Triodos Bank

Half year report 2020

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 2020
Triodos Bank N.V.

Key figures

amounts in millions of EUR	30 June 2020	31 December 2019
Financial		
Common equity Tier 1	1,103	1,003
Equity	1,186	1,199
Funds entrusted	11,487	10,694
Loans	8,585	8,206
Balance sheet total	12,877	12,080
Funds under management**	5,709	5,671
Total assets under management	**18,586**	**17,751**
Common equity Tier 1 ratio	19.7%	17.8%
Leverage ratio	8.1%	8.5%
Per share (in EUR)		
Net asset value at the end of the period	83	83
Number of depository receipt holders	46,337	44,401
Number of accounts – retail	879,961	830,816
Number of accounts – business	76,454	77,984
Social		
Number of co-workers at the end of the period	1,524	1,493

amounts in millions of EUR	First half-year 2020	First half-year* 2019
Total income	143.6	143.0
Operating expenses	-122.4	-116.6
Impairment losses on financial instruments	-12.6	-2.0
Operating result before taxation	8.6	24.4
Taxation on operating result	-1.9	-6.3
Net profit	**6.7**	**18.1**
Operating expenses/total income	85%	81%
Per share (in EUR)		
Net profit***	0.47	1.35

* For comparative purposes regarding the adoption of IFRS, prior year amounts have been adjusted. For further explanation see the 2019 Pro forma IFRS consolidated financial statements.

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

*** 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

A global pandemic that changes everything

Triodos Bank started 2020 expecting a stable development of the business, building on the solid results of 2019. By end of February, however, the world was facing one of the biggest pandemics in recent times. As the coronavirus pandemic spread, governments announced increasing measures restricting freedom of movement, resulting in the World Health Organisation declaring a pandemic on 11 March 2020.

Response to the COVID-19 pandemic

As the pandemic manifested itself, our first priority was the health and safety of our co-workers and being able to guarantee continuity of our systems, so customers could continue to use our services and reach us in the ways that they are used to.

Maintaining our business operations is critical to the continuation of services to our customers. With the outbreak of COVID-19 at the beginning of this year, the bank's contingency plan was activated to address the evolving situation and to define measures for Triodos entities in all countries. These measures included identifying back-ups for critical functions, safeguarding the stability of the bank infrastructure and enhancing our IT capacity.

Almost all our co-workers were able to work from home within a few days and the systems worked without any major problems. For more than 80% of the co-workers remote working was established using the equipment anticipated for these purposes.

Across our branch network, the bank complied with national COVID-19 guidelines on health and safety measures, leading to the limitation of the number of customers that can visit our branches and switching from face-to-face meetings to digital customer interaction. The bank's business operations and service offer remained stable throughout.

Special attention went to our credit customers. We have been in close contact with most business customers to assess their immediate needs as a result of the crisis. Furthermore, we have been liaising with other banks, governments and regulators to discuss measures that could be effective to support business, particularly Small and Medium-sized Enterprises.

The support measures taken by the different governments vary, but everywhere large amounts of money have been made available to support income or debt of entrepreneurs and citizens. Triodos Bank has been doing its utmost to support customers, fostering their economic resilience during the crisis by applying government measures and facilitating repayment holidays and payment deferrals.

Exceptional times require exceptional measures

As the scale of the crisis was spreading across the globe, economic outlooks worsened and financial markets became very volatile. We therefore had to take some exceptional decisions. On 18 March 2020 we took the decision to suspend the possibility to buy and sell Triodos Bank depository receipts.

In the weeks prior to suspending trade, we observed an increasing gap between purchases and sales, most likely because investors responded to the global uncertainty and disruption to markets. The amount of depository receipts Triodos Bank had to retain was growing. There is, however, a regulatory limit to the amount of depository receipts Triodos Bank can retain. When two thirds of the maximum regulatory amount for repurchase was used, we decided to suspend trading until the effects of COVID-19 and the impact on the economy and financial markets become clearer and uncertainty will decrease.

The suspension of trade triggered questions of stakeholders about possible alternatives for the current depository receipt pricing and trading mechanics. We confirmed that the way our business model is designed, and our capital is held and acquired stems from a deliberate choice made when the bank was founded. The aim of the organisation is to serve the mission of Triodos Bank, using money consciously to create positive development in society, with an emphasis on social, environmental and cultural renewal and long-term value. Capital is raised through offering depository receipts which are traded at a price derived from the Net Asset Value of the business. Trade takes place through a platform Triodos Bank maintains, instead of offering shares through an external trading platform. This way of working prevents market speculation and short-term thinking, as this would not be in line with the bank's mission. For the past forty years this model has worked well, and the value of the depository receipts has evolved steadily.
The Executive Board decided on 1 April 2020 to withdraw the dividend proposal which was published in the 2019 Annual Report. Initially, the proposal was to distribute 50% of the profit for 2019 as a dividend. Considering the uncertainty of the wider impact of COVID-19 on society and the economy at large, the Supervisors (ECB and DNB) strongly advised banks to provide a clear signal to the public that they would make maximum efforts to ensure the continuity of lending and to retain prior year's profits until the extent of the crisis is known. Triodos Bank, which is embedded in the Dutch and European financial sector, decided to adhere to this request and allocated the 2019 profits to the capital of the bank. 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.

