Triodos Bank

Half year report 2019

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.

Half year report 2019
Triodos Bank NV

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

Key figures

amounts in millions of EUR	30 June 2019	31 December 2018*
Financial		
Common equity Tier 1	1,061	1,003
Equity	1,151	1,112
Funds entrusted	10,157	9,558
Loans	7,665	7,248
Balance sheet total	11,498	10,850
Funds under management**	5,268	4,673
Total assets under management	**16,766**	**15,523**
Common equity Tier 1 ratio	16.7%	17.5%
Leverage ratio	8.6%	8.6%
Per share (in EUR)		
Net asset value at the end of the period	82	82
Number of depository receipt holders	43,534	42,416
Number of accounts - retail	857,262	808,090
Number of accounts - business	72,760	60,339
Social		
Number of co-workers at the end of the period	1,477	1,427

amounts in millions of EUR	First half-year 2019	First half-year 2018*
Total income	143.0	127.4
Operating expenses	-116.7	-102.2
Impairments loan portfolio	-1.2	-0.8
Value adjustments to participating interests	0.1	-0.3
Operating result before taxation	25.2	24.1
Taxation on operating result	-6.5	-5.5
Net profit	**18.7**	**18.6**
Operating expenses/total income	82%	80%
Per share (in EUR)		
Net profit***	1.35	1.48

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

** 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

Balancing a transformative business

The first half of the year witnessed increasingly positive action to combat climate change - from school children to central banks, from government to businesses. Many of our stakeholders have picked up on these developments and shared their desire to see change happen urgently. Triodos Bank plays a proactive role to address the challenges of the climate emergency, the threat to biodiversity and the growing social inequality, with strong support from our client community.

While the climate emergency has captured headlines, the sustainability challenge encompasses more than keeping the temperature rise below 1.5 degrees Celsius. That's why in our strategy for the next three years we are focusing on three key impact themes: food and agriculture, energy and climate and social inclusion. Because, as we have argued in previous reports, we need a holistic response to tackle the interconnected issues we face.

Triodos Bank combines the conviction that money can address these urgent problems by being a robust financial institution. It's only by continuing to develop a solid business that we can work with entrepreneurs to deliver the positive social, cultural and environmental change that is at the heart of our mission.

From that perspective, the first half of 2019 has been both positive and challenging. At a sector level, we have extended our efforts to influence change in the financial sector and system. The financial sector can take a leadership role in the transformation to a more sustainable economy instead of just complying with government policies and regulation.

Inside our own organisation, Triodos Bank UK transformed from a branch into a subsidiary company, a separate legal structure which allows us to continue to operate in the UK after Brexit. To enable additional access to central bank liquidity in case of severe market stresses, we started work on a 'retained residential mortgage backed security' (RMBS). Technically, an RMBS is a securitisation but the mortgage portfolio remains with Triodos Bank. The RMBS was finalised on 17 July 2019.

At the same time, as a bank we have wrestled with the increasing pressure on our underlying financial results as a result of a persistently low interest rate environment and costs associated with meeting substantial regulatory requirements. As we shared in March when we published our full year results for 2018, Triodos Bank has received an instruction from the Dutch regulator to improve its processes for customer due diligence and monitoring of customer transactions. We agreed with the required improvements, took the necessary steps to remedy this situation and are on schedule with their implementation.

A challenging banking environment

We discuss our financial results in more detail in the Financial Results section below. In summary, our financial performance in the first half of the year is positive but must be considered in a nuanced way. It includes exceptional, one-off items, including the sale of a participation in Centenary Bank in Uganda. This provided a significant positive result due to the carried interest received by the fund manager Triodos Investment Management.

While growth has been a feature of the wider economy in 2019, there continues to be a huge surplus of liquidity in markets. This is because of the increasing surplus in (pension) savings in combination with the monetary policy of the European Central Bank (ECB) to charge a negative interest rate. Banks must pay negative interest on the surplus liquidity they need to place with the ECB. The policy's aim is to encourage banks to convert their funds entrusted into loans instead of placing them with the ECB.

Low interest rates continue to have a strong impact on Triodos Bank because of the ongoing growth of funds entrusted. The growth of the latter outpaces the growth of the loan portfolio. The excess liquidity must be placed with the ECB at a negative interest rate and at a cost for the bank. The low interest rate environment also encourages borrowers to refinance at lower rates and to pay back their borrowing earlier than planned. Both these trends continued in the first half of 2019 and have a downward effect on interest margins with a subsequent direct downward impact on Triodos Bank's financial performance.

To address the issue of shrinking margins, we will be more selective on the projects within the sectors we finance and the allocation of loan growth to the countries we are active in. We will also review critically the products and services we develop and offer to our customers. Our focus will be on loans, which will deliver both financial and impact benefits. We acknowledge that this may diminish the rate of loan growth.

