Argenta Spaarbank

IFRS Annual Statements 2014

ARGENTA

Financial statements for the 2014 financial year
of Argenta Spaarbank nv, covering the period from 1 January 2014
to 31 December 2014, prepared in accordance with the International
Financial Reporting Standards (IFRS).

The IFRS financial statements and tables are always in
euro, unless otherwise explicitly stated in the relevant tables.

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The Statutory Auditor’s Report

Statutory auditor’s report to the shareholders’ meeting on the consolidated financial statements for the year ended 31 December 2014

To the shareholders

As required by law, we report to you in the context of our appointment as the company’s statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Argenta Spaarbank NV (“the company”) and its subsidiaries (jointly “the Group”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

The consolidated statement of financial position shows total assets of 33,524,075 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 173,059 (000) EUR.

Board of directors’ responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group’s officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Argenta Spaarbank NV give a true and fair view of the group's net equity and financial position as of 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 18 March 2014
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Dirk Vlaminckx

Consolidated balance sheet (prior to profit appropriation)

Assets	Notes	31/12/2013	31/12/2014
Cash and cash equivalents with (central) banks	11	38.899.962	149.377.455
Financial assets held for trading	12	122.898.164	26.134.211
Available-for-sale financial assets	13	8.486.713.608	8.352.382.746
Loans and receivables	14	22.230.786.514	23.527.689.459
Loans to and receivables from credit institutions		313.901.383	350.726.228
Loans to and receivables from other clients		21.916.885.131	23.176.963.231
Financial assets held to maturity	13	761.448.121	839.817.180
Derivatives, hedge accounting	15	3.488.299	0
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	15	275.393.059	398.422.686
Property, plant and equipment	16	36.011.604	34.250.829
Buildings, land, equipment		35.092.101	32.645.392
Investment properties		919.503	1.605.437
Goodwill and other intangible assets	17	39.779.417	45.133.248
Goodwill		0	0
Other intangible assets		39.779.417	45.133.248
Tax assets	18	687.745	110.527
Other assets	19	150.847.015	150.756.697
Total assets		**32.146.953.508**	**33.524.075.038**

Liabilities, equity and minority interest	Notes	31/12/2013	31/12/2014
Deposits from central banks	11	0	0
Financial liabilities held for trading	12	61.720.247	11.364.769
Financial liabilities measured at amortised cost	20	29.983.794.839	30.998.478.859
Deposits from credit institutions		79.744.170	412.902.289
Deposits from other than credit institutions		27.032.393.875	28.461.986.606
Debt certificates, including bonds		2.363.906.554	1.610.203.276
Subordinated liabilities		507.750.240	513.386.688
Derivatives, hedge accounting	15	408.062.931	607.092.752
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	15	0	0
Provisions	21	13.069.332	13.708.037
Tax liabilities	18	100.645.588	79.246.094
Other liabilities	22	191.553.824	264.434.824
Total liabilities		**30.758.846.761**	**31.974.325.335**
Equity attributable to the shareholders	3	1.388.027.229	1.549.675.409
Equity attributable to the minority interests	4	79.518	74.294
Total equity and minority interest		**1.388.106.747**	**1.549.749.703**
Total liabilities, equity and minority interest		**32.146.953.508**	**33.524.075.038**

Consolidated income statement

Assets	Notes	31/12/2013	31/12/2014
Financial and operational income and expenses		**441.234.153**	**459.286.539**
Net interest income	25	468.550.062	540.330.008
Interest income		1.129.068.083	1.081.646.403
Interest expenses		-660.518.021	-541.316.395
Dividends	26	0	0
Net income from commissions and fees	27	-80.770.716	-59.714.545
Income from commissions and fees		66.886.570	75.445.834
Expenses related to commissions and fees		-147.657.286	-135.160.379
Realised gains and losses on financial assets and liabilities not measured at fair value in the income statement	28	32.303.432	6.016.890
Gains and losses on financial assets and liabilities held for trading	29	5.557.395	-49.863.325
Gains and losses from hedge accounting	30	-207.641	1.961.952
Gains and losses on derecognition of assets other than held for sale	31	126.099	2.469
Other net operating income	32	15.675.522	20.553.090
Administration expenses	**33**	**-166.886.978**	**-221.413.955**
Employee expenses		-32.751.744	-34.818.193
General and administrative expenses		-134.135.234	-186.595.762
Depreciation		**-17.097.248**	**-21.549.016**
Property, plant and equipment	16	-4.188.199	-5.783.227
Investment properties	16	-14.786	-30.073
Intangible assets	17	-12.894.263	-15.735.716
Provisions	**21**	**-4.055.453**	**-638.705**
Impairments	**34**	**-19.011.059**	**-2.071.158**
Available-for-sale financial assets		4.282.049	0
Loans and receivables		-23.115.738	-2.071.158
Goodwill		-177.370	0
Total profit before taxes		**234.183.415**	**213.613.705**
Income tax expenses	35	-59.208.293	-40.551.834
Net profit or loss		**174.975.122**	**173.061.871**
Net profit or loss attributable to shareholders	4	174.974.622	173.058.525
Net profit or loss attributable to minority interests	4	500	3.346

Consolidated total profit or loss

Other elements of the total result’	Note	31/12/2013	31/12/2014
Net profit or loss		**174.975.122**	**173.061.871**
Attributable to minority interests		500	3.346
Attributable to shareholders		174.974.622	173.058.525
Other elements of the total result’			
Revaluation at fair value		-83.397.432	5.400.233
Available-for-sale financial assets	3	-126.077.699	8.183.894
Deferred taxes		42.680.267	-2.783.661
Cash flow hedge		1.365.391	-7.092.755
Fair value hedged item	24	1.820.522	-9.457.007
Deferred taxes		-455.131	2.364.252
Total other comprehensive income		**-82.032.041**	**-1.692.522**
Total profit or loss		**92.943.081**	**171.369.349**
Attributable to minority interests		92.942.581	171.366.003
Attributable to shareholders		500	3.346

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Consolidated statement of changes in equity

	Paid-in share capital	Revaluation reserve of available-for-sale financial assets	Cash flow hedge reserves	Retained earnings	Profit of current year	Shareholders' equity	Minority interest	Total equity
Equity 31/12/2012	**459.105.400**	**215.849.450**	**-8.002.062**	**545.814.654**	**82.317.207**	**1.295.084.649**	**79.260**	**1.295.163.909**
- Capital increase	59.141.250	0	0	0	0	59.141.250	0	59.141.250
- Profit (loss)	0	0	0	0	174.974.622	174.974.622	500	174.975.122
- Declared dividends	0	0	0	-59.141.250	0	-59.141.250	0	-59.141.250
- Change in fair values	0	-126.077.699	0	0	0	-126.077.699	-347	-126.078.046
- Change in taxes	0	42.680.267	0	0	0	42.680.267	105	42.680.372
- Cash flow hedge	0	0	1.365.391	0	0	1.365.390	0	1.365.390
- Transfer to retained earnings	0	0	0	82.317.206	-82.317.207	0	0	0
Equity 31/12/2013	**518.246.650**	**132.452.018**	**-6.636.671**	**568.990.610**	**174.974.622**	**1.388.027.229**	**79.518**	**1.388.106.747**
- Capital increase	60.831.000	0	0	0	0	60.831.000	0	60.831.000
- Profit (loss)	0	0	0	0	173.058.525	173.058.525	3.346	173.061.871
- Declared dividends	0	0	0	-60.831.000	0	-60.831.000	0	-60.831.000
- Change in fair values	0	8.183.894	0	0	0	8.183.894	0	8.183.894
- Change in taxes	0	-2.783.661	0	0	0	-2.783.661	0	-2.783.661
- Cash flow hedge	0	0	-7.092.755	0	0	-7.092.755	0	-7.092.755
- Reversal revaluation value buildings	0	0	0	-9.717.823	0	-9.717.823	0	-9.717.823
- Other changes	0	0	0	0	0	0	-8.570	-8.570
- Transfer to retained earnings	0	0	0	174.974.622	-174.974.622	0	0	0
31/12/2014	**579.077.650**	**137.852.251**	**-13.729.427**	**673.416.410**	**173.058.525**	**1.549.675.409**	**74.294**	**1.549.749.703**

Notes 3 and 4 provide further information on the various equity positions in the above table.

The change in fair value recognized on the revaluation reserve on available-for-sale financial assets includes the transfer from this reserve to profit owing to sales amounting to EUR 6,016,890 in the 2014 financial year and EUR 8,036,038 in 2013 (more detail on these realized earnings can be found in note 28).

Consolidated cash flow statement

	31/12/2013	31/12/2014
Cash and cash equivalents at the start of the period	**190.025.007**	**352.801.345**
Operating activities		
Net profit attributable to shareholders	174.974.621	173.058.526
Payable and deferred tax expenses, recognised in the income statement	59.208.293	40.551.834
Minority interests recognised in the group's income statement	500	500
Depreciations	17.097.248	0
Net provisions (reversals)	4.055.454	638.705
Net income (loss) on the sale of investments	-126.099	-2.469
Impairments	19.011.059	2.071.158
Other adjustments	171.540	-7.357.140
Cash flows from operating profits before changes in operating assets and liabilities	**274.392.616**	**216.318.254**
Changes in operating assets (except cash and cash equivalents)		
Changes in loans and receivables	-1.335.636.727	-1.262.149.258
Changes in available-for-sale assets	2.969.820.423	139.733.564
Changes in financial assets held for trading	17.900.517	96.763.953
Changes in financial assets Held-to-maturity	-861.578	-78.369.059
Derivatives, hedge accounting	142.495.598	-123.029.627
Changes in other assets	273.558.607	-9.050.287
Changes in operating liabilities (except cash and cash equivalents)		
Changes in deposits from central banks	-1.209.113.889	0
Changes in deposits from credit institutions	30.004.800	333.158.119
Changes in deposits from other than credit institutions	1.869.472.366	1.429.592.731
Changes in debt certificates (including savings certificates)	-2.439.184.705	-753.703.278
Changes in financial liabilities held for trading	-65.791.900	-50.355.478
Changes in derivatives, hedge accounting	-203.755.731	195.425.364
Changes in other liabilities	-77.396.341	58.536.036
Changes in working capital, net	-28.488.560	-23.447.220
Cash flow from operational activities	274.392.616	230.510.129
(Paid) Refunded income taxes	-43.682.638	-47.612.088
Net cash flow from operating activities	**202.221.418**	**159.450.821**
Investing activities		
(Cash payments to acquire property, plant and equipment)	-6.088.902	-15.487.915
Cash proceeds from disposal of property, plant and equipment	356.204	18.792.531
(Cash payments to acquire intangible assets)	-16.517.637	-21.728.496
Cash proceeds from disposal of intangible assets	0	638.949
Changes concerning consolidated companies	0	0
Net cash flow from investing activities	**-22.250.335**	**-17.784.931**
Financing activities		
(Paid dividends)	-59.141.250	-60.831.000
Cash proceeds from the issue of subordinated liabilities	43.478.691	12.841.249
(Cash repayments of subordinated liabilities)	-60.673.436	-7.204.800
Cash proceeds from a capital raise	59.141.250	60.831.000
Net cash flow from financing activities	**-17.194.745**	**5.636.448**
Cash and cash equivalents at the end of the period	**352.801.345**	**500.103.683**

Components of cash and cash equivalents:		
Cash in hand	22.155.779	28.932.421
Cash balances at agents	16.743.689	15.547.470
Cash balances with central banks	494	194
Central bank reserves	189.649.498	328.875.344
Cash balances with other financial institutions	124.251.885	104.897.370
Other advances	0	21.850.884
Total cash and cash equivalents at the end of the period	**352.801.345**	**500.103.683**
Cash flow from operating activities		
Received interest income	1.129.068.083	1.081.646.403
Dividends received	0	0
Paid interest expenses	-643.993.859	-541.316.395
Cash flow from financing activities:		
Interest paid	-18.924.068	-18.393.572

For the preparation of the consolidated cash flow statement above the indirect method is applied.

Components of cash and cash equivalents

The cash in hand, cash balances at authorised agents, and cash balances with central banks can be found under the balance sheet item 'cash and cash balances with central banks' (see note 11).

The amount of 'loans and receivables' can be found under the balance sheet item 'loans to and receivables from credit institutions' (see note 14.1). This concerns term deposit accounts with other financial institutions and the associated pro rata interest amounts.

Cash flows from operating and financing activities

Further information can be found in note 25 on interest amounts received and paid, and note 26 on dividends received.

Notes

1. General information

Argenta Spaarbank nv (hereinafter the Company) is registered in Belgium under Belgian law. Its legal form is that of a public limited liability company that has made a public appeal to the savings system (statutory Belgian credit institution). The company has been established for an unlimited term. The Company's registered office is at Belgiëlei 49-53, 2018 Antwerp.

The Company has the status of a Belgian credit institution. The Company's core activities are attracting retail savings funds, offering mortgages to retail clients and providing payment services.

In addition, the Company offers units of the Argenta funds units of other local and foreign undertakings for collective investment and structured notes of third parties.

Argenta Bank- en Verzekeringsgroep nv (hereafter referred to as **BVg**) is the holding company of the Argenta Group. Its operations consist of cross-cutting risk management functions (Internal Audit, Compliance, Risk & Validation) and the shared services Human Resources, Facilities, Distribution (sales and support), Inspection and Mediation, which are organized at group level.

BVg has the statute of a mixed financial holding in accordance with article 49-49 bis, 5 of the Law of 22 March 1993 regarding the legal status and the supervision of credit institutions.

BVg consolidates and is responsible for the joint management of the insurance activities of its subsidiary Argenta Assuranties nv (hereafter referred to as **Aras**) which has the statute of a Belgian insurance company, and the banking activities of the Company.

The subsidiaries of BVg, viz. the Company and Argenta Assuranties nv, have in turn several subsidiaries. Argenta Assuranties nv and its subsidiaries are hereafter referred to as **the Insurance Pool**.

The Company and its subsidiaries are hereafter referred to as the **Bank Pool**. The Company consolidates the activities of its subsidiaries Argentabank Luxembourg SA (**ABL**) and Argenta Nederland (hereinafter **ARNE**), a Dutch company for the issuance of bonds. The latter company was acquired in December 2013 from the parent company BVg.

The Bank Pool concentrates primarily on two activities. The first is attracting funds in the retail market in the form of savings accounts, current accounts, retail savings certificates and bonds, and reinvesting these funds in mortgage loans. A second core activity is offering shares in undertakings for collective investments (UCIs) and structured bonds (“structured notes”).

The Insurance Pool, Bank Pool and BVg are hereinafter collectively referred to as the Argenta Group.

The subsidiaries of the Company

ARNE was used in the past as an entity for issuing bonds. On 24 June 2014, the last bond issued by ARNE in 2006 matured. Currently, there is therefore no further activity in this company.

Argenta Luxembourg today acts solely as funds manager and administrative agent of Argenta-Fund Sicav and Argenta Fund of Funds. Since early 2015, ABL’s status has been converted from financial institution to fund administrator.

The Company's banking activities in the Netherlands are organized in a branch office rather than in a subsidiary. The 'Savings' distribution channel consists of 'Direct Savings', a successful direct Internet channel, and a limited number of independent consultants.

The implementation of Direct Savings combined with an attractive interest rate, made possible by the elimination of commissions on the sale of savings products through independent consultants, resulted in a further increase in new clients and savings in the branch.

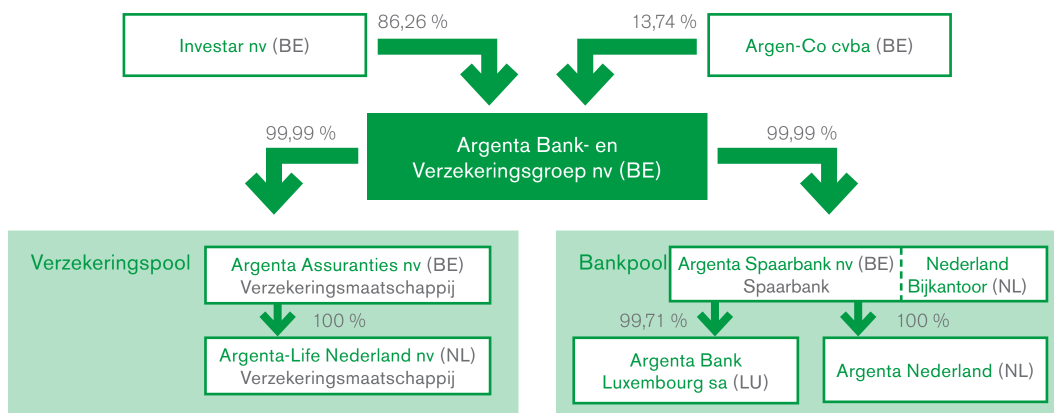
The sales network for mortgages was further optimized in the branch. A number of intermediaries are part of larger franchise chains, that set the tone in the Dutch market. With the franchise formula and the exclusivity features, these chains exhibit many similarities with the distribution organization in Belgium.

In 2007 and 2008, two securitisation transactions were performed by which Dutch mortgage loans with a government mortgage guarantee (Nationale Hypotheek Garantie – hereinafter **NHG**) were sold to an SPV (Special Purpose Vehicle – hereinafter **SPV**) called Green Apple (hereinafter **SPV Green Apple**).

The 2008 transaction matured on 23 January 2014. For the 2007 transaction, of which all the notes are owned by the Company, the call was not yet exercised in 2014.

Despite the absence of any capital link with the Company, management decided that the SPV needs to be consolidated, as result of which the transferred loans continue to be recognised on the balance sheet of the Bank Pool.

The presentation below gives an overview of the global structure of the Argenta Group and the operational Bank Pool and Insurance Pool. The entity ALL (subsidiary of the insurer) was already no longer included in this presentation in the light of the ongoing voluntary liquidation.



Following the IFRS standards, the entities below are included in the consolidated bank pool.

	%	31/12/2013	31/12/2014
Argenta Spaarbank nv	-	consolidating entity	consolidating entity
Argentabank Luxembourg SA (ABL)	99,71 %	full consolidation	full consolidation
Argenta Nederland (ARNE)	100 %	-	full consolidation
Green Apple bv (SPV)	0 %	full consolidation	full consolidation

Note on the number of personnel

In fiscal 2014, the average number of employees in the Bank Pool as a whole amounted to 495.44 (509.75 in 2013). There were an average of 478.78 employees (487.25 in 2013) and 16.66 senior management staff (22.50 in 2013).

The above figures for average staff numbers give a somewhat distorted picture because of the existence of cost-sharing at group level. The numbers of employees given are those who are effectively on the payrolls of the companies concerned.

A breakdown of personnel costs for the year can be found in note 33.

Development of the Company in 2014

In a context of very low inflation and interest rates, slow economic growth and increasing regulatory pressure, the Company continued to present excellent results.

The consolidated result (excluding minority interests) for the year was EUR 173,058,525 for the 12 months to 31 December 2014 compared with EUR 174,974,622 for 2013.

The balance sheet continued its healthy growth. With the level of incoming funds increasing, the portfolio of retail savings certificates continues to decline in favour of savings accounts, which increased in Belgium and the Netherlands by more than one billion euros. This transition is the consequence of the very low interest rates, as already observed in previous years.

The mortgage portfolio rose strongly due to the high production. Its quality also remained very good.

Investments in available-for-sale assets and 'assets held to maturity' showed a limited decline. The Company seeks a cautious investment policy here, and in recent years has also sought to lend to local governments and projects.

The Investing pillar is being promoted in order to diversify both income and the offering to customers. Positive signals from the stock market are increasing customer interest in these products.

The bank's profit has remained firm after the excellent results of 2013. Profit retention is enabling equity to rise further. The favourable evolution of solvency and liquidity ratios continues. The Company meets all regulatory ratios.

2. Accounting policies

The Belgian Royal Decree of 5 December 2004, amending the Royal Decree of 23 September on the consolidated financial statements of credit institutions (hereinafter referred to as the **Royal Decree of 5 December 2004**), introduced the requirement for credit institutions to prepare their consolidated financial statements in accordance with IFRS with effect from 1 January 2006.

General

In accordance with the stipulations of the Royal Decree, the Company's consolidated financial statements are prepared in accordance with the IFRS standards – including the International Accounting Standards (**IAS**) and interpretations – as of 31 December 2014, as accepted by the European Union.

Accounting principles that are not mentioned specifically in these financial statements correspond with IFRS as accepted by the European Union.

Crucial estimates and major sources of estimation uncertainties

The preparation of financial statements on the basis of IFRS requires a number of accounting estimates. Furthermore, management was asked for its assessment during the process of applying these accounting principles. Actual results may differ from these accounting estimates and assumptions.

Accounting estimates are made principally in the following areas:
- accounting estimate of the recoverable amount of impairments;
- assessment of the fair value of unlisted financial instruments;
- assessment of the expected useful life of tangible and intangible assets;
- accounting estimate of the existing liabilities resulting from past events in the recognition of provisions.

Assumptions are made principally in the following areas:
- classification of financial instruments;
- level of hierarchical attribution of financial instruments;
- existence of active markets for financial instruments;
- existence of loss events and impairment triggers;
- existence of obligations resulting from past events (provisions);
- existence of control over companies.

Management has also decided that the Green Apple SPV needs to be consolidated and that consequently the transferred loans should remain on the group's balance sheet.

2.1. Changes in accounting policies

The accounting policies used for preparing these 2014 consolidated financial statements are consistent with the policies applied as of 31 December 2013.

The following Standards and Interpretations applied in the 2014 financial year:
- IFRS 10 *Consolidated Financial Statements*
  (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosure of Interests in Other Entities*
  (applicable for annual periods beginning on or after 1 January 2014)

- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Consolidated Financial Statements, Disclosures - Investment Entities* (effective for annual periods beginning on or after 1 January 2014)
- Adjustment of IAS 32 *Financial Instruments: Presentation – Netting of Financial Assets and Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Adjustment of IAS 36 – *Impairment of Assets* (applicable for annual periods beginning on or after 1 January 2014)
- Adjustment of IAS 39 – *Financial Instruments – Recognition and Measurement* (applicable for annual periods beginning on or after 1 January 2014)

The application of these new provisions had no material impact on the Company's results and equity or on the presentation of the financial statements.

Standards and Interpretations published but not yet applicable to the annual period beginning on 1 January 2014:

- IFRS 9 *Financial Instruments and Subsequent Amendments* (effective for annual periods beginning on or after 1 January 2018, but not yet approved by the European Union)
- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016, but not yet approved by the European Union)
- IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2017, but not yet approved by the European Union)
- Improvements to IFRS (2010-2012) (effective for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2011-2013) (effective for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2012-2014) (effective for annual periods beginning on or after 1 July 2014, but not yet approved by the European Union)
- Adjustment on IFRS 10, IFRS 12 and IAS 28 *Consolidated Financial Statements, Disclosures – Investments in Associates - Application of the Exemption of Consolidation* (effective for annual periods beginning on or after 1 January 2016, but not yet approved by the European Union)
- Adjustment on IFRS 10 and IAS 28 *Sale or Investment of Assets Between Investor en the Associated Participation or Joint Venture* (effective for annual periods beginning on or after 1 January 2016, but not yet approved by the European Union)
- Amendment to IFRS 11 - *Joint Arrangements - Processing of acquisitions of interests in joint operations* (effective for annual periods beginning on 1 January 2016 but not yet approved by the European Union)
- Amendment to IAS 1 - *Presentation of Financial Statements - Initiative on Disclosures* (effective for annual periods beginning on 1 January 2016 but not yet approved by the European Union)
- Amendments to IAS 16 and IAS 38 - *Property, Plant and Equipment and Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on 1 January 2016 but not yet approved by the European Union)
- Amendments to IAS 16 and IAS 41 - *Property, Plant and Equipment and Biological Assets - Bearer Plants* (effective for annual periods beginning on 1 January 2016 but not yet approved by the European Union)
- Amendments to IAS 19 *Employee Benefits - Employee contributions* (effective for annual periods beginning on 1 February 2015)
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after 01 January 2016, but not yet approved by the European Union)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 17 June 2014)

The Company will implement all the aforementioned standards, amendments and interpretations when they come into force. With the exception of IFRS 9, it does not expect them to have a material impact.

IFRS 9 imposes, inter alia, new classification and measuring requirements for financial instruments and the recording of impairments. No decision has yet been made regarding the date of implementation of this standard at the Company.

It should also be noted not all amendments have been approved completely by the European Union.

2.2. Accounting policies – accounting rules

Consolidation principles

The consolidated financial statements include those of the Company and its subsidiaries (hereinafter: Subsidiaries). Subsidiaries are those companies in which the Company, directly or indirectly, has the power to govern the entity's financial and operational policies in order to obtain benefits from these activities (hereinafter referred to as Control).

Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date on which that control ceases.

The Subsidiaries are consolidated using the full consolidation method.

This method implies the Subsidiary's shares held by the Company being replaced in the Company's balance sheet by this Subsidiary's assets and liabilities.

Intercompany transactions, balances and results on transactions between Argenta Group companies are eliminated.

Minority interests in the net assets and net results of consolidated Subsidiaries are shown separately in the balance sheet and income statement.

These minority interests are measured at the fair value of the net asset on the date of acquisition. Subsequent to the date of acquisition, minority interests comprise the amount calculated at the date of acquisition and the minority share in the changes in equity since the date of acquisition.

Before proceeding with the consolidation of the individual financial statements, the rules applying to the measurement of the assets and liabilities components were harmonized on the basis of the accounting rules applicable to the Company.

Because all companies included in the Company's consolidated financial statements close their financial years on 31 December of each calendar year, this date is also taken as the year-end closing date for the consolidation.

Operating segments

Operating segments are identified on the basis of existing reporting structures. This segmentation matches the internal reporting and the segmentation applied in the past.