IFRS-9 and the Expected Credit Loss-Model

With the introduction of International Financial Reporting Standards (IFRS) at the beginning of this financial year, Triodos Bank had to apply initial and subsequent measurement rules in line with the underlying IFRS framework. Consequently, Triodos Bank applied the 'Expected Credit Loss' (ECL) model in line with IFRS-9 to all loans and debt securities. The ECL model calculates credit risk costs by anticipating potential credit losses in future periods for performing loans (stages 1 and 2) and loans in default (stage 3). This calculation results in an ECL provision recorded in our financial results.
The underlying ECL calculation parameters and the overall ECL provision are closely monitored and updated on a monthly basis. The calculation for ECL stages 1 and 2 for 'potential future credit losses' (not yet incurred) are particularly sensitive to forward-looking macroeconomic parameters like gross domestic product, unemployment rate, house prices etc. for the countries in which Triodos Bank is active. Per end of June 2020, these parameters resulted in a higher anticipated credit risk and therefore a higher ECL provision with as a consequence downward impact on the profitability of the bank. A change in the forward-looking ECL parameters could also positively impact the overall ECL provision of Triodos Bank, should underlying parameters develop more favourably. Further details can be found in the 'Financial results' section within this chapter.

Rebalance the economy

The coronavirus crisis has brought other issues to the fore, highlighting the structural weaknesses in the contemporary global social economic system. Climate change and particularly the loss of biodiversity contribute to our broken relationship with nature. The crisis exposes significant societal inequality, leaving many more affected than others by the pandemic – economically or health-wise – and it has laid bare fundamental flaws in the way we have organised our economy in our unrelenting efforts to strive for economic growth.

We strongly believe that the corona crisis is also an opportunity for a reset of the economy. Making it more sustainable and fairer. Reconnecting finance and the real economy and being able to rebalance social, ecological and economic values are crucial for the recovery.

In its recently published vision document 'Reset the economy', Triodos Bank has stressed the need for a transition to an economy that is more resilient, more sustainable and more socially inclusive. Our aim in this vision document is to map a pathway for a resilient and inclusive recovery, once coronavirus has been sufficiently contained.

Since its inception forty years ago, Triodos Bank has been part of this new economy and has helped shape it. Now is the time to scale-up and accelerate. Opportunities exist for companies and initiatives that understand what coronavirus teaches us to strive for: sustainable and more local food production; much more attention to biodiversity; and also social inclusion, new forms of cooperation that make this possible. We see that more and more people, especially in the communities we are part of, recognise the opportunity for transformation and are willing to embrace new economic and social models.

Our stakeholders want us to be at the forefront of the development that is needed for renewal. Triodos Bank and the projects and businesses we finance have been pioneers and frontrunners in the field. What we have learned, our insights, will be shared and enriched by the experiences of others. We are very well positioned to make a significant step forward and to be a key player in rebalancing the economy towards a more sustainable future.

In this context of economic hardship for some of our customers and of opportunities for the new economy, Triodos Bank will continue to support clients who are affected by the economic crisis and at the same time continue to play the role of financier and participate in the transition to a more sustainable economy. This role fits seamlessly with our strategic agenda, aimed at the themes of food & agriculture, energy & climate and social inclusion. Coronavirus has made it only more urgent.

Financial results

Total assets under management increased by EUR 835 million in the first six months of 2020 to EUR 18.6 billion at the end of June 2020. This increase of assets under management was primarily driven by a strong increase of our balance sheet by EUR 797 million in the first half year to EUR 12.9 billion per 30 June 2020 (end of 2019: EUR 12.1 billion) and slightly improved funds under management by EUR 38 million to 5.7 billion at the end of June 2020 (end of 2019: EUR 5.7 billion).

The increase of liabilities on our balance sheet was mainly driven by strong inflows of funds entrusted of EUR 793 million in the first half to EUR 11.5 billion per end of June 2020 (end of 2019: EUR 10.7 billion). Our capital position was stable compared with previous year: EUR 1.2 billion per end of June 2020 (end of 2019: EUR 1.2 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 379 million in the first half year to EUR 8.6 billion at the end of June 2020 (end of 2019: EUR 8.2 billion), lending to businesses which are creating positive change in energy and climate, food and agriculture and social inclusion. The remainder of the additional funding (EUR 352 million) was invested primarily in highly liquid debt securities, in the first six months of 2020 and resulted in an increase in the cash position of EUR 64 million.

The strong inflow of funds entrusted is also reflected in our loans-to-funds entrusted ratio, which stands at 74.7% at the end of June 2020 (end of 2019: EUR 76.7%). Triodos Bank aims to lend between 70% and 80% of funds entrusted.

In the first half of 2020, the provision for Expected Credit Losses (ECL) was materially impacted by the effects of COVID-19. The ECL provision was recalculated in line with the subsequent measurement rules under IFRS 9, by considering forward-looking macroeconomic parameters. The provision for expected credit losses on loans and advances to customers was increased by EUR 8.9 million over the first six months to EUR 42.6 million per end of June 2020. 87% of this provision increase was related to ECL stages 1 and 2 for anticipating potential credit losses in future periods but not actual incurred losses. The calibration of this provision is carried out continuously, considering the changed forward-looking macroeconomic parameters, as well as changes to support measures taken by governments and regulators and the creditworthiness of our clients in our loan portfolio.

Triodos Bank recorded a net profit of EUR 6.7 million for the first half year 2020, which is EUR 11.4 million below the same period of prior year. This significant reduction of the bank's net profit compared to the same period last year was primarily driven by substantially increased loan impairments of EUR 12.6 million over the first six months of the year due to accounting for the overall ECL provision, in line with accounting rules. The main contributor to the increase of the ECL provision in 2020 were loans that are classified in so-called ECL stages 1 and 2, which are sensitive to forward-looking macroeconomic parameters and are negatively affected by the COVID-19 crisis.

The bank's total income per end of June 2020 of EUR 143.6 million is slightly above prior year level (first half 2019: EUR 143.0 million). The bank's interest income was slightly above the prior year level due to an increase of loan volumes. Income was pressured by declining margins as a result of the historically low interest environment in Europe. The commission income was below prior year level mainly driven by a non-recurring item which took place in the first half year of 2019.

Total operating expenses (excluding loan impairments and valuation effects) came to EUR 122.4 million in the first six months of 2020 (first half 2019: EUR 116.6 million). The expenses in the first half of this year include additional costs related to the impact of COVID-19 measures. Cost-Income-Ratio was at 85% for the first half year 2020 (first half 2019: EUR 82%) .

