Argenta Spaarbank

IFRS Annual Statements 2017

Financial statements for the 2017 financial year
(covering the period from 01 January 2017 to 31 December 2017) of
Argenta Spaarbank nv, prepared in accordance
with the *International Financial Reporting Standards* (IFRS).

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

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The Statutory Auditor's report

Statutory auditor's report to the shareholders' meeting of Argenta Spaarbank NV on the consolidated financial statements for the year ended 31 December 2017

In the context of the statutory audit of the consolidated financial statements of Argenta Spaarbank NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 29 April 2016, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Argenta Spaarbank NV for at least 20 consecutive periods.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet (before result appropriation) as at 31 December 2017, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet (before result appropriation) shows total assets of EUR 37,626,160 (000) and the consolidated income statement shows a consolidated net profit for the year then ended of EUR 139,003 (000).

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 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairments on mortgage loans	
The mortgage loan portfolio of Argenta Spaarbank amounts to EUR 26,958 million (we refer to the disclosure '15.2 Loans to and receivables from other customers' in the consolidated annual accounts) as per 31 December 2017 The impairments related to this portfolio consist of the following components: • impairments determined on an individual basis; • collective impairments based on a model calculation presented as an IBNR reserve ('Incurred But Not Reported'). The determination of the impairments requires a certain amount of judgement and estimation regarding: • the identification and follow-up of the impairment recognition timing; • the determination of the impairment; • the applied assumptions used in the model calculation. Taking into account that the determination of the impairments and the assumptions contain subjective elements and require judgment from management we consider the determination and valuation of impairments on mortgage loans as a key audit matter.	The following audit procedures, amongst others, have been carried out: • a reasonability assessment on the applied assumptions; • data analysis on the total population of mortgage loans. Hereby a review on the flagging of the doubtful and impaired loans was performed; • the assessment of the adequacy of the internal controls implemented in the credit risk management department; • the review of the back testing performed by the credit risk department in order to verify the adequacy of the recorded impairments.
Financial instruments at fair value for which no quoted prices on active markets are available	
• Financial instruments defined as Level 2 and Level 3 within the bank's IFRS 13 fair value hierarchy disclosure present a higher exposure to the risk of incorrect valuation as the valuation is highly dependent upon the market data used and / or the models used. We consider the fair value measurement of the financial instruments of Level 2 and Level 3 as key audit matter in our procedures: - Financial instruments classified as held for trading (EUR 11 million assets and EUR 3 million liabilities); - Financial assets classified as available for sales (EUR 2,013 million); - Hedging derivatives (EUR 102 million assets and EUR 384 million liabilities). • The internal controls with regard to the valuation of the financial instruments of Level 2 and Level 3, amongst others, include: - appropriate governance with regard to the selection of the models and input data; - a detailed and periodic review of the output of the valuation models; - an independent validation of the models, parameters and the processes. We refer to disclosure '2.2. Accounting policies – accounting rules: Fair value of financial instruments' in the consolidated financial statements; and disclosure '24.3. Financial instruments designated at fair value' in the consolidated financial statements.	Our audit procedures include, getting an insight in the internal control and governance that are relevant for the valuation of financial instruments, as well as the testing of parameters, valuation model setup and the disclosures of the consolidated annual accounts. • Our internal control and substantive testing includes - getting an understanding of the control framework (including monitoring procedures) with regard to the valuation process of financial instruments; - independent revaluation of financial instruments on a sample basis; - assessment whether valuation methodologies are based on market practices, on experts' experience and market knowledge; - requesting, on a sample basis, counterparty confirmations; - review of the disclosures in the financial statements on valuation to ensure compliance with IFRS requirements.

Key audit matters	How our audit addressed the key audit matters
IT Continuity and Integrity	
The IT systems of Argenta Spaarbank are crucial for the activities of the entity. The entity is therefore highly dependent on these IT systems to ensure the continuity and integrity of its operational, financial and regulatory processes. An adequate financial reporting towards the internal and external stakeholders (including the regulator) of Argenta Spaarbank, together with the increasing data granularity in the financial reporting, require high data quality. In the financial process we further note that a correct and complete data flow from the different IT applications, used for operational purposes, to the accounting applications and finally to the financial reporting is of great importance to ensure the quality of the financial reporting. In the context of our audit procedures, we therefore consider that data integrity and the data flow across the various applications are of crucial importance in the financial reporting process, and consequently we consider the integrity and continuity of the IT systems to be a key audit matter.	Our audit procedures related to the IT systems consist mainly of the following procedures: • the review of the data flows from the various operational IT applications towards the accounting application; • conformity checks, on a sample basis, on the operational applications; • the assessment of the adequacy of the internal controls implemented by the financial and IT department with regard to the data integrity and the dataflow towards the accounting application; • the assessment on the adequacy of the internal controls processes implemented at the external service providers based on the ISAE 3402 reports.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

Report on other legal, regulatory and professional requirements

Responsibilities of the board of directors

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

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement. We do not express any kind of assurance on the directors' report on the consolidated financial statements.

Argenta Spaarbank NV has opted for the exemption, as described in article 119, § 2 of the Companies Code, to include the non-financial information, as required by article 119, §2 of the Companies Code, in the directors' report on the consolidated financial statements. The parent company, Argenta Bank-en Verzekeringsgroep NV includes the required information in a separate report, attached to the directors' report on the consolidated financial statements.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 10 april 2018
The statutory auditor

DELOITTE bedrijfsrevisoren/Réviseurs
D'Entrepreses BV o.v.v.e. CVBA / SC s.f;d. SCRL
Represented by Dirk Vlaminckx

Consolidated balance sheet (before profit distribution)

Assets	Toelichting	31/12/2016	31/12/2017
Cash, cash balances and deposits at (central) banks	11	905,821,915	1,068,996,221
Financial assets held for trading	12	9,322,870	11,472,666
Financial assets designated at fair value with valuation changes through profit or loss		0	0
Available-for-sale financial assets	13	7,679,040,215	7,900,541,785
Loans and receivables	15	26,521,606,556	27,659,725,318
Loans to and receivables from credit institutions		0	22,286,000
Loans to and receivables from other customers		26,521,606,556	27,637,439,318
Financial assets held to maturity	14	425,641,792	462,780,202
Derivatives used for hedging	16	49,455,484	102,427,643
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	16	310,184,988	122,822,732
Property, plant and equipment	17	13,927,138	13,712,694
Buildings, land, equipment		12,477,129	12,703,396
Investment properties		1,450,009	1,009,298
Goodwill and other intangible assets	18	56,790,960	63,464,300
Other intangible assets		56,790,960	63,464,300
Tax assets	19	5,982,552	5,040,583
Current tax assets		1,322,627	5,040,583
Deferred tax assets		4,659,925	0
Other assets	20	160,845,281	215,175,794
Available-for-sale assets		17,709,200	0
Total assets		**36,156,328,951**	**37,626,159,937**

Liabilities and equity			
Deposits from central banks	11	0	0
Financial liabilities held for trading	12	4,434	3,408,123
Financial liabilities designated at fair value with valuation changes through profit or loss		0	0
Financial liabilities measured at amortised cost	21	33,487,620,824	35,012,011,475
Deposits from credit institutions		1,389,829	76,393,437
Deposits from other than credit institutions		31,615,282,958	32,427,415,232
Debt securities, including retail savings certificats		1,210,484,036	1,911,606,586
Subordinated liabilities		660,464,000	596,596,220
Non-current financial liabilities		0	0
Derivatives used for hedging	16	557,592,277	384,310,450
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	16	0	0
Provisions	22	12,050,566	4,607,191
Tax liabilities	19	70,017,402	32,757,280
Current lax liabilities		17,497,327	992,002
Deferred tax liabilities		52,520,075	31,765,278
Other liabilities	23	187,783,070	217,509,333
Total liabilities		**34,315,068,573**	**35,654,603,852**
Equity attributable to shareholders of the company	3	1,841,199,853	1,971,512,441
Equity attributable to minority interests	4	60,525	43,643
Total equity and minority interest		**1,841,260,378**	**1,971,556,084**
Total liabilities, equity and minority interest		**36,156,328,951**	**37,626,159,937**

Consolidated income statement

	Toelichting	31/12/2016	31/12/2017
Financial and operational income and expenses		**571,536,157**	**508,648,234**
Net interest income	26	578,802,091	494,450,389
Interest income		932,417,064	837,526,294
Interest expenses		-353,614,973	-343,075,905
Dividend income	27	427,846	153,513
Net income from commissions and fees	28	-58,942,512	-49,344,748
Income from commissions and fees		93,499,253	111,887,107
Expenses related to commissions and fees		-152,441,765	-161,231,855
Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss	29	9,041,307	18,810,068
Gains and losses on financial assets and liabilities held for trading	30	-7,331,988	-1,253,896
Gains and losses from hedge accounting	31	4,084,284	2,873,055
Gains and losses on derecognition of assets other than held for sale	32	482,279	43,023
Other operating result	33	44,972,850	42,916,830
Income from operations		51,450,500	51,231,525
Expenses from operations		-6,477,650	-8,314,695
Administrative expenses	**34**	**-286,809,060**	**-313,575,786**
Employee expenses		-58,622,771	-61,564,459
General and administrative expenses		-228,186,289	-252,011,328
Depreciation		**-26,585,492**	**-23,726,415**
Property, plant and equipment	17	-6,223,640	-5,222,925
Investment properties	17	-37,030	-35,783
Intangible assets	18	-20,324,821	-18,467,707
Provisions (additions and reversels)	**22**	**-1,643,778**	**9,337,951**
Impairments	**35**	**-3,250,733**	**6,533,616**
Available-for-sale financial assets		1,779,330	163,237
Loans and receivables		-5,030,062	6,370,380
Goodwill		0	0
Result on assets classified as held for sale		**-3,710,057**	**565,005**
Net profit or loss (before income tax expense)		**249,537,037**	**187,782,605**
Income tax expense	36	-59,516,622	-48,779,498
Net profit or loss		**190,020,415**	**139,003,107**
Net profit or loss attributable to shareholders	4	190,010,420	138,986,274
Net profit or loss attributable to minority interests	4	9,995	16,832

Consolidated statement of comprehensive income

Note 'other elements of comprehensive income'	Toelichting	31/12/2016	31/12/2017
Net profit or loss		190,020,415	139,003,107
Attributable to shareholders		190,010,420	138,986,274
Minority interests		9,995	16,832
Other elements of comprehensive income that cannot be reclassified to the income statement			
Actuarial results on pension obligations		0	-1,291,058
		0	**-1,291,058**
Other elements of comprehensive income that can be later reclassified to the income statement			
Revaluation at fair value		-4,969,791	-1,972,585
Available-for-sale financial assets	3	-8,001,616	-17,434,281
Deferred taxes		3,031,826	15,461,696
Cash flow hedging		299,088	3,038,708
Fair value of the portfolio	26	398,784	4,051,611
Deferred taxes		-99,696	-1,012,903
		-4,670,703	**1,066,123**
Total other comprehensive income		**-4,670,703**	**-224,935**
Total profit or loss		**185,349,712**	**138,778,172**
Attributable to shareholders		185,339,717	138,761,339
Minority interests		9,995	16,832

Consolidated statement of changes in equity

	Paid-in share capital	Revaluation reserve of available-for-sale financial assets	Cash flow hedge	Pension reserve	Retained earnings	Profit of current year	Share-holders' equity	Minority inte-rests	Total equity
Equity 31 December 2015	**616,252,150**	**93,963,258**	**-14,278,863**	**0**	**783,954,182**	**192,866,907**	**1,672,757,633**	**59,101**	**1,672,816,735**
Capital increase	45,623,250	0	0	0	0	0	45,623,250	0	45,623,250
Profit (loss)	0	0	0	0	0	190,010,420	190,010,420	9,995	190,020,415
Declared dividends	0	0	0	0	-62,520,750	0	-62,520,750	0	-62,520,750
Change in revaluation reserve for available-for-sale financial assets									
- Change in fair values	0	-8,001,616	0	0	0	0	-8,001,616	-394	-8,002,010
- Change in deferred taxes	0	3,031,826	0	0	0	0	3,031,826	134	3,031,959
Cash flow hedging	0	0	299,088	0	0	0	299,088	0	299,088
Other changes	0	0	0	0	0	0	0	-8,310	-8,310
Transfer to retained earnings	0	0	0	0	192,866,907	-192,866,907	0	0	0
Equity 31 December 2016	**661,875,400**	**88,993,468**	**-13,979,775**	**0**	**914,300,338**	**190,010,420**	**1,841,199,851**	**60,527**	**1,841,260,377**
- Capital increase	54,072,000	0	0	0	0	0	54,072,000	0	54,072,000
- Profit (loss)	0	0	0	0	0	138,986,274	138,986,274	16,832	139,003,107
Dividends	0	0	0	0	-62,520,750	0	-62,520,750	0	-62,520,750
Change in revaluation reserve for available-for-sale financial assets									
- Change in fair values	0	-17,434,281	0	0	0	0	-17,434,281	0	-17,434,281
- Change in deferred taxes	0	15,461,696	0	0	0	0	15,461,696	0	15,461,696
- Cash flow hedging	0	0	3,038,708	0	0	0	3,038,708	0	3,038,708
- Other changes	0	0	0	-1,291,058		0	-1,291,058	-33,716	-1,324,774
- Transfer to retained earnings	0	0	0	0	190,010,420	-190,010,420	0	0	0
Equity 31 December 2017	**715,947,400**	**87,020,883**	**-10,941,067**	**-1,291,058**	**1,041,790,008**	**138,986,274**	**1,971,512,440**	**43,643**	**1,971,556,084**

The change in fair value recognised in the 'revaluation reserve in respect of available-for-sale financial assets' comprises several aspects, including the transfer of part of this reserve to income as a result of sales, fair value hedge adjustments and amortisation of a frozen revaluation reserve in respect of an MBS portfolio that was reclassified in 2011.

Notes 3, 4 and 29 provide further information on all changes to the various equity positions in the above table.