Foreign currency

The consolidated financial statements are stated in euro, which is the functional currency of all Argenta Group entities. Foreign currency transactions are stated at the exchange rate applicable on the date of the transaction.

On the balance sheet date, outstanding balances in foreign currencies are translated at the year-end closing exchange rates for monetary items.

Non-monetary items that are carried at historical cost are translated using the historical exchange rate that applied at the date of the transaction.

Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values were determined.

Transaction date and settlement date accounting

Financial assets and liabilities are recognised on the balance sheet at the time the Company becomes a party to the contractual provisions of the instruments.

Purchases and sales of financial assets settled by cash transactions according to standard market conventions are taken into the Company's balance sheet on the settlement date.

Netting

Financial assets and liabilities are netted and the net amount is recognised on the balance sheet when (a) there is a legally enforceable right to net the recognised amounts and (b) there is an intention to settle the obligation on a net basis, or realise the asset and settle the liability simultaneously.

Assets are recognised after deduction of accumulated impairment losses, if applicable.

Financial assets and liabilities

All financial assets and liabilities – including derivatives – are recognised according to the IFRS classification system. Each classification is subject to its own specific measurement rules.

The following classifications exist for financial assets: (a) loans and receivables, (b) held-to-maturity assets, (c) financial assets designated at fair value through profit or loss, and (d) available-for-sale assets.

(a) Loans and receivables: all non-derivative financial assets with fixed or determinable payments that are not listed on an active market.
These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method, with the regular amortisation recognised in the income statement.

Where necessary, impairment losses are charged.

(b) Held-to-maturity assets: all non-derivative financial assets with fixed maturities and fixed or determinable payments that the Company fully intends and is able to hold to maturity.
These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method, with the regular amortisation recognised in the income statement.

Where necessary, impairment losses are charged.

(c) Financial assets designated at fair value through profit or loss include:
- financial assets held for trading, including derivative instruments that are not designated as effective hedging instruments;
- financial assets that are designated on acquisition or first-time adoption of IFRS as held at fair value through profit or loss.

These are measured on acquisition at fair value, excluding transaction costs, and subsequently at fair value, with all changes in value recognised in the income statement.

All derivatives with a positive fair value are considered by the Company as assets held for trading unless designated as effective hedging instruments.

(d) Available-for-sale financial assets: all non-derivative financial assets that are not classified as (a) loans and receivables, (b) held-to-maturity assets, or (c) financial assets designated at fair value through profit or loss.

These assets are measured at fair value, with all fair value fluctuations being recognised on a separate line in equity until the assets are sold or until they are recognized as impaired. In this case, the cumulative fair value changes are transferred from equity to profit or loss for the financial year.

For the investments in instruments other than equity instruments, the difference between the acquisition price (including transaction costs) and the redemption value based on the effective interest method is taken into the income statement pro rata temporis over the securities' residual term to maturity as a component of the interest income from these securities.

The fluctuations in the fair value of these securities, which are recognised on a separate line in equity, are measured by calculating the changes between (a) their acquisition price (including transaction costs) plus or minus the portion of the above-mentioned difference that is taken into the income statement and (b) the fair value.

The following classification exists for financial liabilities: (a) financial liabilities designated at fair value through profit or loss and (b) other financial liabilities.

This IFRS classification determines the measurement and recognition in the income statement as follows:

(a) financial liabilities designated at fair value through profit or loss include:
- financial liabilities held for trading, including derivative instruments that are not designated as effective hedging instruments;
- financial liabilities that are designated at acquisition or first-time adoption of IFRS as held at fair value through profit or loss.

These are measured on acquisition at fair value, excluding transaction costs, and subsequently at fair value, with all changes in value recognised in the income statement.

All derivatives with a negative fair value are considered by the Company as liabilities held for trading, unless designated as effective hedging instruments.

(b) Other financial liabilities: these are all other non-derivative financial liabilities that do not fall under the previous category.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method, with the regular amortisation recognised in the income statement.

Income and expenses arising from financial instruments measured at amortized cost and from fixed income securities classified in 'available-for-sale financial assets' are recognized in the income statement using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash flows (including paid and received commissions and fees that are an integral part of the effective interest rate, along with transaction costs and all other premiums or discounts) over the expected life of the debt instrument, or, if more appropriate, a shorter period, in order to arrive at the net carrying amount of the asset or liability in the balance sheet.

The method used to recognize service-related commission income and expenses depends on the nature of the service. Commissions which are treated as an additional component of interest are included in the effective interest rate and recognized under net interest income. Paid and received commissions for which the underlying transaction is completed, are recognized in the commission income and expenses.

Cash and cash equivalents

'Cash and cash equivalents', as used in the cash flow statement, include cash in hand, freely available balances at central banks and other non-derivative financial assets with a maturity of less than or equal to three months from the date of acquisition.

Tangible assets

Property, plant and equipment

All property, plant and equipment is recognised at cost, which is the value at acquisition, including directly attributable acquisition costs, less accumulated depreciation and any impairments.

The rates of depreciation are determined on the basis of the anticipated useful life of the assets and are applied according to the straight-line method from the moment the assets are available for use.

When property, plant or equipment is sold, the realised gains or losses are recognised immediately in the income statement.

Investment property

Investment properties are those properties held to earn rental income or for capital appreciation or for both. The accounting rules outlined for property, plant and equipment apply also the investment property (application of the cost price model).

Specific accounting rules

Land and buildings

The purchase price and purchase costs of land are not depreciated, regardless of whether the site has been developed or not.
Upon purchase of a developed site, the values of the land and of the building are calculated, and the transaction costs divided on a pro rata basis between the land and the building.

The building is depreciated over its estimated useful life, i.e. at a rate of 3% per annum on a monthly basis.

The purchase price and purchase costs of renovations are depreciated at 10% per annum on a monthly basis.

The purchase price and purchase costs of interior finishings of rented buildings are depreciated over the term of the rental contract.

IT equipment

The purchase price and purchase costs of hardware are depreciated at 33.33% per annum on a monthly basis.

Other equipment (including vehicles)

The purchase price and purchase costs of furnishings and equipment are depreciated at 10% per annum on a monthly basis.

The purchase price and purchase costs of vehicles are depreciated at 25% per annum on a monthly basis.

Goodwill and intangible assets

Goodwill

Goodwill is defined as the portion of the cost of the acquisition of a business combination that exceeds the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, and is calculated as of the date of acquisition.

It is recognised as a non-current intangible asset and is carried at cost less any impairment. Goodwill is not amortised, but is tested at least once a year for impairment.

Intangible assets

An intangible asset is an identifiable non-monetary asset with no physical form. It is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

If the capitalisation criteria are met, acquired software is recognised at cost under intangible assets. The acquisition price and acquisition cost are amortised according to the straight-line method from the moment that the software is available for use.

The purchase price and purchase costs of acquired software are amortised at 20% per annum on a monthly basis.

Other intangible assets are amortised at 10% per year.

Impairment losses

The Company tests all its assets at each balance sheet date for impairment indications.

The carrying amount of an impaired asset is reduced to its estimated recoverable amount, and the amount of the change in the current reporting period is recognised in the income statement.

If, in a subsequent period, the amount of the impairment on assets other than goodwill or available-for-sale equity instruments is reduced owing to an event occurring after the write-down, the amount of the reduction is recognised in the income statement.

Financial assets

An impairment loss shall be recorded on an individual basis on any asset (or group of financial assets), if (1) there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset, and (2) that the loss event or events have an impact on the estimated future cash flows from the financial asset which can be reliably estimated.

Depending on the type of financial asset, the recoverable amount can be estimated as follows:

- the fair value using an observable market price;
- the present value of expected future cash flows discounted at the financial asset's original effective interest rate, or
- based on the fair value of the collateral obtained.

Investments in equity instruments
A significant or long-term fall in the real value of an investment in an equity instrument below the cost price constitutes an objective indication for impairment.

This situation will be assessed individually in each case, but in the absence of additional assessment elements, the Company considers an unbroken period of 24 months as long-term, and a fall of at least 30% as significant.

Where one of the criteria is fulfilled, a quantitative and qualitative analysis of the position in question is undertaken in order to judge whether a permanent impairment exists.

Impairments recognised in the income statement on investments in equity instruments classified as available-for-sale cannot be reversed via the income statement.

Investments in non-equity instruments
Impairments are applied in cases of sustained capital loss or loss of value attributable to the financial difficulties of the debtor.

Assets go into 'default' status where the arrears (of interest and/or capital) have reached 90 days or repayment is unlikely.

Objective indicators used by the Company to consider setting up a provision include significant financial difficulties of the issuer/debtor, payment arrears, the likelihood that the issuer/debtor could be declared bankruptcy or be subject to financial restructuring, renegotiation of the terms of the asset due to financial difficulties of the issuer/debtor including any concessions, the disappearance of an active market for a financial asset as a result of financial difficulties, changes in the credit rating, and observable data that will negatively affect the future cash flows of a financial asset.

Whenever the status of an asset changes to default, an assessment is made on a case by case basis as to whether or not an impairment loss is to be recorded. An impairment loss will be considered if the objective data show that one or more events are likely to affect negatively the future cash flows of a financial asset.

Also taken into account, in addition to the above indicators, are other market information about the liquidity and solvency of the issuer/debtor, the trends for similar financial assets, and local economic trends and conditions.

- Available-for-sale financial assets

Where a fall in the fair value of an available-for-sale financial asset has been recognized directly in equity, and there are objective indications that the asset has suffered impairment, the accumulated loss that has been directly booked to equity is transferred to the income statement, even though the financial asset has not been removed from the balance sheet.

The amount of the cumulative loss that is reclassified from equity to the income statement is equal to the difference between the acquisition cost (net of any principal repayment and amortization) and its current fair value, less any impairment losses on that asset that have been previously taken into the income statement.

Where the fair value of an available-for-sale debt certificate increases in a subsequent period, and the increase can be objectively related to an event that occurred after the impairment was recognised in the income statement, the impairment must be reversed, with the amount of the reversal recognised in the income statement.

• Loans and receivables – individual impairments

Specific measurement rules for mortgage loans, investment loans, instalment sales and loans

The asset is deemed to be in default if either the payment arrears are greater than the sum of three monthly instalments or, where another repayment frequency applies, when the payment arrears (both capital and interest) amount to more than three months. This applies also for an outstanding claim on maturity exceeding EUR 25 or if available indicators show the receivable to be possibly wholly or partially irrecoverable ('unlikely to pay').

The list of mortgage loans, investment loans, sales and instalment loans in default status is produced monthly.

For all mortgage loans, investment loans, and instalment sales and loans in default status, the necessary information is collected for valuation. The outstanding portion is reduced, in the case of mortgage loans, by the forced sale value of the mortgage property, and/or the forced sale value of the movable assets, including pledged securities, accounts, life insurance (Branch 23) and funds.

For mortgage loans granted in the Netherlands, the following elements are taken into account in calculating the valuation: the forced sale value of the mortgage property; the surrender value of life insurance; the value of the investment account; the total value at the end of the month of the building deposit; the total value at the end of the month of the savings deposit.

If a mortgage loan granted in the Netherlands has been concluded with an NHG guarantee, the calculation of the value for this loan takes into account the annuity decrease in the NHG guarantee. Where the measurement as described above leads to a residual debt, an impairment loss is recognized to the extent of the remaining debt.

If, however, if the mortgage loan granted in the Netherlands is covered by an NHG guarantee, the impairment will not exceed the amount of the annuity reduction in the guarantee amounts.

For all mortgage loans, investment loans, sales and instalment loans in default status, the monthly measurements take place fully automatically. This can give rise to an upward or downward value adjustment.

All imputed interest, penalties and costs are taken through the income statement, given that the individual value adjustment takes this into account.

Where it is determined that the mortgage loan, investment loan or instalment sale or loan is uncollectible, the impairment amount is applied against it.

A loan is uncollectible whenever the following conditions are met: (a) all possible procedures have been conducted and/or the necessary legal costs outweigh the possible recoverable benefits, all guarantees have been applied and/or legal costs of exercising the guarantee are in disproportion to the potential benefits; (b) based on the available data, no further remedies exist against the borrowers and no recovery of any size is expected in the future, (c) after execution of guarantees, the incoming payments (both payment settlements and/or salary transfers or other attachments) do not guarantee the full repayment of the debt in the short term (< 1 year).

The above rules do not have to be cumulatively fulfilled, but may each on its own be reason to deem the loan to be uncollectible.

measurement rules for non-mortgage credit lines and overdrafts on giro, golden, internet and brokers' accounts

Non-mortgage credit lines and giro, golden, internet and brokers' accounts are in default when scheduled (re) payments are more than 3 months in arrears, or the account has been overdrafted continuously for more than 3 months or where other indicators point to an 'unlikely to pay' situation.

The indicators that can give rise to a default status are the same as for mortgage loans, investment loans, instalment sales and instalment loans.

The provisions relating to measurement, the charging of impairment losses, periodicity, taking through the income statement of interest, penalties and costs, and writing off are the same as for mortgage loans, investment loans, instalment sales and instalment loans.

- Loans and receivables - collective provision

In addition to individual impairments, collective – portfolio-based – provisions are recorded in the form of an IBNR (incurred but not reported) provision.

An 'incurred but not reported' provision on loans is recognized for mortgage receivables that are not in default and on which no impairment losses have been recorded on an individual basis (performing loans).

This collective evaluation of impairment losses includes the application of a 'loss confirmation period'.

This 'loss confirmation period' represents a time interval (expressed in months) between the occurrence of the impairment-causing event (i.e. a 'loss event') and the time it is identified in the entity's credit system.

The application of the 'loss confirmation period' ensures that impairments that have already de facto occurred but have not yet been identified as such are included to a sufficient degree in the provisions recorded.

The 'loss confirmation period' is continuously evaluated and can be changed depending on market developments (including house prices, transactions, taxation), portfolio characteristics and macro-economic indicators (such as unemployment, GDP growth, debt, divorce rates).

The IBNR provision is calculated and set up for all retail credit portfolios based on adapted IRB models used to determine the minimum prudential capital requirements. These adjustments relate essentially to the introduction of the above-mentioned loss confirmation period and an economic adjustment that reflects the actual losses on the portfolio in place of the average historical losses. The loss confirmation period amounts here to at least 3 months for the different risk categories.

In addition to the IBNR, a provision is also set up for collectively assessed financial assets. This portfolio-based provision is recorded only for a mortgage backed securities (MBS) portfolio classified under loans and receivables.

Other assets

For non-financial assets, the recoverable amount is defined as the higher of fair value less cost to sell and value in use.

The fair value less cost to sell is the amount obtainable from the sale of an asset in an at arm's length transaction between knowledgeable, willing parties, after deducting the costs of the sale.

The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Annual goodwill impairment test

Goodwill is tested at least annually for impairment. Impairment losses are recognized if the carrying amount of the cash generating unit to which the goodwill belongs exceeds its realizable valuable. Impairment losses on goodwill cannot be reversed.

Derivatives

Derivatives are financial instruments such as swaps, forward contracts and options. Such financial instruments have values that change in response to changes in underlying variables, require little or no net initial investment, and are settled at a future date. They are classified as held-for-trading derivatives, unless designated as effective hedging instruments.

The Company applies hedge accounting (effective hedging instruments) if all the required conditions have been met (according to the requirements of hedging transactions of IAS 39 as approved by the EU).

Those conditions are as follows: the hedge relationship must be formally documented on the inception of the hedge; the expectation that the hedge will be effective; the ability to reliably measure the effectiveness of the hedge; and continuous measurement during the reporting period in which the hedge can be considered to be effective.

For **fair value hedges**, the derivatives hedging the risks are measured at fair value, the hedged positions are adapted for changes in the fair value of the hedged item, with all these fluctuations in fair value recognised in the income statement. The pro-rated interest of interest rate swaps is included in the interest income or expense of the hedged positions. Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold.

In this case, the revaluation gain or loss on the hedged position (for fixed-income financial instruments) will be taken to profit or loss of the financial year until final maturity based on the effective interest rate at the time of disposal of the hedged position.

Fair value hedges **of the interest rate risk of a portfolio** are applied by the Company in order to hedge the interest rate risk of a portfolio of loans by means of interest rate swaps. The interest rate swaps are measured at fair value, with fluctuations in the fair value recognised in the income statement. The changes in the fair value of the hedged amount are presented as a separate asset line on the balance sheet.

The Company applies the carve-out version of IAS 39. In this way, no ineffectiveness arises owing to unexpected levels of prepayments as long as underhedging exists. In case of hedge ineffectiveness, the cumulative fluctuation in the hedged amount is amortised through profit or loss over the remaining lifetime of the hedged assets, or else immediately removed from the balance sheet if the ineffectiveness is due to the derecognition of the corresponding loans.

For cash flow hedges, the derivatives hedging the risks are measured at fair value, with the fluctuations in fair value attributable to the effective part of the hedge being recognised in a separate equity item. The pro-rated interest of interest rate swaps is included in the interest income or expenses of the hedged positions. The ineffective portion of the hedge is recognised in income for the financial year. Hedge accounting is discontinued once the hedge accounting criteria are no longer met. In this case, the derivatives are treated as held-for-trading derivatives and measured accordingly.

Held-for-trading derivatives are recognised on the balance sheet at fair value on the transaction date. Subsequently, they are measured at fair value, with fluctuations in the fair value changes being recognised as profit or loss for the financial year.

Held-for-trading derivatives with a positive fair value are recorded on the asset side of the balance sheet, and those with a negative fair value on the liabilities side.

Embedded derivatives

Financial assets or liabilities can include derivatives embedded in a contract. Such contracts are referred to as ‘hybrid instruments’.

If the host contract of the hybrid financial instrument (1) is not carried at fair value with changes in value taken through profit or loss, and (2) the characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative should be separated from the host contract and measured at fair value as a separate derivative.
Fair value changes are recognised in the income statement. The host contract is accounted for and measured by applying the rules of the relevant category of the financial instrument.

If (1) the host contract of the hybrid financial instrument is carried at fair value through profit or loss, or if (2) the characteristics and risks of the embedded derivative are closely related to those of the host contract, the embedded derivative is not separated from the host contract and the hybrid instrument is measured at fair value as a single derivative.

Fair value of financial instruments

The fair value is the price that would be received/paid on the sale of an asset or transfer of a liability in an 'orderly' transaction between market participants at the reporting date.

The Company uses the following hierarchy in determining the fair value of financial instruments: first, the quoted price in an active market, and then valuation techniques.

The fair value of a financial instrument is measured on the basis of quoted prices in active markets. Where there is no active market available for the financial instrument, the fair value is measured using valuation techniques.

These valuation techniques make maximum possible use of market inputs, but are affected by the assumptions used, such as risk spreads and accounting estimates of future cash flows.

The fair value of the loans and receivables in particular are obtained using the discounted value technique, in which the future cash flows are discounted at the swap curve, plus a spread, which is systematically re-examined.

In the rare case where it is not possible to determine the fair value of an unlisted equity instrument, it is recognised at cost.

On initial recognition, the fair value of a financial instrument is the transaction price, unless the fair value is evidenced by recent market transactions in the same instrument, or is based on a valuation technique, the variable elements of which consist only of data from observable markets.

Lease contracts

The Company enters into operating leases only for the rental of equipment and buildings. Payments made under such leases are recognised in the income statement on a straight-line basis over the period of the lease.

Repurchase agreements

Securities subject to a repurchase agreement (repo) remain on the balance sheet. The liability arising from the obligation to repurchase the asset is recognised in amounts payable to banks or to clients, depending on the counterparty.

Securitisation

Securitisations can take the form of a sale of the assets involved to a special purpose vehicle (SPV), or a transfer of the credit risk by means of credit derivatives. An SPV issues tranches of securities to fund the purchase of the assets.

The financial assets involved in a securitisation are no longer (fully or partially) accounted for in the financial statements whenever the Company transfers virtually all the risks and income from the assets (or parts thereof).

Employee benefits

Pension obligations
The Company only has pension obligations based on defined contribution schemes.

The Company's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

Employee entitlements
Employee entitlements to annual leave and long-service leave are accounted for in the year on which these days are based.

Provisions

Provisions are recognised on the balance sheet if (1) an obligation exists on the balance sheet date that is based on a past event, (2) it is probable that an outflow of funds will be required to settle the obligation, and (3) if the amount of the obligation can be estimated reliably.

The amount of the provision is the best possible accounting estimate on the balance sheet date of the outflow of funds that will be required to settle the existing obligation, taking into account the probability of the event occurring and its possible result.

Income taxes

Income taxes on the result of the financial year include both the current and deferred taxes. These taxes are calculated in accordance with the tax laws that apply in each country in which the Company operates.

Current taxes consist of those that are payable on the taxable income of the year, on the basis of the applicable tax rates on the balance sheet date, as well as each revision of the taxes payable or refundable for previous years.

Deferred taxes are calculated for all taxable temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the financial statements.

These taxes are measured using the tax rates expected to be in effect at the time of the realisation of the assets or settlement of the liabilities to which they relate.

Deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable profit will be available from which the temporary differences can be deducted.

Deferred tax assets and liabilities are compensated and presented netted solely and exclusively if they are taxes levied by the same tax authorities on the same taxable entity.

Equity attributable to the shareholders

Share capital
No shares have been repurchased by the Company.

Compound financial instruments
Components of compound financial instruments (liability and equity portions), are recognised in their respective classifications on the balance sheet.

Other equity components
Other elements recognised in shareholders' equity include those related to the available-for-sale assets.

ARGENTA

3. Equity attributable to the shareholders

The Company is the consolidating company and 99.99% of its shares are owned by BVg (the holding company of the Argenta Group).

The IFRS equity attributable to the shareholders as of 31 December 2014 is EUR 1,549,675,409, compared with EUR 1,388,027,229 as of 31 December 2013. The increase in equity is the combined result of several factors.

Overview IFRS equity	31/12/2013	31/12/2014
Share capital	518.246.650	579.077.650
Revaluation reserves available-for-sale financial assets	132.452.018	137.852.251
Retained earnings	568.990.610	673.416.410
Profit current year	174.974.622	173.058.525
Cash flow hedge reserves	-6.636.671	-13.729.427
Equity attributable to share holders	**1.388.027.229**	**1.549.675.409**
Minority interests	79.518	74.294
	1.388.106.747	**1.549.749.703**

There is an increase in equity from, inter alia, the addition of the profit for the year (EUR 173,058,525), a limited increase due to changes in the fair value of the 'available-for-sale financial assets' and a decrease in equity from the recognition of a negative amount in equity from the processing of a cash flow hedge.

The elements of the IFRS equity are further described in the text below.

Paid-in capital

The fully paid-in capital, represented by 168,975 no par shares, is EUR 579,077,650 (EUR 518,246,650 as of 31 December 2013).

The increase is the result of a capital increase of EUR 60,831,000 that took place on 21 October 2014. This capital increase took place without issuing new shares and was subscribed by the existing shareholders (after receiving in December an interim dividend in the same amount from the Company).

In 2013, there was a capital increase of EUR 59,141,250.

Revaluation surplus on available-for-sale assets

Available-for-sale (AFS) financial assets are measured at fair value, with all fluctuations in fair value recognised on a separate line in equity until the assets are sold or until an impairment occurs. These changes in fair value are found under 'revaluation reserve for available-for-sale financial assets'. This reserve evolved from EUR 132,452,018 as of 31 December 2013 to EUR 137,852,251 as of 31 December 2014.

Reconciliation of revaluation reserve	31/12/2013	31/12/2014
Unrealized capital gains and losses on fixed-income securities	260.153.385	320.864.966
of which used in micro hedges	-43.141.251	-102.391.411
Total latent taxes on fixed income securities	-73.760.421	-74.259.161
Unrealized capital gains and losses on non-fixed income securities	338	479
Minority interests' share in unrealized capital gains and losses	0	0
Unrealized capital loss on reclassified assets	-16.361.208	-9.638.876
Deferred taxes on reclassified assets	5.561.175	3.276.254
Total revaluation reserve	**132.452.018**	**137.852.251**

A total result of EUR 6,016,890 was realized in 2014 on the latent values of the 'available-for-sale assets'.

The total revaluation reserve at the end of 2014 includes a revaluation reserve in respect of the 'available-for-sale' assets and a so-called frozen revaluation reserve for a limited MBS portfolio that in 2011 was reclassified to the 'loans and receivables portfolio'.

Other breakdown of revaluation reserve	31/12/2013	31/12/2014
Revaluation reserve, available-for-sale financial assets	143.252.051	144.214.873
Frozen revaluation reserve, reclassified assets (loans and receivables)	-10.800.033	-6.362.622

Note 14 contains further information on the 'unrealized capital loss on reclassification of assets' line included in the above table and the frozen AFS reserve. Note 15 gives additional information on the accounting treatment of the specified micro hedges.

Cash flow hedging

The Company has concluded an interest rate swap in the context of hedge accounting, which is treated a cash flow hedge. In this way, the market value of the swap (net of tax) is shown in a separate line in equity. This cash flow hedge is described in greater detail in Note 24 .

Reserves

The reserves position (EUR 673,416,410 as of 31 December 2014) includes the statutory reserves of the Bank Pool's parent company – i.e. the Company – which on an unconsolidated basis has reserves available for distribution of EUR 570,248,783 and statutory reserves of EUR 43,194,530 as of 31 December 2014.

The increase of the available reserves from EUR 499,998,881 as of 31 December 2013 to EUR 570,248,783 is due to the payment in October 2014 of a dividend of EUR 60,831,000 out of available reserves, an addition to the result of the 2013 financial year and an addition of EUR 9,717,823 as a result of a BGAAP transfer of revaluation gains from buildings to available reserves.

Profit from the current year

The consolidated result (excluding minority interests) for the year ending on 31 December 2014 amounted to EUR 173,058,525 (compared with a consolidated result of EUR 174,974,622 for the year ending on 31 December 2013).