Resilient capital and liquidity position

Triodos Bank pursues a healthy capital position, which supports growth in our main business areas and creates sustainable impact in line with our mission. With the emerging 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 temporary suspension of the depository receipt trading in the first quarter, the depository receipt capital remained stable per end of June 2020. This resulted in a capital position of EUR 1.2 billion at the end of June 2020.
The reopening of trade in depository receipts is anticipated shortly, subject to the regulatory approval of the updated prospectus.

In the first half of this year the bank's Common Equity Tier 1 ratio was strengthened due to the withdrawal of the dividend proposal for 2019 and the introduction of the improved 'SME and Infrastructure supporting factors' within the amended Capital Requirements Regulation II (CRR II) framework. The amendment of the CRR II requirements came into effect when the 'Regulation (EU) 2020/873 of the European Parliament and of the Council' was published on the 24th of June 2020. This resulted in an increase of the Common Equity Tier 1 ratio to 19.7% per end of June 2020 (end of 2019: EUR 17.8%). This ratio is well above the regulatory requirement and above our internal minimum target.

The bank's overall liquidity position has remained solid throughout. The group's Liquidity Coverage Ratio (LCR) was 205% at the end of June 2020, well above the regulatory requirements.

Triggered by the COVID-19 crisis, central banks announced anti-crisis packages, further increasing the availability of liquidity in the markets. Triodos Bank increased the frequency of liquidity monitoring and reporting. Triodos Bank takes a proactive approach to its liquidity management, ensuring the balance between liquid and illiquid assets is optimised in the context of the COVID-19 challenges.

Triodos Bank in 2020

The growth and profit development in future periods depend on many uncertainties, like the scale and duration of the COVID-19 pandemic and possible future lockdown measures across Europe.

Triodos Bank has implemented various measures and will continue closely monitoring developments to safeguard the bank's operations and to ensure business continuity towards clients. Our capital and liquidity position is expected to remain robust and resilient, in line with internal target ratios and well above the regulatory minimum requirements.

The banking sector continues to be faced with increased regulations and persistently low interest rates. Due to a tightening interest margin we have decided to charge for services that we used to be able to pay out of the interest margin. In several countries we have updated our product pricing to address these market circumstances.

Our overall loan portfolio benefits from geographical diversification and reflects modest asset risk, which underpin sustained profit generation and low earnings volatility. However, the coronavirus crisis is presenting new challenges and uncertainties, as governments and economies are adjusting to rapidly evolving local and regional pandemic spread and subsequent containment measures. Therefore, it is yet uncertain to what extent returns in the second half of this year get partially offset by increased risk costs, due to a recalibration of the provision for expected credit losses but also due to potential additional cost related to COVID-19.

In the short-term, customers will face economic challenges, especially if COVID-19 related government support schemes expire. However, in the medium and long term, we believe our customers – and therefore Triodos Bank itself – are well positioned to be part of the economic recovery, more sustainable and social inclusive, that is expected to emerge.

Triodos Bank expects to grow its bank balance sheet modestly, maintaining a stable loan to deposit ratio and the ambition to grow its fee income over time by growing the activities of Triodos Investment Management. We will continue to improve our business model, becoming less dependent on interest margins in a very low interest rate environment in Europe and balance increased regulatory costs with efficiency measures. Triodos Bank has started a cost reduction programme to improve the total cost base.

The bank will focus on positive impact, a fair return and a moderate risk appetite regarding its loans and investments. Triodos Bank will seek out frontrunners in their fields; and finance the entrepreneurs who are developing the sustainable industries of the future.

Our priority in the second half of the year 2020 is to navigate the bank through the COVID-19 crisis and to focus on the effective execution of our corporate strategy, ensuring we fulfil our role as frontrunner in responsible finance whilst generating maximum impact and a profit in line with our goals.

Zeist, 20 August 2020

Triodos Bank Executive Board
Peter Blom, Chair
Jellie Banga, Vice-Chair
André Haag
Carla van der Weerdt

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Segment information

Segment income statement for the first half year 2020

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
Material items of income and expense										
- Net interest income	34,196	19,235	17,073	17,034	5,595	93,133	-70	-1,069		91,994
- Investment income								278		278
- Net fee and commission income	17,068	3,538	2,488	3,946	673	27,713	22,408	693		50,814
- Net income from other financial instruments at FVTPL	92		30			122		166		288
- Other revenue	49		31	114	16	210	3	33		246
- Intercompany revenue								656	-656	
Total segment revenue	**51,405**	**22,773**	**19,622**	**21,094**	**6,284**	**121,178**	**22,341**	**757**	**-656**	**143,620**
Personnel and other administrative expenses	-39,822	-17,279	-14,079	-16,985	-5,837	-94,002	-18,559	1,129	656	-110,776
Depreciation and amortisation;	-373	-664	-515	-2,181	-247	-3,980	-275	-7,420		-11,675
Impairment losses on financial instruments	-2,740	-1,116	-1,230	-6,498	-1,040	-12,624				-12,624
Segment profit before tax	**8,470**	**3,714**	**3,798**	**-4,570**	**-840**	**10,572**	**3,507**	**-5,534**		**8,545**
Taxation on operating result	-1,887	-1,207	-202	1,044	110	-2,142	-902	1,167		-1,877
Net profit	**6,583**	**2,507**	**3,596**	**-3,526**	**-730**	**8,430**	**2,605**	**-4,367**		**6,668**
Operating expenses/total income	78%	79%	74%	91%	97%	81%	84%			85%

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.