Consolidated cash flow statement

	31/12/2016	31/12/2017
Cash and cash equivalents at beginning of period	**527,677,845**	**905,821,916**
Operating activities		
Net profit or loss	190,020,415	139,003,107
Payable and deferred tax expense recognised in the income statement	59,516,622	48,779,498
Depreciation and amortisation	26,585,492	23,726,415
Net provisions (reversals)	1,643,778	-9,337,951
Net gain (loss) on the sale of investments	-482,279	-43,023
Impairment losses	6,960,791	-7,098,622
Changes in asset/liabilities in the context of hedging derivatives	12,255,040	-35,853,022
Other adjustments (including interest expenses on financing activities)	21,019,900	23,131,423
Cash flows from operating profits before changes in operating assets and liabilities	**317,519,760**	**182,307,826**
Changes in operating assets (except cash and cash equivalents)		
Changes in loans and receivables	-2,218,483,647	-1,109,462,382
Changes in available-for-sale assets	322,293,612	-223,310,918
Changes in financial assets held for trading	19,469,754	-2,149,797
Changes in financial assets held to maturity	-21,176,673	-37,138,410
Changes in other assets	24,395,479	-53,388,544
Changes in operating liabilities (except cash and cash equivalents)		
Changes in deposits from central banks	0	0
Changes in deposits from credit institutions	-99,524,752	75,003,608
Changes in deposits from other than credit institutions	2,085,609,284	812,132,274
Changes in debt certificates	-162,240,623	-492,524,358
Changes in financial liabilities held for trading	-10,312,927	3,403,689
Changes in other liabilities	2,786,936	8,971,465
Changes in working capital, net	**-57,183,557**	**-1,018,463,372**
Cash flow from operational activities	317,519,760	182,307,826
(Paid) Refunded income taxes	-71,564,413	-65,284,823
Net cash flow from operating activities	**188,771,790**	**-901,440,369**
Investing activities		
(Cash payments to acquire property, plant and equipment)	-6,077,389	-6,040,854
Cash proceeds from disposal of property, plant and equipment	1,809,410	17,541,568
Cash proceeds for sale of AFS assets	0	18,810,300
(Cash payments to acquire intangible assets)	-27,102,402	-25,141,246
Cash proceeds from disposal of intangible assets	0	199
Changes concerning consolidated companies	0	0
Net cash flow from operating activities	**-31,370,381**	**-11,313,689**
Financing activities		
(Paid dividends)	-62,520,750	-62,520,750
Cash proceeds from the issuing of subordinated liabilities	497,950,000	0
(Cash repayments of subordinated liabilities)	-239,455,253	-63,867,780
Cash proceeds from the issuing of bonds	0	1,213,080,000
(Cash repayments of bonds)	0	-19,433,092
Interest paid	-20,854,585	-23,116,015
Cash proceeds from a capital increase	45,623,250	54,072,000
Net cash flow from financing activities	**220,742,662**	**1,098,214,363**

	31/12/2016	31/12/2017
Cash and cash equivalents at the end of the period	**905,821,916**	**1,091,282,221**
Components of cash and cash equivalents		
Cash in hand	34,203,673	49,278,157
Cash balances at agents	12,479,557	12,623,026
Cash balances with central banks	0	0
Central bank reserves	832,289,847	949,284,468
Current accounts at other financial institutions	26,848,839	57,810,570
Other advances	0	22,286,000
Total cash and cash equivalents at the end of the period	**905,821,916**	**1,091,282,221**
Cash flow from operating activities		
Received interest income	932,417,064	837,526,294
Dividends received	427,846	153,513
Paid interest expenses	-332,760,388	-319,959,890
Cash flow from financing activities		
Paid interest expenses	-20,854,585	-23,116,015

The consolidated cash flow statement has been prepared using the indirect method.

Components of cash and cash equivalents

The cash in hand, cash balances at authorised agents, monetary reserve assets and cash balances at central banks can be found under the balance sheet item ‘cash, cash balances at (central) banks and other demand deposits’ (see Note 11).

The amount of ‘other advances’ can be found under the balance sheet item ‘loans to and receivables from credit institutions’. This relates to paid (collateral) advances to financial institutions.

Cash flows from operating and financing activities

Further information can be found in Note 26 on interest amounts received and paid, and in Note 27 on dividends received.

Notes

1. General information

Argenta Spaarbank nv (abbreviated to Aspa hereinafter *the Company*) is established in Belgium under Belgian law. Its legal form is that of a public limited liability company having made a public call for savings. 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 consist of attracting funds, offering housing loans to individuals and providing means of payment.

In addition, the Company offers units of Argenta funds and 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 Internal Audit, Compliance & Integrity, Risk & Validation, Legal Affairs, Organisation & Talent, Operational Risk Management & Supervisory Office and Procurement. These activities are organised centrally for all Argenta Group companies.

BVg has the status of a mixed financial holding company, a parent company which is not a regulated company and which is at the head of a financial conglomerate pursuant to Art. 3, 39 of the Banking Act. The Company consolidates and is responsible for the joint management of its subsidiaries Argenta Spaarbank, a Belgian credit institution, and Argenta Assuranties, a Belgian insurance company.

The Company has a subsidiary, Argenta Asset Management. This is a Luxembourg company that undertakes the management and central administration of the group's Undertakings for Collective Investments in Transferable Securities, which are Argenta Fund and Argenta Fund of Funds. The Company also has a branch in the Netherlands and together they constitute the Bank Pool.

Argenta Assuranties had a subsidiary in the Netherlands, Argenta-Life Nederland. This company was an insurance company under Dutch law. In July 2017, Argenta-Life Nederland was converted into a branch. This whole forms the Insurance Pool of the BVg group.

All shareholdings within the Argenta Group are (quasi) 100% shareholdings, so that no (other than purely formal) minority interests need to be reported.

The Bank Pool concentrates primarily on the following activities: attracting funds in the retail market in the form of savings and term accounts, current accounts, and bonds, and reinvesting these funds in mortgage loans.

Besides this, it continues to work on expanding its lending activities to local governments. This activity will help reinforce its local presence and make optimal use of existing knowledge and infrastructure. It also represents a diversification of assets.

A second core activity is offering units in undertakings for collective investment (UCIs).

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

The subsidiaries and branch offices of the Company

Argenta Asset Management (AAM) is a management company that specialises in the management of the collective investment funds of the Argenta Group.

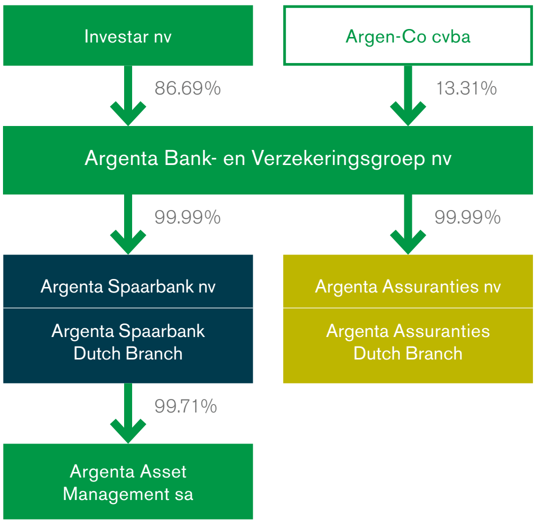
The Company's banking activities in the Netherlands are organised in a branch office rather than in a subsidiary. This has since April 2006 been responsible for mortgage production in the Netherlands. It offers its mortgages through independent consultants and, since 2017, online.

In order to increase control of the mortgage portfolio and to make the IT infrastructure less complex, management has been centralised at service provider Quion.

A new securitisation transaction was undertaken in October 2017. In this transaction Dutch loans were sold to the SPV Green Apple, which then issued notes to finance this purchase.

Although there is no capital link with the Company, management has 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 operational Bank Pool and Insurance Pool.



In accordance with IFRS, the entities below are included in the consolidated Bank Pool.

	%	31/12/2016	31/12/2017
Argenta Spaarbank nv		consolidating entity	consolidating entity
Argenta Asset Management (AAM)	99.71%	full consolidation	full consolidation
Green Apple bv (SPV)	0.00%	full consolidation	full consolidation

Note on the number of personnel

In 2017, the average number of employees in the Bank Pool as a whole amounted to 774.6 (731.5 in 2016). The above figures give the average number of employees. Service agreements exist between the companies in the group. Most of these services are mainly supplied from the Bank Pool.

The numbers of staff members 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 34.

Development of the Company in 2017

In a context of low interest rates, rising economic growth and continuing regulatory pressure, the Company posted lower, but still respectable results.

The consolidated result (excluding minority interests) for the year ending on 31 December 2017 was EUR 138,986,275 compared with EUR 190,010,420 for the year ending on 31 December 2016.

EUR 4.1 billion of mortgage loans were granted to customers compared to EUR 6 billion in 2016, a year with a high volume of refinancing. The credit portfolio savings increased to EUR 27.6 billion.

The company's own investment portfolio grew by 2.9% in 2017 to EUR 7.9 billion. In managing its investment portfolio the Company pursues a cautious investment policy. This includes extending the diversification into loans to local governments and into real estate.

The growth of previous years in traditional savings products slowed, but the growth in the investment pillar was buoyed by the favourable and low- volatility investment climate in 2017.

All this leads to the following general observations:

- The reported profit has decreased but remains healthy, bearing in mind the low interest rates and the increased investment in digitisation. The risk cost has fallen and fee income is rising. The return on equity was 7.5%.
- With the adding of a large part of the profit of the year to reserves, equity continues to rise, and the capital ratios remain healthy.
- The liquidity rations remain comfortable.

Evolution of the balance sheet

The balance sheet total rose by 4.07% to EUR 37.6 million.

Investments in 'available-for-sale assets' and 'assets held to maturity' rose slightly. This increase reflects mainly the reinvestment of the monies received from the Green Apple 2017 securitisation transaction that took place in October 2017. In this transaction, nominal EUR 1.2 billion of A notes were placed with institutional investors, with a part of these funds invested via the investment portfolio.

'Loans and receivables from other customers' (which include mortgage loans) increased by a further EUR 1.1 billion (4.21%). The quality of the mortgage loan portfolio remained very good.

In 2017, total production amounted in Belgium to EUR 2.4 billion. The production of mortgage loans was lower than in 2016, due to the fall in internal refinancing (EUR 226 million). In the Netherlands branch office, EUR 1.7 billion worth of new mortgages were granted, compared to EUR 2.4 billion in 2016.

Financial liabilities measured at amortised cost increased by 4.55% or EUR 1,524,390,651 to EUR 35,012,011,475. This contains the ‘deposits from institutions other than credit institutions’ that represent the customer deposits (deposits on the current, term and savings accounts). These rose by EUR 812 million.

The EUR 701 million increase in ‘debt securities, including retail savings certificates’ is mainly the result of the securitisation operation, with the A notes issued as part of this transaction falling under this heading. At the same time, the portfolio of retail savings certificates is gradually decreasing as these instruments come to maturity.

Result drivers

Net interest income fell, owing to the combined effect of a further decrease in the return on asset items and a more limited decline in interest costs.

Profit from financial transactions increased mainly due to the sale of securities maturing later in 2017. In addition, there were limited sales for the purpose of managing liquidity and the credit risks of the investment portfolio.

In administration costs, we see a further increase due to investments in digitisation, projects to renew the application and data infrastructure, and staying in line with relevant legislation. Depreciation has fallen but remains at a high level due to the investments in 2017 and previous years.

The risk cost decreased with the favourable development of the housing market in the Netherlands and Belgium, and the revival of the economy, as a result of which provisions for write-downs on loans were reversed in an amount of EUR 6.5 million. A EUR 9.3 million reversal of tax provisions was also booked.

Solid capital base and liquidity position

With the adding of the entire profit of the year to reserves, equity continues to rise. In this way, the Company amply meets all regulatory ratios.

The Common Equity Tier 1 (CET1) ratio (IRB approach and phased in) was 25.67% and the CET1 Tier 1 ratio (Basel I 80% floor) was 18.27%.

Liquidity remains strong with an LCR (Liquidity Coverage Ratio) of 162%, versus 178% at end-2016, and a stable NSFR (Net Stable Funding Ratio) of 143%. These last two ratios are further explained in chapter 5.2.

2. Financial reporting principles

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 2017, 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.

Estimates and key sources of estimation uncertainty

The preparation of financial statements on the basis of IFRS requires a number of accounting estimates. Furthermore, management was asked to provide 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 new 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 2017 consolidated financial statements are consistent with those applied as of 31 December 2016.

The following standards and interpretations came into application during 2017:
- Annual improvements to IFRS, 2014-2016 cycle: Changes to IFRS 12 (effective for annual periods beginning on or after 1 January 2017, but not yet approved by the European Union)
- Amendments to IAS 7 – Statement of Cash Flows - Initiative on disclosures (effective for annual periods commencing on or after 1 January 2017)
- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods commencing on or after 1 January 2017).

The application of these new provisions had no material impact on the Company's results for the 2017 financial year or on equity or on the presentation of the financial statements.

Standards and Interpretations published but not yet effective for the annual period commencing on 01 January 2017:

- Annual improvements to IFRS, 2014-2016 cycle: Changes to IFRS 1 and IFRS 28 (effective for annual periods beginning on or after 1 January 2018, but not yet approved by the European Union)
- IFRS 9 Financial Instruments and subsequent amendments (effective for annual periods commencing on or after 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods commencing on or after 1 January 2016, but not yet adopted in the European Union)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods commencing on or after 1 January 2018
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (effective for annual periods commencing on or after 1 January 2021, but not yet adopted in the European Union)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for annual periods commencing on or after 1 January 2018, but not yet adopted in the European Union)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods commencing on or after 1 January 2019, but not yet adopted in the European Union)
- Amendments to IFRS 10 and IAS 28 - Sale or transfer of assets between investor and the associated participation or joint venture (effective date postponed for an indefinite period, and for this reason also not yet adopted in the European Union)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods commencing on or after 1 January 2019, but not yet adopted in the European Union)
- Amendments to IAS 40: Transfers of Investment Property (effective for annual periods commencing on or after 1 January 2018, but not yet adopted in the European Union)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods commencing on or after 1 January 2018, but not yet adopted in the European Union).
- IFRS 23 Uncertainty over Income Tax Treatments (effective for annual periods commencing on or after 1 January 2019, but not yet adopted in the European Union)
- Amendments to IAS 19: 'Plan Amendment, Curtailment or Settlement (effective for annual periods commencing on or after 1 January 2019, but not yet adopted in the European Union)

The Company will implement all the aforementioned standards, amendments and interpretations when they come into force. With the exception of IFRS 17 and IFRS 9, it does not expect them to have a material impact.

For IFRS 16 *Leases*, a project was launched in 2017 to embed this in the Argenta Group. Contracts that can potentially fall within the scope of IFRS 16 include f.e. leased buildings and car leasing contracts.

The analysis with regard to IFRS 15 has been mapped out and any adjustments will be made.

Implementation of IFRS 9

IFRS 9 'Financial Instruments' replaces IAS 39 and imposes new obligations for (a) the classification and measurement of financial instruments, (b) impairments and (c) hedge accounting.

The IFRS standard applies from 1 January 2018 and the adjustments will be incorporated into the opening balance sheet and equity on 1 January 2018 (without the compilation of comparative figures).

Classification and measurement

In order to arrive at a correct classification and measurement of financial instruments, the prescribed two steps were applied here:

1. The BM (business model) test was used to determine how a portfolio of financial instruments is managed in its entirety.

2. The SPPI (solely payments of principal and interest) tests were performed to determine the characteristics of the contractual cash flows of financial instruments.

This entire process for arriving at a correct classification and measurement was described in the applicable policy documents.

Impairments

The most important amendment to the IFRS 9 standard relates to the creation of impairments. Each entity is now required to record impairments for ECL (expected credit losses) based on a three-stage approach, while IAS 39 still used an incurred loss model.