One example of how we combine impactful lending with a reasonable return is mortgages. We offer a mortgage product that incentivises greener living and addresses the high carbon impact of housing. The returns from this product are positive for both Triodos Bank's profitability and the climate because they encourage households to take meaningful steps to reduce the carbon footprint of their home.

Positive change in an era of transition

In The Netherlands, we continued to play a pivotal role in the development of what could be a ground-breaking Climate Agreement, which aims to deliver at least a 49% reduction in CO_2 emissions by 2030. Triodos Bank took the initiative to organise a strong, public commitment from the Dutch financial sector to the Climate Agreement targets. The commitment was signed on 10 July 2019 and is considered to be unique in the global financial sector.

In Spain, we worked to establish an equivalent to the Dutch Sustainable Finance Lab, an informal interdisciplinary network of mostly academics from different universities. The aim of the Sustainable Finance Lab is to develop and discuss ideas that help create a stable and robust financial sector which contributes to an economy that serves humanity without depleting its environment.

On the European stage, we have been at the heart of debate in Europe to develop a financial taxonomy that reduces investment in polluting brown assets and incentivises investment in green assets that are part of the transition to a low carbon, sustainable economy. At the time of writing the outcome of these efforts is unclear but we have worked with our partners to make a clear case for change.

We contributed significantly to the development of the United Nations (UN) Principles for Responsible Banking, which are due to be ratified in a ceremony with world leaders at the UN in September. The principles encourage banks, particularly those at the start of their sustainability journey, to accelerate their progress. Triodos Bank is a founding member.

Furthermore, we have played a key role in extending the reach and importance of carbon accounting. We reported extensively on the greenhouse gas emissions of Triodos Bank's loans and investments in our 2018 annual report. We invited our fellow members of the Global Alliance for Banking on Values (GABV) to commit to doing the same within three years. 28 members are committed and will participate in the development of a three year programme to internationalise this work, so it reaches the conventional as well as the values-based banking movement. A good example of extending the impact was the seminar we hosted in our German Triodos office for the German mainstream banks, government and regulatory officials interested to learn more about the importance of carbon accounting from the practitioners doing it.

Changes in the Executive Board

Other developments during the first half of 2019 included the departure of Pierre Aeby after over 20 years' service in Triodos Bank, much of it as a member of the Executive Board. Pierre retired at Triodos Bank's annual meeting in May as announced in May 2018 during the annual meeting. In May 2019, during the annual meeting, Carla van der Weerdt was welcomed to the Executive Board in a new role as Chief Risk Officer. Recruitment for a fourth member of the Executive Board and Chief Financial Officer is under way. Further announcements will be made when appropriate.

Capital position

Triodos Bank aims to have a healthy capital position. To maintain this position the bank will continue to raise new capital across our European branch network, as well as through targeted campaigns.

The financial accounts are based on Dutch Generally Accepted Accounting Principles (Dutch GAAP). Due to Triodos Bank's increasing growth, internationalisation and in line with developments on reporting in the banking sector, Triodos Bank intends to adopt the International Financial Reporting Standards (IFRS) with effect from 1 January 2020. The price of the depository receipts for Triodos Bank shares (the Issue Price) is based on a financial model that derives the calculated net asset value of Triodos Bank (the NAV) divided by the number of Depository Receipts (the NAV per Depository Receipt).
This means that as of 1 January 2020 the net asset value (NAV) of Triodos Bank will be calculated in accordance with IFRS. Triodos Bank decided that the Issue Price calculated under Dutch GAAP will already be adjusted for the estimated effect IFRS will have on the NAV of Triodos Bank and, consequently, on the Issue Price, as of the date of the recently published prospectus.

The buying and selling of depository receipts was suspended from 4 June to 3 July 2019. This was done to obtain the approval of the Dutch supervisory authority on the new prospectus and to be able to calculate the new Issue Price taking into account the estimated effect of the envisaged transition to the IFRS accounting standard.

The Issue Price under Dutch GAAP, corrected for the estimated IFRS impact, was set on 3 July 2019 at EUR 82.00, in line with the new prospectus. This was EUR 1.00 lower than when trading was suspended on 4 June 2019.

To already better align with the IFRS framework, Triodos Bank decided to change its accounting policy related to the valuation of loans under Dutch GAAP per 30 June 2019. Triodos Bank will include the impact of this change retrospectively in the financial statements per 1 January 2019. In this half year report the result of this change in accounting policy is a formal reduction of equity of 1.8% (EUR 20.5 million) as at 30 June 2019.

The Common Equity Tier 1 ratio decreased by 0.8% to 16.7% at 30 June 2019 (at the end of 2018: 17.5%[1]). This ratio is still above the regulatory requirement and above our own minimum target of 16%. The decrease in the first six months was mainly caused by a strong increase in risk weighted assets, due to the growth of the sustainable loan portfolio.

1 In order to correctly compare Common Equity Tier 1 ratio, Triodos Bank has adjusted the ratio at the end of 2018 to reflect the change in accounting policies.
2 Adjusted to reflect the change in accounting policies.
3 Adjusted to reflect the change in accounting policies.