Segment income statement for the first half year 2019

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom*	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
Material items of income and expense										
- Net interest income	30,620	21,093	15,144	17,331	4,844	89,032	-15	-1,035		87,982
- Investment income								584		584
- Net fee and commission income	14,785	3,428	2,208	5,201	165	25,787	28,100	264		54,151
- Net income from other financial instruments at FVTPL								146		146
- Other revenue	19		-20	69	21	89	-5	89		173
- Intercompany revenue								3,022	-3,022	
Total segment revenue	**45,424**	**24,521**	**17,332**	**22,601**	**5,030**	**114,908**	**28,080**	**3,070**	**-3,022**	**143,036**
Personnel and other administrative expenses	-35,313	-18,158	-13,436	-17,242	-5,857	-90,006	-16,740	-3,374	3,022	-107,098
Depreciation and amortisation;	-652	-731	-469	-2,374	-271	-4,497	-424	-4,597		-9,518
Impairment losses on financial instruments	384	-130	-153	-2,287	246	-1,940	-37	-1		-1,978
Segment profit before tax	**9,843**	**5,502**	**3,274**	**698**	**-852**	**18,465**	**10,879**	**-4,902**		**24,442**
Taxation on operating result	-2,238	-1,764	-698	-218	105	-4,813	-2,745	1,238		-6,320
Net profit	**7,605**	**3,738**	**2,576**	**480**	**-747**	**13,652**	**8,134**	**-3,664**		**18,122**
Operating expenses/total income	79%	77%	80%	87%	122%	82%	61%			82%

Selected assets and liabilities per segment 30 June 2020

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom*	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
Loans and advances to customers	3,561,427	1,847,309	1,110,460	1,541,452	565,063	8,625,711			-40,387	8,585,324
Number of loans	35,069	5,113	4,930	18,089	13,255	76,456			-2	76,454
Total assets	5,718,380	2,565,158	1,648,673	2,407,277	754,866	13,094,354	37,942	1,995,085	-2,250,789	12,876,592
Funds under management	744,851	692,470				1,437,321	4,948,219	68,732	-744,851	5,709,421
Total assets under management	**6,463,231**	**3,257,628**	**1,648,673**	**2,407,277**	**754,866**	**14,531,675**	**4,986,161**	**2,063,817**	**-2,995,640**	**18,586,013**
Deposits from customers	5,099,341	2,267,564	1,404,628	2,168,452	567,864	11,507,849			-21,067	11,486,782
Number of accounts	472,071	89,794	76,878	203,202	38,016	879,961				879,961
Total liabilities	**5,347,897**	**2,288,976**	**1,452,072**	**2,211,485**	**644,502**	**11,944,932**	**11,695**	**603,856**	**-869,868**	**11,690,615**
Average number of FTE's during the year	263	139	187	277	58	924	172	282		1,378

Selected assets and liabilities per segment 2019

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom*	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
Loans and advances to customers	3,328,293	1,823,199	1,153,377	1,413,707	530,109	8,248,685			-42,823	8,205,862
Number of loans	34,586	4,933	4,342	21,586	12,539	77,986			-2	77,984
Total assets	5,299,796	2,441,784	1,627,760	2,263,218	696,169	12,328,727	37,476	1,817,288	-2,103,872	12,079,619
Funds under management	800,293	618,093				1,418,386	4,973,533	79,413	-800,293	5,671,039
Total assets under management	**6,100,089**	**3,059,877**	**1,627,760**	**2,263,218**	**696,169**	**13,747,113**	**5,011,009**	**1,896,701**	**-2,904,165**	**17,750,658**
Deposits from customers	4,667,266	2,129,446	1,370,870	2,044,238	504,484	10,716,304			-22,605	10,693,699
Number of accounts	443,173	87,740	71,694	203,816	24,393	830,816				830,816
Total liabilities	**4,873,212**	**2,139,788**	**1,420,673**	**2,071,065**	**581,986**	**11,086,724**	**13,833**	**612,507**	**-832,162**	**10,880,902**
Average number of FTE's during the year	242	135	177	282	56	892	168	286		1.346

Interim condensed consolidated financial statements

Consolidated balance sheet

in thousands of EUR	Reference*	30.06.2020	31.12.2019
ASSETS			
Cash and cash equivalents		2,334,287	2,270,224
Loans and advances to banks		236,441	227,591
Loans and advances to customers	1	8,585,324	8,205,862
Debt securities at amortised cost	2	1,386,590	1,034,291
Investment securities		19,281	24,299
Intangible assets		42,319	41,543
Property and equipment		116,457	120,696
Investment property		11,025	11,012
Right-of-use assets		20,654	21,355
Non-trading derivatives		8,562	8,722
Deferred Tax Assets		18,978	17,040
Other assets		86,344	86,787
Non-current Assets Held for Sale		10,330	10,197
Total assets		**12,876,592**	**12,079,619**
LIABILITIES			
Deposits from banks		70,843	70,720
Deposits from customers	3	11,486,782	10,693,699
Lease liabilities		21,200	22,078
Non-trading derivatives		10,911	15,063
Deferred Tax Liabilities		10,454	9,065
Current tax liability		20,463	14,815
Other liabilities		63,922	49,985
Provisions		6,040	5,477
Total liabilities		**11,690,615**	**10,880,902**

in thousands of EUR	Reference*	30.06.2020	31.12.2019
EQUITY			
Share Capital		723,353	720,088
Share premium reserve		200,811	198,626
Translation reserve		-4,291	-3,354
Cost of hedging reserve		-16	123
Fair value reserve		-1,870	1,938
Other reserve		40,345	38,914
Retained earnings		220,977	204,459
Result for the period		6,668	37,923
Equity		**1,185,977**	**1,198,717**
Total equity and liabilities		**12,876,592**	**12,079,619**
Contingent liabilities	4	98,364	107,495
Irrevocable facilities	5	1,548,210	1,402,450
		1,646,574	**1,509,945**

* References relate to the notes starting on page 34.