The ECL model applies to financial assets recorded at amortised cost or fair value through "Other Comprehensive Income" ("FVOCI").

The definition of ECL depends partly on the size of the 'significant increase' of the credit risk since initial recognition. During the implementation process, the concepts and assumptions essential for the new impairment model, such as a definition of 'significant deterioration', were determined.

The Company will apply the three-stage approach to IFRS 9 to determine the expected credit losses:

Stage 1: for performing assets (application of a 12-month ECL)

These relate to financial instruments where there has been no significant increase in the credit risk since initial recognition. For these, an ECL provision is set up for expected credit losses in connection with the probability of default over the next 12 months.

Stage 2: for underperforming assets (application of a lifelong ECL)

In the event of a significant increase in the credit risk since initial recognition, a provision is set up for ECL over the expected lifetime (lifetime probability of default) of the financial instruments.

Triggers to classify financial instruments in stage 2 are determined per asset category, based on both quantitative and qualitative elements (e.g. period of arrears).

Stage 3: non-performing

Individual calculations are made for these financial assets.

Hedge accounting

With regard to hedge accounting, the Company continues to apply the IAS 39 principles for the "portfolio fair value hedge of interest rate risk" (macro hedge) and the IAS 39 principles for micro hedge, in conformity with the accounting policy option provided for in IFRS 9.

Impact of IFRS 9 on the Company

On the basis of the data as of 31/12/2017, the following observations can be made:

(a) A lower amount of unrealised gains will be included in the "Other Comprehensive Income" (OCI) in equity through the transfer of part of the AFS portfolio to the 'amortised cost' classification.
(b) Since, at the end of 2017, 80% of these latent values could be included in the qualifying equity, a lower amount of OCI will be included in the qualifying equity.
(c) There is a significant increase in impairments for retail loans due to the change from 'incurred' to 'expected' methodology. This will result in a decrease of the equity capital in the 'initial application' as of 01/01/2018. Because these impairments mainly relate to loans that are processed in the equity calculation according to the IRB method[1], the so-called IRB deficit will decrease (because more impairments will be applied). In this way, the impact of these impairments on the qualifying equity will be limited.
(d) Impairments are created for the investment portfolio and non-retail lending. In the past, no impairments were recognised since no defaults have occurred until now. The vast majority of these financial instruments are also processed in the equity calculation according to the IRB approach, which means that the impact on qualifying equity is expected to be limited.

Based on the above elements, we see a fall in the Common Equity Tier 1 equity ratios of between 25 and 35 basis points, mainly due to the decrease in the "Other Comprehensive Income" line (consisting of latent capital gains or losses on available-for-sale assets) in the qualifying equity. This will be partly offset by the mentioned decrease in the IRB deficit.

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.

[1] The Company calculates the equity requirement of certain categories of exposures according to the Basel II IRB (internal rating based) method. Whenever this method can be applied, the difference between the impairments calculated according to the 'Expected Expected Losses' method and the impairments effectively recorded in the accounts - if this difference is negative - needs to be deducted from the qualifying equity.

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

These non-controlling interests are measured at the fair value of the net asset on the date of acquisition. Subsequent to the date of acquisition, non-controlling interests comprise the amount calculated at the date of acquisition and the non-controlling interest's share of 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 harmonised on the basis of the accounting rules applicable to the Company.

Because all companies recognised 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 corresponds to the internal reporting and the segmentation used in the past.

Foreign currencies

The consolidated financial statements are stated in euros, 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 convention, are taken into the Company's balance sheet on the settlement date.

Netting

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

Assets are recognised after deduction of any impairments.

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 designated at fair value, with all fair value changes being recognised on a separate line in equity until the assets are sold or until they are 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 an component of the interest income from these securities.

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

Financial liabilities are designated as (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 initial recognition 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 into 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 amortised cost and from fixed-income securities classified in 'available-for-sale financial assets' are recognised in the income statement using the effective interest 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 recognise 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 recognised under net interest income. Paid and received commissions for which the underlying transaction is completed, are recognised 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.

Property, plant and equipment

Property, plant and equipment
All property, plant and equipment is recorded at cost (i.e. acquisition value including directly allocable acquisition costs), less accumulated depreciation and any impairments.

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

When property, plant or equipment is sold, the realised gains or losses are recognised immediately in the result for the financial year.

Investment properties
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 to investment property (application of the cost price model).

Specific valuation 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 the interior finishings of rented buildings are depreciated over the term of the rental contract.

IT
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 pro rata basis.

The purchase price and purchase costs of vehicles are depreciated at 25% per annum on a pro rata 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 fair value of the identifiable assets, liabilities and contingent liabilities acquired. It 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 pro rata basis.

Other intangible assets are amortised at 10% per annum.

Impairment losses

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

The carrying amount of an impaired asset is reduced to its estimated recoverable value, and the amount of the change during 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;
- based on the fair value of the collateral obtained.

Investments in equity instruments

A significant or long-term fall in the fair 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 met, a quantitative and qualitative analysis of the relevant position shall be undertaken to judge whether an 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 bankrupt 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 on whether or not an impairment 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 recognised 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 amortisation) and its current fair value, less any impairment losses on that asset that have been previously taken into the income statement.

  If 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 through profit and loss.

- **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 amount to more than three months, both in capital and in interest. This includes an outstanding claim on maturity exceeding EUR 25 or if available indicators show that the claim 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, sales and instalment loans in default status, the necessary information is collected for measurement. 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 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 will be recognised 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.

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 disproportate 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 payments of salary 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.

- *Specific measurement rules fo 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 overdrawn 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 value adjustments**

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

  An 'incurred but not reported' value adjustment on loans is recognised 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 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 date 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.

  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 provision, an impairment is also recognised for collectively assessed financial assets. This portfolio-based impairment is recorded solely for an 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.

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 deduction of selling costs.

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 recognised if the carrying amount of the cash generating unit to which the goodwill belongs exceeds its realisable valuable. Impairment losses on goodwill cannot be reversed.

Derivatives

Derivatives are financial instruments such as swaps, forwards and options. Such financial instruments have values that change in response to changes in various 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).

These conditions are: the hedge relationship must be formally documented at the inception of the hedge; the expectation that the hedge will be effective; the ability to measure reliably the effectiveness of the hedge, and continuous measurement during the reporting period in which the hedge can be considered as 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 the profit or less 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 *covering 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 assets 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 fair value of the hedged amount will be amortised through profit or loss over the remaining lifetime of the hedged assets or 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 valued at fair value, with fluctuations in the fair value recognised in the 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 designated 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 for the relevant category of the financial instrument.

If (1) the host contract 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 of tests 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, the variable elements of which consist only of data from observable markets.

Lease contracts

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

Repurchase agreements

Securities subject to a repurchase agreement (repo) remain on the balance sheet. The debt resulting from the obligation to repurchase the assets is included in liabilities to banks or liabilities to customers, 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 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 has mainly 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, and (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 at 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 where the group operates.

Current taxes consist of those that are payable on the taxable income of the year, on the basis of the applicable tax rates at 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.

3. Equity attributable to shareholders of the company

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 2017 is EUR 1,971,512,441, compared to EUR 1,841,199,851 as of 31 December 2016.

Overview of composition of IFRS equity	31/12/2016	31/12/2017
Paid-in capital	661,875,400	715,947,400
Revaluation reserves on available-for-sale assets	88,993,468	87,020,883
Actuarial reserves on pension obligations	0	-1,291,058
Retained earings	914,300,338	1,041,790,008
Profit current year	190,010,420	138,986,275
Cash flow hedge	-13,979,775	-10,941,067
Equity attributable to the shareholders	1,841,199,851	1,971,512,441
Minority interests	60,527	43,643
	1,841,260,378	**1,971,556,084**

The EUR 130 million increase in equity is the combined result of several factors. This increase is the combined result of the addition of the profit for the year of EUR 138,986,275, a cash out of EUR 8,448,750 from the interim dividend, a reserve for the group insurance (minus EUR 1.3 million), a change in the cash flow hedge (EUR 3 million less negative) and a EUR 1.9 million decrease in the revaluation surplus on available-for-sale assets.

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

Paid-in capital

The fully paid-in capital, represented by 168,975 no par shares, is EUR 715,947,400 (EUR 661,875,400 as of 31 December 2016).

The increase is the result of a capital increase of EUR 54,072,000, which took place in mid-December 2017. This capital increase involved no issue of new shares and was subscribed by existing shareholders. In 2016, there was a capital increase of EUR 45,623,250.

Revaluation surplus on available-for-sale assets

Available-for-sale financial assets are measured at fair value, with all fair value changes being recognised on a separate line in equity until the assets are sold or until they are impaired.

The reported fluctuations in fair value are reflected in equity in the ‘revaluation reserve for available-for-sale financial assets’. This reserve (after offsetting of latent taxes and the transfer of the latent value recorded in the context of micro hedges) evolved from EUR 88,993,468 as of 31 December 2016 to 87,020,883 as of 31 December 2017.

	31/12/2016	Market value to P&L	Additional delta	delta taxes	31/12/2017
Total unrealised gains and losses on fixed-income securities	233,796,877	-18,633,233	-28,626,755		186,536,889
Latent value included in the context of the micro hedges	-93,208,307		27,636,407		-65,571,900
Latent taxes on fixed-income securities	-47,786,054			16,646,959	-31,139,095
Total unrealised gains and losses on non-fixed-income securities	312,382	-176,835	1,143,735		1,279,282
Latent taxes on non-fixed income securities	-1,287			-318,534	-319,822
Unrealised loss on reclassified assets	-6,241,695		1,222,399		-5,019,296
Latent taxes on reclassified assets	2,121,552			-866,728	1,254,824
Total revaluation reserve	**88,993,468**	**-18,810,068**	**1,375,786**	**15,461,696**	**87,020,883**

A total profit of EUR 9,041,307 was realised in 2016 on the latent values of the 'available-for-sale assets'. In 2017, EUR 18,810,068 was realised (further details on these realised results can be found in Note 29). The delta for latent taxes was EUR 15,461,696 in 2017.

In this way the entire revaluation reserve consists of a 'revaluation reserve in respect of 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.

Composition of revaluation reserve	31/12/2016	31/12/2017
Revaluation reserve for available-for-sale financial assets	93,113,611	90,785,356
Frozen revaluation reserve, reclassified assets	-4,120,143	-3,764,473

Note 15.3 contains further information on the 'latent capital loss on reclassified assets' and thus the frozen AFS reserve.

Note 16 gives further information on the processing of the latent value recognised on *micro hedges*. These are the cumulative value adjustments in connection with fair value hedges.

Cash flow hedge

The Company has concluded an interest rate swap in the context of hedge accounting, which is treated as a cash flow hedge. In this way the effective portion of the changes in market value of the swap (net of tax) is shown in a separate line in equity. The clean price, the deferred tax asset and the total can be found below in the OCI compenent of equity.

	31/12/2016	delta in 2017	31/12/2017
Clean price swap cash flow hedge	-18,639,700	4,051,611	-14,588,089
Latente tax asset	4,659,925	-1,012,903	3,647,022
Total OCI cash flow hedge	-13,979,775	3,038,708	-10,941,067

This cash flow hedge is described in greater detail in Note 25

Reserves

The reserves item (EUR 1,041,790,008 as of 31 December 2017) contains the statutory reserves of the parent company of the Bank Pool, i.e. the Company.

Profit from the current year

The consolidated result (excluding minority interests) for the year ending on 31 December 2017 was EUR 138,986,275, compared with EUR 190,010,420 for the year ending on 31 December 2016.

Dividend proposal for the financial year

In the fourth quarter of 2017, an interim dividend of EUR 65,520,750 (EUR 370 per share) was paid to shareholders. Subsequently a capital increase of EUR 54,072,000 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 2017 financial year.

4. Minority interests

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

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

The minority interests also include at end-2016 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). This company was dissolved in 2017.

In 2017, a new SPV named Green Apple 2017 was established to undertake a new securitisation transaction. This entity has no starting capital and therefore there is no minority interest for this at the end of 2017.

Based on the relevant IFRS standards, it was decided to consolidate this new entity. The Company has purchased the B and C notes of the securitisation transaction that this entity has carried out, in order to keep the primary credit risk in the Company. Additionally, a cap structure has been set up whereby the interest rate risk also remains with the Company.

In 2017, there was a profit attributable to the minority interests of EUR 16,832 compared to EUR 9,995 in 2016.

The revaluation surplus on available-for-sale assets attributable to minority interests amounted to EUR 0 at the end of 2017, as the Company's subsidiaries no longer had their own securities portfolios.

There are also no minority interests in the 'other elements of the total result', as AAM has no securities portfolio and no derivatives.

5. Risk management

The Company is active as a bank and asset manager and is therefore exposed to various risks. The Company's risk management distinguishes here between credit risk, market risk, liquidity risk, operational risk and other risks.

The Company's risk management policy and attendant organisational structuring are designed to ensure that the identified risks are always properly identified, analysed, measured, monitored and managed. The risk management framework is constantly being updated and adapted to reflect new regulations, daily experience and changes in the Company's activities.

Professional, comprehensive risk management is an essential prerequisite for achieving sustainable growth. Demonstrating that adequate risk management procedures are in place is a key condition for acquiring and retaining the trust of all stakeholders: customers, investors, branch managers, supervisory authorities and rating agencies, as well as directors, management and employees.

The risk management system

The Company's risk management system is based on:

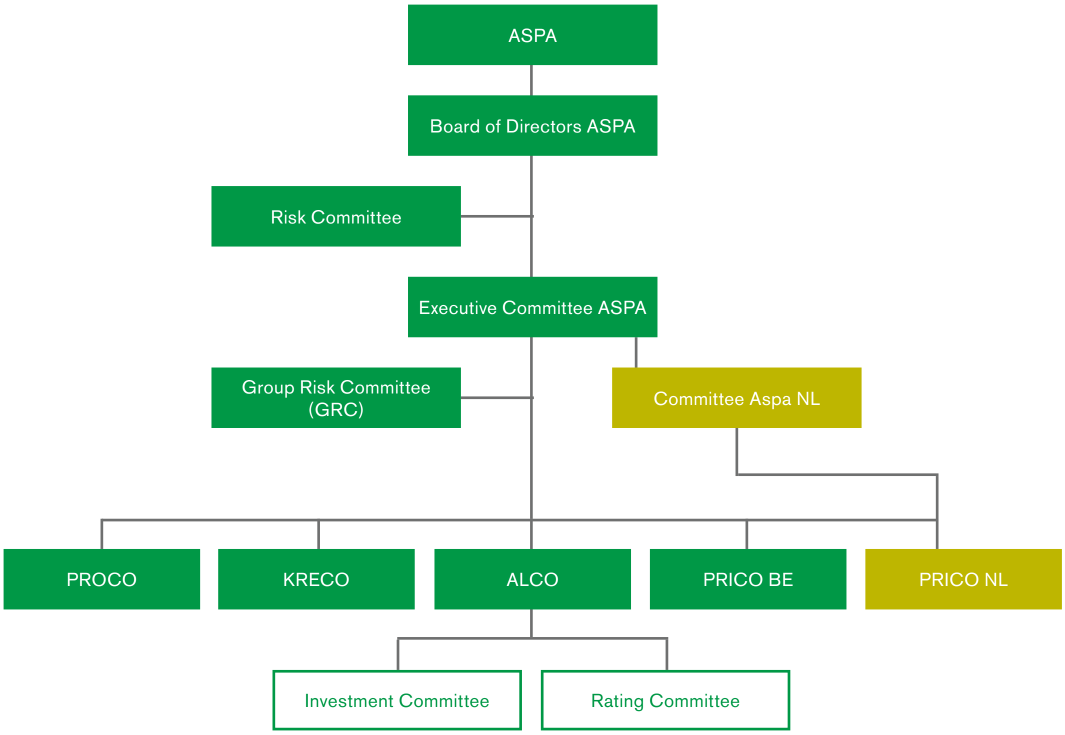
- A risk management strategy that is consistent with the overall corporate strategy of the Company. The objectives and fundamentals of that strategy, the approved risk tolerance limits and the division of responsibilities between all the activities of the Company are laid down in policy documents.
- Rules for the decision-making process and risk policy.
- Policies that effectively describe and classify by category the material risks to which the Company is exposed, and which specify the approved risk tolerance limits for each risk category. These policies implement the risk strategy of the Company, provide for control mechanisms and take into account the nature and scope of the business activities, as well as the associated risks.
- Reporting procedures and processes that ensure that the information on the material risks to which the Company is exposed and the effectiveness of the risk management system are actively monitored and analysed, and that appropriate changes are made to the system if necessary.
- Coordination between the independent control functions Compliance, Risk Management Actuarial Function and Internal Audit.