Financial results

In the first six months of 2019, Triodos Bank's net profit was EUR 18.7 million. This is 1% higher than the same period in 2018 (EUR 18.6 million)[2]. The net profit is under pressure due to declining margins as a result of the low interest environment, the increasing impact of negative interest on liquidities and the costs of meeting increasing regulation, as described above. The sale of a participation in Centenary Bank in Uganda, generating additional fee income for Triodos Investment Management, had a significant one-off positive effect of EUR 5.4 million on the net profit.

During the first six months of 2019, Triodos Bank's balance sheet rose by 6.0% to EUR 11.5 billion. Growth during the same period in 2018 was 4.9%.

In the first half of the year, our sustainable lending increased by 7.1% (first half of 2018: 9.5%). Mortgages again accounted for an important part of this increase, increasing by 14.6% (compared to 17.2% in the same period last year).

Total loans – which also includes residential sustainable mortgage lending - increased by 5.7% in the first half of the year. Impairments on the loan portfolio amounted to EUR 1.2 million compared to EUR 0.8 million in the same period of 2018, reflecting a good-quality portfolio. The loans to deposit ratio, calculated for our sustainable lending, increased from 74.3%[3] at the end of 2018 to 74.9%. Triodos Bank aims to lend between 70% and 80% of funds entrusted.

Funds entrusted, which are composed of savings, fixed-term deposits, and current account balances, increased by 6.3% compared with 5.1% during the same period in 2018. Customer numbers decreased by 10,000 to 705,000. The main reason for this decline is a refined definition of customer numbers in Spain to align it with the other branches, resulting in a lower total number.

During the first half of the year, Triodos Bank's equity increased by 3.5% to EUR 1,151 million, compared to 5.3% during the same period in 2018.
Total assets under management by the Triodos Group increased by 8.0% to EUR 16.8 billion in the first half of the year, compared to 3.9% to EUR 15.1 billion in the first half of 2018. An important part of this growth was due to developments at Triodos Investment Management whose assets under management increased to EUR 4.6 billion.

Outlook

A low interest rate environment and growing regulatory demands continue to put downward pressure on Triodos Bank's Return on Equity. Therefore, we will continue to work on improving cost efficiency, safeguarding the interest margin and increasing fee income.

In addition, Triodos Bank aims to continue to raise capital in the second half of the year to support the growth of its core activity and to maintain healthy financial ratios.

Together, these efforts are expected to lead to more impact, the realisation of profitable growth within a challenging interest environment, and ensure we are able to meet increasing regulatory requirements. We are confident that Triodos Bank 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.

22 August 2019

Key figures for the first half-year of 2019 by branch and business unit

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom*	Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
Funds entrusted	4,385,486	2,027,677	1,262,898	2,029,987	466,049	10,172,097			-15,565	10,156,532
Number of accounts	473,074	85,094	67,561	208,443	23,090	857,262				857,262
Loans	2,874,663	1,795,011	1,002,519	1,530,085	505,844	7,708,122			-43,540	7,664,582
Number of accounts	33,451	4,638	3,683	20,430	10,558	72,760				72,760
Balance sheet total	5,001,733	2,317,906	1,650,957	2,238,766	648,552	11,857,914		1,824,815	-2,185,178	11,497,551
Funds under management	728,926	544,946				1,273,872	4,642,663	80,071	-728,926	5,267,680
Total assets under management	**5,730,659**	**2,862,852**	**1,650,957**	**2,238,766**	**648,552**	**13,131,786**	**4,642,663**	**1,904,886**	**-2,914,104**	**16,765,231**
Total income	45,359	24,531	17,333	22,596	5,057	114,876	28,081	1,949	-1,940	142,966
Operating expenses	-36,022	-18,904	-13,967	-19,581	-6,022	-94,496	-17,064	-7,035	1,940	-116,655
Impairments loan portfolio	174	105	135	-1,433	-188	-1,207				-1,207
Value adjustments to participations								52		52
Operating result	9,511	5,732	3,501	1,582	-1,153	19,173	11,017	-5,034		25,156
Taxation on operating result	-2,155	-1,822	-742	-447	201	-4,965	-2,754	1,267		-6,452
Net profit	**7,356**	**3,910**	**2,759**	**1,135**	**-952**	**14,208**	**8,263**	**-3,767**		**18,704**
Average number of co-workers on a full-time basis	235.5	135.0	179.3	281.9	55.5	887.2	167.6	280.0		1,334.8
Operating expenses/total income	79%	77%	81%	87%	119%	82%	61%			82%

* The bank in the United Kingdom transferred from a branch to the subsidiary Triodos Bank UK Ltd. on May 1, 2019.