Consolidated profit and loss account

in thousands of EUR	Reference *	First half-year 2020	First half-year 2019
Income			
Interest income calculated using the effective interest method		104,734	101,864
Interest expense		-12,740	-13,882
Interest		**91,994**	**87,982**
Investment income	6	**278**	**584**
Fee and Commission income		52,862	57,376
Fee and Commission expense		-2,048	-3,225
Net fee and commission income		**50,814**	**54,151**
Net income from other financial instruments at FVTPL		288	146
Other income		246	173
Other income		**534**	**319**
Total income		**143,620**	**143,036**
EXPENSES			
Personnel expenses		69,263	66,664
Other administrative expenses		41,513	40,434
Amortisation and value adjustments of intangible assets		5,194	4,880
Depreciation and value adjustments of property and equipment		6,481	4,638
Operating expenses		**122,451**	**116,616**
Impairment losses on financial instruments		12,624	1,978
Total expenses		**135,075**	**118,594**

in thousands of EUR	Reference	First half-year 2020	First half-year 2019
Operating result before taxation		8,545	24,442
Taxation on operating result		-1,877	-6,320
Net profit		**6,668**	**18,122**
Amounts in EUR			
Net profit per Share **		0.47	1.31

* References relate to the notes starting on page 34.

** The net profit per share is calculated by dividing the net profit by the average number of issued shares in circulation during the financial year (2020: 14,317,768 shares, 2019: 13,952,803 shares).

Consolidated statement of comprehensive income

in thousands of EUR	First half-year 2020	First half-year 2019
Net result	6,668	18,122
Items that will not be reclassified to profit or loss		
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	-4,782	-1,553
Related tax	974	217
Total items that will not be reclassified to profit or loss	-3,808	-1,336
Other comprehensive income that will be reclassified to profit or loss		
Foreign operations – foreign currency translation differences	-937	-343
Foreign operations – Cost of hedging	-139	108
Total items that will be reclassified to profit or loss	-1,076	-235
Total comprehensive income	1,784	16,551
Profit attributable to		
Owners of the Bank	6,668	18,122
Average number of issued shares in circulation	14,317,768	13,812,553
Total comprehensive income attributable to		
Owners of the Bank	1,784	16,551
Other comprehensive income per share in EUR	0.12	1.20

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Consolidated statement of changes in the equity*

in thousands of EUR	Share capital	Share premium	Translation reserve	Cost of hedging reserve	Fair value reserve	Other reserve	Retained earnings	Result for the period	Total equity
Equity as at 31 December 2018	**674,734**	**190,324**	**-3,474**	**-**	**1,887**	**34,715**	**178,632**	**35,187**	**1,112,005**
Result for the period								18,122	18,122
Foreign operations – foreign currency translation differences			-343						-343
Net gain (loss) on hedges of net investments in foreign operations				108					108
Equity investments at FVOCI – net change in fair value					-1,336				-1,336
Total comprehensive income	**-**	**-**	**-343**	**108**	**-1,336**	**-**	**-**	**18,122**	**16,551**
Increase of share capital	16,837	11,440							28,277
Stock dividend	13,206	-13,206							
Profit appropriation for previous financial year, addition to the other reserves							8,231	-8,231	
Profit appropriation for previous financial year, dividend								-26,956	-26,956
Dividend not distributed in cash							21,921		21,921
Transfer to other reserve for development costs						1,558	-1,558		
Purchasing or sale of own depository receipts							-1,397		-1,397
Equity as at 30 June 2019	**704,777**	**188,558**	**-3,817**	**108**	**551**	**36,273**	**205,829**	**18,122**	**1,150,401**
Result for the period								19,801	19,801
Foreign operations – foreign currency translation differences			463						463
Net gain (loss) on hedges of net investments in foreign operations				15					15
Equity investments at FVOCI – net change in fair value					1,387				1,387
Total comprehensive income	**-**	**-**	**463**	**15**	**1.387**	**-**	**-**	**19,801**	**21,666**

* For comparative purposes regarding the change in accounting principles prior year amounts have been adjusted.
For further explanation see the general accounting principles.

Consolidated statement of changes in the equity*

in thousands of EUR	Share capital	Share premium	Translation reserve	Cost of hedging reserve	Fair value reserve	Other reserve	Retained earnings	Result for the period	Total equity
Increase of share capital	15,311	10,068							25,379
Transfer to other reserve for development costs						2,641	-2,641		
Purchasing or sale of own depository receipts							1,271		1,271
Equity as at 31 December 2019	**720,088**	**198,626**	**-3,354**	**123**	**1,938**	**38,914**	**204,459**	**37,923**	**1,198,717**
Result for the period								6,668	6,668
Foreign operations – foreign currency translation differences			-937						-937
Net gain (loss) on hedges of net investments in foreign operations				-139					-139
Equity investments at FVOCI – net change in fair value					-3,808				-3,808
Total comprehensive income	**-**	**-**	**-937**	**-139**	**-3,808**	**-**	**-**	**6,668**	**1,784**
									-
Increase of share capital	3,265	2,185							5,450
Stock dividend	-	-							-
Profit appropriation for previous financial year, addition to the other reserves							37,923	-37,923	-
Profit appropriation for previous financial year, dividend								-	-
Dividend not distributed in cash							-		-
Transfer to other reserve for development costs						1,431	-1,431		-
Purchasing or sale of own depository receipts							-19,974		-19,974
Equity as at 30 June 2020	**723,353**	**200,811**	**-4,291**	**-16**	**-1,870**	**40,345**	**220,977**	**6,668**	**1,185,977**

* For comparative purposes regarding the change in accounting principles prior year amounts have been adjusted.
For further explanation see the general accounting principles.