Risk policy

The main components of our risk policy model are:

- The Board of Directors that, with the support of the Group Risk Committee, establishes and oversees the risk appetite and general risk tolerance of the Company. The Board of Directors also approves the main risk management strategies and policies.
- The Executive Committee, that implements the risk management system and links together the risk appetite, strategy and determination of the company objective. In its decision-making process, the Executive Committee takes into account the information reported in the context of the risk management system. The executive committees of the Company and Argenta Assuranties are integrated, with the same CEO, CFO, CRO, COO, CCO and CIDO. 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 self-employed branch managers.
- The Group Risk Committee and the activity-related Risk Committees in which the discussion, follow-up and management of the various risks take place.
- Risk-conscious employees who act as the first line of defence for risk management.
- The risk management function that accompanies and controls the first line in terms of risk management and advice on risks. The risk management function forms the second line of defence, and Internal Audit the third line of defence.

Committee structure competent for risk management within the Bank Pool.



Governance of risk management

Group risk management takes place, in addition to the independent Internal Audit and Compliance control functions, mainly at Argenta Group level. The risk management function supervises and controls the first line in respect of risk management, and provides supporting risk advice. This function is performed by the Risk & Validation department and the ORM & Supervisory Office department, under the hierarchical responsibility and supervision of the CRO. Another core activity of the Risk & Validation department, alongside second-line control, is validating risk models.

Relevant risk management bodies and control functions:

- The Group Risk Committee ("GRC") is responsible for discussing, monitoring and managing the various identified risks. The Group Risk Committee deals monthly with a number of themes to achieve better coordination, monitoring, follow-up, awareness-raising, adjustment and policy preparation at the various risk levels. The Group Risk Committee has the following tasks:
  - consolidated reporting of risks;
  - determining the risk strategy for approval by the Board of Directors;
  - determining the risk appetite (after advice from the Executive Committee and the Board of Directors);
  - annual review of the recovery plan;
  - controlling the management of key risks (together with the Executive Committees);
  - making decisions on ways of going about certain risk assessment and control processes;
  - monitoring the model life cycle and the quality of the models as part of the model management governance framework.

  The GRC meets monthly with, every three months, a specific focus on economic capital management, model overview and operational risk (including compliance).

- The Asset & Liability Committee ("Alco") is responsible for:
  - the optimal balance sheet equilibrium by evaluating, following up and proposing actions aimed at minimising the value and result shocks caused by mismatches in the Company's financial assets and liabilities;
  - the liquidity position, the interest rate risk and the solvency position;
  - the diversification and the risk profile of the investment portfolio;
  - providing information on risks that impact the current and future profits and capital position of the Company, with the exception of the insurance risks that are monitored in the Insurance Risk Committee.

  The Alco is assisted by the Investment Committee ("IO") and the Rating Committee ("RO").

- The Credit Risk Committee ("Kreco") is a consultative body with decision-making authority on all aspects of credit risk policy regarding retail credits, i.e. credit risk analysis & control, quantification (including the embedding of the probability of default "PD", loss given default "LGD" and exposure at default "EAD" internal models) and reporting on this. More specifically, the following themes are discussed:
  - the key figures for the credit portfolios;
  - monitoring the credit risk related to the retail portfolios under management via the monitoring and discussion of limits, flashing lights and key performance indicators, concentration risks;
  - proposing and deciding on actions to mitigate credit risks;
  - environment review, including the business environment and economic context, the functional environment and acceptance conditions.

- Pricing Committees ("Prico") are responsible for:
  - the pricing of retail asset and liabilities products, monitoring the production objectives and the evolution of the commercial environment;
  - testing the pricing decisions against the recommendations of the risk management function;
  - testing the pricing of newly-launched products against the risk appetite approved by the Board of Directors.

- The Product Committee ("Proco") monitors the implementation of the PARP (Product Approval and Review Process) with the aim of:
  - validating each new and updated product based on a check on whether the product meets the requirements of the company in terms of risk, strategy, profitability and legal obligations according to the "product approval and review policy";
  - recurring review of newly launched products and of active products.

Risk appetite

Taking and converting risks is an integral part of the Company's activities. It is not the intention to exclude all identified risks, but to identify, control and manage them within the risk appetite limits established by the Board of Directors.

The Company formalised this policy in a risk appetite framework ("RAF"). The RAF sets standards for the main risk domains. All significant risks to which the Company is exposed are included in risk mapping and continuously tested against the risk appetite. By means of this RAF, the Company wants to make clear how it manages its risks and respects the imposed limits, with the core objective being to manage the Company safely.

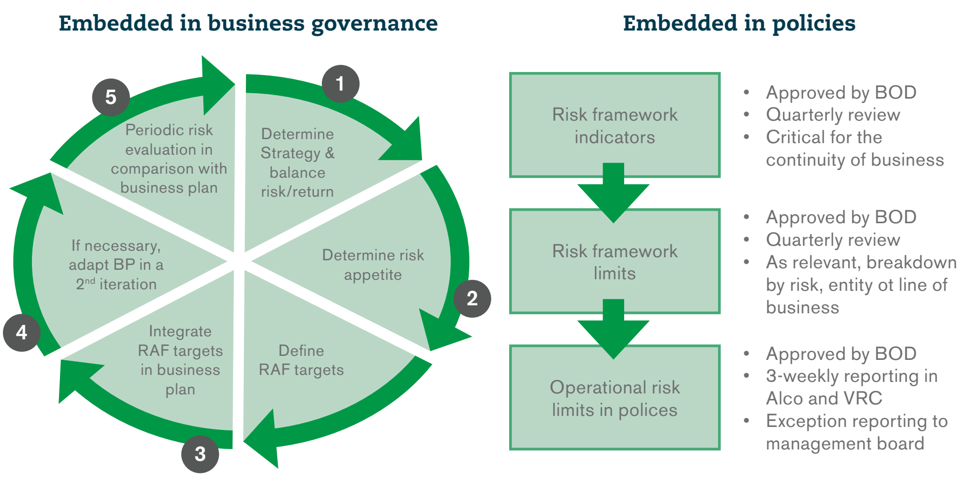
The RAF has evolved as an important part of management and provides a connection between the business strategies (commercial and financial) and risk appetite. The RAF is embedded as an active steering tool in the organisation and:

- forms the core of the risk monitoring and the escalation framework;
- translates the risk appetite into measurable criteria and objectives (indicators);
- provides senior management and Board members/the Risk Committee with a very practical tool for communicating, measuring and monitoring the risk targets;
- is embedded in the multi-year business cycle;
- is further translated into operational policies that include a broad set of operational limits/flashing lights.

The RAF indicators are known by the business, being derived from the models used in the business. The RAF indicators themselves are assessed annually as to their continuing appropriateness and calibration (and replaced/adjusted where necessary), with discussion at the Risk Committees and approval by the Boards of Directors. The quantitative and qualitative RAF on financial and non-financial risks is reported on a quarterly basis to the Risk Committees, with feedback to the Boards.

The RAF is the first line of defence against systemic risks and can be seen as a synthetic dashboard to give management a consolidated and integrated view of the material risks of the Company. In this way, the RAF facilitates the identification, assessment and supervision of the risks incurred by the Company and the limits that are grafted onto them.

The RAF provides the basis for the risk-escalation framework. It forms the set of highest limits and indicators, which are further translated into the policy lines, with the setting of operational limits, flashing lights and early warning indicators.



Reporting and business plan process

The risk profile of the Bank Pool is mapped out at every quarter/year-end. The risk profile is determined by assigning a colour to each risk indicator and by calculating an average risk score. A limited number of RAF limits are linked to these risk parameters:

The quantitative indicators are subdivided into 7 categories/risks:

- Capital adequacy
- Asset quality
- Liabilities quality
- Liquidity and interest matching

- Income and value stability
- Concentration risk
- Strategic risk

The qualitative indicators are subdivided into 4 categories/risks:
- Reputational risk
- Regulatory (compliance) risk
- Operational risk and internal control
- Market indicator

In addition, a pro-active (in preparation for the business plan) and a budgeted RAF (for evaluating the business plan) are drawn up. In this way, the RAF is reported from 3 perspectives and is strongly embedded within the business plan.

Interaction with ICAAP[2] and ILAAP[3]

The risk mapping as identified in the RAF therefore provides an overview of the risks identified within the Company, together with a uniform definition of these risks.

In the ICAAP and ILAAP under Pillar 2, the Company calculates its required economic capital (internal capital requirement), taking into account all risks identified by the Company. The RAF risk mapping forms the basis for this risk assessment.

This shows that, among other things, the Company is subject to a number of risks that are not included in Pillar I, such as inflation risk, liquidity risk, business risk, concentration risk, country risk, capital risk, model risk, reputational risk, regulatory risk, strategic risk and contagion risk. Either additional capital is provided in Pillar 2, or no additional capital is provided for these risks because these have already been implicitly included in the risks in Pillar I or because there are processes in place that strongly mitigate these risks.

5.1 Market risk

Market risk is the risk of a negative financial impact as a direct or indirect result of the volatility of market prices of assets, liabilities and financial instruments. Within this market risk the following 4 risks are relevant: interest rate risk, spread-widening risk, equities risk and real estate risk. The Company does not hold assets and liabilities other than in euro. As a result, the Company is exposed only to a limited exchange rate risk.

5.1.1. Interest rate risk

Risk position

The single largest market risk to which the activities of the Company and particularly Argenta Spaarbank are exposed is interest rate risk. This is caused primarily by changes in market prices, unexpected changes in investment returns and changes in the correlation of interest rates between different financial instruments.

The Company's results and capital position display a certain sensitivity to changes in interest rates. This is because a principal component of the business strategy consists of attracting short to medium-term funds, mainly via savings and term deposits of retail customers, and reinvesting these in loans and investments of various kinds. Via the interest rate differentials between the various maturities this gives rise to a transformation result.

Risk management

Alco is responsible for monitoring the interest rate risk. It carries specific responsibilities for monitoring the daily management of the financial position, on which it reports to the Executive Committee. It has a permanent remit to maintain both the income sensitivity of the net interest income and the market-value sensitivity of equity within set limits.

In its risk measurement and management, Alco takes into account the various components of the interest rate risk contained in the balance sheet of the Company. These include the repricing risk (risk from interest rate mismatch between assets and liabilities), the yield curve risk (risk from non-parallel movement of the interest rate curve), the option risk (risk from the implicit and explicit options on the balance sheet) and the basic risk (risk arising from the use of various reference indexes on the basis of which the asset and liabilities products are repriced).

This latter option risk includes both the risk deriving from explicit options (interest rate caps and interest rate swaps to hedge the interest rate risk) and implicit options (related to the residential loan portfolio). In the ALM department these risks are monitored and managed by means of scenario analysis.

In order to keep market sensitivity within the risk appetite approved by the Board of Directors for the Bank Pool and within the legal limits, endogenous and exogenous ALM hedging is done. In endogenous hedging, the management is exercised via the duration of the asset and liability balance sheet items. Exogenous hedging involves using derivative instruments to manage the interest rate risk. This exogenous hedging serves to supplement the permanent aim of a maximally endogenous management of the balance sheet. The combination of endogenous and additional exogenous ALM hedging ensures that the Company's commercial strategy fits entirely within the approved RAF.

Further information on the applied fair value hedges for covering the interest rate risk of a portfolio and on the other hedges can be found in Notes 16 and 31.

Sensitivity analysis – interest rate risk in the banking book

The following table shows the interest rate sensitivity of the results over 12 months and of the equity of the Company in the event of a parallel interest rate shock of 100 bp.

We note that Argenta Spaarbank does not have a trading book in the economic meaning of the term and that the interest rate risk in the banking book therefore represents Argenta Spaarbank's entire interest rate risk.

	31/12/2016		31/12/2017	
	+100bp	-100bp	+100bp	-100bp
Effect on earnings over 12 months	44,858,227	-3,103,049	64,240,297	212,248
Impact on equity	-32,813,630	72,614,271	-61,664,447	261,401,753

The interest-income simulations are reported from 2017 onwards according to the internal methodology.

This means that the repricing of the savings accounts is determined on the basis of the business-economic replicating model and no longer according to the NBB methodology. This gives a more realistic estimate of the repricing behaviour of savings accounts in a changing interest rate environment based on a strongly substantiated replicating portfolio technique. The figures for 31/12/2016 have been adjusted to this internal methodology to permit a comparison between the years.

The NBB methodology is used for regulatory purposes, the internal method for interest rate risk management.

In calculations, both of the sensitivity of the equity capital and of income sensitivity, a floor of 0% is used, or else the current interest rate where this is negative.

[2] ICAAP : Internal Capital Adequacy Assessment Process

[3] ILAAP : Internal Liquidity Adequacy Assessment Process

Furthermore, the following elements are taken into account in these interest income simulations:

- Static balance sheet where the outstanding positions and balance sheet mix are kept constant;
- The interest rate shock take places in four stages of 25bp (immediately, after 3 months, after 6 months, and after 9 months).
- 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;
- Call options in the securities portfolio (weighted average life);
- A floor of 0% or the current interest rate if negative.