Interim condensed consolidated financial statements

Consolidated balance sheet

in thousands of EUR	Reference*	30.06.2019	31.12.2018
ASSETS			
Cash		2,204,779	1,795,272
Government paper		-	-
Banks		186,320	237,055
Loans	1	7,664,582	7,247,970
Interest-bearing securities	2	1,067,926	1,258,217
Shares		20	20
Participating interests		22,204	22,448
Intangible fixed assets		39,540	38,424
Property and equipment		116,778	104,537
Other assets		76,401	46,802
Prepayments and accrued income		119,001	99,606
Total assets		**11,497,551**	**10,850,351**
LIABILITIES and EQUITY			
Banks		71,634	67,217
Funds entrusted	3	10,156,532	9,558,203
Other liabilities		22,947	36,014
Accruals and deferred income		89,276	70,024
Provisions		6,071	6,743
Capital		704,777	674,734
Share premium reserve		188,558	190,324
Revaluation reserve		1,348	2,656
Statutory reserve		32,446	31,188
Other reserve		205,258	178,425
Result for the period		18,704	34,823
Total equity and liabilities		**11,497,551**	**10,850,351**
Contingent liabilities	4	133,768	140,993
Irrevocable facilities	5	1,683,435	1,463,989
		1,817,203	**1,604,982**

* References relate to the notes starting on page 24.
For comparative purposes regarding the change in accounting principles prior year amounts have been adjusted. The loans and equity of the comparable year 2018 have been lowered by EUR 25.8 million and EUR 19.1 million respectively. Prepayments and accrued income of the comparable year 2018 has been increased by EUR 6.7 million regarding deferred taxes. For further explanation see the general accounting principles.

Consolidated profit and loss account

in thousands of EUR	Reference	First half-year 2019	First half-year 2018
Income			
Interest income		101,650	95,364
Interest expense		-13,732	-12,587
Interest		**87,918**	**82,777**
Income from other participations	6	584	4,049
Investment income		**584**	**4,049**
Commission income		56,077	41,526
Commission expense		-1,926	-1,745
Commission		**54,151**	**39,781**
Result on financial transactions		148	220
Other income		165	592
Other income		**313**	**812**
Total income		**142,966**	**127,419**
EXPENSES			
Personnel and other administrative expenses		109,307	96,302
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets		7,348	5,966
Operating expenses		**116,655**	**102,268**
Impairments loan portfolio		1,207	767
Value adjustments to participating interests		-52	323
Total expenses		**117,810**	**103,358**
Operating result before taxation		25,156	24,061
Taxation on operating result		-6,452	-5,492
Net profit		**18,704**	**18,569**
Amounts in EUR			
Net profit per share		1.35	1.48

For comparative purposes regarding the change in accounting principles prior year amounts have been adjusted. The interest income and tax of the comparable half year 2018 have been increased by EUR 2.0 million and EUR 0.7 million respectively. Commission income of the comparable half year 2018 has been lowered by EUR 4.6 million. For further explanation see the general accounting principles.

Consolidated statement of comprehensive income

in thousands of EUR	First half-year 2019	First half-year 2018
Net result	18,704	18,569
Revaluation of property, equipment and participating interest after taxation	-1,308	-948
Exchange rate results from business operations abroad after taxation	-300	-425
Total amount recognised directly in equity	-1,608	-1,373
Total comprehensive income	17,096	17,196

This page was intentionally left blank.

Consolidated statement of changes in the equity*

in thousands of EUR	Share Capital	Share premium	Revaluation reserve	Statutory reserve	Other reserve	Result for the period	Total equity
Equity as at 31 December 2017	**612,368**	**169,840**	**1,186**	**24,988**	**167,118**	**37,395**	**1,012,895**
Change in accounting principle:							
- Decrease valuation loans					-20,687		-20,687
- Increase in prepayments and accrued income regarding deferred taxes					5,396		5,396
Increase of share capital	23,419	15,340					38,759
Stock dividend	12,273	-12,273					-
Revaluation of property, equipment and participation interest after taxation			-948				-948
Realisation of revaluation							-
Exchange rate results from business operations abroad after taxation				-425			-425
Profit appropriation for previous financial year, addition to the other reserves					12,946	-12,946	-
Profit appropriation for previous financial year, dividend						-24,449	-24,449
Dividend not distributed in cash					20,127		20,127
Transfer to statutory reserve for development costs				4,135	-4,135		-
Purchasing or sale of own depository receipts							-
Result for financial period						18,569	18,569
Equity as at 30 June 2018	**648,060**	**172,907**	**238**	**28,698**	**180,765**	**18,569**	**1,049,237**
Increase of share capital	26,674	17,417					44,091
Stock dividend							-
Revaluation of property, equipment and participation interest after taxation			2,418				2,418
Realisation of revaluation							-
Exchange rate results from business operations abroad after taxation				150			150
Profit appropriation for previous financial year, addition to the other reserves							-
Profit appropriation for previous financial year, dividend							-
Dividend not distributed in cash							-
Transfer to statutory reserve for development costs				2,340	-2,340		-
Purchasing or sale of own depository receipts							-
Result for financial period						16,254	16,254
Equity as at 31 December 2018	**674,734**	**190,324**	**2,656**	**31,118**	**178,425**	**34,823**	**1,112,150**