Consolidated cashflow statement

in thousands of EUR	First half-year 2020	First half-year 2019
Operating activities		
Net profit	6,668	18,122
Net profit adjustments for:		
Depreciation	6,481	4,638
Amortisation	5,194	4,880
Amortisation premium and discount debt securities	4,361	1,354
Impairment losses on financial instruments	12,624	1,692
Interest expense on lease liabilities	134	150
Revaluation participating debt (investment securities)	237	-146
Value adjustments property and equipment (incl, leases)		-113
Movements in provisions	-230	-592
Taxation on operation result	1,877	6,320
Tax paid	-5,697	-6,958
Cashflow from business operations	31,649	29,347
Changes in:		
Loans and advances to banks	-65,747	50,268
Loans and advances to customers	-391,546	-420,063
Debt securities at amortised cost	-356,674	189,283
Deposits from banks	123	4,297
Deposits from customers	793,083	596,493
Other operating activities	15,404	-38,435
Net cash flows from operational activities	26,292	411,189

in thousands of EUR	First half-year 2020	First half-year 2019
Investment activities		
Investment in investment securities		-1,131
Investment in intangible assets	-5,970	-5,997
Investment in property and equipment	2,987	-14,708
Cash flows from investment activities	-2,983	-21,836
Financing activities		
Payments of lease liabilities	-1,926	-2,050
Increase share capital	5,450	28,277
Payment of cash dividend		-5,035
Purchase of depository receipts of own shares	-19,974	-1,397
Cash flows from financing activities	-16,450	19,795
Net change in cash and cash equivalents	6,859	409,149
Cash and cash equivalents at the beginning of the year	2,475,272	1,961,935
Effect of exchange rate fluctuations on cash and cash equivalents held	300	-67
Cash and cash equivalents at the end of the year	2,482,431	2,371,017
On demand deposits with central banks	2,334,287	2,204,779
On demand deposits with banks	148,144	166,238
Cash and cash equivalents at the end of the year	2,482,431	2,371,017

Notes to the interim condensed consolidated financial statements

In thousands of EUR (unless otherwise stated).

General

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

Basis of preparation

The interim condensed 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 Pro forma IFRS consolidated financial statements of Triodos Bank NV as at 31 December 2019.

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

Going concern

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

Accounting policies

The accounting policies adopted are consistent with the Pro forma IFRS consolidated financial statements 2019. The 2019 interim report was prepared in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports. Therefore, the interim 2019 comparative amounts in this interim report have been adjusted as if IFRS had always been applied.

New and amended standards adopted by Triodos Bank

The following changes to IFRS are effective after 1 January 2020 and relevant for Triodos Bank:
- IBOR reform and its effects on financial reporting—Phase 1; and
- Amendments to IAS 1 and IAS 8: 'Definition of Material; and
- Amendments to References to the Conceptual Framework in IFRS Standards.

These changes have no impact on the financial statements.

Impact of standards issued that are relevant for, but not yet applied by Triodos Bank

The following changes to IFRS are effective after 1 January 2021 and relevant for Triodos Bank:
- IBOR reform and its effects on financial reporting – Phase 2 (not yet issued by IASB); and
- Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current (issued on 23 January 2020, effective 1 January 2023).

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

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

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

In preparing these interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Pro Forma IFRS consolidated financial statements for the year ended 31 December 2019.

Change in accounting principles

Fair value hedge accounting

At the beginning of the year 2020 Triodos Bank made changes in its risk management strategy towards interest rate risk and we have updated our hedge strategy accordingly. As of 1 January 2020 Triodos Bank will apply the EU carve-out under IAS 39 . This means that going forward, Triodos Bank changed from designating individual hedged items and hedging instruments into fair value hedge relationships to portfolio designation, or, macro fair value hedge accounting. The hedging instruments and hedged items remain unchanged. The existing hedge relationships have been terminated and as of 2020 these have been designated in a hedge relationship on a portfolio basis.

Under macro fair value hedge accounting, we continue to apply fair value hedge accounting. This means that the hedging instruments (interest rate swaps) are measured at fair value through profit and loss and an offsetting fair value hedge adjustment is recognised on the hedged items (business loans). As both hedge accounting models are fair value hedges, no change in result or balance sheet value is recorded due to this change. Additionally, the sources of ineffectiveness remain the same.
Hedge relationships designated under this policy are expected to be highly effective. However, some amount of ineffectiveness is expected due to:
- Discounting of assets with curve of the payment frequency where the swaps are discounted using the OIS curve; and
- Fair value changes in the floating leg of the swaps due to discounting using the OIS curve.

The differences between micro and macro hedge accounting are the designation of the relationship and the effectiveness testing.

Designation

Triodos Bank designated interest rate swaps in qualifying hedging relationships. On initial designation of the hedge, Triodos Bank formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

Under macro hedge accounting the designation of the hedge relationship is changed. Full macro hedge documentation has been set up in order to support the designation. The current interest rate swap portfolio is designated as hedging instrument and the business loan portfolio of the Netherlands branch has been designation as hedged items. The period for which Triodos Bank designates these hedges is one month. From an operational point of view, Triodos Bank de-designates the previous hedge relationships and replaces them with new hedge relationships on a monthly basis.

Effectiveness testing

Under micro hedge accounting, Triodos Bank prospectively assessed effectiveness at the start of the reporting period by testing the critical terms.

Retrospectively a dollar offset test was performed by calculating the fair value of the hedged items and hedging instruments with the curves applicable as at that date (month end). Any ineffectiveness in the hedge relationship was recognised in profit or loss.

At the time of designation of the hedge relationship for macro hedge accounting, a prospective test of the hedge relationship is performed to evidence the existence of an economic relationship. Fair value of hedged items and hedging instruments is calculated as at the designation date. In addition, the fair values are recalculated by applying at +/-50bps shift on the 1M EURIBOR zero-curve and the OIS zero-curve. If the change in fair value of hedged item and hedging instrument is within 80-125% of each other, the hedge relationship can be expected to be highly effective.

The retrospective test is periodically performed by calculating the fair value of the hedged items and hedging instruments with the curves applicable as at that date (month end). The hedge relationship is considered to be highly effective if the delta in fair value between hedging instrument and hedged item as per designation date and as per period end date is in the 80% – 125% bandwidth, which is the so-called dollar offset method.