The interest rate sensitivity of equity shows the total economic interest rate risk by taking the interest rate sensitivity of the economic value of all balance sheet items into account. The interest rate sensitivity of equity to an interest rate increase of 100bp rose in 2017 for the endogenous balance sheet owing to:

- The new mortgage production at longer fixed-rate maturities;
- The repricings in the Dutch mortgage portfolio with longer fixed-rate periods;
- The increased volume of the credit pipeline in the Netherlands;
- The increased gradient of the yield curve, as a result of which the expected number of prepayments fell and the embedded cap risk within the Belgian variable mortgage portfolio increased.

This was partly mitigated by bringing into use an optimal replicator for the savings accounts - with no restriction on the duration.

These risks were adjusted through the exogenous hedging strategy with additional hedges (payer swaps, forward starting payer swaps and swaptions).

5.1.2. Spread widening risk

Risk position

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 induce spread widening risk.

Alongside the pure interest rate, they are the main driver of asset returns and the economic value of the investment portfolio.

Risk management

The pursuit of a cautious investment policy, frequent monitoring of the fluctuations in the economic value of the investment portfolio and measuring the sensitivity of changes in credit spreads are therefore 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 permissible investment level and maximum maturity. This investment policy is shaped by a thorough analysis of the credit sectors and investment files and an active screening of market opportunities.

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 RAF.

Sensitivity analysis - spread widening risk

The company calculates the spread risk on the totality of the investment portfolio. The spread sensitivity is calculated according to a modified duration (no convexity). As of 31/12/2016, the impact of 1 bp increase in the spread was EUR -2,798,819, as of 31/12/2017 it was EUR -3,205,420 per 1 bp increase. Since the vast majority of the investment portfolio is classified as available-for-sale financial assets, this impact will largely be accounted for in equity unless it gives rise to a sustainable impairment. The increase in spread-widening risk is due to the short-term reinvestment of the funds received from the securitisation transaction, which are largely invested in floating-rate bonds.

5.1.3. Equities risk

Risk position

From a strategic allocation perspective, equities complement the existing bond and loan portfolios and are intended to optimise the risk return profile of the portfolio. Within the investment framework and subject to compliance with strict investment criteria, the Company has the possibility to take equity positions into its investment portfolio.

Risk management

This portfolio of individual shares is being built up gradually over time and is managed within a rigorous risk management framework, including limits on size, permitted sectors, market capitalisation and concentration.

The price risk is controlled by subjecting the equity investments to a thorough analysis of underlying fundamentals and by framing the investment policy within the approved risk appetite and assigned limits.

Sensitivity analysis - equity risk

The sensitivity analysis below shows the impact on the Company of a 10% fall in the market value of non-fixed income securities.

	31/12/2016	31/12/2017
	-10%	-10%
Impact on earnings	0	0
Impact on equity	-215,969	-695,850

Variable interest securities amounted to EUR 6,958,504 (market value) as of 31 December 2017, including a latent capital gain of EUR 1,279,282. These unrealised gains are recorded in equity under revaluation surplus on AFS assets. In a market downturn of 10%, the amount in equity would decrease to EUR 695,850 without giving rise to impairment losses recorded through the income statement.

Further information on the individual write-downs on shares (under variable interest securities) is included under the notes on credit risk.

5.1.4. Property risk

Risk position

The evolution of real estate prices has an influence on lending to individuals and also influences the credit risk through the giving of property as collateral. The Company has here a concentration in lending to private individuals 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.

In addition, the investment framework allows a portfolio of indirect investment properties to be maintained. These are not investments in buildings but loans to counterparties operating in real estate, within the context of a cautious credit policy. Within this limited framework, a number of loans were made to real estate counterparties.

Risk management

The real estate investments are managed within a rigorous risk management framework, including limits on, inter alia, investment type and concentration.

The real estate investment portfolio consists of properties purchased under the mortgage lending enforcement policy and a 1% investment in office buildings. These are accounted for using the cost price model.

The buildings are managed passively and resold on the market once market conditions have improved.

The unrealised capital gains and gains on these investment properties are not included in equity. In this IFRS report, the market values are included in note 17.

The fair value of the real estate investments is based on the individual valuation reports of the respective investments. This involved a limited portfolio of EUR 1,450,009 (market value: EUR 1,537,465) as of 31 December 2016.

For the 2017 financial year, this involves a limited portfolio of EUR 1,009,298 (market value: EUR 1,077,399). A decrease of 10% of the market value will - as long as there is no sustainable impairment - have no impact on the result.

5.2. Liquidity risk

Risk position

Liquidity risk is the risk of loss, or of adverse change in the financial situation, as a direct or indirect consequence of insufficient liquidity being available to meet financial obligations. This may be the result of:

- an unexpected prolongation of the outstanding receivables, e.g. a loan default;
- the risk, in the Bank Pool, of a greater portion of credit lines being drawn down or more savings deposits being withdrawn;
- the risk, in the Insurance Pool, that payment obligations increased owing to a rising number of claim events, or early retirements or surrenders, as a result of which Argenta is unable to meet its payment obligations;
- the risk that the necessary financing transactions cannot be undertaken (or can be undertaken only at disadvantageous conditions);
- the risk that assets can be liquidated only at a severe mark-down, owing to a shortage of interested counterparties on the market.

Liquidity sources of the Bank Pool

Argenta Spaarbank's liquidity model can be summarised as follows:

- a substantial base of customer deposits;
- a spread over the Belgian and Dutch markets;
- total funding independence from the interbank market;
- a low loan-to-deposit ratio;
- a liquid securities portfolio.

In this way Argenta Spaarbank does not have to go to the interbank and professional market to fund itself. It has, however, developed the capabilities to do this, either i) if yield considerations make it appropriate to do so, or ii) out of a desire to diversify its financing sources (RMBS securitisation) or iii) where new legal requirements are imposed in the future to have certain types of debts on the balance sheet (Tier 2 issue). Repurchase agreements are concluded as and when appropriate as part of liquidity management or to take advantage of investment opportunities in the financial market.

Funding policy is directed at obtaining funding from individual customers through current and savings accounts and term deposits. Retail savings certificates and subordinated certificates are still part of funding, but are no longer offered to customers. Customer deposits constitute the most important primary funding source 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 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 the account holders' confidence in Argenta Spaarbank's solvency, profitability and risk management.

Financieringsbronnen	2016	2017
Deposits from central banks	0.00%	0.00%
Deposits from credit institutions	0.00%	0.21%
Retail customer deposits	92.13%	90.95%
Bank savings certificates sold to retail customers	3.53%	2.01%
Bonds sold to retail customers	0.00%	0.00%
Bonds sold to institutional investors	0.00%	3.35%
Subordinated debt sold to retail customers	0.44%	0.24%
Subordinated debt sold to institutional investors	1.49%	1.43%
Other liabilities	2.41%	1.80%
Total liabilities	100.00%	100.00%
Total liabilities in EUR	**34,315,068,573**	**35,654,603,852**

Risk management in the Bank Pool

The liquidity management and the liquidity risk management of the Bank Pool are centralised at Argenta Spaarbank.

The Asset and Liability Committee (Alco) monitors the liquidity indicators on a permanent basis. The management framework is clearly defined and detailed in the financial policy. First-line responsibility for the measuring, monitoring, checking and reporting of the liquidity risk lies with the ALM department. Second-line responsibility lies with the Risk Department. The management of the liquidity position falls under the authority of the Treasury Department.

For measuring, monitoring, checking and reporting on the liquidity risk, the Company 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. In addition to the extensive regulatory reporting, extensive internal reporting has also been developed. In this way, management and stakeholders are aware of the evolving situation.

The daily liquidity management, the definition of additional Early Warning Indicators (EWIs), operational limits or flashing lights, and the organisation of stress tests are included in the Liquidity Contingency Plan. Daily funding reports are distributed to a broad target group within the Company.

The liquidity risk appetite is managed in the Bank Pool's RAF by flashing light levels on three risk indicators, namely:

- The LCR (Liquidity Coverage Ratio) tests the liquidity buffer against a pre-defined outflow of financial liabilities over a 30 day period;
- The NSFR (Net Stable Funding Ratio) compares available liquidity against required liquidity over at period of at least one-year;
- The AER (Asset Encumbrance Ratio) compares the amount of unencumbered assets with the volume of protected deposits.

In addition to the aforementioned RAF indicators, further EWIs, operational limits and flashing lights have been defined internally.

The LCR and the underlying components can be found in the table below. This table was drawn up in accordance with EBA guidelines EBA/GL/2017/01. This directive seeks to obtain greater transparency and comparability of LCRs through the reporting of data in harmonised tables.

Consolidated EUR million		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on		31/03/2017	30/06/2017	30/09/2017	31/12/2017	31/03/2017	30/06/2017	30/09/2017	31/12/2017
Number of data points used in calculating averages		3	3	3	3	3	3	3	3
HIGH QUALITY LIQUID ASSETS									
1	Total high quality liquid assets (HQLA)					4.443	4.574	4.376	4.825
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	27,951	28,295	28,580	28,823	1,908	1,931	1,956	1,969
3	Stable deposits	17,769	18,006	18,079	18,304	888	900	904	915
4	Less stable deposits	10,183	10,289	10,501	10,519	1,020	1,031	1,052	1,054
5	Unsecured wholesale funding	414	353	358	334	257	237	247	221
6	Operation deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	414	353	358	334	257	237	247	221
8	Unsecured debt	0	0	0	0	0	0	0	0
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	224	316	312	326	142	202	228	239
11	Outflows related to derivative exposures and other collateral requirements	114	170	199	202	114	170	199	202
12	Outflows related to loss of funding on debt products	0	0	0	8	0	0	0	8
13	Credit and liquidity facilities	110	146	114	116	29	32	29	29
14	Other contractual funding obligations	28	34	28	24	8	13	7	2
15	Other contingent funding obligations	1,127	1,119	856	1,251	372	369	282	413
16	**TOTAL CASH OUTFLOWS**					2,688	2,753	2,720	2,845
CASH - INFLOWS									
17	Secured lending (eg. reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	166	163	163	173	116	111	109	113
19	Other cash inflows	74	84	36	106	74	84	36	106
EU 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU 19b	(Additional inflows from an affiliated specialist credit institution)					0	0	0	0
20	**TOTAL CASH INFLOWS**	240	247	198	279	190	195	145	219
EU 20a	*Completely exempt inflows*	0	0	0	0	0	0	0	0
EU 20b	*Inflows subject to 90% cap*	0	0	0	0	0	0	0	0
EU 20c	*Inflows subject to 75%cap*	240	247	198	279	190	195	145	219
						TOTAL CORRECTED VALUE			
21	**LIQUIDITY BUFFER**					4,135	4,303	3,979	4,310
22	**TOTAL NET CASH OUTFLOWS**					2,498	2,558	2,574	2,625
23	**LIQUIDITY COVERAGE RATIO (%)**					166%	168%	155%	164%

As indicated above, the focus of the funding model is on private customers. In addition, funds were raised in 2017 via a third Green Apple (RMBS) issue. The readily available liquidity sources consist of high-quality assets. These are mainly central bank reserves, government bonds, securitisations and corporate bonds. These are diversified in terms of both counterparty type and individual counterparty. In addition to the liquid assets eligible for the LCR, Argenta Spaarbank also has a portfolio of ECB-eligible securities.

All liabilities and assets are denominated in euros, so that there is no currency mismatch between the liquidity and financing sources.

Argenta Spaarbank maintains a derivatives portfolio with a view to hedging the interest rate risk. The value of this portfolio is hedged with collateral. There are no other sources of collateral outflow. The assets used as collateral are excluded from the LCR liquid buffer. The LCR also takes into account potential collateral outflows due to fluctuations in the valuation of the portfolio and a negative rating evolution of Argenta Spaarbank. Only a limited portion of the liquid assets is used as collateral. Despite this, the evolution of the collateral is closely monitored.

The overview of the ratios and legal limits is given in the following table:

	Legal limits	31/12/2016	31/12/2017
LCR	100%	178%	162%
NSFR	100%	145%	143%
AER strict (RAF limit)		106.40%	106.40%
AER broad (RAF fashing light)		110.10%	110.50%

For the limits on the AER, we also have to mention that the Company was 90% funded for both periods by 'eligible deposits as referred to in Article 389 of the Law of 25 April 2014'. This gives an indication of the relationship of these ratios to the legal flashing light and recovery plan thresholds.

Duration analysis Bank Pool

Notes 13, 14 and 15 give further details of the residual maturities of the available-for-sale financial assets, the assets held to maturity 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.

2016 financial year	< 3 months	< 12 months	1-5 years	> 5 years
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Financial liabilities at amortised cost				
• Deposits from credit institutions	1,389,829	0	0	0
• Retail funding - deposits with no fixed term	28,604,515,155	0	0	0
• Retail funding - fixed-term deposits	209,721,961	543,910,425	1,899,912,202	357,223,215
• Retail funding - savings certificates	60,659,878	425,410,939	724,413,218	0
• Debt certificates - bonds	0	0	0	0
• Subordinated loans	10,330,735	54,704,402	595,428,863	0
Derivatives for hedging purposes	65,466,436	86,692,881	419,348,826	379,192,006
Other liabilities	46,945,768	140,837,303	0	0
Totals	**28,999,029,761**	**1,251,555,950**	**3,639,103,109**	**736,415,221**

2017 financial year	< 3 months	< 12 months	1-5 years	> 5 years
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Financial liabilities at amortised cost				
• Deposits from credit institutions	76,393,437	0	0	0
• Retail funding - deposits with no fixed term	29,520,194,067	0	0	0
• Retail funding - fixed-term deposits	462,787,457	474,801,928	1,619,373,584	350,258,196
• Retail funding - savings certificates	177,076,061	117,080,921	417,670,671	0
• Debt certificates - bonds	23,655,174	66,098,131	311,031,029	798,994,599
• Subordinated loans	11,804,765	10,380,191	574,411,263	0
Derivatives for hedging purposes	69,930,749	92,953,469	384,649,258	392,550,901
Other liabilities	54,377,333	163,131,999	0	0
Totals	**30,396,219,042**	**924,446,641**	**3,307,135,805**	**1,541,803,696**

The interest streams of the swaps posted under 'financial liabilities held for trading', and 'derivatives for hedging purposes' are included in the totals. The fixed and variable rates as of 31 December 2017 are used in calculating this interest for the respective fixed and variable parts of the interest rate swaps concerned.

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

The bulk of the 'subordinated liabilities' as of 31 December 2017 consists of the nominal EUR 500 million Tier 2 loan offered to institutional investors. The balance consists of subordinated certificates.

In October 2017, an RMBS (Residential Mortgaged-Back Securities) transaction in an amount of EUR 1.2 billion was successfully placed on the market. The RMBS transaction - Green Apple 2017 I NHG - securitises Dutch mortgage loans benefiting from the Dutch Mortgage Guarantee.

5.3. Credit risk

Risk position

Credit risk is the risk of loss, or of adverse change in the financial situation, as a direct or indirect result of a decline in the creditworthiness of issuers (or guarantors) of securities, of counterparties and of debtors.

This risk arises in both traditional lending and in investment activities (other interest-bearing assets). It is linked to a large part of the Argenta Group's activities. For the insurer there is also the reinsurer default risk.