Dividend proposal for the 2014 financial year

In October 2014, an interim dividend of EUR 60,831,000 was paid (EUR 360 per share).

Subsequently, a capital increase of the same amount in the Company took place, subscribed by the two shareholders.

The Company's Board of Directors will submit a proposal to the general meeting of shareholders not to distribute any further dividend in respect of the 2014 financial year.

In 2013, with the payment of an interim dividend and the subsequent capital increase in the same amount, there was no cash outflow.

4. Minority interests

The Company's minority interests relate to the shares of its subsidiary ABL that are not held by the Company.

These shares are held directly by the coordinating holding company of BVg.

The minority interests also include the entire capital (EUR 18,000) of the Green Apple SPV. Even though there is no capital link with the Company, this company is nonetheless consolidated on the basis of the IFRS rules (SIC 12).

In 2014, there was a profit attributable to the minority interest of EUR 3,346 compared with EUR 500 in 2013.

The revaluation surplus on available-for-sale assets attributable to minority interests amounted to EUR 0 at the end of 2014, as the Company's subsidiaries no longer have d their own securities portfolios.

There are no minority interests in the 'other elements of the total result', given that ABL no longer has a securities portfolio and holds no derivatives.

5. Risk management

Professional, comprehensive risk management is an essential prerequisite for achieving sustainable, profitable growth. The Argenta Group recognises this and considers risk management as one of its core competencies.

The risk management framework is constantly being updated and adapted to reflect new regulations, daily experiences and changes in Argenta's activities. Demonstrating that adequate risk management procedures are in place is a key prerequisite for gaining and retaining the confidence of all stakeholders: customers, investors, branch managers, regulators and rating agencies, but also directors, management and employees.

The strategy and long-term policy of all entities within the Argenta Group is determined by the Executive Committee and Board of parent company BVg. The two main subsidiaries, the Company and its sister entity Argenta Assuranties nv, are responsible for operational management within their powers as laid down in the Memorandum of Internal Governance.

Risk management at the Company

The Executive Committees of the Company, Argenta Assuranties nv and BVg are integrated, with a number of members in common: the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO).

This unity of management highlights the importance of a commercial, risk and financial strategy that is harmonised group-wide, with an emphasis on the long-term relationship with both customers and independent agents.

The Argenta Group continued in 2014 to develop its cautious and transparent risk management. This process has more than proven its added value.

In 2014, additional policy documents were approved (including the ICAAP (Internal Capital Adequacy Assessment Process) charter, while the operation of the risk committees was optimized in terms of composition, fixed agenda items, monitoring of key risk indicators and communication.

The Risk Appetite Framework (RAF) is now solidly imbedded in the business planning cycle: filling in the risk appetite matrix, translation into proactive RAF standards, reviewing against the business plan iterations and, finally, risk assessment.

There is a direct relationship here between the risk parameters of the RAF and the ICAAP (Internal Capital Adequacy Assessment Process) and through the further translation into operational risk limits in the policy documents. This resulted in the daily embedding of risk awareness in first line management. Also more forward-looking elements were processed in ICAAP in 2014.

Risk management has evolved from a risk management ‘by design’ (policies) and a risk management ‘in practice’ (embedding) to a ‘cost effective’ risk management.

As well as optimizing risk governance, the risk metrics were also greatly improved. In this process, the RAF risk parameters were refined by the assigning of an overall risk score and the introduction of a new internal control maturity matrix.

Alongside the quantitative RAF, the qualitative RAF was introduced in 2014. As a result, the NPS score, the MiFID score and the Internal Control maturity scores are included and monitored in the RAF dashboard.

- The Net Promoter Score (NPS) is a simple but powerful tool for measuring customer satisfaction.
- MiFID stands for “Markets in Financial Instruments Directive” and its objectives include protecting investors and the integrity of the financial markets and the promotion of fair, transparent, efficient and integrated financial markets.

***ICAAP / SREP** (Internal Capital Adequacy Assessment Process - Supervisory Review and Evaluation Process)*

The ICAAP results (own assessment of risks and capital adequacy) were compared with the SREP (Supervisory Review and Evaluation Process), that is the assessment of risks and capital requirement undertaken by the NBB according to its own internal methodology. The exercise occasioned no fundamental observations about the ICAAP with respect to its structure and risk measurement.

At the end of 2014, a letter of intent was received concerned the establishing of a capital and liquidity surcharge by the ECB for the Company. Given that the Company currently more than meets the capital and liquidity requirements, these Pillar 2 requirements will have no impact.

• ***RRP (Recovery and Resolution Plan)***

The preparation of recovery plans is part of the structural reforms initiated by the G-20 (group of 19 countries and the European Union) following the banking crisis. One of the findings was that the government was not adequately prepared and equipped in an effective way to deal with (almost) failing financial institutions.

In order to be better prepared to manage any crises, national supervisory authorities are asking all system-important banks to establish recovery plans. These plans need to pro-actively identify the various restoration options available to an institution in order to improve its financial condition if needed. The effectiveness and impact of these recovery options need obviously to be assessed under various stress scenarios.

For this reason, banks are required, as a preparatory measure for any crisis, to weigh up the various options available to them with which to improve their financial situation in the event of a serious crisis. It is crucial there that the bank be able to demonstrate the feasibility and effectiveness of the chosen recovery options in various crisis scenarios.

The Company's Recovery Plan was completed in 2014 and approved by the NBB. The Recovery Plan demonstrates that the Company has a very strong capital and liquidity position, enabling it to withstand severe crises. In this way, the activation of recovery- and resolution thresholds is reached only in very extreme scenarios.

ECB Comprehensive Assessment

In November 2013, the European Central Bank (ECB) and the NBB started the Comprehensive Assessment process in preparation for the transfer of banking supervision of the largest European financial institutions to the ECB. In this way, a number of Belgian financial institutions, including the Company, fell from 4 November 2014 directly under the ECB's supervision.

This process has continued in 2014 and asked a lot from the Risk – and other boards, with the great result as we know.

During 2014, the Risk Department also worked on:

- the further development of ICAAP for the Company including charter and forward looking for the Bank Pool. The capital allocation calculations were also fine-tuned;
- the further integration of the Validation Unit in company-wide projects;
- a major contribution to the external (financial) controls carried out by the NBB, the Dutch Central Bank (DNB), the International Monetary Fund (IMF) and stress tests.

Governance

Besides the independent Internal Audit and Compliance control functions, group risk management is organised mainly at the level of the Argenta Group. In the Risk Management Charter, Risk Management is defined as the second line function that controls the general risk management within the Company.
The Risk Management Function supervises and controls the first line in terms of risk management and provides supporting risk advice. The risk management function is performed by the Risk Management and Validation Department and is under the hierarchical responsibility and supervision of the Chief Risk Officer.

First-line risk management is organised and handled autonomously within each entity, and hence comes under the auspices of the various group companies' management bodies.

Between the first and second line, there is also the Credit Risk Policy (KRB) department, the knowledge centre for the modelling and analysis of retail credit risks. This knowledge centre plays a fundamental role in the Company's risk management by providing information and advice geared to the retail loan portfolio.

Significant efforts have been made to define and distinguish roles and responsibilities in these specialist fields. The Risk & Validation Department:

- undertakes the independent second-line control;
- has as its basic principle: 'identify, report, monitor and mitigate' for all material risk factors (including interest rate and business risk), which are then integrated into the ICAAP for the Bank Pool. Also controls the (economic) capital management in this process;
- in this way, it has a 'radar' function of pro-active identification of not yet identified risks;
- plays an important policy definition and validation role in risk modelling;
- undertakes the necessary formal risk checks, and in its overall capacity plays an active role in, among others, the Group Risk Committee (GRC) and the Asset-Liability Committee (ALCO);
- advises the Executive Committees and Boards of Directors in an independent manner on the risk management process within the Argenta Group.

The monthly umbrella Group Risk Committee (GRC) has an alternating agenda consisting of one month ICAAP topics, and the following month credit risk subjects (Kreco or Credit Risk Committee) and after that operational risk (Orco or Operational Risk Committee).

Risk management is not just a second-line function, but an organization-wide activity (enterprise risk management or ERM). It has been aligned with the business strategy to ensure its effectiveness.

Validation

Along with second-line risk control, validation of the risk models is a core activity of the Risk and Validation department. The supervisory authority requires financial institutions to have the risk models they develop confirmed by an independent validator.

The activities of the Validation unit included in 2014:

- validation of the review and recalibration of the credit risk models of the mortgage portfolios of Belgium, the former CBHK and ARNE;
- validation of the review, the recalibration and stress testing of the investment portfolio (more particularly of exposure to financial institutions, corporations and covered bonds);
- validation of the updating on the bank's internal rating model;
- validation of the rating model for central, regional and local governments;
- opinion of the prepayment model of the Netherlands;
- cooperation with the Asset Quality Review (AQR) and stresstests for the ECB.

The Company's risk profile

This annual report discusses the activities of the Bank Pool and, in compliance with the provisions of Article 119.5 of the Belgian Companies Code, a summary is provided below of the objectives and the policy concerning the management of the banking risks.

The Company's policy and the organisational structure with regard to risk management are designed in order for the known risks to always be properly identified, analysed, measured, monitored and managed.

Through its activities, the Company is exposed to various risks. The Company's risk management distinguishes, inter alia, between the following risk categories: market risk (primarily interest rate risk), liquidity risk, credit risk (including concentration and sovereign risk), operational risk and other risks.

These risks are managed in a uniform way across the Argenta Group, using the above-mentioned RAF, the policies and the established procedures.

5.1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Within this market risk, the following 4 risks are relevant: interest rate risk, spread-widening risk, equities risk and real estate risk.

- Changes in interest rates and yield curves, and fluctuating rates of return can affect the interest margin between the cost of lending and the cost of borrowing for the Bank Pool;
- Similarly the level of the credit spread or its volatility – not necessarily caused by a change in the issuer's creditworthiness – is a key factor for the return and economic value of the investment and loan portfolio;
- The performance of the financial markets can also cause the value of the investment portfolio to fluctuate.

It should be noted that the Bank Pool operates only in the Benelux countries and does not make investments in currencies other than the euro, as a result of which it is not exposed to any currency risk. Nor is there any intention to invest in non-euro currencies.

Interest rate risk

The professional management of these market risks is – given the Company's specific strategic positioning as a savings bank – especially focused on the judicious management of the interest rate risk, which is the primary component of its market risk.

The results and capital position of the Company display a certain sensitivity to changes in interest rates. This is because a major component of the business strategy consists of attracting short to medium-term funds - primarily via savings deposits and bank savings certificates placed with retail customers - and reinvesting these via various forms of loans and investments. As the term of these reinvestments does not necessarily match that of the funds raised, a maturity mismatch occurs. Via the interest rate differentials between the various maturities, this gives rise to a transformation result.

The gross value of the business (the difference between the investments measured at market value and the cost of financing them) is affected by the fluctuations in these interest rates. The intensity of these is determined by the size of the selected 'duration gap'. This parameter serves as a benchmark for the weighted maturity mismatch, on which the management of the interest rate sensitivity is to a large extent based.

This duration gap is therefore one of the main instruments used by the Company to steer – based on its views as to future interest rate developments – its operating results, also taking into account the potential impact of this gap on the gross value of the company as a guide to its capital position.

The duration gap can be adjusted flexibly and at short notice on the basis of financial instruments. It can also be adjusted in the longer term by fundamental changes in the positioning of certain activities.

In its risk management procedures, the Company pays much attention to having a consistent internal structure, enabling it to perform these activities judiciously, objectively and efficiently and to provide the various competent management bodies with timely, comprehensive reports. This is first and foremost the Asset-Liability Committee. This carries specific responsibilities for monitoring the daily management of the financial position, on which it reports to the Executive Committee. ALCO has the ongoing mission of maintaining both net interest income and the market value sensitivity of equity within the prescribed limits.

In this way, the structural interest rate risk of the balance sheet is monitored through various risk management tools including duration gaps and net interest income (NII)-based risk benchmarks. The norm is based on the maximum acceptable loss in the event of a 1% (100 basis points) change in interest rates.

Sensitivity analysis – interest rate risk in the banking book

The following table shows, as of 31 December 2014, the interest rate sensitivity of the results over the following 12 months and the equity of the Company in the event of a parallel interest rate shock, comparing this with a similar simulation as at the end of 2013. The interest rate shock is assumed to take place in four stages of 25bp: immediately, after 3 months, after 6 months, and after 9 months.

(in 000 euro)	31/12/2014		31/12/2013	
	+100bp	-100bp	+100bp	-100bp
Impact on income over 12 months	19.623.294	42.852.548	43.368.477	2.343.988
	3,89 %	*8,50 %*	*8,99 %*	*0,49 %*
Impact on economic value	25.418.162	10.164.982	-185.295.716	77.370.815
	1,24 %	*0,50 %*	*-8,55 %*	*3,57 %*

The calculations are done by the ALM Department. Calculations are performed using a standard hypothesis, assuming a static balance sheet, with the outstanding positions and balance sheet mix at 31 December being held constant.

With market interest rate simulations, the following elements are taken into account:
- loan prepayments (impact of interest rates on the expected Constant Prepayment Rate and the reinvestment fee to be received);
- expected draw-downs of approved, but not yet fully drawn down credit facilities at position date;
- interest rate caps and floors on loans with revisable interest rates;
- options in the securities portfolio (calls or weighted average life);
- value variations of interest rate derivatives to which hedge accounting does not apply (fair value through P & L);
- a 0% floor on downward interest rate movements.

In calculating the interest rate sensitivity of the 12 months' results, the rate adjustment of savings accounts was adjusted as follows:

	Interest rate shock	Rate adjustment Argenta AS IS	Rate adjustment NBB clarification
0m	25 %		
3m	25 %		
6m	25 %	25 % x 70 %	(25 % + 25 % + 25 %) x 70 %
9m	25 %	25 % x 70 %	
12m		25 % x 70 %	25 % x 70 %
15m		25 % x 70 %	

The measurement at 31 December 2013 was aligned with this adjustment in order to maintain a consistent basis for comparison over two years.

As a result of the increased share of savings accounts in the balance sheet in 2014, combined with the faster pricing in of interest rate increases in savings rates, the interest rate sensitivity of the 12 months' results to a rate increase of 100bp has increased.

Last year, the following methodological changes were made in the calculation of the interest rate sensitivity of equity:
- Revision of the CPR model for Dutch mortgages
- Discounting of internal interest rates (= cash flows excluding spreads above the risk-free transformation curve)
- Integration of interest rate risk on the credit pipeline
- Implementation of a replicating model Belgian savings while maintaining an average duration of 2 years as imposed by NBB

For the purpose of comparability over two years, the measurement at 31 December 2013 was brought into line with these changes.

The interest rate sensitivity of equity was heavily reduced by the prepayment behaviour. With an interest rate increase of 100bp, the positive effect due to reduced prepayments will even outweigh the negative effect produced by the bank's natural transformation position (longer assets than liabilities). Only when the interest rate increase reaches 200bp does the natural transformation position begin to dominate.

Risk reduction strategies

In order to keep market sensitivity within the risk appetite guidelines approved by the Company's Board of Directors and not to exceed the NBB's flashing light levels, additional interest rate swaps were concluded in 2014. These instruments complement the portfolio of derivative instruments (caps and swaps) that were used in the past to hedge interest rate risk. This exogenous hedge serves to supplement the permanent aim of a maximal endogenous management of the balance sheet.

With a capped interest rate hedge, price-setting for savings accounts can partially keep step with a potential future interest rate increase, whereas without a hedge, this would be difficult to do because of the less frequent repricing of assets.

On the other hand, it is important to be able to convert long-term fixed-rate assets into floating when interest rates are rising. With interest rate hedging, budgeted long-term fixed-rate mortgage production can be made floating in the event of a future rise in interest rates. This provides protection in terms of both income and value.

IFRS applies strict rules to the accounting treatment of hedging, and not every economic hedge that is used to hedge the interest rate risk is regarded as a hedge under IFRS, which can result in a degree of volatility in the IFRS result.

Further information on the fair value hedges applied for covering the interest rate risk of a portfolio and on the other hedges can be found in Notes 12, 15 and 24.

Further developments in risk management

Active management and monitoring of the market risk (principally interest rate risk) are essential in order to safeguard the solvency, profitability and strategic objectives of the Bank Pool. With this in mind, the following projects started in 2013 were continued in 2014:

- the ALM replicating model of the savings account was approved in 2014 and further embedded in the interest rate risk reporting and monitoring;
- work to update the pricing model of the savings accounts - an econometric model that models the dynamics of the savings account - was taken in hand in 2014. The updating process will from now on be carried out by internal departments;
- the updating and implementation of the prepayment models for Belgian and Dutch mortgages;
- the Strategic Asset Allocation project was optimized in 2014 and complemented with a Tactical Asset Allocation module. The project will be delivered in early 2015;
- the diversification of the investment portfolio was continued with the cautious expansion of the knowledge base into new asset categories. Funding projects for local and regional public entities were successfully concluded and public-private partnerships (PPPs) launched. Real estate investments were undertaken within a strict investment framework.

Despite low interest rates and spreads the Company succeeded in 2014 in steadily growing its interest margin within the set risk appetite framework. That is the outcome of a healthy risk-return mix of housing loan production and re-investments in the investment portfolio, of a balanced liabilities pricing policy and a well-conceived hedging policy.

Both the income and the value volatility remained controlled within the contours of the limit framework. Even so, persistent uncertainty about future macro-economic developments calls for very close monitoring of interest rate and spread movements.

Equity as a risk buffer

As with any other risk, the interest rate risk requires a risk buffer in the form of equity capital. Although neither European nor Belgian legislators nor regulatory authorities have laid down precise capital requirements for the interest rate risk to date, the Company specifies a certain volume of required capital in its Internal Capital Adequacy Assessment Process (ICAAP).

The ongoing development of its activity as a traditional savings bank and hence, among other things, as a 'transformation bank' (i.e. a bank whose activity consists of converting (transforming) short-term deposits into long-term investments) naturally requires a continuous monitoring of the required capital and, whenever necessary, capital increases.

Earnings quality at the Company stayed at a high level in 2014 thanks to the ALM policy and a well-considered commercial policy. The current European interest rate environment and the sharp fall in bond yields confronts the Company with major challenges into the future.

The combination of endogenous and supplementary exogenous ALM hedging ensures that the Bank Pool's commercial strategy (including long-term relationships with households, growth in mortgage loans, and the sustainable and profitable growth in deposits) fully complies with the approved RAF.

Spread widening risk

The return on the investment portfolio is largely determined by the credit spread earned on the investments made. The evolution and fluctuations of the credit spread are often market driven and determined by factors other than those relating to the creditworthiness of the issuer.

These market risk factors, which we refer to as spread widening risk, form, alongside the pure interest rate risk, the main driver of asset returns and the economic value of the investment portfolio. In addition, the market value of the investment portfolio is calculated in the bank's prudential capital base (in accordance with the guidelines of CRD IV, the Capital Requirements Directives which came into force as of early 2014). For the recording of latent values on 'available-for-sale assets', there is a phasing-in period and a certain degree of discretion has been left to national regulatory authorities in determining the extent to which these values affect the capital base.

The pursuit of a cautious investment policy, frequent monitoring of the economic fluctuations in the value of the investment portfolio and measuring the sensitivity of changes in credit spreads are therefore also important pillars of healthy portfolio management.

The conduct of sound investment policy is guided by a strict investment framework that determines, based on the creditworthiness of the issuer, the allowable investment level and maximum maturity. This investment policy takes the concrete form of a thorough analysis of the credit sectors and investment files and an active screening of market opportunities. The Strategic Asset Allocation project started in 2013 and expanded in 2014 is providing Argenta with the required insights and knowledge to enable investment decisions to be maximally directed towards optimal portfolio allocation.

The evolution of the market value of the investment portfolio is monitored in the Asset and Liability committee. Credit spread sensitivity is calculated and monitored in the ICAAP framework and is checked against the Risk Appetite Framework.

Equities risk

The Bank Pool does not invest in individual shares and therefore is not directly impacted by the evolution of equities prices. Indirectly, it is influenced by these given that the Bank Pool offers equity funds to customers, and that sales of these funds also depend on the evolution of equities prices.

Property risk

The evolution of real estate prices has an influence on retail lending and also influences the credit risk through the giving of property as collateral.

The Company has here a concentration in retail lending in Belgium and the Netherlands, more particularly in the form of retail mortgage lending. This makes the company dependent on developments in the housing market.

5.2. Liquidity risk

The liquidity risk is the risk of the Company not being able to honour its financial commitments at a reasonable cost on the due date. It needs therefore to be able to satisfy the liquidity requirements of deposit or other contract holders, without suffering unacceptable losses as a result of freeing up assets that exist to meet the financial obligations in normal and difficult circumstances.

Since the outbreak of the liquidity and credit crisis, liquidity management has been central to global bank management and bank supervision. The integration of specific liquidity standards within the new capital regulations endorses the importance of robust liquidity management in the banking sector. The Bank Pool therefore takes liquidity policy very seriously.

In order to measure, monitor, check and report on the liquidity risk, the Argenta Group has a specially adapted management information system (MIS), including a contingency plan in order to be able to adequately manage its liquidity in both normal and exceptional circumstances.

The liquidity risk is monitored using also two risk indicators, the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio). The LCR sets the liquidity buffer here against a defined outflow of financial liabilities over a 1 month period. The NSFR sets the available liquidity in the light of the required liquidity over a period of one year. The RAF sets a minimum limit of 100%, but a ratio of at least 120% is sought so that the Company still has a comfortable liquidity situation.

The daily liquidity management, the definition of early warning indicators (EWIs) and the organisation of stress tests are described in a Liquidity Contingency Plan (LCP).

Every day, reports on funding are distributed amongst a broad target audience. In addition, discussion of the liquidity indicators is a fixed item on the agenda of the fortnightly ALCO meeting. In other words, senior management is continuously involved in the liquidity management.

The Company's liquidity model can be summarized as follows:

- a sizeable base of customer deposits (see liquidity sources below, with customer deposits and retail savings certificates purchased by retail customers);
- total funding independence from the interbank market: the Company does not have to go onto the interbank market for funding (but has developed the capabilities to do so should this be appropriate, for example out of profitability considerations);
- a low loan to deposit ratio, which reflects the fact that, to a large extent, the amount of loans made is lower than the total amounts of customer deposits;
- a securities portfolio which is liquid and readily convertible into cash (can be used as collateral with the ECB or sold).

From the summary of funding sources, it can be deduced that the Company also from time to time holds deposits from credit institutions. This has taken the form, inter alia, of funding by means of repos entered into either for liquidity management purposes, or to take advantage of investment opportunities on the financial market.

Further information on repos can be found in Notes 11 and 20.1.

Sources of funding

Funding policy is directed at obtaining funding from individual customers through the issue of current and savings accounts and term deposits and securities. Customer deposits constitute the most important primary source of funding of the Bank Pool's banking activities.

These deposits can be considered as both sources of liquidity and sources of liquidity risk. Amounts held in private individuals' current and savings accounts can be withdrawn on demand or at short notice, but nevertheless provide an important contribution to the stability of the long-term funding base. This stability therefore depends on maintaining account holders' confidence in the Company's solvency, profitability and risk management.

The financing structure of the Bank Pool is managed in such a way that a substantial diversification is maintained and that the level of dependency on capital market funding remains very limited.

The table below shows the financing mix of the Bank Pool.

Sources of funding	2013	2014
Deposits from central banks	0 %	0,00 %
Deposits from credit institutions	0,26 %	1,29 %
Retail customer deposits	87,88 %	89,05 %
Bank savings certificates sold to retail customers	7,54 %	5,04 %
Bonds sold to retail customers	0,06 %	0,00 %
Bonds sold to institutional customers	0,08 %	0,00 %
Subordinated instruments sold to retail customers	1,42 %	1,39 %
Subordinated debt instruments sold to institutional customers	0,23 %	0,22 %
Other liabilities	2,52 %	3,01 %
Total liabilities	100,00 %	100,00 %
Total liabilities in EUR	**30.758.846.761**	**31.974.325.335**

The further decline in volumes of retail savings certificates subscribed in 2014 is due to the historically low interest rates, leading private customers to prefer other savings and investment instruments. Additionally, the Company is promoting term accounts instead of retail savings certificates. These term accounts (with different fixed maturities) are included under customer deposits.

Maturity analysis

Notes 13 and 14 give further details of the residual maturity of the available-for-sale financial assets and loans and receivables.

The table below shows a maturity analysis for the financial liabilities held for trading, the financial liabilities measured at amortised cost, derivatives used for hedging purposes and 'other liabilities'.

2013 financial year	< 3 maanden	< 12 maanden	2-5 jaar	> 5 jaar
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	93.161	190.544	0	0
Financial liabilities measured at amortised cost				
Deposits from credit institutions	79.744.170	0	0	0
Retail funding - deposits with no fixed term	24.636.321.582	0	0	0
Retail funding - deposits with fixed maturity	245.340.930	598.865.419	1.317.636.147	234.229.797
Retail funding - savings certificates	497.209.381	423.226.606	1.171.425.030	228.305.715
Debt certificates - bonds	416.405	43.323.417	0	0
Subordinated loans	552.304	7.012.425	447.904.562	52.280.950
Derivatives for hedging purposes	28.324.375	84.973.125	332.434.958	117.639.506
Other liabilities	47.888.456	143.665.368	0	0
Total	**25.535.890.764**	**1.301.256.904**	**3.269.400.697**	**632.455.968**

2014 financial year	< 3 maanden	< 12 maanden	2-5 jaar	> 5 jaar
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Financial liabilities measured at amortised cost				
Deposits from credit institutions	412.902.289	0	0	0
Retail funding - deposits with no fixed term	26.013.924.980	0	0	0
Retail funding - deposits with fixed maturity	352.591.820	193.175.101	1.647.938.080	254.356.625
Retail funding - saving bonds	121.577.744	141.793.126	.1.266.403.767	80.428.638
Debt certificates - bonds	0	0	0	0
Subordinated loans	23.030.698	88.243.445	379.811.890	22.300.655
Derivatives for hedging purposes	30.502.250	91.506.750	316.590.167	134.479.489
Other liabilities	66.108.706	198.326.118	0	0
Total	**27.020.638.488**	**713.044.539**	**3.610.743.904**	**491.565.407**

The interest results of the swaps posted under the category 'financial liabilities held for trading', and 'derivatives for hedging purposes' are included in the totals.