When ineffectiveness is outside of the bandwidth, the hedge relationship for the tested month is discontinued. This means that the fair value changes of the hedging instruments continue to be recorded through profit and loss, but no offsetting fair value adjustment is recognised on the hedged items.

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 results in changes in the measured expected credit losses. Several critical judgements and estimates have been made in order to calculate the expected credit loss. Although the accounting policies and expected credit loss model are consistent with the 2019 Pro forma IFRS consolidated financial statements, the COVID-19 pandemic has had an impact on these critical judgements and estimates used in the expected credit loss model. This impact is detailed below. For further detail on the amount of expected credit losses, see Note 1.

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 prescribed facilities, where the exact measures differ by country. Additionally, for clients that face financial difficulties, Triodos Bank tries to meet client needs. These measures relate foremost to the Loan 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).

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.

The key driver of credit risk is GDP growth. The below table provides the future outlook for the different scenarios defined by Triodos Bank.

	2020	2021	2022	Long-term
Base (55%)	-8.6%	6.2%	2.4%	1.0%
Recovery scenario 1 (15%)	-6.4%	4.0%	4.5%	1.0%
Recovery scenario 2 (30%)	-12.0%	10.0%	1.4%	1.0%

The weightings of the scenarios have been changed compared to the 2019 weightings due to the COVID-19 pandemic. For the 2019 ECL, the weightings of 60%, 15% and 25% respectively were used. A decrease of 0.5% GDP growth would increase expected credit loss by EUR 63 thousand, an increase of 0.5% GDP growth would decrease expected credit losses by EUR 284 thousand.

Assets and liabilities

1. Loans and advances to customers

in thousands of EUR	30-Jun-20	31-Dec-19
Loans	8,603,728	8,217,683
Interest receivable	19,485	19,534
Fair value hedge accounting	4,751	2,424
Allowance for ECL	-42,640	-33,779
Total balance	8,585,324	8,205,862

The mortgages, part of the loan book, grew by 13.8% to EUR 2,249.0 million (2019: EUR 1,975.8 million). EUR 288.5 million (2019: EUR 271.0 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 expected credit losses is as follows:

	30-Jun-20				31-Dec-19			
in thousands of EUR	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	4,475	1,000	28,304	**33,779**	4,524	1,018	33,745	**39,287**
Transfer to Stage 1	210	-210	-	-	57	1	-58	-
Transfer to Stage 2	-46	114	-68	-	-158	179	-21	-
Transfer to Stage 3	-43	-28	71	-	-34	25	9	-
Net remeasurement of allowance for expected credit losses	4,348	874	4,304	**9,526**	-864	-299	10,096	**8,933**
Of which:					-			
- Effect of transition between stage 1 and stage 2	*-45*	*206*	-	**161**	*155*	*183*	-	***28***
- Macro-economic forward looking impact	*6,817*	*918*	-	**7,735**	*630*	*78*	-	***708***
- Individual loan or advance behaviour	*-2,424*	*-250*	*4,304*	**1,630**	*-1,339*	*-560*	*10,096*	***8,197***
New financial assets originated	1,969	178	-	**2,147**	1,405	128	-	**1,533**
Financial assets that have been derecognised	-174	-73	-	**-247**	-455	-52	-6,429	**-6,936**
Write-offs	-	-	-2,433	**-2,433**	-	-	-9,137	**-9,137**
Exchange rate differences	-	-	-132	**-132**	-	-	99	99
Total balance	10,739	1,855	30,046	42,640	4,475	1,000	28,304	33,779

Triodos Bank uses three stages to classify the expected credit loss (hereafter “ECL”) for financial instruments. Stage 1 includes the financial instruments that have (close to) similar credit risk since origination. For this category the ECL is determined by looking forward for 12 months. Stage 2 includes the financial instruments which have had a significant increase in credit risk since origination. The ECL for stage 2 is determined looking over the entire lifetime of the financial instrument. The ECL for stages 1 and 2 is determined by the 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 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. 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, this will have a positive effect on the calculation of ECL and result 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 categories. When a rating declines significantly, the loan in transferred from Stage 1 to Stage 2, if the decline persists the loan can go into default and 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. The changes in stages is represented in the transfers.

When the drivers of the PD and LGD are changed, 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 several items: (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 net increase of the ECL provision during the first half year of 2020 amounts to EUR 8.9 million, of which EUR 7.7 million can be explained by changes in macro-economic forward looking parameters. These parameters have been adjusted downwards due to the global impact of the COVID-19 pandemic on the economy and society at large. For the ECL calculation, Triodos Bank also includes country and sector specific considerations. The economy in some countries has been impacted more by the pandemic than other countries. For Triodos Bank the most material impact, which required an increase of the ECL provision in the first half of 2020, was recorded in Spain. For more details please refer to chapter 'segment information' within this report. The recorded ECL provision on clients in default, stage 3, is 0.35% of the total outstanding loans and advances to customers at 30 June 2020 (31 December 2019: 0.34%).

2. Debt securities at amortised cost

in thousands of EUR	30-Jun-20	31-Dec-19
Dutch government bonds	70,138	70,292
Belgian government bonds	167,424	168,222
Spanish government bonds	62,654	72,182
United Kingdom government bonds	72,383	78,068
Other bonds	1,000,982	634,658
Interest receivable	11,647	9,223
Fair value hedge accounting	1,410	1,680
Allowance for ECL	-48	-34
Total balance	1,386,590	1,034,291

Debt securities has increased by EUR 352 million, this was caused by investing additional funding received in highly liquid debt securities. This was part of the remaining funding, which was not yet converted into sustainable loans.