For the Company, there are essentially three segments of importance for credit risk: the retail market and in particular the retail mortgage lending market (in both Belgium and the Netherlands), the investment portfolio, the portfolio of loans to local and regional authorities and (selectively) to corporates. Credit risk management is therefore focused on these three segments.

Risk management retail
In the retail segment, Argenta's target group consists of individuals families, self-employed persons and professions who have their usual residence in Belgium or the Netherlands and who wish to conclude a loan for mainly non-professional purposes.

The financing may also include professional investments, insofar as these are combined with private investments. The permitted private/professional relationship is determined in the specific Acceptance and Authorisation Framework.

As a general principle, the borrowers are natural persons. In certain cases, companies can act as borrowers, but then also with related natural persons as co-borrower(s).

The most important elements of risk management are the Acceptance and Authorisation Framework for the granting of loans, including set limits for creditworthiness, monitoring procedures and a monthly follow-up of the credit risk indicators.

This governance is supported by the operation of the Retail Credit Risk Committee, reporting to the Executive Committee and to the risk Committee of the Board of Directors.

Risk management non-retail

The non-retail investment framework focuses on strong counterparty quality, with a focus on diversification into investments in companies, in indirect real estate and in positions in securities issued by or loans to local authorities.

The application and practical implementation of the investment policy is also supported by the Investment Committee, in which representatives of the Executive Committee (in the case of escalation), Treasury and Investment Management and the Credit Risk Analysis department in the first line, and Risk in the second line, discuss and decide on investment issues.

The internal investment framework 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 Committee (RC). Alco, and consequently the Company's Executive Committee, must then make an explicit judgement on whether or not to maintain the position. The positions maintained are also reported to the Risk Committee of the Board of Directors.

Every year, credit analysis of the banking and corporate counterparties is carried out. The results of rating reviews are discussed in the monthly RC, which reports to Alco. This committee ratifies proposed ratings or decides on the assignment of internal ratings, following a well-defined governance framework and with two separate decision levels. The internal ratings are relevant in the acceptance framework and are also used for monitoring, with the investment portfolios subjected to a thorough analysis on a quarterly basis. This analysis forms the basis of regular reporting to, and discussion within, Alco, the Executive Committee and the Risk Committee of the Board of Directors.

Internal models for credit risk

Argenta Spaarbank has opted, for its mortgage lending, subject to non-material exceptions, and for banking and corporate counterparties, to use internal ratings and to calculate its own capital requirements using the IRB(F) method. This means that a risk category is assigned to each loan when granted. To this end, the bank has, where applicable, itself developed one or more models. 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 system has been selected, both a PD model and an LGD model have been developed. Every month, the PD and LGD models are applied to the total mortgage loan portfolio in order to calculate the capital requirement for unforeseen losses. For banking and corporate counterparties, this is a FIRB approach, where only a PD model has been developed.

The internal rating models are subjected to appropriate internal review on an at least annual basis.

Maximum credit risk

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 Capital Regulation (Basel). The table below shows the outstanding credit risk of the Bank Pool pool as reported in the prudential COREP tables. The Pillar 3 Disclosures give further information and interpretation of the total exposure.

Total exposure to credit risk	31/12/2016	31/12/2017
Total on-balance sheet	35,996,526,393	37,411,433,657
Total off-balance sheet	1,787,783,451	2,224,458,672
Total derivatives	185,611,883	287,056,458
	37,969,921,727	**39,922,948,786**

Concentration of credit risk

Concentration is caused by lending to an individual counterparty or a group of related counterparties (single name concentration or counterparty concentration) or by an uneven distribution across sectors or countries/ regions (sector concentration). The latter occurs when significant risk positions are taken on groups of counterparties whose probability of default and/or loss in case of default is driven by common underlying factors.

The table below shows the percentage of the different types of loans and receivables within the 'loans and receivables from other customers' heading. The 'other loan receivables' contains a limited MBS portfolio.

	31/12/2016		31/12/2017	
	Carrying values	Percentage distribution	Carrying values	Percentage distribution
Consumer loans	97,669,919	0.37%	114,057,678	0.41%
Mortgage loans	26,024,523,154	98.13%	26,957,897,483	97.54%
Long-term loans	374,179,424	1.41%	545,857,794	1.98%
Advances/overdrafts	3,633,163	0.01%	2,595,185	0.01%
Other loan receivables	21,600,896	0.08%	17,031,178	0.06%
	26,521,606,556	**100.00%**	**27,637,439,318**	**100.00%**

Potential concentration risks resulting from the presence in only two mortgage markets (Belgium and the Netherlands) are tempered (i) by the granular nature of these portfolios, consisting of a very large number of loans each individually carrying a very limited credit risk, (ii) by to the day-to-day monitoring of the evolutions in the Dutch and Belgian mortgage and residential real estate markets, and (iii) by the diversification in the age of the credit, the demographic spread and the regional spread within Belgium and the Netherlands.

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 as of 31 December 2016 of bonds of 'public authorities'. At the end of 2017, this has shifted to the securities of other counterparties. The 'securities – other counterparties' category has risen from 36.41% to 43.24%. The 'credit institutions' category represents 23.39% as of 31 December 2017.

	31/12/2016		31/12/2017	
	Carrying values	Percentage distribution	Carrying values	Percentage distribution
Fixed-income securities				
- public authorities	3,130,232,096	40.76%	2,629,943,010	33.29%
- credit institutions	1,750,588,189	22.80%	1,847,703,787	23.39%
- securities other counterparties	2,796,060,234	36.41%	3,415,936,485	43.24%
Non-fixed-income securities				
- investment funds/equities	2,159,696	0.03%	6,958,503	0.09%
	7,679,040,215	**100.00%**	**7,900,541,785**	**100.00%**

The following table shows the geographic breakdown (%) of the government bonds classified as 'available-for-sale'. The table below documents a large exposure to Belgium (Company head office location).

	31/12/2016	31/12/2017		31/12/2016	31/12/2017
Belgium	57.16%	51.46%	Romania	0.36%	1.25%
Ireland	9.91%	12.67%	Iceland	1.20%	1.23%
Spain	6.65%	10.38%	Sweden	0.81%	0.97%
Poland	4.70%	5.63%	The Netherlands	4.36%	0.78%
Austria	3.28%	3.90%	Indonesia	0.00%	0.44%
Slovenia	2.12%	2.42%	Mexico	0.24%	0.29%
Latvia	2.16%	2.35%	Hungary	0.00%	0.20%
Czech Republic	1.94%	2.18%	Bulgaria	0.23%	0.00%
Lithuania	2.62%	1.93%	Slovakia	0.67%	0.00%
Germany	1.60%	1.92%	**Total**	**100.00%**	**100.00%**

The 'held-to-maturity assets' item contains securities amounting to EUR 462,780,202 (EUR 425,641,792 as of 31 December 2016), issued mainly by the Belgian federal and regional authorities.

The Company applies concentration limits per counterparty expressed as % of CET1 regulatory core capital. The size of the limit is a function of the creditworthiness of the issue and of the type of counterparty. The diversification and internal ratings of all fixed-income securities are systematically reported and monitored at individual and at portfolio level.

Security and enforcement policy

Personal guarantees or collateral are always required when granting mortgage loans. Under the foreclosure policy, it occasionally happens that certain collateral item is acquired and is recorded in the balance sheet.

For such collateral (the properties on which a mortgage or mortgage mandate is registered) new individual estimates are made periodically using a statistical method and especially when the loans to which the collateral is attached are deemed in default.

If all other means have been exercised to settle a credit which is in default, a private or public sale of the property will be effected and any secondary securities will be enforced. Secondary collateral commonly exists in Dutch credit files. This relates to concerns insurance policies pledged to Argenta and the National Mortgage Guarantee (NHG).

There were 134 private and public sales in 2017 (compared with 222 in 2016), including sales relating to loans with an NHG guarantee in the Netherlands of which the sale proceeds did not cover the full amounts receivable. The total remaining debt amounted here to EUR 2,930,383 (compared with EUR 4,641,850 in 2016).

Thanks to the conservative loan policy and the strict monitoring strategy, loan losses in Argenta's various fields of activity have been low in recent years.

Credit quality

The credit quality of the non-retail portfolios is included in the table below which shows the rating level of the entire 'available-for-sale assets' portfolio. More than 98% of the portfolio has an 'investment grade' rating.

	31/12/2016	31/12/2017
Investment grade	98.62%	98.45%
Below investment grade	1.38%	1.42%
Not rated	0.00%	0.14%
Total	**100.00%**	**100.00%**

Loans and advances in arrears

The Company reviews its portfolio on a regular basis for payment arrears. The table below summarises the financial assets in the 'loans to and receivables from other customers 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 the possible delayed operational processing of instalment payments (including by direct debit).

Per 31/12/2016	<= 90 dagen	90 dagen <> 180 dagen	180 dagen <> 1 jaar	> 1 jaar
Belgium				
Consumer loans	4,398,888	110,654	16,391	18,416
Mortgage loans	762,288,994	14,676,799	2,040,307	4,507,106
Long term loans	14,449,851	141,125	476,955	5,918
Demand deposits	2,281,635	87,309	55,708	1,174,160
Other loan receivables	0	0	0	0
Total Belgium	**783,419,368**	**15,015,887**	**2,589,361**	**5,705,600**
The Netherlands				
Mortgage loans	92,525,091	20,560,858	13,859,633	6,014,555
Total the Netherlands	**92,525,091**	**20,560,858**	**13,859,633**	**6,014,555**
Total	**875,944,459**	**35,576,745**	**16,448,993**	**11,720,154**

Per 31/12/2017	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 jaar
Belgium				
Consumer loans	2,266,074	16,617	0	13,937
Mortgage loans	733,015,070	18,919,056	3,392,792	1,752,769
Long term loans	14,602,547	272,754	125	0
Demand deposits	1,441,978	52,000	78,787	1,037,343
Other loan receivables	0	0	0	0
Total Belgium	**751,325,669**	**19,260,427**	**3,471,704**	**2,804,049**
The Netherlands				
Mortgage loans	95,216,076	19,100,331	9,572,367	4,798,745
Total the Netherlands	**95,216,076**	**19,100,331**	**9,572,367**	**4,798,745**
Total	**846,541,744**	**38,360,759**	**13,044,071**	**7,602,795**

Effective arrears (capital and interest)

The tables below summarise the effective arrears (principal and interest), in other words, which arrears are effective (i.e. 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.

Per 31/12/2016	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 jaar
Belgium				
Consumer loans	384,324	4,793	1,963	1,098
Mortgage loans	7,885,241	183,088	317,281	196,833
Long term loans	187,208	8,936	12,162	1,438
Demand deposits	2,281,635	87,309	55,708	1,174,160
Other loan receivables	0	0	0	0
Total Belgium	**10,738,408**	**284,126**	**387,114**	**1,373,529**
The Netherlands				
Mortgage loans	777,496	740,705	466,342	680,738
Total the Netherlands	**777,496**	**740,705**	**466,342**	**680,738**
Total	**11,515,904**	**1,024,831**	**853,456**	**2,054,267**

Per 31/12/2017	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 jaar
Belgium				
Consumer loans	67,289	788	0	5
Mortgage loans	6,608,339	233,180	79,516	86,625
Long term loans	193,459	9,407	125	0
Demand deposits	1,441,978	52,000	78,787	1,037,343
Other loan receivables	0	0	0	0
Total Belgium	**8,311,065**	**295,375**	**158,428**	**1,123,973**
The Netherlands				
Mortgage loans	436,371	319,508	305,764	330,329
Total the Netherlands	**436,371**	**319,508**	**305,764**	**330,329**
Total	**8,747,436**	**614,883**	**464,193**	**1,454,302**

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 gives an overview of the financial asset categories and respective sub-categories in which individually determined impairments have been recognised.

A loan receivable is considered to be in default as from 90 days in arrears for a material exposure (in practical terms 3 monthly instalments for the retail credit portfolios), and also where there are a number of signals, other than arrears, that the borrower will be unable to meet his obligations. Impairments are determined based on the difference between outstanding defaulted receivables and the expected recoveries.

	gross book value of impaired assets 2016	individually assessed impairments on assets in 2016	gross book value of impaired assets 2017	individually assessed impairments on assets in 2017
Available-for-sale financial assets				
Fixed-income securities	2,066,971	156,590	0	0
Public institutions	0	0	0	0
Credit institutions	0	0	0	0
Securities of other counterparties	2,066,971	156,590	0	0
Non-fixed-income securities	0	0	0	0
Total for available-for-sale financial assets	**2,066,971**	**156,590**	**0**	**0**
Loans and receivables				
Consumer loans	1,994,982	2,019,249	1,646,124	1,669,253
Mortgage loans	187,415,469	22,394,762	138,974,018	17,367,247
Long-term loans	3,415,567	398,600	2,057,197	337,798
Advances/overdrafts	1,060,064	938,951	1,083,189	956,967
Other loan receivables	0	0	0	0
Total loans and receivables	**193,886,083**	**25,751,562**	**143,760,528**	**20,331,265**

At the end of 2016, EUR 25,751,562 of impairments had been recorded on individual items in the loans and receivables portfolio. There were also individual impairments in the AFS portfolio. At the end of 2017, there were still EUR 20,331,265 of impairments recorded on individual items in the loans and receivables portfolio.

The following tables show the changes to the individual impairments for the 2016 and 2017 financial years. These consist of additions to and appropriations of the impairments.

Further details on the overall earnings impact (including direct write-downs and recoveries) are to be found in Note 35.

	Opening balance 31/12/2015	Increase via P&L	Decrease via P&L	Closing balance 31/12/2016
Available-for-sale financial assets				
Fixed-income securities	1,935,920	0	1,779,330	156,590
Public institutions	0	0	0	0
Credit institutions	0	0	0	0
Securities of other counterparties	1,935,920	0	1,779,330	156,590
Non-fixed-income securities	0	0	0	0
Total for available-for-sale financial assets	**1,935,920**	**0**	**1,779,330**	**156,590**
Loans and receivables				
Consumer loans	2,613,224	235,689	829,664	2,019,249
Mortgage loans	24,930,739	18,509,713	21,045,689	22,394,763
Long-term loans	339,962	344,556	285,918	398,600
Advances/overdrafts	1,277,134	-1,178,726	-840,544	938,952
Other loan receivables	899	0	899	0
Total loans and receivables	**29,161,958**	**17,911,232**	**21,321,626**	**25,751,564**

	Opening balance 31/12/2016	Increase via P&L	Decrease via P&L	Closing balance 31/12/2017
Available-for-sale financial assets				
Fixed-income securities	156,590	0	156,590	0
Public institutions	0	0	0	0
Credit institutions	0	0	0	0
Securities of other counterparties	156,590	0	156,590	0
Non-fixed-income securities	0	0	0	0
Total for available-for-sale financial assets	**156,590**	**0**	**156,590**	**0**
Loans and receivables				
Consumer loans	2,019,249	71,155	421,151	1,669,253
Mortgage loans	22,394,763	12,769,247	17,796,763	17,367,247
Long-term loans	398,600	3,306	64,108	337,798
Advances/overdrafts	938,952	474,198	456,183	956,967
Other loan receivables	0	0	0	0
Total loans and receivables	**25,751,564**	**13,317,906**	**18,738,205**	**20,331,265**

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.

