2021	30.06.2020
Transaction fee securities	615	1,199
Payment transactions	17,718	14,918
Lending	6,219	6,235
Asset Management	4,401	3,232
Management fees	29,619	24,116
Financial guarantee contracts and loan commitments	393	312
Other commission income	3,210	2,850
Total fee and commission income	**62,175**	**52,862**

11 Fee and commission expense

The fee and commission expense can be specified as follows:

	30.06.2021	30.06.2020
Commission to agents	-65	-57
Asset Management	-2,577	-400
Other commission expense	-2,821	-1,591
Total fee and commission expense	**-5,463**	**-2,048**
Net fee and commission income	**56,712**	**50,814**

12 Impairment losses on financial instruments

The impairment losses on financial instruments can be specified as follows:

	30.06.2021	30.06.2020
Allowance for expected credit losses	-1,134	12,339
Modification result	-70	63
Other impairments financial instruments	12	222
Total impairment losses on financial instruments	**-1,192**	**12,624**

The allowance for expected credit losses are related to the credit risk in the financial instruments as presented on the balance sheet. The below table provides a reconciliation between the recorded movement in allowance per financial instrument and the recorded loss in the profit and loss account, shown per Stage:

	30.06.2021			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks	2	-	-	2
Loans and advances to customers	-785	-1,524	1,656	-653
Debt securities at amortised cost	-48	-	-	-48
Financial guarantees	6	-	-	6
Loan commitments issued	-176	-265	-	-441
Total allowance for expected credit losses	**-1,001**	**-1,789**	**1,656**	**-1,134**

	30.06.2020			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks	4	-	-	4
Loans and advances to customers	6,344	937	4,304	11,585
Debt securities at amortised cost	-12	-	-	-12
Other assets	-28	-	-	-28
Financial guarantees	-3	-	-	-3
Loan commitments issued	669	124	-	793
Total allowance for expected credit losses	**6,974**	**1,061**	**4,304**	**12,339**

Capital

Share capital

The equity stated on the consolidated balance sheet is equal to that stated on the parent company balance sheet. The authorised capital amounts to EUR 1.5 billion and is divided into 30 million ordinary shares, each with a nominal value of EUR 50. At 30 June 2021, there were 14,467,056 ordinary shares (31 December 2020: 14,467,056 shares), each of EUR 50, issued to and fully paid up by Stichting Administratiekantoor Aandelen Triodos Bank. As at the same date, Stichting Administratiekantoor Aandelen Triodos Bank had also issued 14,467,056 depository receipts (31 December 2020: 14,467,056 depository receipts), each with a nominal value of EUR 50.

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. More details on capital ratios are included in the Pillar 3 report which can be found on the internet site of Triodos Bank.

The movement of the shares is as follows:

	30.06.2021	31.12.2020
Number of shares as at 1 January	14,467,056	14,401,765
Increase of share capital	-	65,291
Stock dividend	-	-
Number of shares	**14,467,056**	**14,467,056**

Dividends

The following table presents any dividends paid:

	30.06.2021	30.06.2020
Dividends paid during the half-year	**9,241**	**-**

Other disclosures

Fair values of financial instruments

Valuation models

Triodos Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

Triodos bank determines the fair value of its financial instruments using the following bases. The fair value of listed debt securities at amortised cost is the market value. The fair value of unlisted debt securities at amortised cost is public quoted information if available or nominal value. The fair value of loans and advances to banks, lease liabilities, deposits from banks, deposits from customers and debt issued and other borrowed funds has been determined by calculating the net present value of expected interest and redemption cash flows, taken into account market interest rates as at the end of the year. The fair value of loans and advances to customers (including mortgages) has been determined by calculating the net present value of the interest and redemption cash flows, cash flows,taken into account expected prepayment behavior. The net present value is calculated by using market data, i.e. zero coupon rates, as at the end of the year, which are adjusted with a Triodos Bank-specific spread. The spread is based on the expected margin the business units expect to make over the market base rates in the coming years on their production of business loans and mortgages. Part of the corporate loans and mortgages include caps and/or floors on the interest rates. The fair value of the other asset and liabilities are assumed to be equal to the balance sheet value.