The fixed and variable rates as of 31 December 2014 are used in calculating this interest for the respective fixed and variable parts of the interest rate swaps concerned.

For this table, deposits (available on demand, special deposits and regulated savings deposits) have been classified in the < 3 months bracket.

The 'subordinated loans' category still contains as of 31 December 2014 a nominal EUR 68,8 million of the Tier 1 loan issued by the Company in 2006 in a nominal amount of EUR 100 million. The subordinated certificates purchased by retail customers are also recorded here.

Reporting to the supervisory authority

The significant efforts made in recent years in the area of liquidity management were further consolidated in 2014. In addition, further developments in liquidity reporting and the reporting of the LCR and NSFR were systematically monitored and reported to the ALCO.

In the context of the existing liquidity standards, liquid financial assets and liquidity inflows and outflows are systematically reported to the supervisory authority. The table below shows the Bank Pool's liquid financial assets as reported.

Breakdown of liquid financial assets	31/12/2013	31/12/2014
Cash and cash equivalents with central banks	228.548.966	373.355.235
ECB eligible securities	10.490.541.277	8.542.188.495
Securities that can be liquidated through sale	835.134.885	874.097.375
Balance sheet total	32.146.953.508	33.524.075.038

5.3. Credit risk

Generally speaking, credit risk arises when a customer or counterparty is no longer able to meet its contractual obligations. This can be the result of the insolvency of a customer or counterparty. This risk arises both with traditional lending and with investment activities (other interest-bearing assets). As regards the latter, widening spreads and rating downgrades are indicators of credit risk.

For the Company, there are essentially two sub-areas of importance for credit risk: the market for mortgage lending to individuals on the one hand and the investment portfolio on the other. The Company's credit risk management is therefore focused on these two segments.

Credit risk management

The management of credit risks within the Company is governed by the credit risk management policy (retail lending) and the 'Treasury and ALM policy' (other interest-bearing assets). The policy guidelines set out the basic principles, rules, instructions and procedures for identifying, measuring, approving and reporting credit risks.

All the Company's departments have adequate measurement instruments, guidelines and procedures available to manage the credit risk, including a fully independent credit approval process with set limits for creditworthiness and supervisory procedures and global indicators of the quality of the retail credit and investment portfolios. Governance is also supported by the work of a number of (consultation) committees like the Rating Consultation, the Investment Consultation, the Credit Risk Committee and the Asset and Liability Committee.

Lending to individuals

The Company has a concentration in lending to private individuals in Belgium and the Netherlands, and more specifically residential mortgage loans to individuals. This makes the Company sensitive to developments in the housing market and to the repayment capacity of individual borrowers in Belgium and the Netherlands.

The Bank Pool generally endeavours to maintain a low risk profile in its lending. This strategic option is confirmed in, among other things, the Company's credit acceptance conditions and procedures, of which the provision of security (mainly mortgage registrations on buildings) is one of the basic conditions, together with the strategic focus on lending to retail customers.

The credit risk of the mortgage portfolios remains fairly stable. The portfolio outstandings are growing significantly as a result of increasing production.

The risk models for Dutch loans were renewed in the meantime. The open risk of the Dutch portfolio is calculated and studied on a quarterly basis. The lending reforms in the Netherlands will in the long run have a beneficial effect on the credit quality of the Dutch mortgages.

Investment portfolio

A precise rating allocation that has been refined in-house plays a major role in monitoring the quality of Argenta's securities portfolio. Thus the asset quality of the various portfolio components is closely monitored using the average rating concept based on 1) internal ratings and 2) internally agreed rating factors. This involves the calculation of the APR (average portfolio rating), which is calculated on the basis of the internal ratings (or externally derived ones if no internal ones are available) and a PD (probability of default) table depending on rating and maturity.

The risk framework has been fine-tuned by a selective update of the financial policies. The prudent investment policy remains an effective first line of defence.

The investment framework remains directed at strong counterparty quality. During 2014, also in reaction to the low interest rate environment, the Company diversified further into investments in companies, and more positions were taken in securities issued by or loans to local authorities. All counterparties were thoroughly analysed and assessed as part of an annually recurring process using a first line analysis, supplemented by a risk check. Every bank and corporate included in the portfolio is assigned an internal rating in accordance with the FIRB (Foundation Internal Rating Based) approach that has been ratified and implemented in Argenta. In this way, 200 counterparties were assigned an internal rating. The structure and operation of the Rating Consultation was also optimized.

The investment framework is clearly described and detailed in the Treasury and ALM Policy based, among other things, on the following principles:

- A country limit is applied which measures, besides the sovereign risk, the risk of all counterparties/borrowers for each country.
- In addition to the bond limit, a separate internal limit is used for repos, derivatives and covered bonds.
- Counterparty limits are based not only on rating, but also on term.
- ABS (Asset Backed Securities) and RMBS (Residential Mortgage Backed Securities) are permitted only under strict conditions: 5% retention by the issuer/initiator; permanent monitoring of the underlying risk positions for arrears, default, known underlying assets and clear view of the structure: no RMBS on RMBS/ABS on ABS but direct underlying collateral.

Within this policy framework, attention is also paid to developing and applying the limit framework, in which country concentration and asset quality ratios also play an important role.

The application and practical implementation of the investment policy are also supported by the Investment Consultation, in which representatives of the Executive Committee, Treasury and ALM and Credit Risk Analysis and of Risk discuss and decide on investment issues.

In the area of governance, the first line control and reporting on portfolio transactions have been strengthened by close cooperation between the various first line departments and the Risk department.

As before, each quarter, the Company's investment portfolio is subjected to a thorough analysis, including risk check. This analysis forms the basis of regular reporting to, and discussion within, ALCO, the Executive Committee and the Board of Directors.

Credit risk and the Basel II Capital Accord

The Bank Pool has many years' experience in granting and managing mortgage loans to retail customers, resulting in a history of low loan losses.

Retail customers include private individuals and self-employed professionals having their customary place of residence in Belgium (the Belgian activities) or the Netherlands (the Dutch activities) and that use the Company for their normal non-professional credit needs.

On the basis of this policy option and its above-mentioned long experience, the Company has therefore opted to perform its mortgage lending under the Basel II Capital Accord, on the basis of internal ratings and to calculate the capital adequacy requirements according to the F-IRB method, subject to exceptions that are not material. This means that a rating is assigned to each loan when granted. To this end, the Company has, where applicable, developed one or more models itself.

A distinction is made between models for PD (probability of default) and LGD (loss given default). For the retail credit portfolios, for which an internal rating based (IRB) system has been selected, both a PD model and an LGD model have been developed.

In the PD model, credit files are divided into various credit rating categories, depending on the risk of default calculated using the model. Credit rating categories are distributed on the basis of variables with associated modalities, which include both product criteria and borrower-related criteria. Each rating category has lower and upper limits for the risk of default and is assigned an average default rate. Files in default are placed in a separate rating category.

The LGD pooling also takes place on the basis of several variables. Each LGD pool is assigned an average LGD rate. In this way, each outstanding loan in the portfolio is placed in a specific LGD pool and that loan is assigned the average LGD rate for the pool.

Every month, the total mortgage loan portfolio is linked to the PD and LGD models in order to calculate the capital requirement for unforeseen losses.

The decision to use this IRB based method has resulted, among other things, in changes to the operational credit risk management, the authorisation framework, price setting, internal monitoring and reporting and the responsibilities of the Executive Committees and Boards of Directors.

As from 30 September 2009, the equity requirement for the retail mortgage portfolios has been calculated using the IRB method. As a result of the transitional provisions of Basel, the so-called 80% floor (equity calculated according to Basel I principles) determines the ultimate equity requirements for the Company.

Within the governance framework and further FIRB rollout, the reviews and stress tests on the investment portfolio were further elaborated and fine-tuned in 2014. In the governments area, scoring models were implemented during the past year, with counterparty governments also assigned internal ratings that are relevant within the acceptance context and also serve for monitoring and management purposes. For regulatory capital calculations, the Company continues to apply the standardized approach to governments. For bank and corporate counterparties, it uses the FIRB approach.

Also within the stated FIRB-governance framework, the FIRB models for banks and corporates were again reviewed in 2014. This review revealed the strength of the model. The Company took this last year a leaner approach to the review activities. The internal rating models are subjected to critical analysis on an annual basis. In this way, an update of the scoring model for corporate counterparts was prepared in 2014.

Impairments

Certain impairments for loan losses can be recognised on an individual basis when a loan is considered as being in default, i.e. that there are objective indications that the Company will not be able to collect all due and payable amounts in accordance with the contractual conditions. The amount of the impairment is the difference between the carrying value and the recoverable amount.

Specifically, a loan is considered as being in default when one of the following events has occurred:

- The Company considers it unlikely that the debtor will be able to fully honour its loan commitments without the Company having to resort to actions such as sale of collateral.
- The debtor is more than 90 days in arrears with meeting a material loan commitment.

Loans deemed to be in default are consequently reviewed (including taking the security received into account), to see whether impairment should be recognised.

Besides the impairments determined on an individual basis, collective - portfolio-based - impairments are also recognised. These collective impairments are recognised only for the ‘loans and receivables’ portfolio.

For the retail mortgage portfolio, these take the form of an IBNR provision (incurred but not reported). An ‘incurred but not reported’ impairment on loans is justified for receivables that are not yet considered as in default and are thus not subject to individual impairment testing.

Loans and receivables in arrears and amounts in arrears

The Company constantly reviews its portfolio for payment arrears. The table below summarizes the financial assets in the ‘loans to and receivables from other customers’ heading on which payment arrears have been ascertained but for which no impairments have been recognised on an individual basis.

The figures here relate to the total amount of outstanding loans (total exposure) rather than the total amount of arrears.

These amounts also include loans which are only one or two days in arrears or which are temporarily in arrears due to a possible delayed processing of instalment payments (including by direct debit).

As of 31/12/2013	<= 90 days	90 days <> 180 days	180 days <> 1 jaar	> 1 year
Consumer loans	8.434.666	292.267	161.953	97.989
Mortgage loans	1.226.432.724	44.662.088	33.853.369	41.013.190
Long term loans	21.507.176	1.334.312	760.913	1.225.745
Demand deposits/advances	3.111.267	104.459	306.532	4.136.910
Other loan receivables	0	0	0	0
	1.259.485.833	**46.393.126**	**35.082.767**	**46.473.834**

As of 31/12/2014	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	6.951.111	431.744	101.613	9.671
Mortgage loans	1.101.209.469	40.650.223	20.798.021	32.800.853
Long term loans	17.144.005	4.095.566	324.503	479.801
Demand deposits/advances	2.893.461	62.152	110.398	3.370.090
Other loan receivables	0	0	0	0
	1.128.198.046	**45.239.685**	**21.334.535**	**36.660.415**

The above loans and receivables were either not yet considered as in default or there were sufficient guarantees that no impairments needed to be recognized on an individual basis.

Effective arrears (principal and interest)

The tables below summarize the actual amounts in arrears (principal and interest), in other words, which arrears are effective (this without mentioning the total amount of the loan in question).
The 'demand deposits/advances' category consists primarily of overdraft facilities for which the entire amount goes into arrears if the credit line is exceeded.

As of 31/12/2013	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	309.349	14.073	9.712	4.803
Mortgage loans	8.225.500	1.065.706	1.454.815	9.739.853
Long term loans	228.835	39.778	51.941	529.294
Demand deposits/advances	3.111.267	104.459	306.532	4.136.910
Other loan receivables	0	0	0	0
	11.874.951	**1.224.016**	**1.823.000**	**14.410.860**

As of 31/12/2014	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	344.204	26.392	642	690
Mortgage loans	11.283.443	680.320	351.157	972.815
Long term loans	207.997	22.487	8.779	2.565
Demand deposits/advances	2.893.461	62.152	110.398	3.370.090
Other loan receivables	0	0	0	0
	14.729.105	**791.351**	**470.976**	**4.346.160**

There are no arrears in any other categories of financial assets or the sub-categories distinguished within them.

Impairments determined on an individual basis

The following table shows the amounts in the various financial asset categories and sub-categories, on which impairments have been recognised on an individual basis.

As of 31/12/2013	Gross carrying value of the impaired assets	Impairments assets assessed on an individual basis
Available-for-sale assets	0	0
Loans and receivables		
Consumer loans	4.025.686	4.039.789
Mortgage loans	148.680.741	29.996.128
Long term loans	880.129	663.598
Demand deposits/advances	4.410.171	4.096.968
Other loan receivables	230.880	229.195
Total loans and receivables	**158.227.607**	**39.025.678**

As of 31/12/2014	Gross carrying value of the impaired assets	Impairments assets assessed on an individual basis
Available-for-sale assets	0	0
Loans and receivables		
Consumer loans	3.392.963	3.468.991
Mortgage loans	129.937.970	33.446.959
Long term loans	1.321.669	1.068.149
Demand deposits/advances	5.871.354	2.869.065
Other loan receivables	105.415	105.415
Total loans and receivables	**140.629.371**	**40.958.579**

As of end 2013, there were EUR 39,025,678 of impairments assessed on an individual basis for the loans and receivables portfolio. There are no individual impairments on securities in the 'available-for-sale assets' category.

At the end of 2014, EUR 40,958,579 of impairments were recorded on individual items in the loans and receivables portfolio.

The following tables show the changes to the individual impairments for the 2013 and 2014 financial years. Further details on the overall earnings impact (including direct write-downs and recoveries) are to be found in Note 34.

As of 31/12/2013	Opening balance 31/12/2012	Increase via P&L	Decrease via P&L	Closing balance 31/12/2013
Available-for-sale assets	4.282.049	0	4.282.049	0
Loans and receivables				
Consumer loans	3.156.257	2.720.990	-1.837.457	4.039.789
Mortgage loans	32.140.544	25.841.529	-27.985.944	29.996.128
Long term loans	798.562	236.063	-371.027	663.598
Demand deposits/advances	8.370.697	1.469.442	-5.743.174	4.096.967
Other loan receivables	455.864	267.744	-494.413	229.195
Total loans and receivables	**44.921.924**	**30.535.768**	**-36.432.015**	**39.025.677**

As of 31/12/2014	Opening balance 31/12/2013	Increase via P&L	Decrease via P&L	Closing balance 31/12/2014
Available-for-sale assets	0	0	0	0
Loans and receivables				
Consumer loans	4.039.789	1.056.957	-1.627.755	3.468.991
Mortgage loans	29.996.128	27.128.340	-23.677.508	33.446.959
Long term loans	663.598	600.910	-196.358	1.068.149
Demand deposits/advances	4.096.967	327.442	-1.555.345	2.869.065
Other loan receivables	229.195	267.744	-391.524	105.415
Total loans and receivables	**39.025.677**	**29.381.392**	**-27.448.490**	**40.958.579**

Impairments determined on a portfolio basis

Collective IBNR impairments are calculated and recognised for all retail loan portfolios for which credit risk models have been developed in Basel II.

This 'incurred but not reported' impairment on loans is recognized for mortgage receivables that are not in default and on which no impairment losses have been recorded on an individual basis (performing loans).

This collective evaluation of impairment losses includes the application of a 'loss confirmation period'. This 'loss confirmation period' represents a time interval (expressed in months) between the occurrence of the impairment-causing event (i.e. a 'loss event') and the time it is identified in the entity's credit system.

The application of the 'loss confirmation period' ensures that impairments that have already de facto occurred but have not yet been identified as such, are included in the provisions.

Based on the PD (probability of default), the portfolios are divided into risk categories. For each risk category, the probability is then determined of a credit in this class going into default within a certain period.

The 'loss confirmation period' is continuously evaluated. In 2013, it was adjusted from 3 to 6 months. In 2014, this loss confirmation period was further extended from 6 to 12 months based on an internal validation of this period and after further benchmarking with market practices.

From 2013, the impairment is calculated on the basis, among other things, of real losses instead of historical average losses (point in time PD instead of the average PD). In this way, the economic situation is directly reflected in the collective valuation allowance recorded.

The table below gives an overview of the EAD (exposure at default) and the collective impairments (IBRN) recognised at year-end.

Portfolio		31/12/2013		31/12/2014
	EAD	IBNR	EAD	IBNR
Argenta Spaarbank Belgium	7.337.406.251	2.317.029	8.091.991.693	567.756
Netherlands	10.586.639.242	6.259.265	12.487.023.625	4.985.238
Green Apple	2.473.279.951	1.364.212	1.220.982.339	450.144
CBHK	568.828.458	988.853	486.988.812	616.047
Total		**10.929.359**		**6.619.184**

The IBNR impairments have decreased from EUR 10,929,359 on 31 December 2013, to EUR 6,619,184 on 31 December 2014, despite a larger loan portfolio and the adjustments made. This points to an improvement in the PD of the portfolios concerned.

As well as the IBNR provision, an impairment is also recognised for collectively assessed financial assets. This portfolio-based impairment is recorded solely for an MBS portfolio classified under loans and receivables.

As of 31 December 2014, this total collective impairment stood at EUR 259,458 as against EUR 1,865,801 at the end of 2013.

This portfolio-based impairment has been recognised for a limited decreasing RMBS portfolio that is classified under 'loans and receivables'.

Finally, a provision in 2014 of EUR 2.5 million was set up as a best estimate of the additional impairments needed to be recorded on loans following:

- further fine-tuning of the internal processes for determining impairments to ensure full compliance with the EBA regulations in this respect and
- an increase in the 'haircut' applied to the guarantee values on the Dutch credits for determining impairments

Ultimately this gives, in addition to the collective impairment of EUR 259,458, an IBNR of EUR 6,619,184 and a collective provision of EUR 2.5 million.

Collateral

Security in the form of personal guarantees or material collateral is always requested when granting mortgage loans. The lower a borrower's creditworthiness, the more the security required from the customer. Under the foreclosure policy, it may occasionally occur that certain collateral is acquired and recognised on the balance sheet.

For such collateral (here, the properties on which a mortgage or mortgage mandate is registered), new individual estimates are made whenever loans to which the collateral is attached are deemed in default (see the definition of default in the above description of impairments). All material collateral is reviewed periodically using a statistical method.

Foreclosure policy

If all other means of obtaining financial settlement for a loan in default have been exhausted, the Company will, when property is available, proceed to a public or private sale.

In 2014, there were 152 public and private sales (226 in 2013), including sales relating to loans with an NHG guarantee in the Netherlands, where the sale proceeds did not cover the full amount receivable. The total remaining debt amounted here to EUR 3,079,193 (compared with EUR 3,752,431 in 2013).

In 2013, three properties were purchased with a remaining carrying value of EUR 373,522 as of 31 December 2013. In 2014, under this policy, 6 properties were purchased by the Company for EUR 733,648. These purchased (and not yet resold) properties are to be found under ‘real estate investments’.

As a result of the conservative loan policy and the strict monitoring strategy, loan losses within the Company’s various fields of activity were low in recent years.

Forbearance

The European Securities and Markets Authority (ESMA) has requested financial institutions to provide information on loan refinancings and maturity extensions. This relates to refinancings and extensions in the context of arrears situations.

In 2014, based on the EBA definition of forbearance, the necessary internal policy documents were completed, with adjustments made to the internal credit systems for better recording of the files concerned.

As of 30 September 2014, the FINREP reporting (reporting of the consolidated figures using the IFRS standards) needs to include figures on these files.

The reported figures were recorded in an annexe. This is a snapshot as of 31 December 2014, with the already recorded files included.

Performing exposures with forbearance measures	4.096.225
Non-performing exposures with forbearance measures	2.374.130
Accumulated impairment and provisions for the non-performing exposures	-337.210
Collateral received on exposures with forbearance measures	6.200.684

The forbearance files designated as non-performing are always subject to ‘individual assessment’.

Credit exposure

The total credit risk exposure comprises the carrying value of financial assets on the balance sheet (the major part of the asset side of the balance sheet), the calculated exposure to financial derivatives, and specific off-balance-sheet items (including financial guarantees and loan commitments) as specified in the equity legislation (Basel).

Totals	31/12/2013	31/12/2014
Total on balance	31.303.978.267	32.521.923.372
Total off-balance	886.965.728	1.324.532.303
Total derivatives	211.726.830	123.956.316
	32.402.670.825	**33.970.411.991**

Further information on the off-balance-sheet items is given in Note 37. A more detailed disclosure on the outstanding credit risk can be found in the Basel Pillar 3 disclosures that are placed annually on the Company website (www.argenta.be).

Concentration of credit risk

Concentration may relate to various factors. It can be a concentration of lending to an individual counterparty or a group of interrelated counterparties (single name concentration or counterparty concentration).

It can also be a concentration of lending through an uneven distribution among sectors or countries/regions (sector concentration).

The latter may arise due to significant exposure to groups of counterparties where the probability of default is due to common underlying factors.

The credit risk management policy includes limits for concentration risk. These limits are systematically monitored and reported on.

One of these limits relates to the maximum exposure per counterparty in retail lending, and stipulates that this maximum exposure to a single retail counterparty may never exceed EUR 1 million.

Larger credit amounts are granted only by an explicit decision of the Credit Committee and the Executive Committee.

The table below shows the various types of loan or receivable as a percentage of the 'loans to and receivables from other customers' category. The 'other loan receivables' item contains a limited MBS portfolio.

	2013	%	2014	%
Consumer loans	153.366.853	0,70 %	115.573.362	0,50%
Mortgage loans	21.474.655.924	97,98 %	22.732.250.658	98,08%
Term loans	232.435.828	1,06 %	288.011.865	1,24%
Demand deposits/advances	7.702.812	0,04 %	5.991.028	0,03%
Other loan receivables	48.723.714	0,22 %	35.136.318	0,15%
	21.916.885.131	**100,00%**	**23.176.963.231**	**100,00%**

Potential concentration risks resulting from being present on just two mortgage markets (Belgium and the Netherlands) are mitigated by a limitation of the credit risk per individual dossier, as well as a strict monitoring of developments on the Dutch and Belgian mortgage and residential real estate markets.

In addition, the risk is diversified by granting a large number of loans of limited amounts, spread across Belgium and the Netherlands (also regionally). The spreading of the credit provision in time (credit facilities are granted every week/month) has the effect of tempering risks, in that loans are granted in both strong and weak economic times.

Finally, securitisation can also be used, not only as a funding and liquidity tool, but also to manage the risk volume of loans and thus the level of concentration. Both of the securitisation operations carried out involved Dutch mortgage loans.

The basis for the quantitative assessment of the concentration risk is the analysis of the composition of the portfolio (balance) by economic sector (governments - public administrations, credit institutions, other loans including corporate bonds, mortgage lending and other retail lending) and countries.

The Company classifies most of the investment portfolio as 'available-for-sale financial assets'. The main part of this portion of the investment portfolio consisted at 31 December 2014 (estimated based on the classification of the Belgian statutory scheme which is applied at the unconsolidated level) of bonds of 'public authorities' (53.95% in 2013 versus 43.57% in 2014). The 'credit institutions' category represents 30.04% at 31 December 2014. The 'securities – other counterparties' category has risen from 18.84% to 26.38%.

	2013		2014	
	Carrying values	Percentage distribution	Carrying values	Percentage distribution
Fixed-income securities				
- public institutions	4.578.242.498	53,95 %	3.640.233.539	43,57 %
- credit institutions	2.308.910.414	27,20 %	2.509.014.554	30,04 %
- other securities	1.599.532.160	18,84 %	2.203.105.977	26,38 %
Variable-yield securities				
- investment funds/equities	28.536	0,01 %	28.676	0,01 %
	8.486.713.608	**100,00 %**	**8.352.382.746**	**100,00%**

The following table shows the geographic breakdown (%) of the government bonds classified as available-for-sale financial assets. The overview indicates the fact that there is a large exposure to Belgium (head office location).

	31/12/2013	31/12/2014
Belgium	76,9 %	73,4 %
Italy	3,1 %	3,9 %
Czech Republic	2,8 %	0 %
Slovakia	4,8 %	5,7%
Slovenië	0,6 %	2,4 %
Austria	1,4 %	1,7 %
Germany	0,7 %	1,4 %
France	2,3 %	0 %

	31/12/2013	31/12/2014
Polen	2,9 %	1 %
Portugal	2,2 %	0 %
Finland	1,2 %	7,6 %
Bulgaria	0,4 %	0,2 %
Spain	0 %	1,9 %
Iceland	0 %	0,6 %
Mexico	0 %	0,2 %
Totaal	**100 %**	**100 %**

The table below shows finally the rating level of the entire 'available-for-sale assets' portfolio. Additional information regarding this portfolio can be found in note 11.

	31/12/2013	31/12/2014
Investment grade	99,22 %	99,56 %
Below investment grade	0,68 %	0,34 %
Non rated	0,10 %	0,10 %
Total	**100,00%**	**100,00 %**

The item 'held-to-maturity assets' includes three securities amounting to EUR 839,817,180 (EUR 761,448,121 as of 31 December 2013) issued mainly by the Belgian federal and regional authorities.

The Treasury and ALM Policy referred to above establishes which bonds and which ratings may be considered for investment. The ratings of all fixed-income securities are then systematically monitored. If (after purchase) the rating of a bond drops below the set minimum rating requirement, the bonds concerned will be discussed again by ALCO and the Rating Consultation (RO).