The table below gives the exposure at default (EAD) and the collective impairments (IBNR) recognised at year-end for the retail portfolio.

Portfolio	31/12/2016		31/12/2017	
	EAD	IBNR	EAD	IBNR
Port. Aspa Belgium	9,937,803,067	1,414,297	10,845,960,462	968,861
Port. Aspa the Netherlands	15,457,089,202	8,236,332	14,181,923,351	4,642,805
Green Apple	0	0	1,329,145,108	347,087
Port. CBHK	300,604,257	346,454	250,951,386	281,944
Total		**9,997,083**		**6,240,696**

The IBNR impairments have fallen from EUR 9,997,083 as of 31 December 2016 to EUR 6,240,696 at the end of 2017, due to the better economic situation and the further improvement of market prices in the Netherlands.

Forbearance

On the basis of the EBA definition of forbearance, the necessary policy documents have been developed at the Company. The loans in question are flagged in the credit systems.

Forbearance loans relate in particular to refinancing and extensions due to financial difficulties of the borrower.

	31/12/2016	31/12/2017
Total exposures with forbearance measures	45,830,530	75,814,277
Performing exposures with forbearance measures	23,163,109	38,094,870
Non-performing exposures with forbearance measures	22,667,421	37,719,407
Accumulated impairments and provisions	2,194,635	3,243,665
Collateral received on exposures with forbearance measures	43,023,379	69,704,788

The forbearance files designated as non-performing are always subject to ‘individual assessment’. This table includes, for all forbearance files, the amount of collateral received. This demonstrates the existence here of significant collateral back-up.

5.4. Operational risk

All businesses carrying out activities of any kind have to contend with an operational risk. Financial institutions and groups are no exception.

Argenta's activities depend on the ability to process a very large number of transactions efficiently, accurately and in accordance with internal policies and external legislation and regulations. Operational risks and losses result from inadequate or failed internal processes (such as processes not aligned with the legal requirements), human actions (including fraud and employee errors) and systems (such as system failure) or due to external events (such as natural disasters or malfunctions of external systems, including those of the Company's suppliers or counterparties). The impact may consist of financial or reputational loss.

Argenta's fairly limited number of products and services allows the operational risks to be kept limited. 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 allow Argenta to exclude all these operational risks in a completely effective manner. However, within the overall risk appetite framework, these risks too are managed in a structured way.

The risk appetite for operational risks with risk limits is an integral part of the ORM policy (including the calculation of capital requirement for operational risks, with complementary scenario analyses performed here).

The quarterly reporting on operational risks includes at least the following elements:

- Operational incidents occurring and producing financial and/or reputational loss are recorded in an incident & loss database (Pentana), classified by department, sub-domain, activity, Basel risk category and cause. The measuring process, collection of loss data and reporting of operational losses is done in a uniform manner for the various Argenta Group entities.
- Operational risks are moreover actively tracked using a set of Key Risk Indicators, which are evaluated quarterly at the Operational Risk Committee (Orco). These also form the basis for one of the qualitative RAF limits.

Risk & Control Self Assessments (RCSAs) are also organised on a periodic basis for identifying and assessing the main risks for a specific process. The results may lead to specific action plans, or for example setting up a KRI).

At least once a year each department formally evaluates its internal control maturity ('COSO evaluation'). The maturity score is obtained by completing the COSO questionnaire (supported by requested supporting documents). The questionnaire is based on the international COSO framework and asks questions about the various COSO components, including control environment, risk management and control measures. This COSO maturity score also forms the basis for one of the qualitative RAF limits

In addition, every year a scenario analysis is done, where Executive Committee members define general business-wide scenarios that can have a major impact on Argenta. These scenarios are used for the calculation of capital under ICAAP.

5.5. Other risks

The risks of Argenta for which no capital requirement is calculated are classified in the “other” risks category. These include, for example, the following risks: concentration risk, country risk, capital risk, model risk, reputational risk, regulatory risk, strategic risk and contagion risk. The risk mapping is submitted annually to the Risk Committee of the Board of Directors. The risks were assessed during workshops with the Executive Committee and the management teams. The risks arising from these assessments are always included in other defined risks, or are sufficiently mitigated by means of processes, as a result of which no additional capital needs to be set aside in respect of them. For Argenta Spaarbank, capital is set aside for business risk under ICAAP.

5.5.1. Strategic risk

Strategic risk is the risk of loss or of adverse change in the financial situation as a direct or indirect result of business decisions, implementation of decisions, or lack of responsiveness to changing market conditions (both commercial and financial).

Argenta Group makes resources available for achieving the strategic objectives as defined in the business strategy. These resources include communication channels, systems, human resources, networks, and management time and skills. The strategic goals are defined by the Executive Committee, approved by the Board of Directors, and monitored on a regular basis.

The ultimate fulfilment of the business strategy depends on the adequacy of the resources made available and on the way these resources are used.

5.5.2. Reputational risk

The Argenta Group is constantly exposed to the risk of loss or of adverse change in its financial situation resulting, directly or indirectly, from changes in its reputation or standing caused by an altered perception its image by its various stakeholders (including customers, counterparties, shareholders and regulators).

This is a second-order risk; in other words, a risk that derives from another risk but which has its own impact. The Argenta Group considers this as a vertical risk, in the sense that it is a risk that interlinks with all other risks. By monitoring and managing the other risks, reputational risk is also kept under control.

5.5.3. Regulatory risk

The regulatory risk is the risk of loss or adverse change in the financial situation, as a direct or indirect result of future legislative or regulatory changes. Wherever it operates, the Company is subject to the laws, regulations, administrative measures and policy regulations governing the provision of financial services.

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 Argenta Group works in close dialogue with the regulators and continuously monitors the situation and future changes to the regulations, policy here can be unpredictable.

6. Solvency and capital management

Capital risk or solvency risk is the risk of available capital falling short of the capital required by the activities and size of the company, and being unable to obtain the necessary additional capital at short notice and at a reasonable cost. To monitor this risk, systematic comparisons are made with the regulatory requirements and internal objectives.

6.1. Capital management

The goal of the Company's risk management is to achieve the best possible capital structure, while continuing to meet the statutory and internally-set capital objectives. The Company has implemented adequate procedures and systems to guarantee its long-term capital adequacy, while taking into account all material risks.

The Company has always pursued a policy of self-financing. To retain a level of capital that provides sufficient scope for growth and to be able to carry the financial and operational risks, the Company aims to meet the potential capital requirements by (a) retained earnings, (b) capital increases and (c) subordinated loans.

6.2. Regulations

The Company is covered by the CRR and CRD IV legislation. Information on pillar 1 (minimum capital requirements) and pillar 2 (SREP process, including details of interest rate, liquidity and concentration risk) is included in these financial statements. The pillar 3 disclosures of the Bank Pool are published separately on the Company's website, with part of this information taken from the present financial statements.

The Company uses the (F)IRB method for the retail mortgage portfolios, the MBS portfolio and the 'corporates and banks' portfolio, and the standard STA method for the remaining exposures. As a result of the Basel rules applicable to the transition from the STA to the IRB method, the qualifying equity needs to be at least 80% of the required equity, calculated according to Basel I principles (Basel floor).

Legal capital requirements

The Pillar I requirements impose a minimum solvency ratio of 4.5% of the common equity tier 1 (CET1), of 6% for the total Tier 1 ratio, and of 8% for the total capital ratio. The regulators have the possibility to impose a number of additional buffers:

- A capital conservation buffer: an additional CET1 requirement of 2.50% that will be phased in until 2019. For 2017, the buffer is 1.25% (1.875% in 2018).
- A counter-cyclical capital buffer: both the Belgian and the Dutch regulator have currently set the percentage at 0%.
- A buffer for systemically important institutions: the Belgian regulator has designated the Company as O-SII or 'other system-relevant institution', as a result of which the Company is subject to an additional CET1 requirement of 0.75% that will be phased in until 2018. For 2017, the buffer is 0.50% (0.75% in 2018).
- A Pillar 2 requirement (P2Requirement) and Pillar 2 recommendation (P2Guidance).

In the framework of the SREP (Supervisory Review and Evaluation Process), the competent supervisor (in this case the ECB) can impose higher minimum ratios (Pillar 2 requirement) as a result of the assessment of the robustness of the business model, the adequacy of the risk governance and the adequacy of the capital and liquidity situation.

The ECB's SREP resulted in 2017 in a capital decision imposing a P2R (pillar 2 capital requirement) of 1.75% CET1 requirement. In the SREP, the JST also pays attention to the internal monitoring of ICT risk control / operational risk management.

The CET1 (Common Equity Tier 1) requirement under IRB for 2018 amounts to 10.375%, including 1.5% Alternative Tier 1 substitution.

The minimum solvency ratios increased by the Pillar 2 recommendation (P2Guidance) define an early warning limit with an escalation obligation to the supervisor.

Internal capital requirements

In the internal process of assessment of capital adequacy (ICAAP - Internal Capital Adequacy Assessment Process for the Bank Pool) all material risk factors are modelled. In this way, a more complete picture is obtained of the economic capital requirement.

The ICAAP process aims to identify and quantify all material risks, so that the adequacy of the available capital can be assessed and the required capital can be allocated to the business and product lines.

The economic capital process consists of the following steps:

- identification and assessment of the material risks;
- calculation of the required economic capital;
- calculation of the available economic capital;
- calculation of the current and future capital adequacy;
- allocation of the capital requirements across the business lines and product groups.

This means that in all circumstances (stress scenarios) the capital requirements of the Company are satisfied with an adequate degree of certainty.

6.3. Solvency

The table below shows the composition of the qualifying equity. The IFRS equity capital serves as the starting point for arriving at the regulated qualifying own funds.

Composition of qualifying own funds	31/12/2016	31/12/2017
Equity attributable to the shareholders	1,841,199,853	1,971,512,441
Minority interests	60,525	43,643
Total equity	1,841,260,378	1,971,556,084
Prudential filters		
Intangilbe assets	-37,510,847	-41,980,259
Revaluation surpluses	-88,993,470	-87,020,883
Cash flow hedge	13,979,775	10,941,067
'Prudent valuation' deduction	-2,671,859	-6,330,361
Own credit risk (DVA) deduction	-10,016,279	-6,595,614
Inclusion latent values	18,426,855	69,616,706
Non-inclusion minority interests	-60,525	-43,643
Total qualifying own funds sensu stricto (Basel I 80% floor)	**1,734,414,028**	**1,910,143,098**
IRB shortfall	-7,690,409	-14,907,218
Total qualifying own funds sensu stricto (CET 1 IRB)	**1,726,723,619**	**1,895,235,880**

The Pillar 3 disclosures contain a more detailed explanation of the respective deductions.

The table below shows the regulated qualifying equity and the items used in arriving at the equity ratios.

	31/12/2016	31/12/2017
Common equity tier 1 (IRB)	1,726,723,619	1,895,235,880
Tier1 capital (IRB)	1,726,723,619	1,895,235,880
Own funds (IRB)	2,222,835,022	2,392,184,698
Risk exposure amount (B1 - floor)	9,153,534,688	10,456,343,693
Risk exposure amount (IRB)	6,718,845,411	7,382,269,776
CET1 ratio (B1 - floor)	18.95%	18.27%
Tier1 capital ratio (B1 - floor)	18.95%	18.27%
Total capital ratio (B1 - floor)	24.37%	23.02%
CET1 ratio (IRB)	25.49%	25.67%
Tier1 capital ratio (IRB)	25.49%	25.67%
Total capital ratio (IRB)	32.67%	32.40%

The minimum requirement for the Bank Pool in the SREP is the same as that imposed on the Company. This is 8.875% for CET1 and 12.375% for TCR.

The Bank Pool therefore amply meets the statutory capital requirements. A more detailed explanation of the Company's capital adequacy can be found in the Pillar 3 disclosures, which are posted on the Argenta website.

7. Remuneration of directors

The composition of the Boards of Directors and the remuneration paid to the directors concerned are given below.

7.1. Composition of the Boards of Directors

The Boards of Directors of the Company and of the other Argenta Group companies have similar structures. They include in each case:

- the members of the Executive Committee of the company concerned (the executive directors);
- a number of independent directors;
- a number of directors representing the shareholders (together with the independent directors, the non-executive directors).

The number of directors for every Board of Directors should preferably not exceed fifteen.

Members of the Board of Directors must be natural persons. In principle, directors' mandates are for six years and are renewable.

The following age limits apply for directors:

- executive directors are legally required to resign on reaching the age of 65;
- non-executive directors resign automatically on reaching the age of 70;
- directors reaching the age limit may continue to exercise their mandates until a successor has been appointed.

The Board of Directors may permit exceptions to these rules on a case-by-case basis.

The Boards of Directors are composed in such a way that none of the three distinct groups in them (the directors representing the shareholders, the independent directors, and the directors on the Executive Committee) has a majority. The majorities of the Boards are always formed by non-executive 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 526ter of the Companies Code.

The Boards of Directors of the Company, Argenta Group and Argenta Spaarbank each have a number of independent directors, with at least one independent director of the Company not sitting on the board of Argenta Assuranties, and vice versa. The independent directors of the Company and Argenta Assuranties may be, but are not necessarily, members of the Board of Directors of the Company.

The governance rules concerning independent directors seek 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.

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

The 'Suitability of Key Executives' Charter produced for the Argenta Group, including the foreign subsidiary AAM and the Dutch branch offices, sets out the governance and structured framework that Argenta has put in place to ensure the suitability of its 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 'expertise' and 'professional integrity' required of executive committee members, directors, heads of independent control functions and effective senior managers of financial institutions.

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

In addition to assessing the suitability of individual directors based on the stated eligibility criteria, the Board also periodically evaluates its operation, its performance and the performance of individual directors.

An assessment of the working and effectiveness of the Board of Directors took place at the end of 2016. The results were presented in April 2017 and the necessary actions were taken. A further investigation is planned for 2018.

Each director is encouraged to organise his personal and professional activities in such a way as to avoid conflicts of interest with the Argenta Group (in line with Article 523 of the Companies Code.) The Boards of Directors of the Argenta Group companies have in their internal rules of procedure established policies, including organisational and administrative arrangements (including keeping information on the application of the same), and procedures for identifying and forestalling conflicts of interest or, where this is not reasonably possible, managing the conflicts of interest without harming the interests of customers.

The description below gives the composition of the Boards of Directors of the Bank Pool companies.