Investments securities comprise participating interests and debt where no significant influence can be exercised and are carried at fair value through either comprehensive income or profit and loss. In the case of an investment security 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 an investment security 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 independent auditor, interim financial information from the institution and any other relevant data provided to Triodos Bank.

Derivatives held for risk management are carried at fair value through profit and loss. These instruments are split between interest rate swaps and foreign exchange rate forward contracts. The interest rate swaps are valued using the appropriate discount curve to calculate the net present value of expected cash flows under the contracts. This curve is openly observable from market data. The foreign exchange rate forward contracts are valued using the forward exchange rate for the corresponding currency, as observable from market data.

Financial instruments measured at fair value - Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. There were no transfers between Level 1 and Level 2 or Level 2 and Level 3 of the fair value hierarchy in the first half year of 2021 and the year ended 31 December 2020.

30.06.2021	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management				
Interest rate	-	6,077	-	6,077
Foreign exchange	-	1,480	-	1,480
Total derivative assets held for risk management	**-**	**7,557**	**-**	**7,557**
Investment securities				
Equities	10,253	13,510	4,880	28,643
Debt	-	4,451	360	4,811
Total investment securities	**10,253**	**17,961**	**5,240**	**33,454**
Derivative liabilities held for risk management				
Interest rate	-	6,158	-	6,158
Foreign exchange	-	4,616	-	4,616
Total derivative liabilities held for risk management	**-**	**10,774**	**-**	**10,774**

31.12.2020	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management				
Interest rate	-	24	-	24
Foreign exchange	-	1,771	-	1,771
Total derivative assets held for risk management	**-**	**1,795**	**-**	**1,795**
Investment securities				
Equities	8,601	13,694	4,458	26,753
Debt	-	4,150	311	4,461
Total investment securities	**8,601**	**17,844**	**4,769**	**31,214**
Derivative liabilities held for risk management				
Interest rate	-	6,344	-	6,344
Foreign exchange	-	4,108	-	4,108
Total derivative liabilities held for risk management	**-**	**10,452**	**-**	**10,452**

Level 3 valuations relate to investment securities which are valued at fair value through other comprehensive income and fair value through profit and loss. Total fair value changes recognised in OCI amount to EUR 1,637 thousand (first half year of 2020: EUR -4,782 thousand). Total fair value changes recognised in profit and loss account amount to EUR 334 thousand (first half year of 2020: EUR 237 thousand). All level 3 movements in fair values relate to changes in the NAV of the investments.

Financial instruments not measured at fair value

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

30.06.2021	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Value
Assets					
Debt securities at amortised cost	1,274,132	115,101	-	**1,389,233**	1,378,036
Loans and advances to banks	-	-	255,327	**255,327**	254,854
Loans and advances to customers	-	-	9,809,972	**9,809,972**	9,683,241
Liabilities					
Deposits from banks	-	-	1,609,589	**1,609,589**	1,608,119
Deposits from customers	-	-	12,720,112	**12,720,112**	12,625,872
Debt issued and other borrowed funds	-	-	7,336	**7,336**	6,691
Lease liabilities	-	-	22,553	**22,553**	18,971

31.12.2020	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Value
Assets					
Debt securities at amortised cost	1,221,053	119,160	-	**1,340,213**	1,317,301
Loans and advances to banks	-	-	150,601	**150,601**	150,563
Loans and advances to customers	-	-	9,395,422	**9,395,422**	9,156,710
Liabilities					
Deposits from banks	-	-	813,457	**813,457**	815,140
Deposits from customers	-	-	11,935,701	**11,935,701**	11,747,207
Debt issued and other borrowed funds	-	-	7,194	**7,194**	6,368
Lease liabilities	-	-	24,182	**24,182**	19,963

Fair value of the cash and cash equivalents approximates the total carrying amount as they are on demand balances and therefore not included in the above table.