ALCO, and thereafter the Company's Executive Committee, must then make an explicit judgement on whether or not to keep a position. The positions maintained are also reported to the Board of Directors.

Note on encumbered assets

Through its circular 2015/03, the Belgian regulator brought into effect in the Belgian prudential framework the guidelines of the European Banking Authority (EBA) of 27 June 2014 on the disclosure of encumbered and unencumbered assets.

The institutions are required, on an advancing basis, to disclose basic information on the previous twelve months based on median values of at least quarterly data. With respect, however, to the disclosure of information for the first reporting period, the institutions may choose to use the data as at 31 December 2014. This latter option was therefore adopted for this first reporting.

Below is an overview of the state of the encumbered assets at the Company as reported as of 31 December 2014.

The Company has the following encumbered assets:

1. collateral for swaps and caps in a nominal amount of EUR 489,285,000, and having a fair value of EUR 583,343,619;

2. collateral for repos in a nominal amount of EUR 367,000,000, and having a fair value of EUR 410,538,477;

3. a separate account with the National Bank as security for BankCardCompany (on which a security with a nominal value of EUR 31 million was blocked).

In this way, a nominal EUR 856,285,000 are encumbered in the context of derivatives and repos and a nominal EUR 31 million in connection with the use of credit cards by customers of the Company.

Cash amounts of EUR 21,850,884 were paid in the framework of the collateral management in respect of derivatives. Another EUR 5,272,000 of cash was received in the context of the executed repo transactions.

The Company has not issued covered bonds, and the loans that were securitized are, as already explained, back in the Bank Pool balance sheet.

The Company has a EUR 250 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.

The above-mentioned cash and encumbered assets are included in the balance sheet and are explained under the respective balance sheet items.

5.4. Operational risk

General Explanation

All businesses carrying on activities of any kind have to contend with operational risk. Financial institutions are no exception.

The Company's activities depend on the ability to process a very large number of transactions efficiently, accurately and in accordance with the policies and regulations. Potential operational risks include a violation of the money laundering legislation, breach of confidentiality obligations and the execution of unauthorized transactions.

The Company has a fairly limited number of products and services. This allows the operational risks to be kept limited. In general, however, it is also assumed that operational risks will gradually increase in the various businesses, owing, among other things, to the rapidly changing technological environment, the increasing complexity and growing range of products and the general trend towards outsourcing of non-core business activities.

Although the Company has taken measures to control the risks and limit any losses, as well as earmarking substantial funds for the development of efficient procedures and staff training, it is impossible to implement procedures that can exclude these operational risks in a completely effective manner.

Each year, a very extensive internal report is drawn up and presented to the Audit Committee, the Board of Directors and the NBB. This report assesses the adequacy and effectiveness of the existing control measures following the COSO methodology.

A Disaster Recovery Program (DRP) exists, covering all facets of Disaster Recovery. All Disaster Recovery tests will be planned and implemented annually. The presence of a Disaster Recovery Manager gives operational depth to this process.

Operational risk policy

The ORCo (Operational Risk Committee) is a permanent part of the GRC (Group Risk Committee). It is organized on a quarterly basis. In 2014, the risk appetite for operational risk was further elaborated.

In 2014, a large part of the annual planning was devoted to the implementation, migration and testing of the loss database in the Pentana Vision software. This software package was also further adapted to permit the conduct and reporting of RCSA's (Risk & Control Self-Assessments). The first line users were also trained and helped to be able to work in this new environment.

In addition to daily monitoring and support functions (e.g. facilitating RCSAs, putting together the annual internal control report, monitoring BCPs), work was also done on commencing quarterly operational risk reporting, the KRIs (Key Risk Indicators) were redefined, and the contact persons designated by the different departments received further training.

In the area of BCM (Business Continuity Management), both the BCPs (Business Continuity Plans) and the specific contact information were thoroughly updated. In addition, a crisis simulation was again organized this year with the CMT (Crisis Management Team). Preparations were also made to counter possible strike and power problems.

In the context of information security, additions were prepared to the Data Security Code of Conduct (rules on personal mobile devices with access to the Argenta network and additional hardware in the workplace).

The risk scoring within the audit universe is done on parameters, including the maturity of the internal controls and the presence or absence of RSCAs.

Operational risk and the Basel II Capital Accord

The Company uses the standard method for calculating the requirements for operational risk.

5.5. Other risks

With no attempt to be exhaustive, this section mentions certain other risks.

Strategic risk

The strategic risk to which the Company is exposed is the risk of the effect on current and future earnings and capital of poor policy or operational decisions, poor implementation of decisions or a lack of responsiveness to changing market conditions (both commercial and financial).

In order to achieve the strategic objectives, as defined in the business strategy, the Company makes resources available (including communication channels, systems, personnel, networks, managerial time and managerial capacities). The strategic objectives are determined by the Executive Committee and approved by the Board of Directors.

The ultimate achievement of the business strategy depends ultimately on the adequacy of the resources made available and the way in which these resources are used and are permanently assessed.

Business Risk

Business risk is the risk that current and future earnings and capital will be affected by changes in business volumes, or by changes in margins and costs, both caused by changing market conditions or the organisation's inability to take advantage of such changes. This risk also includes a poor diversification of earnings or the inability to maintain a reasonable level of profitability.

In order to diversify the business risk to which the Company is exposed, the Argenta Group has made a strategic choice to sell products that generate fee income next to its traditional activities. Alongside the other lines of insurance, lending, savings and payments, this fourth business line should give rise to greater diversification of earnings. Another important factor in this regard is the attention given to cross-selling, in order to attract as many customers as possible to several business lines concurrently.

As to the profitability of the Bank Pool's products, price setting must incorporate funds transfer pricing in order to determine the earnings contribution of each product.

Reputational risk

Reputational risk is the risk of damage (loss) through a deterioration of the reputation or standing caused by a negative perception of the image of the organisation by its customers, counterparties, shareholders and/or regulatory bodies.

This is a second-order risk; in other words, a risk that results from another risk but which has its own impact. The Company considers this risk as a vertical risk, i.e. a risk that runs through all other risks. By monitoring and managing the other risks, the reputational risk is also managed.

External service providers

The Company is exposed to the risk of termination of large contracts with external service providers. Termination of one of these contracts could result in an interruption to business or delays in important business processes, against which the Company covers itself as far as possible through an appropriate business continuity policy and transitional arrangements in the relevant contracts.

5.6. Risks associated with changes in legislation and regulations

In all places where the Company operates, it is subject to the laws, regulations, administrative measures and regulations on financial services policy. Changes in the supervisory framework and regulations may affect the activities, products and services that the Argenta Group offers or the value of its assets. Although the Company works closely with regulators and constantly monitors the situation and future legislative changes, fiscal policy and other policies are at times unpredictable and fall outside its control.

European legislation and regulations have required much additional attention in recent years and will continue to do so, given in particular the European Commission's strong preference for maximum harmonization of European legislation. Maximum harmonization of legislation and regulations are in the interest of the financial sector, as this contributes to a level playing field for all market players.

Below is a brief overview of some national and international developments that are relevant for the Company.

Deposit Guarantee Scheme (DGS)

The Belgian DGS guarantees deposits from individuals and small businesses at banks up to a maximum of EUR 100,000 per depositor per bank. DGS will pay out amounts when individuals and companies no longer have access to their funds because of the inability to pay of financial institutions.

The contributions that the Belgian financial sector has to pay into the DGS have systematically increased in recent years. Meanwhile, there is talk of a European DGS fund, with mandatory contributions from all European market players.

Banking Act in Belgium

Following several new European laws including the new CRD (Capital Requirement Directive), a new banking act was introduced in Belgium. All financial institutions are required to implement all elements of this act (including, for example a suitability test for directors and specific and more comprehensive governance requirements).

Regulatory capital requirement

The European Council adopted on 20 June 2013 a new CRR (Capital Requirement Regulation) and CRD IV to come into effect on 1 January 2014. These regulations (so-called Basel III) impose stricter rules on, among other things, solvency, liquidity and leverage, which will gradually apply. The focus here has been on increasing the capital buffers and improving the quality of capital. The capital buffer acts as a cushion for economic hard times.

Within the European Union, these regulations are implemented through the above-mentioned Capital Requirement Regulation (CRR). This is European legislation that directly enters into force at the national level. In the notes on Basel Pillar 3, the reader will find further interpretation of the various changes and their impact on the Company.

Bank Recovery and Resolution Directive (BRRD)

This Directive focuses on the full cycle of crisis management, ranging from preparation to early intervention, and settlement and financing. The Directive aims to improve the resolution framework for banks, with the help of harmonized and effective tools and powers, so as to tackle a banking crisis as early as possible and avoid the need for a financial rescue of credit institutions by the government.

European Market Infrastructure Regulation (EMIR)

EMIR regulation ensures a tightening of supervision of, among other things, outside of exchange trading (OTC) and the derivatives market. With the advent of EMIR, the central clearing of standardized derivatives becomes mandatory. The post-trading infrastructure is also enhanced by harmonizing and extending rules for central counterparties (CCPs): in future, data on transactions in OTC derivative contracts need to be reported to trade repositories (data warehouses). The rules will contribute to the transparency of these markets.

Prohibition of distribution provisions in Netherlands

In the Netherlands, there is already a ban on commissions when granting mortgage loans. From 1 January 2014, an additional ban is imposed on distribution commissions for all investment services. From that date onwards, investment companies are no longer permitted to receive commissions from ‘product suppliers’ and ‘fund providers’ and will therefore have to charge their costs directly to the customer. The Company does not provide investment services in the Netherlands, but this evolution which will possibly also spread to other countries, is being systematically monitored.

Tax legislation

National and international rules on tax topics change periodically as a consequence of local or international economic factors. Thus, in Belgium for example, from fiscal year 2015, an amendment has been approved to the notional interest deduction system for financial institutions.

Right now, consultations are still under way for a tax ruling with the Netherlands in the field of corporation tax.

In 2014 - following a judgment of 15 May 2012 - a refund was received from the tax authorities of stock exchange and delivery tax for the period 15 July 2002 - 15 July 2004. No appeal was made against this judgement, which thereby became final in 2013.

6. Solvency and capital management

6.1. Capital management

The dynamic growth of the financial markets and the increased use of more complex banking products have brought about major changes in the Company’s business environment. These challenges require appropriate personnel, processes and systems for the limitation and the targeted control of the Company’s risk position.

Apart from describing methods for the calculation of the regulatory capital requirements (quantitative requirements), the Basel II accord puts increased stress on risk management and integrated group-wide management (qualitative requirements). The Company is obliged to implement adequate procedures and systems aimed at guaranteeing its long-term capital adequacy, while taking into account all material risks.

Internationally, these procedures are referred to as the Internal Capital Adequacy Assessment Process (ICAAP). The goal of the Company’s risk management is to have the best possible capital structure and risk control to match that of the major market players, and in so doing continue to meet the statutory capital requirements.

Implementing the business plan, with the attendant need to ensure that sufficient capital is available to pursue the group's grown plans, is a key factor here.

The Company has always pursued a policy of self-financing. To retain a level of capital that provides sufficient scope for growth and to meet the financial and operational risks, the Company aims to meet the potential capital requirements with (a) retained earnings, (b) capital increases and (c) subordinated loans. Additional measures can include shrinking the balance sheet through securitisation of part of the retail loans portfolio.

The following table shows the eligible own funds at year-end.

Composition regulated (=eligible) own funds	31/12/2013	31/12/2014
Equity sensu stricto	1.277.842.335	1.391.404.904
Total Surplus reserves	289.276.590	74.161.762
First part of the surplus reserves	12.572.987	0
Subordinated loans	276.703.603	74.161.762
Total regulated (=eligible) own funds	**1.567.118.925**	**1.465.566.667**

The Basel Pillar 3 guidelines explain in considerable detail the concepts of own funds for accounting purposes, eligible own funds for regulatory purposes and the reconciliation between the two.

The reconciliation between the IFRS own funds for accounting purposes and the regulated Tier I (strictu sensu) own funds is shown below.

Composition regulated own funds sensu stricto	31/12/2013	31/12/2014
- Equity attributable to the shareholders	1.388.027.229	1.549.675.409
- minority interests (non-controlling)	79.518	74.294
Total equity	1.388.106.747	1.549.749.703
Prudential filters		
- Intangible assets	-39.779.417	-29.792.457
- Revaluation reserves	-132.452.018	-137.852.251
- Cash flow hedge	6.636.671	13.729.427
Deduction in the context of "prudent valuation"	-	-131.860
Deduction in the context of own credit risk (DVA)	-	-2.586.358
Deduction of latent negative values on non- government securities (20%)	-	-1.637.006
Non-recording of minority interests	-	-74.294
Add-on Tier 1 loan	69.300.000	0
transfer to Tier 2 own funds	-13.969.648	0
Total regulated own funds(=eligible) sensu stricto	**1.277.842.335**	**1.391.404.904**

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The coming into force of the so-called Basel III as of 1 January 2014 brings additional deductions in the calculation of available Tier 1 capital:

- a specific requirement under the "prudent valuation" of the financial instruments held at fair value in the IFRS balance sheet (EUR 131,860)
- a deduction of the positive impact of own credit risk in the calculation of the market values of derivative instruments (EUR 2,586,358)
- a 20% deduction of the negative latent values existing on non-government securities in the 'available-for-sale assets' (EUR 1,637,006).

Additionally, it was decided to not take the limited amount of minority interests into the calculation.

The Company still has a Tier 1 loan outstanding, with, as of 31 December 2014, a nominal value of EUR 68.8 million. With the application of the new CRR (Basel III) legislation, this is no longer accepted, and this security is no longer included.

In this way, the financial risk policy of the Company takes into account, in addition to its management decisions, also the prudential ICAAP.

ICAAP and economic capital

The risks to which the Company is exposed require a risk buffer in the form of equity. The ongoing development of its business as a conventional savings bank, and hence as a bank involved in transformation (i.e. converting (transforming) funds deposited short-term into longer-term investments) means that this required equity must be permanently monitored and supplemented when necessary.

ICAAP incorporates all the bank's procedures and calculations used to ensure:

- the correct identification and measuring of the risks of the group;
- the maintaining of adequate capital in line with the bank's risk profile;
- the use, and continuous development of risk management systems.

This means that in all circumstances (stress scenarios), the equity requirements of the Bank Pool and all its component parts are met with an adequate degree of certainty. This is expressed in the form of the economic capital, in which the various risks are taken into account.

In 2014, Argenta continued to invest in economic capital models, allocation of economic capital (to entities and products) and prospective capital planning. The allocation should allow further product evaluation by including the economic cost of capital, based on the actual risk. In the prospective capital planning, the business plan is subject to a risk test and various simulations are undertaken to simulate the impact on the business plan and the capital situation, and to arrive at better control.

The calculations according to the Basel rules (Pillar 1) for capital management are reported to the supervisory authority and used internally, but the so-called 80% floor for the required regulatory capital remains the legal basis even after 2011. In its ICAAP under Pillar 2, Argenta calculates the required economic capital based on Basel IRB risk parameters. This is lower than the minimum 80% floor.

In addition, all material risk factors are modelled in ICAAP so that the total ICAAP provides a more comprehensive picture of capital requirements.

In 2014, regular consultations were held with the supervisory authority as part of the Supervisory Review and Evaluation Process (SREP).

6.2. Regulations and solvency

As a financial institution, the Company is subject to prudential supervision. In Belgium, the Company is supervised by the NBB. The branch in the Netherlands is subject to the supervision of both the NBB and Dutch Central Bank (De Nederlandsche Bank - DNB). The banking subsidiary, ABL, in Luxembourg, was under the supervision of the Commission de Surveillance du Secteur Financier (**CSSF**). Meanwhile, ABL has adopted the status of fund manager, after relinquishing that of financial institution.

All Bank Pool entities are required to comply with the guidelines of the various supervisory authorities in the countries and sectors where they operate. These guidelines require financial institutions to maintain minimum equity in relation to the credit commitments on and off the balance sheet.

The total regulated eligible capital rose from EUR 1,567,118,925 at end 2013 to EUR 1,465,566,667 at end 2014. This trend is mainly the result of 2 elements.

An increase in the Tier 1 regulatory capital by the addition of the profit for the year of EUR 173,058,525. This significantly increases the core Tier 1 capital.

Tier 2 capital fell. The amount of the used and the useable portion of subordinated loans in the additional own capital has decreased significantly from EUR 276,703,603 at 31 December 2013 to EUR 74,161,762 at 31 December 2014. This major decrease is the result of the Basel III transition rules, under which, inter alia, subordinated debt issued after 2011 may no no longer be counted, resulting in an additional sharp decline in the use of existing subordinated instruments.

For these reasons, the Company is currently no longer issuing subordinated certificates.

The Company calculates its capital ratios in accordance with Basel, which comprises three pillars. Information on pillar 1 (minimum capital requirements) and pillar 2 (supervisory review process, including details of the interest rate, liquidity and concentration risk) is included in these financial statements.

The pillar 3 disclosures are a supplement to the first two pillars and are intended to provide market operators with an opportunity to assess the capital adequacy of a financial institution through access to more extensive information. These pillar 3 disclosures are published separately on the Company's Internet site. They include some of the information contained in these financial statements.

The summary below shows the most important capital requirements, calculated according to the relevant Basel (pillar 1) rules.

Composition of the regulatory equity	31/12/2013	31/12/2014
Total regulatory capital	1.567.118.925	1.465.566.667
Application of IRB floor for transition period	80 %-regel	80 %- regel
Total required after applying Basel I floor	578.504.366	633.858.176
Core Tier 1 ratio	16,71 %	17,56 %
Tier 1 ratio	17,67 %	17,56 %

The calculations as of 31 December 2014 take into account the specific Basel rules for the calculation of weighted risks for which the Company has obtained approval. The Company uses the (F)-IRB method for the retail mortgage portfolios, the MBS portfolio and the 'corporates and institutions' portfolio, and the standard STA method for the remaining exposure.

As a result of the Basel rules applicable to the transition from the STA to the IRB method, the eligible capital should be 80% of the required capital, calculated according to Basel I principles. The required capital as of 31 December 2014 is EUR 633,858,176 compared with EUR 578,504,366 as of 31 December 2013.

The Tier 1 ratio of 17.56% as of 31 December 2014 is obtained by dividing the core Tier 1 capital (EUR 1,391,404,904 as of 31 December 2014) by the weighted risk volume (EUR 7,923,227,200 as of 31 December 2014).

Since there is as of 31 December 2014 only core Tier 1 own capital and no additional Tier 1 capital, the core Tier 1 ratio is also 17.56%.

In 2013 and 2014, the total regulatory eligible capital was at all times greater than the requirements, so that the Company complied fully with all capital requirements.

7. Remuneration of directors

The composition of the Boards of Directors and the remuneration of their members are given below.

7.1. Composition of the Boards

The Boards of Directors of the other companies of the Argenta Group have a similar structure.

They include in each case:

- the members of the Executive Committee of the company concerned (executive directors);
- a number of independent directors;
- a number of directors that represent the family shareholder (together with the independent directors: the non-executive directors).

The number of directors for each Board of Directors should, preferably, not exceed fifteen. In principle, the directors' mandates are for a period of six years, but they are renewable. Members of the Board of Directors are natural persons only, subject to any exceptions in accordance with the applicable regulations of the regulatory authorities.

The following age limit applies to directors:

- executive directors automatically resign on reaching the age of 65;
- non-executive directors automatically resign on reaching the age of 70.

directors who reach the age limits may continue to exercise their mandate until a successor is appointed. The Board of Directors may permit exceptions to this rule on a case-by-case basis.

The Boards of Directors are composed in such a way that none of the three groups (the directors representing the family shareholder, independent directors and directors who are members of the Executive Committee) are in the majority. However, non-executive directors are always in the majority in the Board of Directors.

Independent directors are appointed with a view to attracting competencies in the Argenta Group's core activities, namely banking and insurance. Independent directors need to demonstrate broad experience in at least one of these core fields on the basis of their former or current activity. They must meet all the requirements stipulated in Article 526 of the Companies Code.

The governance rules concerning independent directors serve to ensure an appropriate balance in the management of the various companies of the Argenta Group between the representation of the group's interest and the protection of the interests (of the stakeholders) of the individual companies making up the Group.

On 11 December 2014, Mr Carlo Henriksen was appointed as director of the Company.

The division of tasks between the Boards of Directors and the interaction with the various committees are documented in an Internal Governance Memorandum.

The table below gives the composition of the Boards of Directors of the companies forming part of the Bank Pool.

BOARDS OF DIRECTORS	ASPA	ABL	ARNE
Chairman:			
J. Cerfontaine	X		
J. Heller		X	
Members:			
Advaro bvba (1)	X		
G. Ameloot	X		X
A.Coppens	X		
G. De Haes	X	X	
S. Duchateau		X	
J. Heller	X		
C. Henriksen	X		
Raco bvba (2)	X		
W. Van Pottelberge	X		
D. Van Dessel	X		
R. Vanderstichele	X		
E. Walkiers	X		
G. Wauters	X		X

(1) with D. Van Rompuy as its permanent representative
(2) with B. Van Rompuy as its permanent representative

On 22 October 2013, the Board approved the 'Suitability of Key Executives' Charter. Produced by the Argenta Group, the charter describes the governance and structured framework that have been developed to ensure the suitability of key executives.

'Suitability' means that the person in question has the expertise (fit) and professional integrity (proper), as specified in the NBB Circular of 17 June 2013 on the standards of 'expertise' and 'professional integrity' required of executive committee members, directors, heads of independent control functions and effective senior managers of financial institutions.

'Key executives' are directors or statutory auditors, executive committee members, effective senior managers, and heads of internal control functions (internal audit, risk management, compliance, and actuarial function), in accordance with the above NBB circular.

The remuneration of the executive and non-executive directors of the Argenta Group companies is established by the respective Boards of Directors following a proposal from the Remuneration Committee. This proposal is also presented to the general meetings of the respective companies for ratification. The fees received for the year 2014 were ratified by unanimous vote of the shareholders.

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7.2. Remuneration of the non-executive directors

Remuneration policy

The remuneration of non-executive members of the Board of Directors of the Company consists exclusively of a fixed remuneration set by the respective general meetings. Effective 1 January 2012, this fixed remuneration is the same for all independent directors and directors representing the family shareholder.

For participation in special committees created under the auspices of the Board of Directors (the audit, risk and compliance committee and the remuneration committee), non-executive directors receive an additional fee per meeting attended. This fee is the same for all members of such a committee. The chairman of this committee receives a higher fee.

The chairman of the Boards of Directors is a director who represents the family shareholder. He has a fixed remuneration which differs from that of the other non-executive directors.

The remuneration of non-executive directors is paid by the umbrella management holding company BVg and apportioned by a Cost Apportionment Agreement among all Argenta Group companies (and therefore also the Company) in which the director has a mandate.

During 2014, the total remuneration of the independent directors totalled EUR 202,000 (EUR 104,000 in 2013 for both committees for those involved who were directly paid by the Company). Details of the remuneration are given in the table below.

Independent directors	Permanent representative	Position	2013	2014
Van Keirsbilck J.P.		Director	35.000	12.000
Van Pottelberge W.		Director	36.500	42.500
Pletinckx M.C.(*)		Director	32.500	32.500
Advaro bvba	Van Rompuy D.	Director	0	29.500
Raco bvba	Van Rompuy B.	Director	0	32.500
Henriksen C.		Director	0	3.600
Vanderstichele R.		Director	0	23.000
Walkiers E.		Director	0	26.500
		Total	**104.000**	**202.000**

* The management fee to M.C. Pletinckx (Chairwoman Aras Audit Committee) was paid in 2014 from the management holding company BVg (this information is included here for the sake of completeness).

7.3. Remuneration of the executive directors

Remuneration policy

Executive directors receive a fixed annual remuneration. They do not receive variable remuneration of any kind. In this way, their pay does not contain elements that could encourage the pursuit of short-term objectives that are inconsistent with the Company's longer-term objectives. The remuneration meets the provisions of the CBFA Regulation of 8 February 2011 concerning the remuneration policies of financial institutions, as well as the provisions of the Banking Act of 25 April 2014. The remuneration is the same for all members of the Executive Committees, except for the chairman.

In addition to the fixed annual remuneration, executive directors also benefit from two group policies (pension capital and disability).

Executive directors are contractually entitled to a severance payment which, except for withdrawal of the mandate due to serious misconduct, is equal to 18 months' remuneration. The amount of this remuneration is based on the annual gross remuneration, calculated over the 24 months prior to the decision to terminate the contract, or calculated over the entire period of office if less than 24 months.

The 18-month period is reduced to (i) 12 months if the termination occurs after the director reaches age 58, but before age 61; (ii) 9 months if the termination occurs after the director reaches age 61, but before age 63, and (iii) six months if the termination occurs after the director reaches age 63, but before reaching age 65.

Remuneration of the executive directors

The composition and division of tasks within the Executive Committees of the Argenta Group's three core companies (the Company, Argenta Assuranties nv and BVg) are largely integrated.

The remuneration of the members and the chairman of the Executive Committees are therefore set at group level and distributed among the three core companies in accordance with the rules stipulated in the Cost Apportionment Agreement entered into by these companies.

The following report provides information on the remuneration of members of the Executive Committee paid directly by the Company and the Chairman of the Executive Committee (CEO of the Argenta Group).

In 2014, Johan Heller (CEO of the Argenta Group and Chairman of the Executive Committees of the Company, Aras and BVg) received a base salary of EUR 394,800 (EUR 394,800 in 2013).

The contribution for group supplementary pension and disability benefits policies amounted to EUR 55,875. No bonuses were paid to the CEO or other directors.