3. Deposits from customers

in thousands of EUR	30-Jun-20	31-Dec-19
Savings accounts	6,701,146	6,365,076
Other funds entrusted	4,778,176	4,324,929
Interest payable	7,460	3,694
Total balance	11,486,782	10,693,699

Deposits from customers increased by EUR 793 million in the first half year of 2020. This has a positive impact on the liquidity approach 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-Jun-20			31-Dec-19		
in thousands of EUR	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	5,617,202	4,581,602	**10,198,804**	5,233,233	4,123,538	**9,356,771**
1 to 3 months	569,412	142,788	**712,200**	592,673	137,552	**730,225**
3 months to 1 year	270,620	32,780	**303,400**	270,145	36,029	**306,174**
1 to 5 years	215,219	21,621	**236,840**	238,907	26,818	**265,725**
Longer than 5 years	33,048	2,490	**35,538**	32,318	2,486	**34,804**
	6,705,501	4,781,281	11,486,782	6,367,276	4,326,423	10,693,699

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.

in thousands of EUR	30-Jun-20	31-Dec-19
Credit substitute guarantees	65,945	75,901
Non-credit substitute guarantees	32,419	31,594
	98,364	**107,495**

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).

5. Irrevocable facilities

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

in thousands of EUR	30-Jun-20	31-Dec-19
Undrawn debit limits on current accounts and credit cards	321,750	252,564
Accepted loans not yet paid out	1,168,089	1,120,627
Valid loan offers not yet accepted	57,875	28,972
Other facilities	496	287
	1,548,210	**1,402,450**

Other off-balance sheet liabilities

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 7,922 million (2019: EUR 7,211 million) and in the United Kingdom EUR 994 million (GBP 902 million, 2019: EUR 990 million, GBP 838 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 2020.

6. Investment income

in thousands of EUR	30-Jun-20	30-Jun-19
Dividend from other participations	278	584
	278	**584**

7. Capital

The equity stated on the consolidated balance sheet is equal to that stated on the parent company balance sheet. The authorised capital totals to an amount of EUR 1.5 billion and is divided into 30 million ordinary shares, each with a nominal value of EUR 50. At 30 June 2020, there were 14,467,056 ordinary shares (31 December 2019: 14,401,765 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 2019: 14,401,765 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-Jun-20	31-Dec-19
Number of shares as at 1 January	14,401,765	13,494,697
Increase of share capital	65,291	642,944
Stock dividend	-	264,124
Number of shares	14,467,056	14,401,765

8. Dividends

in thousands of EUR	30-Jun-20	30-Jun-19
Dividends paid during the half-year	-	26,956

9. 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.

Triodos bank determines the fair value of its financial instruments using the following bases. The fair value of listed government paper and interest-bearing securities is the market value. The fair value of unlisted government paper and interest-bearing securities is public quoted information if available or nominal value. The fair value of loans and advances to banks, loans and advance to customers, lease liabilities and deposits from customers has been determined by calculating the net present value of expected interest and redemption cashflows, taken into account market interest rates as at the end of the year. Part of the loans and mortgages include caps and/or floors on the interest rates. 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 cashflows, 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. The fair value of the other items is 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.

- 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.

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 2020 and the year 2019.

in thousands of EUR 30 June 2020	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management				
Interest rate	-	8	-	8
Foreign exchange	-	8,554	-	8,554
Total derivative assets held for risk management	-	8,562	-	8,562
Participating interests				
Equities	8,760	1,407	4,614	14,781
Debt	-	4,500	-	4,500
Total participating interests	8,760	5,907	4,614	19,281
Derivative liabilities held for risk management				
Interest rate	-	6,076	-	6,076
Foreign exchange	-	4,835	-	4,835
Total derivative liabilities held for risk management	-	10,911	-	10,911
31 December 2019	Level 1	Level 2	Level 3	Total
Derivative assets held for risk management				
Interest rate	-	908	-	908
Foreign exchange	-	7,814	-	7,814
Total derivative assets held for risk management	-	8,722	-	8,722
Participating interests				
Equities	13,160	1,442	4,960	19,562
Debt	-	4,737	-	4,737
Total participating interests	13,160	6,179	4,960	24,299
Derivative liabilities held for risk management				
Interest rate	-	5,012	-	5,012
Foreign exchange	-	10,051	-	10,051
Total derivative liabilities held for risk management	-	15,063	-	15,063

Level 3 valuations relate to participating interest which are valued at fair value through other comprehensive income. Total fair value changes amount to EUR -346 thousand (2019: EUR 77 thousand) due to changes in the NAV of the investments. All of these fair value changed has been recognised in OCI.

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.

in thousands of EUR 30 June 2020	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Value
Assets					
Debt securities at amortised cost	1,276,916	127,868	-	1,404,784	1,386,590
Loans and advances to banks	-	-	236,293	236,293	236,441
Loans and advances to customers	-	-	8,534,912	8,534,912	8,585,324
Liabilities					
Deposits from banks	-	-	68,095	68,095	70,843
Deposits from customers	-	-	11,646,774	11,646,774	11,486,782
31 December 2019	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Value
Assets					
Debt securities at amortised cost	948,403	109,798	-	1,058,201	1,034,291
Loans and advances to banks	-	-	227,611	227,611	227,591
Loans and advances to customers	-	-	8,315,161	8,315,161	8,205,862
Liabilities					
Deposits from banks	-	-	68,714	68,714	70,720
Deposits from customers	-	-	10,695,702	10,695,702	10,693,699

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.

Subsequent event

There are no subsequent events that are of material nature for the half year financial statements.

Review report

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial information for the six-month period ended 30 June 2020 of Triodos Bank N.V., Zeist, which comprises the condensed consolidated balance sheet as at 30 June 2020, the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed 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 these interim condensed consolidated financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated 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 interim condensed consolidated financial information for the six-month period ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Rotterdam, 20 August 2020
PricewaterhouseCoopers Accountants N.V.
M.D. Jansen RA

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