* 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	Revaluation reserve	Statutory reserve	Other reserve	Result for the period	Total equity
Equity as at 31 December 2018	**674,734**	**190,324**	**2,656**	**31,188**	**178,425**	**34,823**	**1,112,150**
Increase of share capital	16,837	11,440					28,277
Stock dividend	13,206	-13,206					-
Revaluation of property, equipment and participation interest after taxation			-1,308				-1,308
Realisation of revaluation							-
Exchange rate results from business operations abroad after taxation				-300			-300
Profit appropriation for previous financial year, addition to the other reserves					7,867	-7,867	-
Profit appropriation for previous financial year, dividend						-26,956	-26,956
Dividend not distributed in cash					21,921		21,921
Transfer to statutory reserve for development costs				1,558	-1,558		-
Purchasing or sale of own depository receipts					-1,397		-1,397
Result for financial period						18,704	18,704
Equity as at 30 June 2019	**704,777**	**188,558**	**1,348**	**32,446**	**205,258**	**18,704**	**1,151,091**

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 2019	First half-year 2018
Cashflow from operating activities		
Net profit	18,704	18,569
Adjustments for:		
• depreciation	7,348	5,966
• impairments loan portfolio	1,207	767
• value adjustments to participating interests	-52	323
• Realised value adjustments to participating interest	-	-2,185
• exchange rate differences on property and equipment	-	-
• movement in provisions	-672	170
• other movements in accrued and deferred items	3,562	12,325
Cashflow from business operations	30,097	35,935
Movement in government paper	-	26,500
Movement in banks, deposits not on demand	50,310	-3,423
Movement in loans	-419,908	-497,751
Movement in shares	-	-
Movement in banks, liabilities not on demand	4,417	-3,437
Movement in funds entrusted	598,329	441,270
Other movements from operating activities	-43,108	-10,893
Cashflow from operating activities	220,137	-11,799

in thousands of EUR	First half-year 2019	First half-year 2018
Cashflow from investment activities		
Net investments in:		
• Investment in interest-bearing securities	-23,837	-164,459
• Disinvestment in interest-bearing securities	212,773	228,876
• Investment in participating interests	-1,131	-12,297
• Disinvestment in participating interests	-	7,996
• intangible fixed assets	-5,997	-7,027
• property and equipment	-14,708	-10,812
Cashflow from investment activities	167,100	42,277
Cashflow from financing activities		
Increase in equity	28,277	38,759
Payment of cash dividend	-5,035	-4,322
Purchases of depository receipts for own shares	-1,397	-
Cashflow from financing activities	21,845	34,437
Net cashflow	409,082	64,915
Cash and cash equivalents at beginning of the period	1,961,935	1,531,072
Cash and cash equivalents at the end of the period	2,371,017	1,595,987
On demand deposits with central banks	2,204,779	1,347,167
On demand deposits with banks	166,238	248,820
Cash and cash equivalents at the end of the period	2,371,017	1,595,987
Supplementary disclosure of the cashflow from operating activities		
Interest paid	-15,075	-13,682
Interest received	98,604	93,074
Tax on profit paid	-6,958	-6,478
Dividend received from investments	584	284

Notes to the interim condensed consolidated financial statements

in thousands of EUR

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 the Dutch Guideline for Annual Reporting 394 on Interim Reports and in accordance with the legal requirements for the Annual Accounts of banks contained in Section 14 Title 9 Book 2 of The Netherlands Civil Code. This half year report does not contain all the information and disclosures required for the full year Annual Accounts and should therefore be read in conjunction with the Annual Accounts of Triodos Bank NV as at 31 December 2018.

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

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

Accounting principles

Change in accounting principles

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the change in accounting principles explained in this paragraph. Loans are valued at amortised cost using the effective interest rate method. Triodos Bank changed the way of using this method. The definition of the direct costs that relate to the fees charged for loan acquisition have been redefined to be more aligned with the IFRS framework that Triodos Bank is migrating to. This means that in 2019 more fees arising on acquisition of a loan are amortized using the effective interest method. Without this change in accounting principle the half year result of 2019 would have been EUR 1.5 million higher and the Equity EUR 20.5 million higher than currently reported. In order to be able to compare the financial statements over time the comparative amounts in this half year report have been adjusted as if this change had always been applied.

General

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

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

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

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance

sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability. Income and expenses are attributed to the period to which they relate or to the period in which the service was provided. Revenues are recognized when Triodos Bank has transferred the significant risks and rewards of ownership of the goods to the buyer.

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

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

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

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

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods.
In preparing these interim financial statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2018.