In 2014, the total direct remuneration of the executive directors/Executive Committee members of Argenta Group (excluding the CEO), amounted to EUR 1,768,800 (EUR 1,879,200 in 2013). The contribution for group supplementary pension and disability benefits policies for Executive Committee members (excluding those of the CEO), amounted to EUR 140,799 (EUR 139,266 in 2013).

No severance payments were made in 2013. In 2014, severance payments were made to members of the Executive Committee in an amount of EUR 935,840. These were paid upon termination of the mandates of Messrs Marc Mathijsen and Marc De Moor as members of the Executive Committee.

8. Remuneration of the statutory auditor

The audit of the Company's financial position and of the financial statements is assigned to the statutory auditor, Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Mr Dirk Vlaminckx.

The remuneration received by Deloitte (including VAT) for 2013 and 2014 breaks down (in accordance with Article 134 of the Belgian Companies Code) into:

- fees for audit assignments: this includes the fees for the auditing of the statutory (unconsolidated) and consolidated financial statements and other reporting assignments: EUR 345,790 in 2014 and 365,523 in 2013.
- fees for other assignments:
  - EUR 158,490 in 2014 in respect of supplementary audit work, tax-related work and smaller ad hoc assignments;
  - EUR 141,325 in 2013 with respect to additional auditing activities, tax-related activities and smaller ad hoc assignments.

9. Related party transactions

The Company regularly conducts transactions with related parties as part of its operations. The transactions relate primarily to loans, deposits and insurance contracts. They are in all cases carried out at arm's length.

The tables below provide a summary of the financial scope of the activities which were conducted with the related parties. The relationships between the parent and its subsidiaries are described in note 1 (general information).

2013 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances			
Demand deposits	0	0	0
Instalment loans	0	0	28.289.283
Consumer loans	0	0	391.444
Mortgage loans	0	189.338	84.866
Other receivables	4.621	0	3.956.005
Total assets	**4.621**	**189.338**	**32.721.598**
Liabilities: financial liabilities measured at amortised cost			
Deposits	50.272.046	366.008	266.384.119
Debt certificates	0	0	33.411.600
Subordinated liabilities	0	0	0
Other liabilities	1.158.529	0	22.918
Total liabilities	**51.430.576**	**366.008**	**299.818.637**
Guarantees issued by the group	0	0	40.931.710
Guarantees received by the group	100.047.100	0	0

2014 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances			
Demand deposits	0	0	0
Instalment loans	0	0	14.057.054
Consumer loans	0	0	345.755
Mortgage loans	0	170.787	80.488
Other receivables	0	0	3.058.623
Total assets	**0**	**170.787**	**17.516.827**
Liabilities: financial liabilities measured at amortised cost			
Deposits	46.718.236	572.613	340.392.631
Debt certificates	0	0	13.956.600
Subordinated liabilities	0	0	0
Other liabilities	1.733.397	0	2.836.256
Total liabilities	**48.451.633**	**572.613**	**357.185.487**
Guarantees issued by the group	0	0	0
Guarantees received by the group	47.100	0	0

As already explained, the holding company BVg is the Company's parent company. The 'managers in key positions' column includes details of executive and non-executive directors (Note 7) and the close relatives of directors who are natural persons.

Close relatives of a natural person are those who could be expected to be able to exert influence on the natural person (these include the natural person's partner and children residing in his/her household).

'Other related parties' includes details of the Company's sister companies, i.e. the aforementioned Insurance Pool.

2013 Income statement	Parent company	Managers in key positions	Other related parties
Expenses			
Interest expenses	445.288	8.563	212.876
Fees and commissions	0	0	2.399.310
Insurance premiums	0	0	5.105
Rendering services	0	0	9.816.916
Other	13.032.558	0	857.176
Total expenses	13.477.846	8.563	13.291.383
Income			
Interest income	414.942	2.333	1.671.087
Fees and commissions	0	0	0
Other	25	0	17.618.041
Total income	**414.967**	**2.333**	**19.289.128**

2014 Income statement	Parent company	Managers in key positions	Other related parties
Expenses			
Interest expenses	527.591	4.093	1.259.750
Fees and commissions	0	0	3.196.000
Insurance premiums	0	0	5.860
Rendering services	0	0	8.317.829
Other	19.416.901	0	863.761
Total expenses	19.944.492	4.093	12.383.451
Income			
Interest income	1.294	3.407	2.257.385
Fees and commissions	0	0	0
Other	706.172	0	23.161.757
Total income	**707.466**	**3.407**	**25.419.142**

No impairment losses were recognized in 2013 and 2014 on balance sheet items involving related parties.

Note on transfers of credits from the Company to its sister entity Aras

Since 2013, credit transfers have taken place between the Company and sister entity Aras. This is covered by a framework agreement, and an RACI has been established. Based on these RACI (Responsible - Accountable - Consulted - Informed), the transfers are coordinated and all relevant parties are systematically involved so that transactions take place at arm's length. In this way, the Company grants Dutch grant loans through the branch which are then taken over definitively by Aras. The relevant definitively transferred credits and the settlement of transaction costs are not included in the above statements.

Note on guarantees received and given

At the end of 2013, there was a surety (guarantees received) of EUR 100,047,100 of which 50 million for paper issued by ABL and 50 million for paper issued by ARNE.

At the end of 2013, the surety given amounted to EUR 40,931,710, of which 25 million for paper issued by ARNE and 15.8 million for paper issued by ABL. At the end of 2014, there is only one surety for EUR 47,100.

Note on compensation – executive directors

Finally, the remuneration of the executive directors has already been described in note 7. The table below lists the remuneration of the executive directors.

Remuneration of the executive directors	2013	2014
Severance remuneration	0	467.741
Salaries and directors' fees	1.566.000	1.610.400
Total	**1.566.000**	**2.078.141**

10. Operational segments

The Company is required to provide information on operational segments to enable users of its financial statements to assess the nature and financial consequences of the business activities it performs and the economic environment in which it operates.

An operational segment is a component of the Company that performs business activities that may generate income or expenses, and of which, among other things, the business results or services rendered are assessed separately at regular intervals by management and for which separate financial information is available.

Note 1 (general information) explains the structure of the Company (with a branch office in the Netherlands that is incorporated into the structure of Argenta Spaarbank nv).
The operational segmentation in the IFRS financial statements is based on geographical areas where the Bank Pool is active. This is systematically further reflected in the organization through the existence of Argenta Spaarbank nv in Belgium, a branch office in the Netherlands (part of Argenta Spaarbank nv) and a subsidiary, Argentabank Luxembourg (ABL). The ultimate chief operating decision maker (CODM) is the Executive Committee of the Company.
The Bank Pool delivers services under the heading of 'retail banking' which until further notice is treated in the internal reporting as a single operational segment.

Information on geographical regions

The operational segmentation based on geographic regions reflects the Company's focus on the Benelux countries. The following geographical segmentation is specifically based on the location of the services provided, and provides an indication of the breakdown by geographical region.

2013 consolidated balance sheet	Belgium	Netherlands	Luxembourg	Consolidation	31/12/2013
Assets					
Cash and cash balances with central banks	38.898.913	0	1.049	0	38.899.962
Financial assets held for trading	62.731.237	60.166.927	0	0	122.898.164
Available-for-sale financial assets	9.758.560.325	1.310.512.996	3.928.760	-2.586.288.473	8.486.713.608
Loans and receivables	8.927.302.062	13.386.641.058	68.064.484	-151.221.090	22.230.786.514
Derivatives, hedge accounting	3.488.299	0	0	0	3.488.299
Financial assets held to maturity	761.448.121	0	0	0	761.448.121
Fair value changes of the hedged items	275.393.059	0	0	0	275.393.059
Buildings, land, equipment	34.533.764	497.347	60.990	0	35.092.101
Investment properties	919.503	0	0	0	919.503
Goodwill and other intangible assets	38.016.479	1.710.504	52.434	0	39.779.417
Tax assets	0	24.883	662.862	0	687.745
Other assets	105.323.808	100.514.865	8.591.751	-63.583.409	150.847.015
Total assets	**20.006.615.570**	**14.860.068.580**	**81.362.330**	**-2.801.092.972**	**32.146.953.508**
Total liabilities, minority interests and equity					
Deposits from central banks					
Financial liabilities held for trading	1.089.224	60.631.023	0	0	61.720.247
Financial liabilities measured at amortised cost	28.092.938.448	4.592.354.558	54.517.552	-2.756.015.719	29.983.794.839
Derivatives, hedge accounting	408.062.931	0	0	0	408.062.931
Fair value changes of the hedged items	0	0	0	0	0
Provisions	12.281.322	788.010	0	0	13.069.332
Tax liabilities	81.753.044	18.484.680	407.864	0	100.645.588
Other liabilities	1.474.781.928	-1.240.907.508	2.756.657	-45.077.253	191.553.824
Total liabilities	**30.070.906.897**	**3.431.350.763**	**57.682.073**	**-2.801.092.972**	**30.758.846.761**
Shareholders' equity	1.100.806.222	266.139.786	21.081.221	0	1.388.027.229
Minority interests	0	18.000	61.518	0	79.518
Total liabilities, minority interests and equity	**31.171.713.119**	**3.697.508.549**	**78.824.812**	**-2.801.092.972**	**32.146.953.508**

2014 consolidated balance sheet	Belgium	Netherlands	Luxembourg	Consolidation	31/12/2014
Assets					
Cash and cash balances with central banks	48.780.041	99.049.607	1.547.808	0	149.377.456
Financial assets held for trading	13.555.879	12.578.332	0	0	26.134.211
Available-for-sale financial assets	8.352.382.746	0	0	0	8.352.382.746
Loans and receivables	10.934.878.432	12.577.385.320	15.425.707	0	23.527.689.459
Derivatives, hedge accounting	0	0	0	0	0
Financial assets held to maturity	839.817.180	0	0	0	839.817.180
Fair value changes of the hedged items	398.422.686	0	0	0	398.422.686
Buildings, land, equipment	32.275.458	336.623	33.311	0	32.645.392
Investment properties	1.534.359	71.078	0	0	1.605.437
Goodwill and other intangible assets	43.961.091	1.142.123	30.034	0	45.133.248
Tax assets	28.903	0	81.624	0	110.527
Other assets	88.747.746	73.807.915	4.282.377	-16.081.341	150.756.697
Total assets	**20.754.384.521**	**12.764.370.998**	**21.400.861**	**-16.081.341**	**33.524.075.038**
Total liabilities, minority interests and equity					
Deposits from central banks					
Financial liabilities held for trading	280.948	11.083.821	0	0	11.364.769
Financial liabilities measured at amortised cost	28.607.040.881	3.658.212.361	0	-1.266.774.383	30.998.478.859
Derivatives, hedge accounting	607.092.752	0	0	0	0
Fair value changes of the hedged items					
Provisions	10.527.883	3.180.153	0	0	13.708.037
Tax liabilities	45.917.240	33.328.854	0	0	79.246.094
Other liabilities	246.839.395	15.864.824	1.730.605	0	264.434.824
Total liabilities	**29.517.699.099**	**3.721.670.013**	**1.730.605**	**-1.266.774.383**	**31.974.325.335**
Shareholders' equity	1.057.702.838	351.242.354	19.670.254	0	1.549.675.409
Minority interests	0	18.000	56.294	0	74.294
Total liabilities, minority interests and equity	**30.575.401.936**	**4.072.930.367**	**21.457.152**	**-1.266.774.383**	**33.524.075.038**

The 'eliminations' occur on both the asset and liabilities sides of the balance sheet. These eliminations involve for example securities issued by one group entity (on the liabilities side of the balance sheet of the SPV Green Apple) that are purchased by another entity (found on the asset side of the Company).

These items are eliminated in the consolidation, but in order to obtain a clear overview of each segment, both items are again de-netted in the segment presentations.

ARGENTA

2013 income statement	Belgium	Netherlands	Luxembourg	Consolidation eliminations	31/12/2013
Financial and operating income and expenses	262.970.602	174.899.725	3.626.199	-262.373	441.234.153
Net interest income	305.453.661	162.027.859	1.068.542	0	468.550.062
Dividends	0	0	0	0	0
Net income from commissions and fees	-68.102.396	-14.816.347	2.410.400	-262.373	-80.770.716
Realised gains and losses on financial assets and liabilities that are not measured at fair value in the income statement	7.939.784	24.267.393	96.255	0	32.303.432
Gains and losses on financial assets and liabilities held for trading	2.223.514	3.333.881	0	0	5.557.395
Gains and losses from hedge accounting	-207.641	0	0	0	-207.641
Gains and losses on derecognition of assets other than held for sale	126.110	0	-11	0	126.099
Other net operating income	15.537.570	86.939	51.013	0	15.675.522
Administrative expenses	-141.711.216	-22.387.764	-3.050.371	262.373	-166.886.978
Depreciation	-15.942.296	-1.000.308	-154.644	0	-17.097.248
Provisions	-4.055.453	0	0	0	-4.055.453
Impairments	-4.670.764	-14.340.295	0	0	-19.011.059
Total profit before taxes and minority interests	**96.590.873**	**137.171.358**	**421.184**	**0**	**234.183.415**
Tax on profits	-24.669.899	-34.292.840	-245.554	0	-59.208.293
Total profit after taxes and before minority interests	**71.920.974**	**102.878.518**	**175.630**	**0**	**174.975.122**

2014 income statement	Belgium	Netherlands	Luxembourg	Consolidation eliminations	31/12/2014
Financial and operating income and expenses					
Net interest income	335.058.087	204.897.741	374.180	0	540.330.008
Dividends	0	0	0	0	0
Net income from commissions and fees	-62.865.012	64.439	3.086.028	0	-59.714.545
Realised gains and losses on financial assets and liabilities that are not measured at fair value in the income statement	5.966.982	10.457	39.451	0	6.016.890
Gains and losses on financial assets and liabilities held for trading	-35.395.725	-14.467.600	0	0	-49.863.325
Gains and losses from hedge accounting	1.961.952	0	0	0	1.961.952
Gains and losses on derecognition of assets other than held for sale	2.469	0	0	0	2.469
Other net operating income	19.364.046	198.665	990.379	0	20.553.090
Administrative expenses	-193.202.000	-25.483.760	-2.728.195	0	-221.413.955
Depreciation	-20.467.617	-1.024.360	-57.038	0	-21.549.015
Provisions	-583.834	-54.871	0	0	-638.705
Impairments	-3.322.607	1.254.449	0	0	-2.071.158
Total profit before taxes and minority interests	**46.516.741**	**165.392.160**	**1.704.805**	**0**	**213.613.706**
Tax on profits	-3.640.318	-36.297.153	-614.363	0	-40.551.834
Total profit after taxes and before minority interests	**42.876.423**	**129.095.007**	**1.090.442**	**0**	**173.061.872**

All transactions between segments are at arm's length. The main transactions between the operational segments that affect the results are:

(a) the interest income from the placement of the bonds issued by ABL (Luxembourg) with the Company (Belgium) and

(b) the charging on of a funding cost by the Company (Belgium) to the branch (the Netherlands) for capital made available (to enable loans to be granted in the Netherlands).

Information about products and services

The present IFRS financial statements cover only the Bank Pool, which falls entirely under the heading of retail banking, and is considered as a single operational segment for the purposes of consolidated internal reporting.

Retail banking provides financial services to individuals, self-employed persons and small and medium-sized enterprises. In the Benelux, it provides advice on daily banking, saving, lending and investment.

Information about important clients

If the income from transactions with a single external customer accounts for at least 10% of the Company's income, this must be disclosed.

The Company applies various policies to limit the concentration of the credit risk (and as such, the concentration of income), so this 10% limit would never be reached under the present guidelines.

Notes to the consolidated balance sheet

11. Cash and cash balances and deposits with central banks

Cash and cash balances with central and other banks (assets)

This category includes all cash and current account balances with central banks.

	31/12/2013	31/12/2014
Cash	38.899.468	44.479.891
Cash balances with central banks	494	194
Cash balances with other financial institutions		104.897.370
Total	**38.899.962**	**149.377.455**
of which cash and cash equivalents	38.899.962	149.377.455

As of 31 December 2013, 'current accounts at other financial institutions' were still recorded under 'loans and receivables' from credit institutions.

Deposits from central banks (liabilities)

	31/12/2013	31/12/2014
Deposits from central banks	0	0

Unlike in 2012, there were no deposits from central banks in 2013 and 2014.

12. Financial assets and liabilities held for trading

The financial assets held for trading are composed as follows:

(Unlisted) financial assets	N°	notional	31/12/2013	N°	notional	31/12/2014
Interest rate options - caps	21	5.000.000.000	60.071.605	21	5.000.000.000	12.793.951
Swaps securitisation transactions	2	2.519.092.520	60.166.927	1	1.221.994.770	11.072.496
Values based on measurement techniques			120.238.532			23.866.447
Secondary market bonds	7	2.492.000	2.659.632	4	2.067.000	2.267.764
Total financial assets			**122.898.164**			**26.134.211**

A number of cap contracts are cylinder caps (combined contracts) with both bought and sold parts. In this scheme, they were presented separately until further notice (splitting of the purchased and sold part).

The financial liabilities held for trading are composed as follows:

(Unlisted) financial liabilities	N°	notional	31/12/2013	N°	notional	31/12/2014
Interest rate options - caps	12	3.500.000.000	1.089.224	12	3.500.000.000	280.948
Swap securitisation transactions	2	2.519.092.520	60.631.023	1	1.221.994.770	11.083.821
Values based on measurement techniques			61.720.247			11.364.769

Not listed (OTC) - caps

Financial assets held for trading include first of all (because of their positive fair value) the interest rate options (caps). Under financial liabilities come the interest rate options (caps) with negative fair values.

These interest rate options, purchased over-the-counter (OTC) from other financial institutions, are always entered into in the framework of economic hedges, but to which, however, hedge accounting is not applied. Note 24 gives more information on concluded 'cylinder caps'.

The options involved serve as protection against the interest rate risk and are options with which the seller commits to pay the buyer an interest rate difference in exchange for a premium paid by the buyer.

Not listed (OTC) - swaps

Under this heading come the swaps (on the asset side those with a positive fair value and on the liabilities side those with a negative market value) that, although concluded within the framework of ALM, are not accounted for using hedge accounting principles.

Not listed (OTC) - swaps securitisation transactions

In the context of securitization transactions, swaps have been concluded (viewed at consolidation level). The difference between the market value of the swaps is recognized in the income statement.

Secondary market bonds

Since early 2012, the Company has offered not only primary bond issues (at time of original issue) but also bonds that are already listed and traded on the so-called secondary market.

This limited portfolio is viewed as a portfolio of securities that are continuously available for the Company's customers and is recognised in IFRS under 'Financial assets held for trading'.

13. Available-for-sale financial assets and held-to-maturity assets

13.1. Available-for-sale financial assets

This category encompasses most of the securities held in the investment portfolio.

	31/12/2013	31/12/2014
Total	**8.486.713.608**	**8.352.382.746**
Of which hedged via micro-hedges	500.000.000	855.991.300
Geographical breakdown		
Belgium	3.791.109.532	3.084.189.468
Other EMU countries	3.167.052.008	3.368.100.664
Rest of the world	1.528.552.068	1.900.092.614
Breakdown by interest rate type (fixed or variable)		
Variable	2.236.044.619	3.181.265.948
Fixed	6.250.640.454	5.171.088.122
Undefined	28.535	28.676
Breakdown by residual term		
According to maturity date		
Up to 1 year	3.515.481.621	1.569.932.319
Between 1 and 2 years	1.535.285.929	1.090.425.241
Between 2 and 3 years	885.462.706	1.377.680.330
Between 3 and 4 years	867.776.829	597.059.686
Between 4 and 5 years	204.566.138	1.127.594.627
More than 5 years	1.478.111.849	2.589.661.867
Undefined	28.536	28.676
By earlier of revision or maturity date		
Up to 1 year	4.628.582.399	4.714.096.360
Between 1 and 2 years	1.509.200.888	649.386.678
Between 2 and 3 years	626.752.255	893.761.650
Between 3 and 4 years	847.938.696	331.411.557
Between 4 and 5 years	176.705.138	420.148.738
More than 5 years	697.505.692	1.343.549.087
Undefined	28.536	28.676
Impairments	0	0
Effective interest rate on portfolio as of 31 Dec.	2,41 %	1,85%
Used as collateral	421.986.000	887.285.000
Encumbrance in the event of utilization of the credit line at the NBB		250.000.000

A nominal amount of EUR 887,285,000 of securities were encumbered as part of the collateral management of derivative instruments and of repos and as surety for the credit cards issuer. The Company also has a line of credit with the NBB of EUR 250 million, for which securities are encumbered as and when this credit line is used.

In 2011, an MBS (mortgage backed securities) portfolio was reclassified from 'available for sale financial assets' to 'loans and receivables'. Further details on this reclassification are given in Note 14.3.
The fair value and amortized cost and the related unrealized gains or losses on the 'available-for-sale' assets at 31 December 2013 and 31 December 2014 are as follows:

2013 financial year	Amortised cost price	Pro rata interest	Unrealised results	Impairments	Fair values
Fixed-income securities	cost price				
- public institutions	4.310.968.293	69.482.753	197.791.451	0	4.578.242.498
- credit institutions	2.231.811.980	37.148.119	39.950.314	0	2.308.910.414
- securities other counterparties	1.559.408.129	17.712.411	22.411.620	0	1.599.532.160
Variable-yield securities					
- investment funds / other shares	28.198	0	338	0	28.536
	8.102.216.600	**124.343.283**	**260.153.725**	**0**	**8.486.713.608**

2014 financial year	Amortised cost price	Pro rata interest	Unrealised results	Impairments	Fair values
Fixed-income securities					
- public institutions	3.343.342.993	51.820.361	245.070.183	0	3.640.233.538
- credit institutions	2.442.955.117	19.523.745	46.535.692	0	2.509.014.554
- securities other counterparties	2.159.449.719	14.397.167	29.259.091	0	2.203.105.977
Variable-yield securities					0
- investment funds / other shares	28.198	0	479		28.676
	7.945.776.027	**85.741.273**	**320.865.445**	**0**	**8.352.382.746**

The breakdown by public administrations, credit institutions on 'securities – other counterparties' or 'other debt securities' is that of a Belgian prudential reporting at bank solo level.

The fair values used come from the same external sources, i.e. Bloomberg and Euroclear (the Company's main clearing and custody counterparty), as in previous years.

Further information on the hierarchy of the external fair values used is given in Note 23.

13.2. Held-to-maturity assets:

	31/12/2013	31/12/2014
Total	**761.448.121**	**839.817.180**
Geographical breakdown		
Belgium	761.448.121	816.676.688
Other EMU countries		23.140.492
Breakdown by fixed/variable interest rate		
variable	550,863,500	573,945,723
fixed	210,584,621	265,871,458
Breakdown by residual term		
by maturity date		
Up to 1 year	6.491.171	500.592.500
Between 1 and 2 years	500.000.000	0
Between 2 and 3 years	0	217.091.628
Between 3 and 4 years	204.956.950	26.337.459
More than 5 years	50.000.000	95.795.593
by earlier of interest rate review date or maturity		
up to 1 year	6,491,171	573,945,722
Between 1 and 2 years	500,000,000	0
Between 3 and 4 years	0	217,091,629
Between 4 and 5 years	204,956,950	26,337,459
More than 5 years	50,000,000	22,442,370
indefined	0	
Total public bodies	761.448.121	828.178.147
Total other sectors (other MBS)	0	11.639.033
Effective interest rate of the portfolio at 31/12	0,86 %	1,04%

14. Loans and receivables

14.1 Loans to and receivables from credit institutions

The loans to and receivables from credit institutions are composed as follows:

	31/12/2013	31/12/2014
Total loans to and receivables from credit institutions	**313.901.383**	**350.726.228**
Geographical breakdown		
Belgium	180.109.265	332.396.228
Other EMU countries	133.792.118	18.330.000
Rest of the world	0	0
Breakdown by residual term: up to 3 months	313.901.383	332.396.228
Breakdown by type		
Current accounts other financial institutions	124.251.885	0
Term deposits	0	0
Central bank reserves	189.649.498	328.875.344
Collateral received from financial institutions	0	21.850.884
of which cash and cash equivalents	313.901.383	350.726.228
Impairments	0	0
Effective interest rate on portfolio as of 31/12	0,08 %	0,00%

Monetary policy requires financial institutions to maintain deposits with central banks in the countries where the Company operates. For this reason, the Company maintains deposits at the NBB and the DNB.

The minimum central bank reserves were determined on a monthly basis. At the end of 2014, the mandatory minimum reserve amounted to EUR 255,445,743.

The current accounts of other financial institutions are reported in the IFRS balance sheet as at 31 December 2014 under another classification (see note 11).

14.2 Loans to and receivables from other clients

The loans to and receivables from other clients are composed as follows:

	31/12/2013	31/12/2014
Total	**21.916.885.131**	**23.176.963.231**
Breakdown by residual term		
Up to 1 year	756.729.774	716.143.527
Between 1 and 5 years	2.304.012.735	2.620.255.189
> 5 years	18.856.142.622	19.840.564.516
Impairments	39.185.485	40.958.579
Breakdown by loan type		
Consumer loans	153.366.853	115.573.362
Mortgage loans	21.474.655.924	22.732.255.662
Instalment loans	232.435.828	288.006.861
Demand deposits	7.702.812	5.991.028
Other loan receivables – MBS portfolio	48.723.714	35.136.318
Effective interest rate on portfolio as of 31 Dec.	3,92 %	3,69%

The mortgage loan portfolio has grown further with the additional lending to the Company's retail customers, both in Belgium and the Netherlands.

14.3. Note on reclassification of an MBS portfolio

In 2011, an MBS portfolio with a carrying value of EUR 72,886,764 was reclassified from 'available-for-sale assets' to 'loans and receivables' (under 'other loan receivables'). The reason for this reclassification lay in the absence of an active market.