Deposit guarantee scheme and investor compensation scheme

The deposit guarantee scheme and the investor compensation scheme is applicable as stated in Article 3:259 of the Financial Supervision Act in the Netherlands. From May 2019 the funds entrusted from the United Kingdom are insured under the Financial Services Compensation Scheme as defined by the Financial Services and Markets Act 2000 in the United Kingdom. The funds entrusted insured under the deposit guarantee scheme in the Netherlands amounts to EUR 8,788 million (2020: EUR 8,166 million) and in the United Kingdom EUR 1,257 million (GBP 1,073 million, 2020: EUR 1,099 million, GBP 985 million). In 2016 the annually ex-ante contribution to the Deposit Guarantee Fund started in the Netherlands in order to reach a target level of 0.8% of the insured funds entrusted in The Netherlands in 2024. The contribution to the Deposit Guarantee Fund amount to EUR 6.8 million for the first half year of 2021.

Subsequent events

Subsequent events

There are no subsequent events that are of material nature to the interim condensed financial statements.

Review report

To: the executive board and the supervisory board of Triodos Bank N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2021 of Triodos Bank N.V., Zeist, which comprises the consolidated balance sheet as at 30 June 2021, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period then ended and the selected explanatory notes. The executive board is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. 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 for the six-month period ended 30 June 2021 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 18 August 2021
PricewaterhouseCoopers Accountants N.V.
M.D. Jansen RA

Addresses

Triodos Bank N.V. International Head Office

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

Triodos Investment Management B.V.

Landgoed De Reehorst
Hoofdstraat 10, Driebergen-Rijsenburg
PO Box 55
3700 AB Zeist, The Netherlands
Telephone +31 (0)30 693 65 00
www.triodos-im.com

Banking activities

The Netherlands

Landgoed De Reehorst
Hoofdstraat 10, Driebergen-Rijsenburg
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
Nieuwewandeling 62 (bus 7)
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, United Kingdom

London Regional office
5th Floor,
20 Old Bailey,
EC4M 7LN,
London, United Kingdom

Germany

Falkstraße 5
60487 Frankfurt am Main, Germany
Telephone +49 (0)69 717 19 100
www.triodos.de

Berlin Regional office
Paul-Lincke-Ufer 41
10999 Berlin, Germany
Telephone: +49 (0)30 206 414 930

Spain

c/ José Echegaray 5-7
Parque Empresarial Las Rozas
28232 Las Rozas, Madrid, Spain
Telephone +34 (0) 900 82 29 82
www.triodos.es

A Coruña office
Avda. Finisterre 25
15004 A Coruña, Spain

Albacete office
c/ Francisco Fontecha, 5
02001 Albacete, Spain

Badajoz office
Avda. de Fernando Calzadilla, 1
06004 Badajoz, Spain

Barcelona office
Avda. Diagonal 418 bajos
08037 Barcelona, Spain

Bilbao office
c/ Lersundi 18
48009 Bilbao, Spain

Girona office
Pça. Catalunya 16
17004 Girona, Spain

Granada office
c/ Gran Vía de Colón 29
18001 Granada, Spain

Las Palmas de G.C. office
c/ Manuel González Martín 2
35006 Las Palmas de Gran Canaria, Spain

Madrid office
c/ Mártires Concepcionistas, 18
esq,. Ortega y Gasset
28006 Madrid

Málaga office
c/ Córdoba 9
29001 Málaga, Spain

Murcia office
Avda. de la Libertad s/n
30009 Murcia, Spain

Oviedo office
c/ Cabo Noval 11
33007 Oviedo, Spain

Palma de Mallorca office
Avda. de Portugal 5
07012 Palma de Mallorca, Spain

Pamplona office
Avda. del Ejército 30
31002 Pamplona, Spain

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

Sevilla office
c/ Marqués de Paradas 24
41001 Seville, Spain

Valencia office
c/ del Justícia 1
46003 Valencia, Spain

Valladolid office
Acera de Recoletos 2
47004 Valladolid, Spain

Zaragoza office
Avda. César Augusto 23
50004 Zaragoza, Spain