Consolidation Principles

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

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

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

List of equity participations in accordance with Sections 2:379 and 2:414 of The Netherlands Civil Code:
- Kantoor Buitenzorg BV in Zeist, participating interest 100%, group company, fully consolidated;
- Kantoor Nieuweroord BV in Zeist, participating interest 100%, group company, fully consolidated;
- Stichting Triodos Beleggersgiro in Zeist, group company, fully consolidated;

• Triodos Custody BV in Zeist, participating interest 100%, group company, fully consolidated;
• Triodos Finance BV in Zeist, participating interest 100%, group company, fully consolidated;
• Triodos IMMA BVBA in Brussel, participating interest 100%, group company, fully consolidated;
• Triodos Investment Management BV in Zeist, participating interest 100%, group company, fully consolidated;
• Triodos Investment Advisory Services BV in Zeist, participating interest 100%, group company, fully consolidated;
• Triodos MeesPierson Sustainable Investment Management BV in Zeist, participating interest 50%, joint venture with joint control, consolidated pro rata to the participating interest held. This entity was liquidated in 2018;
• Triodos Nieuwbouw BV in Zeist, participating interest 100%, group company, fully consolidated.
• Triodos UK Limited in Bristol, participating interest 100%, group company, fully consolidated.
• Triodos Bank UK Ltd in Bristol, participating interest 100%, group company, fully consolidated.

Transactions in foreign currencies

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

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement, unless hedge-accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

Business operations abroad

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

Hedging of the net investment in business operations abroad

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

Financial leasing

Triodos Bank leases land to build a new building for own use, whereby it retains substantially all the risks and rewards of ownership of this land. The land is recognised on the balance sheet upon commencement of the lease contract at the lower of the fair value of the land or the discounted value of the minimum lease payments. The lease instalments to be paid are presented as interest expense.

The liabilities under the lease, excluding the interest payments, are included under other liabilities.

Operational leasing

Triodos Bank has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by Triodos Bank. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

Financial instruments

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

Cash

Cash represent cash in hand and cash balances at central banks. Cash is carried at nominal value.

Government paper

All government paper are held in the investment portfolio. They are stated at amortised cost less any impairment losses using the effective interest rate method. Differences between the acquisition price and the redemption value are amortised over the remaining life of the securities. Realised changes in the value are recognised in the profit and loss account.

Banks

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

Loans

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

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

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

"A provision has been taken for Incurred But Not Reported bad debts (the IBNR) to cover the time lag between the event that prompts the debt to qualify as doubtful and the moment that fact is known to Triodos Bank. This is a collective credit provision and is based on historical data. The IBNR is calculated by multiplying the exposure at default with the probability of default, the loss given default and the loss incubation period.

Interest-bearing securities

All interest-bearing securities are held in the investment portfolio. They are stated at amortised cost less any impairment losses using the effective interest rate method. Differences between the acquisition price and the redemption value are amortised over the remaining life of the securities. Realised changes in the value are recognised in the profit and loss account.

Shares

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

Participating interests

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

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of a participation based on the net asset value is negative, it will be stated at nil. If Triodos Bank N.V. can be held fully or partially liable for the debts of the participation, or has the intention of enabling the participation to settle its debts, a provision is recognised for this.

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

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

Intangible fixed assets

Intangible fixed assets are stated at acquisition price or cost of manufacture minus amortisation. These costs mainly comprise the cost of direct labour; upon termination of the development phase.
The amortisation will be determined in line with the estimated useful life. Impairments are taken into consideration; this is relevant in the event that the carrying amount of the asset (or of the cash-generating unit to which the asset belongs) is higher than its realisable value.

Expenditure on development projects is capitalised as part of the production cost if it is likely from both a commercial and technical perspective that the project will be successful (i.e.: if it is likely that economic benefits will be realised) and the cost can be determined reliably. A legal reserve has been recognised within equity with regard to the recognised development costs for the capitalised amount. The amortisation of capitalised development costs commences at the time when the commercial production starts and takes place over the expected future useful life of the asset.

Research costs are recognised in the income statement.

The development costs for the banking system will be amortised over the estimated useful life from the moment the system is used, to a maximum of 10 years.
Management contracts paid by Triodos Bank when acquiring the participating interest in Triodos Investment Management BV will be written off over a period of 20 years till October 2026. The remaining depreciation period is seven years.
Computer software that has been purchased will be written off over its useful life. This period will not exceed five years.

Property and equipment

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

Property for own use is stated at cost. The buildings for own use are depreciated according to the straight-line method on the basis of an estimated useful economic life of 40 years. Land for own use is not depreciated.

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

The difference between the proceeds on disposal of equipment and net carrying value is recognised in the profit and loss account under Other income.

Impairments expected on the balance sheet date are taken into account.

Impairment of fixed assets

On each balance sheet date, Triodos Bank assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.
The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. The costs deducted in determining net realizable value are based on the estimated costs that are directly attributable to the sale and are necessary to realize the sale. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit; these cash flows are discounted, based on a discount rate. The discount rate does not reflect risks already taken into account in future cash flows.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill cannot be reversed.

Triodos Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.
If any such evidence exists, the impairment loss is determined and recognised in the income statement.