The securities were reclassified at their fair value. At the time of the reclassification, after calculation of the potential tax liability, there was a EUR 15,953,789 negative revaluation reserve in equity.

As of 31 December 2014, there remained a negative revaluation reserve of EUR 6,362,622 in equity (other elements of comprehensive income). Without reclassification, this would have amounted to EUR 773.534. In the IFRS balance sheet, these securities are carried under 'loans and receivables' in an amount of EUR 35,136,318.

As of 31 December 2013, there was a negative revaluation reserve amounting to EUR 10,800,033 remained in equity (other elements of the total result), which would have been EUR 4,389,464 if no reclassification had occurred.

Note 23.1 gives information on this current market value of this portfolio (under 'other loan receivables – MBS portfolio').

No individual impairments were recognised for the portfolio in question. As mentioned earlier, there is a collective impairment for the MBS portfolio.

This currently amounts to EUR 259,458 (EUR 1.862 million on 31 December 2013).

In 2014, EUR 238,665 in interest income was received from the securities in question (EUR 693,080 on 31 December 2013). There were no indications for proceeding to record impairments on individual items.

In 2013, no securities were sold out of this portfolio. In 2014, a single security of this portfolio was sold.

The decrease in this portfolio is due mainly to the maturing of securities and/or partial redemptions of the securities in question.

14.4. Note on securitisation of Dutch mortgage loans

Securitisation transactions involving Dutch mortgage loans were undertaken in 2007 and 2008. The Company's management decided that the Green Apple SPV should be consolidated, as a result of which the transferred loans continue on the Bank Pool's balance sheet.

In the GA 2008 transaction, the call was exercised in 2014. As at 31 December 2014, there remains therefore only the GA 2007 transaction.

The loans involved in these two securitisation transactions are no longer included on the Company's non-consolidated balance sheet. As a result of the IFRS consolidation, these securitised loans, are recognised on the consolidated balance sheet.

15. Derivatives used for hedging

This section contains, inter alia, additional information on the balance sheet headings 'derivatives used for hedging' and 'cumulative fluctuations in the value of the hedged positions when hedging the interest risk'.

General explanation

Hedge accounting (accounting treatment of hedging transactions in IFRS) can be used for derivatives that are intended to be used for hedging, on condition that certain criteria are satisfied. These criteria for the accounting treatment of a derivative as a hedging instrument include:

- the hedging instrument, the hedged position and the purpose and strategy of the hedging and the party involved must be officially documented before hedge accounting is applied.
- the hedge must be documented, substantiating that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the fair value (or cash flows) related to the hedged risk during the entire reporting period; and
- the hedge is effective from the start and is continuously assessed.

Explanation of macro hedges

First and foremost, the Company applies IAS 39, which was authorised by the EU, because it reflects best the way in which the Company manages its activities.

Hedging relationships are intended to limit the interest rate risk ensuing from the selected category of assets (or liabilities) that are proposed as qualifying hedged positions.

The Company performs an overall analysis of the interest rate risk and selects assets (and/or liabilities) that must be included in the hedging of the interest rate risk of the portfolio. At the outset, it defines the risk position to be hedged, the duration, the way in which the tests are conducted and the frequency thereof.

The Company has opted to hedge a portfolio of mortgage loans with a fixed interest rate, and selects within that portfolio the hedged positions as a function of the interest rate risk management strategy. The assessment of the effectiveness consists of examining whether the object of the hedge, i.e. limiting the interest rate risk, has been achieved.

With hedge accounting, the changes in the fair value of the fixed rate legs of these swaps are mostly offset by opposite changes in the fair value of the hedged positions. The fluctuations in the fair value of the floating rate components of the swaps have a net impact on the results.

What we have here is a fair value hedge, whereby the hedged risk consists of the benchmark (euribor), which is the interest rate component of the fixed-rate mortgage loans. The gains or losses of the hedged positions as a result of the hedged risk, and the gains or losses on the hedging instruments are recognised in the income statement (see Note 30).

The changes in fair value of the hedged positions (in this case a hedged portfolio of mortgage loans) can be found under the heading 'cumulative fluctuations in the value of the hedged positions when hedging the interest risk' and amounts to EUR 398,422,686 as of 31 December 2014 compared with EUR 275,393,059 as of 31 December 2013. What we have here is a macro fair value hedge of the interest rate risk of a hedged portfolio of mortgage loans.

Note on micro hedges

The Company also concludes swaps to hedge the interest rate risk of individual instruments (so-called 'micro-hedges').

For the time being, this category consists of swaps concluded in order to hedge securities that are all classified as available for sale assets (AFS micro hedge). The changes in the fair value of the fixed rate component of these swaps are offset by opposite changes in the fair value of the hedged positions.

In this way, part of the change in fair value of the 'available-for-sale' securities in question is not recognised on a separate line in equity, but is treated in the income statement in the context of hedge accounting. Note 3 gave the fair value used for the micro hedges.

In addition, a cash flow hedge was concluded for the first time in 2011. This involved concluding a forward starting swap (start date 31 May 2016 and end date 31 May 2021) for a notional amount of EUR 100 million to hedge the interest rate risk on a future portfolio of savings certificates.

This entails fixing the interest cost (funding cost) of retail savings certificates/term deposits with a term of five years (to be issued in 2016 and then used to fund 10-year mortgage loans granted in the second quarter of 2011).

In the case of this EUR 100 million swap (processed as a cash flow hedge), there was no ineffectiveness in 2013 and 2014. This swap had a negative market value of EUR 18,305,903 as of 31 December 2014 (EUR 8,848,894 as of 31 December 2013).

Note on the fair value hedges

Summary of the swaps used for hedging and processed as fair value hedges. The swap stated as a 'cash flow hedge' is not included in this table, but all the details were discussed in the previous paragraph.

Macro hedge - fair value hedging	N°	Notional	31/12/2013	N°	Notional	31/12/2014
Change in the fair value of hedged positions (L&R)			275.393.059			398.422.686
Derivatives with negative fair value	8	2.350.000.000	-348.813.311	14	3.500.000.000	-476.439.534
Derivatives with positive fair value	3	450.000.000	3.488.299	0	0	0

Macro hedge - fair value hedging	N°	Notional	31/12/2013	N°	Notional	31/12/2014
Change in the fair value of hedged positions (AFS)			43.141.251			102.391.411
Derivatives with negative fair value	3	500.000.000	-50.400.727	3	855.991.300	-112.347.315

The 'number' in the above table refers to the number of contracts, and 'notional' to the notional amounts of the concluded swaps. In columns 4 and 7 the amounts are aggregated to give the amounts shown in the Company's balance sheet.

Note on totals of derivatives used for hedging

Market values of derivatives used for hedging		31/12/2013		31/12/2014
Derivatives used for hedging (assets side)		3.488.299		0
Derivatives used for hedging (liabilities side)		408.062.932		607.092.752
Fair value macro hedges	348.813.311		476.439.534	
Fair value micro hedges	50.400.727		112.347.315	
Cash flow hedge	8.848.894		18.305.903	

On the assets side there were, at the end of 2014, no derivatives used for hedging, and on the liabilities side EUR 607,092,752 of derivatives used for hedging.

The latter derivatives consist of EUR 476,439,534 of swaps treated as fair value macro hedges, EUR 112,347,315 of swaps treated as fair value micro hedges and one swap of EUR 18,305,903 treated as a cash flow hedge.

16. Property, plant and equipment

The property, plant and equipment (measured using the cost price model) as of 31 December 2013 and 31 December 2014 were as follows:

	31/12/2013	31/12/2014
Buildings, land, equipment	35.092.101	32.645.392
Investment properties	919.503	1.605.437
Total	**36.011.604**	**34.250.829**
Fair value of investment properties	1.040.085	1.997.985

The real estate investments increased in 2014 mainly owing to the purchase of properties under the mortgage loan collection policy and the purchase of a number of car parks.

The fair value of real estate investments is based on the individual assessment reports of the respective investments.

2013	Land Buildings	IT	Other	Total	Investment property
Opening balance as of 1/1/2013	25.772.143	3.558.867	5.109.736	34.440.746	212.685
- Investments	671.819	1.939.196	2.622.611	5.233.626	855.276
- Disposals	0	0	-222.532	-222.532	-133.672
- Depreciation	-1.064.482	-1.976.052	-1.147.665	-4.188.199	-14.786
- Transfers	0	0	0	0	0
- Other changes	-156.772	0	-14.768	-171.540	0
Closing balance as of 31/12/2013	**25.222.708**	**3.522.011**	**6.347.382**	**35.092.101**	**919.503**

2014	Land Buildings	IT	Other	Total	Investment property
Opening balance as of 1/1/2014	25.222.708	3.522.011	6.347.382	35.092.101	919.503
- Investments	8.178.279	2.717.507	3.881.876	14.777.662	710.253
- Disposals	-17.917.245	0	-875.286	-18.792.531	0
- Depreciation	-1.052.720	-2.357.348	-2.373.159	-5.783.227	-30.072
- Transfers	8.024.284	0	0	8.024.284	5.753
- Other changes	0	-107.542	-565.355	672.897	0
Closing balance as of 31/12/2014	**22.455.306**	**3.774.628**	**6.415.458**	**32.645.392**	**1.605.437**

17. Other intangible assets

Goodwill is defined as the portion of the cost of the acquisition of a business combination that exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, as determined as of the date of acquisition.

The inclusion of ARNE in the Company's consolidation scope in 2013 produced goodwill of EUR 177,370, that was taken into income at the end of 2013.

As of 31 December 2014, the other intangible assets (capitalized using the cost price model) were as follows:

	Acquired software	Other intangible assets	Goodwill	Total
Opening balance as of 1/1/2013	36.044.949	111.094	0	36.156.043
- Separately acquired additions	15.603.039	914.598	177.370	16.695.007
- Retirement & disposal	0	0	0	0
- Amortisation recognised	-12.733.197	- 161.066	0	-12.894.263
- Other movements	0	0	0	-177.370
Closing balance as of 31/12/2013	**38.914.791**	**864.626**	**0**	**39.779.417**
- Separately acquired add-ons	19.487.565	2.240.931	-177.370	21.728.496
- Retirement & disposal	-638.949	0	0	-638.949
- Amortisation recognised	-15.706.357	-29.359	0	-15.735.716
- Other movements	0	0	0	0
Closing balance as of 31/12/2014	**42.057.050**	**3.076.198**	**0**	**45.133.248**

In the case of the acquired software, this relates to the purchased software and capitalized cost of intangible assets.

The recorded impairment loss of EUR 177,370 in 2013 is found under impairment losses and the amortization of EUR 12,894,263 under the amortization of intangible assets. The amount of EUR 15,735,716 for 2014 can be found in the income statement under the amortization of the assets concerned.

The acquisition price and acquisition costs of acquired software and the capitalized cost of developed software are amortised at 20% per year. The other intangible assets are amortised at 10% per year.

18. Tax assets and liabilities

The tax position can be summarised as follows:

	31/12/2013	31/12/2014
Current tax assets	687.745	110.527
Deferred tax assets	0	0
Total tax assets	**687.745**	**110.527**
Current tax liabilities	26.397.700	19.337.446
Deferred tax liabilities	74.247.888	59.908.648
Total tax liabilities	**100.645.588**	**79.246.094**

Under deferred tax liabilities, the most important item at the end of 2014 is the deferred tax on the already-mentioned positive delta market value of the ‘available-for-sale assets’ (EUR 74,259,161). In addition, there are further tax amounts of EUR -3,276,254 (L&R reclassification), EUR -4,576,476 (cash flow hedge), EUR -25,045,448 (in respect of the impact of the market value of the swaps and caps) and EUR 23,741,286 (related to the amortization of transaction costs).

Note 35 provides further information of the impact of corporate taxes on the Company’s result.

19. Other assets

The other assets are composed as follows:

	31/12/2013	31/12/2014
Prepaid costs	3.519.627	3.338.681
Amounts yet to be collected	279.267	0
Payment card advance	150	0
Notary suspense account	34.560.077	44.945.272
Prepaid retail savings certificates	0	0
Other suspense accounts	112.487.894	102.472.744
Total	**150.847.015**	**150.756.697**

'Other suspense accounts' contains amounts awaiting definitive allocation.
In 2013, the Company no longer offered the possibility of cashing retail savings certificates prior to maturity. This explains the zero entry under 'prepaid retail savings certificates'.

20. Financial liabilities measured at amortised cost

20.1 Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2013	31/12/2014
Deposits from credit institutions	79.744.170	412.902.289
Geographical breakdown		
Belgium	2.430.460	163.222.089
Other EMU countries	563.710	249.680.200
Rest of the world	76.750.000	0
Breakdown by residual term		
Up to 1 year	79.744.170	412.902.289
Breakdown by type		
Deposits repayable on demand	2.994.170	2.270.842
Repo's	0	405.359.447
Collateral with financial institutions	76.750.000	5.272.000
Effective interest rate on portfolio as of 31 December	0,22 %	0,04%

At end 2014, the Company had two repos in its balance sheet which were contracted in November with a final maturity in March 2015. For these repos, olos were given as collateral for a nominal amount of EUR 367,000,000. These securities had a market value of EUR 410,538,477 and as a result a cash collateral of EUR 5,272,000 was received in respect of these repos.

20.2 Retail funding – deposits

Deposits from institutions other than credit institutions - essentially deposits by retail customers in the Company - break down as follows:

	31/12/2013	31/12/2014
Deposits from institutions other than credit institutions	27.032.393.875	28.461.986.606
Breakdown by type		
Retail deposits repayable on demand	2.301.400.838	2.616.175.265
Fixed-term retail deposits	2.396.072.293	2.448.061.626
Regulated retail saving deposits	20.224.897.308	21.080.433.409
Mortgage-linked retail deposits	507.188.655	524.657.406
Deposit guarantee scheme	1.025.400	0
Other retail deposits	1.601.809.381	1.792.658.900
Breakdown of fixed-term retail deposits by residual term		
Up to 1 year	844.206.349	545.766.921
Between 1 and 5 years	1.317.636.147	1.647.938.080
More than 5 years	234.229.797	254.356.625
Effective interest rate on portfolio as of 31/12	1,33 %	0,95%

The portfolio of regulated savings deposits is rising gradually.

Deposits linked to mortgage loans include, among other things, the undrawn amounts of mortgage loans.

The ‘other deposits’ consist mainly of the savings deposits in the branch in the Netherlands.

20.3 Retail funding - debt certificates - retail savings certificates

The debt certificates break down as follows:

	31/12/2013	31/12/2014
Debt certificates – retail savings certificates	2.320.166.732	1.610.203.276
Breakdown by residual term		
Up to 1 year	920.435.987	263.370.870
Between 1 and 5 years	1.171.425.030	1.266.403.767
More than 5 years	228.305.715	80.428.639
Effective interest rate on portfolio as of 31/12	3,14%	2,63%

The downward trend of recent years in this portfolio continues, partly due to the low interest rates on this type of funding, but also because the Company has decided to cease promoting retail savings certificates, and instead to push term accounts which in fact have the same features.

20.4. Debt certificates – bonds

	31/12/2013	31/12/2014
Debt certificates - bonds	43.739.822	0
Breakdown by residual term		
Up to 1 year	43.739.822	0
Between 1 and 5 years	0	0
Effective interest rate on portfolio as of 31/12	4,00 %	0

This heading used to contain the bonds and notes issued by ABL, ARNE and SPV Green Apple.

The EUR 43.7 million at 31 December 2013 consisted of the ABL and ARNE bonds still held by the public. These bonds all matured in 2014, so there are no longer any bonds outstanding.

20.5. Subordinated liabilities

The normal subordinated liabilities are placed by the Company with the retail public. The EUR 100 million perpetual (so-called Tier 1) loan was offered to institutional investors.

The subordinated liabilities are composed as follows:

	31/12/2013	31/12/2014
Subordinated liabilities	507.750.240	513.386.688
Breakdown by residual term		
Up to 1 year	7.564.729	111.274.143
Between 1 and 5 years	447.904.561	379.811.890
More than 5 years	52.280.950	22.300.655
Breakdown by type		
Subordinated loans *(retail funding)*	438.012.540	444.074.568
Tier 1 loan *(corporate funding)*	69.737.700	69.312.120
Effective interest rate on portfolio as of 31/12	3,61 %	3,56%

In October 2006, the Company issued a Tier 1 undated deeply subordinated non-cumulative note in a nominal amount of EUR 100 million with a coupon of 5.855% until 31 October 2016, and thereafter a variable interest coupon of 3-month Euribor + 275 basis points (ISIN-code BE0932117444). The Company has the right (call option) to redeem the loan prior to maturity with effect from 31 October 2016.

At the end of September 2012, a nominal EUR 30 million of this bond issue was repurchased and cancelled on 31 December 2012. In December 2013, a further tranche of EUR 700,000 was repurchased. Early in 2014, an additional purchase of EUR 500,000 was made, leaving EUR 68,800,000 still open on the balance sheet in respect of this issue. As noted, the first call date falls on 31 October 2016.

In 2014, no subordinated certificates were offered any longer to retail customers. The current portfolio will therefore decrease systematically as the securities arrive at maturity.

21. Provisions

The changes in the provisions during the year are:

	Current legal disputes	Other provisions	Total
Opening balance as per 1/1/2013	1.165.408	7.848.470	9.013.878
Additions	0	4.203.030	4.203.030
Amounts used	147.576	0	147.576
Closing balance 31/12/2013	1.017.832	12.051.500	13.069.332
Additions	0	638.705	638.705
Amounts used	0	0	0
Closing balance 31/12/2014	1.017.832	12.690.205	13.708.037

The provisions for current tax and legal disputes are based on the best possible accounting estimates available at year-end, taking account of the opinions of legal and tax advisers. These involve litigation with branch managers with whom cooperation has been discontinued.

The 'other provisions' item relates mainly to provisions for VAT. The relevant VAT administrations were regularly consulted to clarify the related topics. For disputed issues, a provision is systematically set up, so that there will never be a negative impact but only a positive impact if the decision is positive for the Company.

The timing of the cash outflows that correspond with these provisions is by definition uncertain, considering the unpredictability of the outcome of, and the time associated with, the settlement of disputes.

Note on group insurance

The Company has only pension liabilities on the basis of defined contribution schemes (where there is only the possibility that the contribution is paid by the employer). In Belgium, a minimum return is provided for in respect of these group insurance plans, which until further notice could be guaranteed by the respective insurance company(-ies).

These pension plans (defined contribution) in Belgium are regulated by the Supplementary Pensions Act ('WAP') of 28 April 2003. Under Article 24 of that act, the employer is required to guarantee an average minimum return of 3.75% on employee contributions and of 3.25% on employer contributions.

Based on the situation at 31 December 2014, an assessment was made by the external insurer of the adequacy of the technical reserves of the group insurance. Based on this assessment, no additional liabilities were recorded.

22. Other liabilities

The other liabilities are composed as follows:

	31/12/2013	31/12/2014
Social security charges	3.366.715	3.683.021
Accrued charges	196.791	851.639
Suspense accounts for fund transfers	13.748.106	16.643.129
Amounts to be processed	15.004.768	8.268.817
Other liabilities	26.639.369	46.696.442
Other suspense accounts	139.407.696	188.291.776
Total	191.553.824	264.434.824

The other suspense accounts contain primarily amounts that stay on these accounts for a few days (until definitively allocated).

23. Fair value of financial instruments

23.1. Financial instruments not recognised at fair value

The fair values shown are estimates based on internal calculations. However, these can fluctuate on a daily basis due to the parameters used, such as interest rates and counterparty creditworthiness. Nor is there an intention to realize the fair value immediately. As a result, this value does not represent the substantive value to the Company on a going concern basis.

Estimating the fair value of financial instruments valued at historical cost requires the use of techniques, models, hypotheses and assumptions that differ from institution to institution.

The fair value is the price that would be received/paid on the sale of an asset or transfer of a liability in an 'orderly' transaction between market participants at the reporting date.

The Company uses the following hierarchy of tests in determining the fair value of financial instruments: first, the quoted price in an active market and then using valuation techniques.

The fair value shown is the full fair value including accrued interest, since the accrued interest is also recognised under the respective items.

The measurement of the fair value of financial instruments, the fair values of which are not obtained externally, can be summarised as follows:

(1) for short-term debt instruments or those repayable on demand, including current accounts and savings accounts, the fair value approximates to the nominal value; and

(2) for other instruments, the Discounted Cash Flow (DCF) method is used, with the discount rate based on a reference rate with a margin that is standard for the market.

This DCF method includes, among other things, a cost of capital and a cost of credit. The interest rate curves are analogous to those used in the sensitivity analysis of interest rate risk (see risk section 5.1).

The resulting market values should always be displayed according to the fair value hierarchy of IFRS 13. The level of the fair value depends on the type of input used to measure the financial instruments.

Level 1 involves quoted (unadjusted) prices in active markets (externally available, observable fair values of financial instruments on liquid markets).

Level 2 includes all fair values that can be obtained using models on the basis of observable parameters (input) (or of non-observable parameters where the impact is not significant),

Finally, level 3 relates to fair values calculated on the basis of non-observable parameters (input).

The following table presents the carrying amounts and fair values of financial assets and financial liabilities that, in the consolidated balance sheet are not stated at their fair value.

It does not include the fair value of non-financial instruments such as tangible fixed assets and other intangible assets that were briefly discussed in the respective notes.

	31/12/2013		31/12/2014	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash balances with central banks	38.899.962	38.899.962	149.377.455	149.377.455
Loans and receivables	22.230.786.514	24.416.838.472	23.527.689.459	26.555.475.617
Loans to and receivables from credit institutions	313.901.383	313.901.383	350.726.228	350.726.228
- Current accounts	124.251.885	124.251.885	0	0
- Term deposits	0	0	0	0
- Central bank reserves	189.649.498	189.649.498	328.875.334	328.875.334
- Collateral with financial institutions	0	0	21.850.884	21.850.884
Loans to and receivables from other customers	21.916.885.131	24.102.937.089	23.176.963.231	26.204.749.389
- Consumer loans	153.366.853	163.328.347	115.573.362	123.830.849
- Mortgage loans	21.474.655.924	23.640.410.616	22.732.250.658	25.730.438.769
- Instalment loans	232.435.828	232.991.787	288.011.865	300.899.040
- Amounts repayable on demand/advances	7.702.812	7.771.114	5.991.028	5.991.028
- Other loan receivables – MBS portfolio	48.723.714	58.435.225	35.136.318	43.589.703
Total financial assets	**22.269.686.476**	**24.416.838.472**	**23.677.056.914**	**26.704.853.072**
Financial liabilities measured at amortised cost	29.983.794.839	30.254.148.468	30.998.478.859	31.343.381.885
Deposits from central banks	79.744.170	79.744.170	412.902.289	412.902.289
Deposits from other than credit institutions	27.032.393.875	27.153.732.095	28.461.986.606	28.649.547.814
- Demand deposits	2.301.400.838	2.301.400.838	2.616.175.265	2.616.175.265
- Fixed-term deposits	2.396.072.293	2.517.410.513	2.448.061.626	2.606.917.674
- Deposits of a special nature	1.601.809.381	1.601.809.381	1.792.658.900	1.792.636.152
- Regulated saving deposits	20.224.897.308	20.224.897.308	21.080.433.409	21.080.433.409
- Mortgage-linked deposits	507.188.655	507.188.655	524.657.406	524.657.406
- Deposit guarantee scheme	1.025.400	1.025.400	0	0
Debt certificates, including retail savings certificates	2.363.906.554	2.481.456.307	1.610.203.276	1.729.513.325
- Retail savings certificates	2.320.166.732	2.431.205.725	1.610.203.276	1.729.513.325
- Bonds	43.739.822	50.250.582	0	0
Subordinated debts	507.750.240	539.215.896	513.386.688	551.418.457
- Subordinated loans	438.012.540	467.443.553	444.074.568	474.361.010
- Tier 1 loan	69.737.700	71.772.343	69.312.120	77.057.447
Total liabilities	**29.983.794.839**	**30.254.148.468**	**30.998.478.859**	**31.343.381.885**

IFRS 13 requires a level to be allocated to all market values.

A Level 2 is assigned to the carrying values of those instruments which, being short-term, approximate to market value, while a Level 3 is assigned to all other calculated market values.

The table below shows the fair values of the listed IFRS classifications schematically by hierarchy level.

Data per 31/12/2013	Fair value	Level 1	Level 2	Level 3
Cash and cash balances and deposits with (central) banks	38.899.962	0	38.899.962	0
Loans and receivables	24.416.838.472	0	321.672.497	24.095.165.975
Financial assets held to maturity	789.581.821	224.758.321	564.823.500	0
Financial liabilities measured at amortized cost	30.254.148.468	0	24.716.065.752	5.538.082.716

Data per 31/12/2014	Fair value	Level 1	Level 2	Level 3
Cash and cash balances and deposits with (central) banks	149.377.455	0	149.377.455	0
Loans and receivables	26.555.475.617	0	384.419.694	26.171.055.923
Financial assets held to maturity	867.766.129	227.821.021	581.435.237	58.509.871
Financial liabilities measured at amortized cost	31.343.381.885	0	26.426.827.269	4.916.554.616

23.2. Financial instruments recognised at fair value

The following tables show the fair value of the financial instruments that are recognised at their fair value on the balance sheet.

The fair values of the ‘available-for-sale’ assets come from the same external sources as in previous years, that is Bloomberg and Euroclear (the Company’s largest clearing and custody counterparty). To support the level attributions, the Company has itself calculated market values where necessary.

The fair values of derivative instruments are calculated internally using a FINCAD application, with the market values calculated daily, also in the context of the European Market Infrastructure Regulation (EMIR).

Collateral management (margin calls) takes place (depending on agreements) on a daily or weekly basis. The external market values obtained with the margin calls are systematically compared with the internally calculated fair values.

The vanilla derivatives (vanilla IRSs and caps) are valued on the basis of the interest rate curves and implied volatilities that are observable in the market (Level 2 inputs). The fair value of these transactions is therefore considered as Level 2.

For the valuation of the CMS swap/caps and the Green Apple swaps, non-unobservable data (Level 3 input) are also used. Based on the sensitivity of these non-observable parameters, it was decided to assign these fair values a Level 3 valuation starting in 2013.

The table below provides an overview of the hierarchical level of the financial assets and liabilities recognized at fair value.

Data per 31/12/2013	Level 1	Level 2	Level 3
Financial assets recognised at fair value			
Assets held for trading	2.659.631	7.580.559	112.657.973
Available-for-sale assets	6.126.547.552	2.213.563.437	146.602.619
Derivatives for hedging purposes	0	3.488.299	0
Liabilities recognised at fair value			
Liabilities held for trading	0	634.212	61.086.034
Derivatives used for hedging	0	399.214.038	8.848.894

Data per 31/12/2014	Level 1	Level 2	Level 3
Financial assets recognised at fair value			
Assets held for trading	2.267.765	1.745.870	22.120.576
Available-for-sale assets	6.585.094.615	1.688.151.587	79.136.543
Derivatives for hedging purposes			
Liabilities recognised at fair value	0	204.496	11.160.273
Liabilities held for trading	0	588.786.849	18.305.903
Derivatives used for hedging			

In the 'available-for sale' portfolio, we encounter sporadic changes between Level 1 and Level 2 as a result of changes (e.g. more providers) in market values. These changes in level need, in this case, to comply with the policy as developed.

The table below provides a reconciliation of Level 3 fair values between 1 January 2013 and 31 December 2014.

It refers to the derivative instruments (under 'assets and liabilities held for trading' and under 'derivatives used for hedging') and to the securities held under 'available-for-sale assets'.

	Derivatives, asset side	Derivatives, liabilities side	AFS portfolio - fixed income securities	AFS portfolio - non-fixed income securities
Opening total as of 1 January 2013	131.087.077	-136.622.509	83.150.989	27.152
Sales	42.801.296	0	42.858.659	0
Matured	0	0	-20.584.796	0
(Partial) redemptions	0	0	-2.827.300	0
Changes to other levels	0	0	-33.555.935	0
Changes from other levels	0	0	77.291.622	0
Other changes	-61.230.400	66.687.581	242.228	0
Closing total as of 31 December 2013	112.657.973	-69.934.928	146.575.467	27.152
Sales	0	0	5.230.460	0
Matured	-8.804.959	9.009.130	-40.473.081	0
(Partial) redemptions	0	0	-8.692.473	0
Changes to other levels	0	0	0	0
Changes from other levels	-81.732.438	31.459.621	-23.530.981	0
Closing total as of 31 December 2014	**22.120.576**	**-29.466.176**	**79.109.391**	**27.152**

As can be seen from the table, there is only a limited amount of level 3 fair values in the financial instruments involved.

Level changes have no P&L impact. The delta market values of the ‘available-for-sale assets’ are included in Other Comprehensive Income (OCI) under equity.

On balance, the amount of level 3 values in the AFS portfolio has decreased, after an increase in 2013, to EUR 79,136,543 for the total fixed and non-fixed income portfolio.

24. Derivatives

Besides derivatives embedded in contracts, the Company has two types of derivatives (derived financial instruments) on its balance sheet on 31 December 2014: interest rate options (purchased and sold caps) and swaps.

Under IFRS, derivatives are to be recorded in the trading portfolio, unless a hedging relationship is demonstrated between the asset concerned and a specifically hedged component.

Such a hedging relationship can be considered as effective if, due to market factors such as a change in interest rates, the price fluctuations or cash flows of the financial derivative almost entirely offset the price fluctuations or cash flows of the hedged component.

Owing to the strict IFRS criteria that must be satisfied to classify these as hedging instruments, they are sometimes classified as derivatives held for trading.

For this, the Company uses hedging transactions that satisfy all the required criteria for hedging transactions of IAS 39, as approved by the EU. As a result, the particular hedging instruments are classified as derivatives used for hedging. The framework for processing micro-hedges of the AFS portfolio and for processing derivatives as cash flow hedges is also embedded at the Company.

In 2013 and 2014, no offsetting was undertaken in processing the derivatives both on and off the balance sheet, so that no information on this was given in accordance with the descriptions of IFRS 7 on this subject.

Interest rate options

Interest rate options are used as protection against the interest rate risk and are options with which the seller commits to pay the buyer an interest rate difference in exchange for a premium paid by the buyer. The interest rate difference is the difference between the current interest rate and an agreed interest rate for a notional amount.

In order to reduce the cost of hedging, caps were from time to time simultaneously bought and written for the same notional amount and the same term. The strike prices of the caps sold are higher than the strike prices of the purchased caps, so that the risk of the combined bought and sold caps concerned is limited to the net premium paid (cylinder caps).

As from 31 December 2013, there were 33 caps on the Company’s balance sheet, in a notional amount of EUR 8.5 billion. Of these, 12 were bought and sold cap combinations (24 caps in all, covering the interest rate risk of the liabilities side) and 9 caps to hedge the interest rate risk on the mortgage lending.

Although targeted to hedge the interest rate risk, these caps are included in IFRS as instruments held for trading.

The fair values used for the above separately presented financial derivatives were determined using only measurement

Interest rate swaps

Interest rate swaps are contractual agreements between two parties on the basis of which interest flows in the same currency are exchanged. These obligations are calculated on the basis of various interest types. With the majority of interest rate swaps, a net exchange of cash flows takes place. This consists of the difference between the fixed and variable interest payments.

The following table provides an overview of all swaps recognised at year-end, the hedged positions and the IFRS processing method.

2013 number	Notional	Hedge type	Treatment in IFRS
11	2.800.000.000	loan portfolio interest rate risk	macro portfolio fair value hedge
3	500.000.000	interest rate risk on individual AFS securities	micro fair value hedge on AFS instruments
1	100.000.000	interest rate risk on retail savings certificates portfolio	micro hedging - cash flow hedge
4	2.519.092.520	interest rate risk on securitised loans	held for trading

2014 number	Notional	Hedge type	Treatment in IFRS
14	3.500.000.000	loan portfolio interest rate risk	macro portfolio fair value hedge
5	855.991.300	interest rate risk on individual AFS securities	micro fair value hedge on AFS instruments
1	100.000.000	interest rate risk on retail savings certificates portfolio	micro hedging - cash flow hedge
2	2.443.989.540	interest rate risk on securitised loans	held for trading

Information on the cash flow hedges referred to in the table above:

On 3 May 2011, a forward starting swap was concluded in a notional amount of EUR 100 million (start 31 May 2016 and end date 31 May 2021) to hedge the interest cost of a future portfolio of retail savings certificates/ term deposits.

This entails fixing the interest cost (funding cost) of retail savings certificates/time deposits with a term of five years (to be issued in 2016 and then used to fund 10-year mortgage loans granted in the second quarter of 2011).

As of 31 December 2014, the swap concerned had a negative market value of EUR 18,305,903 and after deduction of an unrealised tax claim of EUR 4,576,476, an amount of EUR 13,729,427 was recorded under ‘cash flow hedge’ in equity.

As of 31 December 2013, the swap concerned had a negative market value of EUR 10,669,416 and after deduction of an unrealised tax claim of EUR 2,667,354 an amount of EUR 8,002,062 was recorded under ‘cash flow hedge’ in equity.

Information on swaps concluded as part of securitisation transactions

With every securitisation transaction, two swaps are concluded, a front swap between the Green Apple SPV and a financial counterparty and a so-called back swap between this counterparty and the Company. In IFRS, these swaps are classified under 'assets/liabilities held for trading':

- at Green Apple 2007, two amortising swaps, initial notional value of EUR 1.5 billion and notional value of EUR 1.2 billion as of 31 December 2014

Two swaps are used for each securitisation transaction, in order to create a minimum credit risk in the SPV because, with the front swap, the counterparty of the SPV is a financial institution with a better rating (and thus supposedly better creditworthiness) than the Company. Via the back swap, the interest risk of the securitisation loan portfolios is reintroduced onto the Company's balance sheet.

The difference in the fair values of the front and back swaps reflects in fact the residual cost price of the intermediate step of a front swap in a securitisation transaction.

Note on the credit risk in the market value of derivatives

According to market practices, a CVA (Credit Valuation Adjustment) and a DVA (Debt Valuation Adjustment) were taken into account in 2014 in establishing the market value of the derivatives. The combined impact of both elements was very limited, amounting to EUR 0.1 million.

Embedded derivatives

Derivatives embedded in contracts need to be segregated (hence recognised as separate derivatives on the balance sheet) when there is no close relationship between their economic characteristics and risks and those of the host contract.

No such derivatives needed to be segregated and classified under this category.

Notes to the consolidated income statement.

25. Net interest income

The breakdown of interest income and charges by type of financial instrument generating an interest margin is as follows:

	31/12/2013	31/12/2014
Interest income		
Available-for-sale financial assets	243.920.847	192.028.536
Loans to and receivables from credit institutions	1.274.465	477.530
Loans to and receivables from other customers	838.346.565	859.787.447
Held-to-maturity investments	32.538.074	16.165.671
Derivatives – hedge accounting	12.988.132	13.187.219
Interest expenses		
Deposits from credit institutions	-1.373.392	-55.399
Deposits from other than credit institutions	-393.020.751	-333.292.748
Debt certificates (including retail savings certificates)	-100.746.483	-57.892.111
Subordinated liabilities	-18.924.068	-18.393.572
Derivatives – hedge accounting	-146.453.327	-131.682.565
Net interest income	468.550.062	540.330.008
Interest income from impaired financial assets	1.044.518	678.451

26. Dividends

The table below lists dividends received.

	31/12/2013	31/12/2014
Dividends from equity instruments from Available-for-sale financial assets	0	0
Total dividend income received other shares	**0**	**0**

27. Net income from commissions and fees

The net income from commissions and fees can be summarised as follows:

	31/12/2013	31/12/2014
Income from commissions and fees	66.886.570	75.445.834
Securities: buy and sell order and other	12.865.216	12.840.506
Management fees received	26. 860.259	32.437.320
Payment services	5.698.974	10.739.852
Commissions concerning hospitalisation insurance	15.374.551	13.234.906
Other items	6.087.570	6.193.250
Expenses relating to commissions and fees	-147.657.286	-135.160.379
Acquisition costs (commissions and/or transaction costs)	-117.848.445	-104.266.421
Custody	-1.490.730	-1.489.988
Commissions concerning hospitalisation insurance	-13.641.856	-11.552.994
Payment services	-6.938.485	-16.643.129
Other items	-7.737.770	-1.207.847
Net commission result	**-80.770.716**	**-59.714.545**

28. Realised gains and losses on financial assets and liabilities not measured at fair value in the income statement

The realised gains and losses on available-for-sale assets on the one hand and on financial liabilities measured at amortized cost on the other can be shown as follows:

	31/12/2013	31/12/2014
Realised gains		
Available-for-sale financial assets		
• Gains on fixed-income securities	9.613.804	7.045.564
• Gains on variable-yield securities	545.985	0
Financial liabilities measured at amortised cost	24.267.394	0
Realised losses		
Available-for-sale financial assets		
• Losses on fixed-income securities	-2.123.751	-1.028.674
• Losses on variable-yield securities	0	0
Total net realised result	**32.303.432**	**6.016.890**

A detailed breakdown of the unrealised gains and losses of the ‘available-for-sale financial assets’ category can be found in Note 13.

The fair values of this category of ‘financial liabilities measured at amortised cost’ are given in Note 23.

The capital gain in 2013 is due to the elimination difference of the Green Apple 2007-A notes, repurchased in 2013 by the Company. At the consolidation level, the notes in question (those repurchased by the Company and those on the liabilities side of the SPV Green Apple) are eliminated against each other, giving rise to a capital gain.

In 2014, a total gain of EUR 6 million was produced by the 'available-for-sale assets'.

29. Gains and losses on financial assets and liabilities held for trading

The results of the assets and liabilities held for trading can be presented as follows:

	31/12/2013	31/12/2014
Gains and losses on swaps	991.874	-3.481.669
Gains and losses on caps	4.434.787	-46.469.380
Gains and losses on bonds	130.733	87.724
Total result interest rate instruments	**5.557.394**	**-49.863.325**

Under the net result can be found the gains and losses on interest rate options, swaps and a very limited portfolio of bonds (which are offered to clients).

Under the ALM policy, all the swaps and caps concerned are concluded for the account of the Company.

The result of the caps consists of the further amortization of the premiums paid and the market value changes.

30. Gains (and losses) from hedge accounting

For derivatives that are part of the fair value hedge transactions to hedge the interest rate risk of a portfolio of individual securities, the relevant interest is given under net interest income.

Changes in the fair value of these derivatives and changes in fair value arising from hedged risk of the hedged assets are included in the item 'gains and losses from hedge accounting'.

	31/12/2013	31/12/2014
Portfolio hedge of interest rate risk		
Changes in the fair value of the hedging instruments	142.753.187	-120.925.180
Changes in the fair value of hedged instruments	-142.528.171	123.029.626
Hedging of the interest rate risk of individual financial instruments		
Changes in the fair value of the hedging instruments	-24.463.239	59.250.161
Changes in the fair value of hedged instruments	24.445.864	-59.392.655
Gains and losses from hedge accounting	**-207.641**	**1.961.952**

In the case of the swap processed as a cash flow hedge, there was no ineffectiveness in 2012 and 2013, leaving no movements in connection with this swap under this heading.

31. Gains and losses on derecognition of assets other than held for sale

The gains and losses on derecognised assets, other than held for sale, are shown below.

	31/12/2013	31/12/2014
Gains on derecognition of tangible fixed assets	28.244	64.468
Gains on derecognition of investment property	133.561	64
Losses on derecognition of tangible fixed assets	-1.511	-9.858
Losses on derecognition of investment property	-34.195	-52.205
Total gain or loss	**126.099**	**2.469**

32. Other net operating income

Other net operating income consists of the following components:

	31/12/2013	31/12/2014
Total other net operating result	**15.675.522**	**20.553.090**
Operating income		
investment properties	109.126	50.993
costs charged on to group companies	18.032.950	21.032.355
portfolio acquisition fees from agents	1.813.322	2.586.314
reversal of guarantee system provision	1.042.358	1.154.218
received from renting out of printers– ICT infrastructure	5.025.428	2.342.051
other	3.684.437	11.511.357
Operating expenses		
relating to leased real estate investments	0	0
costs charged on to group companies	-13.730.602	-17.632.978
other	-301.497	-491.220

The costs charged on to group companies relate to costs recharged to and from entities of the Argenta Group (BVg itself) and the Insurance Pool that are not consolidated by the Company.

33. Administrative expenses

Employee expenses consist of the following components:

	31/12/2013	31/12/2014
Total employee expenses	**32.751.744**	**34.818.193**
Wages and salaries	22.872.672	24.219.628
Social security charges	6.179.634	6.668.510
Pension expenses	2.354.656	2.469.195
Share-based payments	0	0
Other	1.344.782	1.460.860
Average number of employees, in FTE	509,75	495,44
Managerial staff	22,50	16,66
Clerical staff	487,25	478,78
Manual staff	0	0

The Company only has pension obligations based on defined contribution schemes (of which the contribution is payed by the employer). In Belgium, the insurance company/companies guarantee(s) a minimum return for group pension policies. The contributions for the group insurance policies involved are given under the pension expenses item.

Based on the situation at 31 December 2014, an assessment was made by the external insurer of the adequacy of the technical reserves of the group insurance. Based on this assessment, no additional charges and liabilities were recorded in 2014. The contributions to the group insurance schemes in question can be found under the item pension costs.

There are no 'share-based payments' at present.

General and administrative expenses can be summarised as follows:

	31/12/2013	31/12/2014
Total general and administrative expenses	**134.135.234**	**186.595.762**
Marketing expenses	2.091.514	2.444.902
Professional fees	17.620.167	27.200.577
IT expenses	38.475.942	39.040.259
Rents	5.010.588	6.311.607
Business taxes	27.085.811	42.232.324
Contribution to deposit protection fund in Belgium	18.779.521	19.880.891
Other	25.071.691	49.485.202

The heading 'other' includes expenses for telephone, postage, office supplies, professional contributions and travel expenses.

The significant increase in general and administrative expenses was primarily due to expenses incurred in the further development of the IT infrastructure and to the continued high amounts of non-income taxes.

34. Impairments

The changes in impairments can be broken down as follows:

Impairments losses on assets not measured at fair value in the income statement	31/12/2013	31/12/2014
Available-for-sale financial assets	-4.282.049	0
Loans and receivables	23.115.738	2.071.248
Goodwill	177.370	0
Total impairments losses	**19.011.059**	**2.071.248**

Outstanding impairments for financial assets measured on an individual basis	31/12/2013	31/12/2014
Available-for-sale assets (fixed-income securities)	0	0
Loans and receivables		
• Consumer loans	4.039.789	3.468.991
• Mortgage loans	29.996.128	33.446.959
• Instalment loans	663.597	1.068.149
• Demand deposits/advances	4.096.968	2.869.065
• Other loan receivables	229.195	105.415
Total loans and receivables	**39.025.677**	**40.958.579**
Total impairments recognised	**39.025.677**	**40.958.579**

The tables of changes below show the composition of impairments measured on an individual basis in the 'loans and receivables' category as of 31 December 2013 and 31 December 2014.

At the end of 2013, the overall impact of impairments recognised on both an individual and a portfolio basis on 'loans and receivables' was EUR 23,115,738.

per 31/12/2013 Loans and receivables	Opening balance	Increase	Reversal	Closing balance	Recoveries	Direct	Collective	Total impact
Consumer loans	3.156.256	2.720.990	-1.837.457	4.039.789	-180.541	1.121.318	0	1.824.310
Mortgage loans	32.140.544	25.841.529	-27.985.945	29.996.128	-320.700	15.615.577	7.866.377	21.016.838
Instalment loans	798.562	236.063	-371.027	663.598	-87,36	0	55.933	-79.118
Demand deposits/advances	8.370.698	1.469.442	-5.743.173	4.096.968	-449.085	4.564.675	0	-158.141
Other loan receivables	455.864	267.744	-494.413	229.195	-50.000	387.631	400.887	511.849
Total loans and receivables	44.921.924	30.535.768	-36.432.015	39.025.678	-1.000.413	21.689.201	8.323.197	23.115.738

A large part of this amount was due to the increase in the collective provision in 2013 (see column 'collective provision' in the above table).

At the end of 2014, the overall impact of impairments recognised on both an individual and a portfolio basis on 'loans and receivables' was EUR 2,071,157.

per 31/12/2014 Loans and receivables	Opening balance	Increase	Reversal	Closing balance	Recoveries	Direct de-	Collective	Total impact
Consumer loans	4.039.789	1.056.957	-1.627.755	3.468.991	-194.578	439.147	0	-326.229
Mortgage loans	29.996.128	27.128.340	-23.677.508	33.446.959	-203.523	2.225.135	-1.810.175	3.662.268
Instalment loans	663.598	600.910	-196.358	1.068.149	0	39.155	0	443.707
Demand deposits/advances	4.096.968	327.442	-1.555.345	2.869.065	-467.709	1.601.592	0	-94.020
Other loan receivables	229.195	267.744	-391.524	105.415	-30.196	145.751	-1.606.343	-1.614.569
Total loans and receivables	39.025.677	29.381.392	-27.448.490	40.958.579	-896.006	4.450.780	-3.416.518	2.071.158

The limited global negative impact on the 2014 result is partly the result of a limited reversal of the collective IBNR provision and a reversal of part of the collective provision set up at portfolio level in respect of the other credit receivables – reclassification of the MBS portfolio (in an amount of EUR 1.6 million).

35. Income tax expenses

The details of current and deferred taxes are shown below:

Income tax expenses	31/12/2013	31/12/2014
Current tax liabilities for the financial year	50.557.734	47.977.730
Current liabilities related to previous periods	1.658.071	-2.837.628
Deferred taxes related to temporary differences	-2.495.528	1.884.690
Deferred taxes related to derivatives	7.771.453	-8.110.168
Deferred tax related to amortised cost calculations	1.716.563	1.637.210
Total taxes	59.208.293	40.551.834
Reconciliation of statutory tax rate to effective tax rate		
Net Profit before taxes	234.183.415	213.613.705
Statutory tax rate	33,99 %	33,99 %
Income tax liability calculated using statutory rate	79.598.943	72.607.297
Tax effect of rates in other countries' jurisdictions	-13.132.784	-20.800.900
Tax effect of non-taxable income	17.317	14.754
Tax effect of expenses that are not tax deductible	-1.028.118	1.884.061
Tax benefit not previously recognised	-8.984.995	-10.802.652
Taxes from previous periods	1.658.071	-2.837.628
Tax effect of other changes in statutory tax rates	1.079.859	-418.276
Total tax on profits	**59.208.293**	**40.551.834**
Effective tax rate	25,28 %	18,98 %

Other notes

36. Securitisation policy

The Company has implemented two securitisation transactions since 2007. The operational framework and the policy for performing securitisation transactions were developed mid-2007, resulting in a first successful securitisation transaction in September 2007. A second securitisation transaction was finalised in December 2008.

Both securitisation transactions related to the securitisation of a portfolio of Dutch residential mortgage loans covered by a NHG (Dutch mortgage guarantee scheme) guarantee via the Green Apple SPV.

The goal of the first securitisation was to attract new funding (tap into a new source of funding) aimed at improving the liquidity position.

The goal of the second securitisation transaction was to convert mortgage loans into ECB eligible assets. This was also clearly reflected in the fact that the Company itself bought all the securities (issued by the Green Apple SPV).

In the second half of 2013, the Company also purchased all A-notes from the first securitization from a single counterparty.

At the consolidated level the securities issued by Green Apple – and purchased by the Company –¬ disappear as they are eliminated in the consolidation of the Green Apple SPV.

In 2012, a rating was obtained from a second rating agency for both issues. In this way, each transactions obtained two rating which enabled ECB eligibility.

At the end of 2013, the Green Apple 2008 transaction was called so that it expired on 23 January 2014..

Main characteristics of the securitisation transaction Green Apple SPV 2007-I NHG

- securitisation of EUR 1.5 billion in Dutch residential NHG mortgage loans;
- issue by the Green Apple SPV of three classes of bonds (GAPPL 2007-1 A XS0322161026, GAPPL 2007-1 B XS0322161299 and GAPPL 2007-1 C XS0322161299);
- amortising front and back swap with RBS as counterparty;
- all tranches are held by the Company itself.

In addition to the securitization transaction described above and performed by the Company itself, the Company possesses a number of ABSs and MBSs in the framework of its investment policy. The portfolio is given below by exposure, indicating the type and country of issue.

Per type	Country	Exposure 31/12/2013	Exposure 31/12/2014
MBS	BE	8.640.074	0
MBS	ES	51.588.210	42.864.464
MBS	FR	0	19.649.357
MBS	IE	13.496.712	13.549.763
MBS	NL	690.181.394	880.870.458
ABS	ES	25.443.674	25.471.348
ABS	US	18.309.190	15.464.759
Total securitization positions		**807.659.254**	**997.870.147**

The MBSs are all related to securitized mortgage loans. The ABS in the US relates to a securitization of student loans and the ABS from Spain refers to the securitization of covered bonds.

37. Off-balance-sheet items

The Bank Pool has also issued guarantees on its own financial assets. The summary below gives the grounds for and the nominal values of the assets concerned, which can all be found under 'available-for-sale assets'

		31/12/2013	31/12/2014
- For repos	Nominal value	0	367.000.000
- For swaps	Nominal value	421.986.000	489.285.000
- For BankCardCompany	Nominal value	0	31.000.000
In rem security received		26.103.562.240	27.872.527.370

The in rem security received relates to the collateral received in return for lending (including mortgage registrations and pledged securities).

Note 9 provides further information on the 'group' guarantees issued and received (see table below).

	31/12/2013	31/12/2014
- Financial guarantees issued	44.551.927	3.847.225
- Financial guarantees received	100.047.100	47.100

Finally, there are lines of credit granted and received. The lines of credit granted relate to notified lines of credit and credit offers for retail lending.

Lines of credit received relate to the lines of credit received from other financial institutions on the Company's accounts with these institutions.

	31/12/2013	31/12/2014
- Lines of credit granted	863.107.503	933.558.896
- Lines of credit received	250.000.000	250.000.000

The Company has a line of credit with the NBB of EUR 250 million, for which securities will be encumbered if and when this credit line is used.

38. Contingent liabilities

The Company is defendant in a number of disputes within the context of standard business operations.

The Company sets aside provisions for disputes when, in the management's opinion and after consultation with its legal advisers, it is probable that the Company will have to make payments and the payable amount can be estimated with sufficient reliability.

For further claims and legal proceedings against the Company of which the management is aware (and for which, in accordance with the principles described above, no provision has been set aside), the management believes, after obtaining professional advice, that these claims have no chance of success, or that the Company can defend itself successfully against the claims, or that the outcomes of these cases are not expected to result in a significant loss in the income statement.

39. Post-balance sheet events

No material events have occurred since the balance sheet date that require an adjustment of the Company's consolidated financial statements as of 31 December 2014.

On 25 March 2015, the Board of Directors reviewed the financial statements and gave its approval for their publication. The financial statements will be presented to the General Meeting of Shareholders on 24 April 2015.

Antwerp, 25 March 2015

Additional information

The Company's IFRS financial statements are published in Dutch and English.

The Dutch version is the original; the English version is an unofficial translation. The Company warrants that every reasonable effort has been made to avoid any discrepancies between the language versions. However, should such discrepancies exist, the Dutch version will take precedence.

Queries with regard to the distribution of these reports can be addressed to:

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