Other assets

Other assets are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for other assets.

Provisions

Provisions are valued at the nominal value of the expenses expected to be incurred in settling the liabilities and losses. The provisions mainly consist of a provision for major building maintenance which is based on a long-term maintenance programme. Other provisions may contain costs of unsettled claims, legal proceedings or other estimated costs for expected cash outflows that qualify as provisions under Dutch accounting principles.

Funds entrusted

On initial recognition funds entrusted are recognised at fair value. After initial recognition funds entrusted are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

Other liabilities

On initial recognition other liabilities are recognised at fair value. After initial recognition other liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

Purchases of depository receipts for own shares

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

Own depository receipts for shares may be acquired to a maximum amount of EUR 28.2 million.

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

Revaluation reserve

If revaluations have been recognised in the revaluation reserve after the deduction of relevant (deferred) tax liabilities, the gross result of the realised revaluations is recognised in the income statement. The corresponding release of the (deferred) tax liabilities is charged to the operating result as tax on the result.

Derivatives and hedge accounting

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

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

Triodos Bank uses derivatives (principally interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that risk exposure. Triodos Bank applies micro hedge accounting. Micro hedging relates to individual transactions which are included in an economic hedge relationship covering interest rate and foreign exchange risks. It involves a one-on-one relationship between the hedged instrument and the hedged item

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

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

Triodos Bank has documented its hedging strategy and how it relates to the objective of risk management. Triodos Bank has documented its assessment of whether the derivatives that are used in hedging transactions are effective in ofsetting:
• currency results of the hedged items using generic documentation;
• interest rate results of the hedged items using documentation per hedged item.

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

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

Net interest income recognition

Interest income and expenses are recognised in accordance with the effective interest method. The application of this method includes the amortisation of any discount or premium or other differences (including transaction costs and applicable commissions) between the initial carrying amount of an interest-bearing instrument and the amount at maturity, based on the effective interest method.

Commission income

Commission income is recognised as the services are provided. The following types of commission income are identified:
• Service fees like payment transactions are recognised on a straight-line basis over the service contract period; asset management and management fees are recognised based on the applicable service contracts;
• Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised upon completion of the underlying transaction.

Commission income dependent on the outcome of a particular event or contingent upon performance are recognised when the following criteria have been met:
• The fees are earned and realised;
• The earnings process is completed by performing according the terms of the arrangements;

• If services are rendered or rights to use assets extend continuously over time and when reliable measures based on contractual prices established in advance are commonly available, revenues may be recognised as time passes.

Dividends

Dividends to be received from participations and securities not carried at net asset value are recognised as soon as Triodos Bank has acquired the right to them.

Pension schemes

Triodos Bank has a number of pension schemes. Premiums are paid based on contractual and voluntary basis to insurance companies. Premiums are recognised as employee cost when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

Short-term employee cost

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

Taxation on operating result

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

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

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

The computation of the deferred tax liabilities is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Earnings per share

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

Cash flow statement

The cashflow statement sets out the movement in Triodos Bank's funds, broken down into operating activities, investment activities and financing activities. The funds consist of cash and the on demand deposits with banks. The cashflow statement is produced using the indirect method and gives details of the source of cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arise from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

Segment reporting

The segments (branches and business units) are reported in a manner consistent with the internal reporting provided to the Executive Board, which is responsible for allocating resources and assessing performance. All transactions between segments are eliminated as intercompany revenues and expenses in Group Functions. Segment assets, liabilities, income and results are measured based on our accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length. The geographical analyses are based on the location of the office from which the transactions are originated.

Assets and liabilities

1. Loans

in thousands of EUR	30-Jun-19	31-Dec-18
Loans	7,702,673	7,287,126
Provision for doubtful debts	-38,091	-39,156
Total balance	**7,664,582**	**7,247,970**

This relates to loans to customers.

The mortgages, part of the loan book, grew by 15% to EUR 1,722.2 million (2018: EUR 1,503.4 million).

EUR 59.8 million (2018: EUR 144.7 million) of the loans relates to loans to local authorities with a maximum original maturity of one year and one day.

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

	30-Jun-19			31-Dec-18		
in thousands of EUR	Specific	General	Total	Specific	General	Total
Balance sheet value as at 1 January	33,742	5,414	39,156	43,678	5,918	49,596
Addition	3,017	158	3,175	7,561	1,013	8,574
Write-off	-1,867	-	-1,867	-13,561	–	-13,561
Release	-2,007	-373	-2,380	-3,908	-1,515	-5,423
Exchange rate differences	6	1	7	-28	-2	-30
Total balance	**32,891**	**5,200**	**38,091**	**33,742**	**5,414**	**39,156**

The provision does not relate to contingent liabilities and irrevocable facilities. In the general provision for doubtful debts is included an Incurred But Not Reported (IBNR) provision in the amount of EUR 5.2 million (2018: EUR 5.4 million).

2. Interest-bearing securities

in thousands of EUR	30-Jun-19	31-Dec-18
Dutch Government bonds	70,445	70,597
Belgian Government bonds	202,124	230,696
Spanish Government bonds	75,790	91,473
United Kingdom Government bonds	79,546	89,790
Other bonds	640,021	775,661
Total balance	**1,067,926**	**1,258,217**

The other bonds mainly relate to government guaranteed bonds.

Differences between the acquisition price and the redemption value are amortised over the remaining life of the securities. These items were recognised as prepayments and accrued income, for an amount of EUR 25.8 million (2018: EUR 26.6 million,) or accruals and deferred income, for an amount of EUR 0.6 million (2018: 0.7 million), in the balance sheet but are transferred to interest-bearing securities.'

3. Funds entrusted

in thousands of EUR	30-Jun-19	31-Dec-18
Savings accounts	6,130,057	5,798,813
Other funds entrusted	4,026,475	3,759,390
Total balance	**10,156,532**	**9,558,203**

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.

Funds entrusted classified by residual maturity:

	30-Jun-19			31-Dec-18		
in thousands of EUR	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	5,000,885	3,809,922	8,810,807	4,666,881	3,545,071	8,211,952
1 to 3 months	555,190	154,582	709,772	538,097	144,669	682,766
3 months to 1 year	293,801	36,069	329,870	288,022	41,832	329,854
1 to 5 years	245,210	23,044	268,254	270,222	25,477	295,699
Longer than 5 years	34,971	2,858	37,829	35,591	2,341	37,932
	6,130,057	4,026,475	10,156,532	5,798,813	3,759,390	9,558,203

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-19	31-Dec-18*
Credit substitute guarantees	113,884	118,570
Non-credit substitute guarantees	19,884	22,423
	133,768	140,993

* In 2019 Triodos Bank changed its definition of credit substitute guarantees versus non-credit substitute guarantees. For comparative purposes prior year amounts have been adjusted.

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:
• Rental obligations.
• 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-19	31-Dec-18
Undrawn debit limits on current accounts and credit cards	251,901	213,008
Accepted loans not yet paid out	1,297,017	1,165,538
Valid loan offers not yet accepted	134,230	84,434
Other facilities	287	1,009
	1,683,435	1,463,989

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 € 7,034 million (2018: € 7,512 million) and in the United Kingdom € 901 million (£ 807 million, 2018: nil). 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 € 6.4 million for the first half year of 2019.

Value Added Tax

As per 1 July 2015 the Belgian tax office enacted administrative decision E.T.127.577 ('the Decision') following the Belgian interpretation of the Skandia ruling by the European Court of Justice. As a result of the Decision services provided by Triodos Bank NV's head office in The Netherlands to Triodos Bank Belgian branch are deemed subject to value added tax ('VAT') in Belgium as of this date (except for those services which are VAT exempt).

As a result, Triodos Bank Belgian branch incurs VAT on these services which is then rendered effectively non-tax deductible through the VAT exempt services provided by Triodos Bank Belgian branch towards its clients. Adding to that Triodos Bank Belgian branch faces double VAT taxation for externally bought supplies or services by Triodos Bank NV's head office in The Netherlands which are allocated to Triodos Bank Belgian branch.

Triodos Bank is of the view that the Decision is not in line with Belgian and European Law, a view which is supported by its tax and legal advisors. Triodos Bank has contacted the Belgian tax authorities to discuss its position on the matter.

Should the case be decided against Triodos Bank, then the (gross) impact, before deduction of corporate income tax, on the profit and loss account involved to settle the Belgian VAT incurred by Triodos Bank Belgian branch until balance sheet date is estimated at a maximum of EUR 4.8 million (2018: EUR 4.0 million) . In 2019 the corporate income tax rate in Belgium is 29.58%.

6. Investment income

in thousands of EUR	30-Jun-19	30-Jun-18
Dividend from other participations	584	284
Realized result from other participations	-	3,765
	584	4,049

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 statements for the six-month period ended 30 June 2019 of Triodos Bank N.V., Zeist, which comprises the consolidated balance sheet as at 30 June 2019, the consolidated profit and loss account and the consolidated statement of comprehensive income for the period then ended, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes on the aforementioned statements. The executive board is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 these accompanying interim condensed consolidated financial statements for the six-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports.

Rotterdam, 22 August 2019

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

Banking activities

The Netherlands

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

Belgium

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

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

United Kingdom

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

Edinburgh Regional office
50 Frederick Street
Edinburgh, EH2 1EX, Scotland

London Regional office
5 Old Bailey
London, EC4M 7BA, United Kingdom

France

37 rue Pasquier
75008 Paris, France
Telephone +33 (0)1 82 28 31 60
www.triodos.fr

Triodos Investment Management B.V.

Arnhemse Bovenweg 140
PO Box 55
3700 AB Zeist, The Netherlands
Telephone +31 (0)30 693 65 00
www.triodos.com

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 Madrid, Spain
Telephone +34 (0)91 640 46 84
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