Composition of the board of Argenta Asset Management on 31/12/2017
Chair: M. Lauwers
Directors: S. Duchateau, G. Wauters, A. Coppens

Composition of the board of Argenta Spaarbank on 31/12/2017
Chair: J. Cerfontaine
Directors representing the family shareholder: B. Van Rompuy, D. Van Rompuy, E. Walkiers and M. van Heel
a director representing the Argen-Co shareholders: C. Van Hulle
the independent directors W. Van Pottelberge, R. Vanderstichele and C. Henriksen
the executive directors: M. Lauwers, CEO, G. Ameloot, CFO, G. Wauters, CRO, A. Coppens, CCO, A. Brands, COO and G. Van Hove, CIDO

7.2. Remuneration of executive management

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.

Remuneration of the non-executive directors
The remuneration of the non-executive members of the Board of Directors of the Argenta Group companies consists solely of a fixed remuneration established by the respective general meetings. They do not receive variable remuneration of any kind. This remuneration is the same for all independent directors and directors representing the shareholders.

Non-executive directors receive an additional fee for each meeting attended when participating in special committees set up within the Board of Directors (Audit Committee, Risk Committee, Appointments Committee, Remuneration Committee). This fee is the same for all members of such a committee, but with the chair receiving a higher fee.

The chair of the respective Boards of Directors is a director representing the family shareholder. He receives a fixed remuneration which differs from that of the other non-executive directors. He receives no additional fees per attended meeting. Besides the fixed annual remuneration, the Chairman of the Board also enjoys the benefits of an IPT (Individual Retirement Commitment).

No severance pay exists for non-executive Board members.

Remuneration of executive directors
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 inconsistent with the Argenta Group's long-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. The remuneration is the same for all members of the Executive Committees, with the exception of the Chairman.

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

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

The reporting below covers the remuneration of the executive directors of the Argenta Group, regardless of the company that actually paid the remuneration.

In 2017, the basic salary of Marc Lauwers (CEO of Argenta and chairman of the Executive Committees Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties) amounted to EUR 613,200. This is an increase of 2.2% compared with 2016. The CEO's pay is 11.26 times the median pay at Argenta. Added to this in 2017 was a contribution to the supplementary pension and disability group policies amounting to EUR 95,451 (EUR 57,665 in 2016).

In 2017, the total direct remuneration of the executive directors/Executive Committee members of the Argenta Group (excluding that of the CEO), amounted to EUR 1,562,543 (EUR 1,325,045 in 2016). Contributions to the group supplementary pension and disability policies in respect of the Executive Committee members, excluding those of the CEO, amounted to EUR 254,620 (EUR 214,325 in 2016).

The median base salary at Argenta Bank- en Verzekeringsgroep in 2017 amounted to EUR 54,410.70. The median salary increase compared to 2016 amounts to 1.73%.

In 2017 severance payments totalling of EUR 476,625 were made to Executive Committee members (EUR 656,130 in 2016).

Executive directors are 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 the mandate 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.

If the appointment as a director and the appointment to the Executive Committee are revoked by Argenta other than for serious misconduct or are renewed other than for serious misconduct, the Director is entitled to a severance payment equal to eighteen (18) months' remuneration. 'Serious misconduct' within the meaning of this provision is understood a serious breach, shortcoming or negligence by the Director with regard to the obligations arising out of or relating to the mandate, or adversely affecting the same, with the result that the requisite confidence of Company in the Director for the exercise of the mandate can no longer be maintained.

8. Remuneration of the statutory auditor

The fees of the statutory auditor and of entities related to the statutory auditor are monitored at consolidated level by the Audit Committee. Additional audit activities and consultancy assignments are approved in advance by the Audit Committee in accordance with Article 5, § 4 of Regulation (EU) No 537/2014.

The total amount of the fees for non-prohibited non-audit services provided by the statutory auditor (excluding those provided by the statutory auditor's network) may not exceed, for all Argenta group companies together and during the three years of the statutory auditor's mandate, seventy per cent of the total amount of fees for the statutory audit.

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 (excluding VAT) for 2016 and 2017 breaks down (in accordance with Article 134 of the Companies Code) into:

- fees for audit assignments: these include the fees for the auditing of the statutory (unconsolidated) and consolidated financial statements and other reporting assignments: EUR 308,616 in 2017 and EUR 299,627 in 2016.
- fees for other assignments:
  EUR 389,530 in 2017 in respect of additional auditing activities, tax-related work and smaller ad hoc assignments (EUR 415,513 in 2016).

9. Related party transactions

As part of its business, the Company regularly undertakes business transactions with related parties. These transactions relate mainly to loans, deposits and insurance. They are in all cases carried out at arm's length.

The tables below provide an overview of the financial scope of the activities undertaken with the related parties. The relationships between the parent and its subsidiaries are described in Note 1 (general information).

2016 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances	0	0	0
Demand deposits	0	0	0
Instalment loans	0	0	148,438
Consumer loans	0	0	0
Mortgage loans	0	166,551	156,390
Other receivables	61,080	0	3,898,765
Total assets	**61,080**	**166,551**	**4,203,593**
Liabilities: financial liabilities measured at amortised cost	0	0	0
Deposits	85,133,013	1,145,169	412,675,847
Debt certificates	0	0	998,500
Subordinated liabilities	0	0	0
Other liabilities	873,248	0	0
Total liabilities	**86,006,261**	**1,145,169**	**413,674,347**
Guarantees issued by the group	0	0	0
Guarantees received by the group	0	0	0

2017 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances	0	0	0
Demand deposits	0	0	0
Instalment loans	0	0	97,177
Consumer loans	0	0	0
Mortgage loans	0	591,119	412,511
Other receivables	439,470	0	3,066,987
Total assets	**439,470**	**591,119**	**3,576,675**
Financial liabilities measured at amortised cost	0	0	0
Deposits	77,015,927	972,891	407,233,010
Debt certificates	0	0	0
Subordinated liabilities	0	0	0
Other liabilities	1,064,578	0	24,916,457
Total liabilities	**78,080,505**	**972,891**	**432,149,467**
Guarantees issued by the group	0	0	0
Guarantees received by the group	0	0	0

As explained, the holding company is BVg, the Company's parent company, above it is the family holding Investar. The 'parent company' column contains the data in respect of both holding companies.

The 'managers in key positions' column includes information in respect 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.

2016 income statement	Parent company	Managers in key positions	Other related parties
Expenses	0	0	0
Interest expenses	204,735	2,637	66,964
Fees and commissions	0	0	10,582,663
Insurance premiums	0	0	0
Provision of services	0	0	1,989,753
Other	6,903,497	0	1,089,428
Total expenses	**7,108,232**	**2,637**	**13,728,808**
Income	2,889	0	0
Interest income	0	2,787	211,233
Fees and commissions	0	0	0
Other	637,482	0	29,395,244
Total income	**637,482**	**2,787**	**29,606,477**

2017 income statement	Parent company	Managers in key positions	Other related parties
Expenses	0	0	0
Interest expenses	33,899	395	8,260
Fees and commissions	0	0	12,305,658
insurance premiums	0	0	0
Provision of services	0	0	0
Other	9,614,715	0	0
Total expenses	**9,648,614**	**395**	**12,313,918**
Income	310	0	0
Interest income	0	5,902	182,037
Fees and commissions	0	0	0
Other	528,202	0	30,313,368
Total income	**528,202**	**5,902**	**30,495,405**

No impairment losses were recognised in 2016 and 2017 on balance sheet items involving related parties.

Note on loan sale from the Company to its sister entity Aras

Since 2013 sale of loans have taken place between the Company and sister entity Aras. This is covered by a framework agreement, and a RACI (Responsible – Accountable – Consulted – Informed) has been established. Based on this RACI 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 loans through the Dutch branch which are then taken over definitively by Aras. The definitively transferred credits involved and the attendant settlement of transaction costs are not included in the above tables.

Note on compensation – executive directors

The remuneration of the executive directors has already been described in Note 7. The table below sums the remuneration of the executive directors at Argenta level. No post-departure remuneration has been paid.

Remuneration of the executive directors	2016	2017
Severance compensation	656,130	476,625
Salaries and directors' fees	1,639,262	2,185,000
Total	**2,295,392**	**2,661,625**

10. Operating 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 undertakes 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 organisation through the existence of Argenta Spaarbank nv in Belgium, a branch office in the Netherlands (part of Argenta Spaarbank nv) and a subsidiary Argenta Asset Management (AAM) in Luxembourg. 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'. Until further notice this is treated in the internal reporting as a single operational segment. In 2017, lending to local and regional authorities was further embedded. These loans are considered as an additional investment (asset) category.

Information on geographical regions

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

Consolidated balance sheet	Belgium	The Nether-lands	Luxembourg	31/12/2016
Assets				
Cash, cash balances at cental banks and other demand deposits	865,250,844	40,346,874	224,197	905,821,915
Financial assets held for trading	9,322,870	0	0	9,322,870
Financial assets designated at fair value with valuation changes through profit or loss	0	0	0	0
Available-for-sale financial assets	7,679,040,215	0	0	7,679,040,215
Loans and receivables	10,956,528,232	15,550,594,705	14,483,619	26,521,606,556
Derivatives used for hedging	49,455,484	0	0	49,455,484
Financial assets held to maturity	425,641,793	0	0	425,641,792
Fair value changes of the hedged items	310,184,988	0	0	310,184,988
Buildings, land and equipment	11,881,894	564,050	31,186	12,477,129
Investment properties	1,450,009	0	0	1,450,009
Goodwill and other intangible assets	56,790,960	0	0	56,790,960
Tax assets	1,305,542	4,659,925	17,085	5,982,552
Other assets	124,857,917	30,098,889	5,888,476	160,845,281
Available-for-sale assets	17,709,200,00	0	0	17,709,200,00
Total assets	**20,509,419,947**	**15,626,264,443**	**20,644,563**	**36,156,328,951**

Liabilities and equity	Belgium	The Nether-lands	Luxembourg	31/12/2016
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	4,434	0	0	4,434
Financial liabilities measured at amortised cost	30,664,903,379	2,822,717,445	0	33,487,620,824
Derivatives used for hedging	538,952,576	18,639,700	0	557,592,276
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	0	0	0	0
Provisions	12,050,566	0	0	12,050,566
Tax liabilities	52,520,075	17,127,752	369,575	70,017,402
Other liabilities	137,719,066	46,783,328	3,280,676	187,783,071
Total liabilities	**31,406,150,096**	**2,905,268,225**	**3,650,251**	**34,315,068,573**
Equity attributable to shareholders of the company	1,032,122,513	794,267,166	14,810,174	1,841,199,853
Equity attributable to minority interests	0	18,000	42,525	60,525
Total equity and minority interest	**1,032,122,513**	**794,285,166**	**14,852,699**	**1,841,260,378**
Total liabilities, minority interest and equity	**32,450,434,865**	**3,699,553,391**	**18,502,950**	**36,156,328,951**

Consolidated balance sheet	Belgium	The Nether-lands	Luxembourg	31/12/2017
Assets				
Cash, cash balances at cental banks and other demand deposits	1,023,027,809	45,286,977	681,435	1,068,996,221
Financial assets held for trading	7,959,258	3,513,408	0	11,472,666
Financial assets designated at fair value with valuation changes through profit or loss	0	0	0	0
Available-for-sale financial assets	7,900,541,785	0	0	7,900,541,785
Loans and receivables	12,046,215,700	15,613,311,428	198,190	27,659,725,318
Derivatives, hedge accounting	102,427,643	0	0	102,427,643
Financial assets held to maturity	462,780,202	0	0	462,780,202
Fair value changes of the hedged items	122,822,732	0	0	122,822,732
Buildings, land and equipment	12,303,638	394,299	5,459	12,703,396
Investment properties	1,009,298	0	0	1,009,298
Goodwill and other intangible assets	62,455,431	932,503	76,366	63,464,300
Tax assets	1,160,750	3,879,833	0	5,040,583
Other assets	113,302,340	98,602,930	3,270,524	215,175,794
Available-for-sale assets	0	0	0	0
Total assets	**21,856,006,586**	**15,765,921,378**	**4,231,974**	**37,626,159,937**

Liabilities and equity	Belgium	The Nether-lands	Luxembourg	31/12/2017
Deposits from central banks	0	0	0	0
Financial assets held for trading	0	3,408,123	0	3,408,123
Financial liabilities measured at amortised cost	30,949,919,048	4,062,092,427	0	35,012,011,475
Derivatives used for hedging	369,722,361	14,588,089	0	384,310,450
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	0	0	0	0
Provisions	4,551,650	55,541	0	4,607,191
Tax liabilities	22,200,229	9,565,049	992,002	32,757,280
Other liabilities	146,636,900	69,170,896	1,701,537	217,509,333
Total liabilities	**31,493,030,188**	**4,158,880,125**	**2,693,539**	**35,654,603,852**
Equity attributable to shareholders of the company	1,048,851,488	909,856,950	12,804,003	1,971,512,441
Equity attributable to minority interests	0	0	43,643	43,643
Total equity and minority interest	**1,048,851,488**	**909,856,950**	**12,847,646**	**1,971,556,084**
Total liabilities, minority interest and equity	**32,541,881,676**	**5,068,737,075**	**15,541,185**	**37,626,159,937**

Income statement	Belgium	The Netherlands	Luxembourg	31/12/2016
Financial and operational income and expenses				
Net interest income	332,559,254	246,209,855	32,982	578,802,091
Dividend income	427,846	0	0	427,846
Net income from commissions and fees	-75,959,350	9,741,290	7,275,548	-58,942,512
Gains and losses on financial assets and liabilities held for trading	9,041,307	0	0	9,041,307
Gains and losses on financial assets and liabilities held for trading	-5,078,135	-2,253,853	0	-7,331,988
Result from hedge accounting	4,084,285	0	0	4,084,285
Gains and losses on derecognition of assets other than held for sale	482,279	0	0	482,279
Other operating income	44,031,755	926,122	14,973	44,972,850
Administrative expenses	-243,275,003	-41,281,020	-2,253,037	-286,809,060
Depreciation and amortisation	-26,055,563	-459,373	-70,556	-26,585,492
Provisions	-1,643,778	0	0	-1,643,778
Impairments	1,198,360	-4,449,093	0	-3,250,733
Result on assets classified as held for sale	-3,710,057	0	0	-3,710,057
Net profit or loss (before income tax expenses)	**36,103,200**	**208,433,928**	**4,999,910**	**249,537,038**
Income tax expenses	-5,542,124	-52,472,843	-1,501,655	-59,516,622
Net profit or loss	**30,561,076**	**155,961,085**	**3,498,255**	**190,020,416**

Income statement	Belgium	The Netherlands	Luxembourg	31/12/2017
Financial and operational income and expenses				
Net interest income	283,312,451	211,141,450	-3,512	494,450,389
Dividend income	153,513,00	0	0	153,513,00
Net income from commissions and fees	-73,135,468	13,943,919	9,846,801	-49,344,748
Gains and losses on financial assets and liabilities held for trading	654,004	-1,907,900	0	-1,253,896
Gains and losses on financial assets and liabilities held for trading	18,810,068	0	0	18,810,068
Result from hedge accounting	2,873,055	0	0	2,873,055
Gains and losses on derecognition of assets other than held for sale	43,023	0	0	43,023
Other operating income	41,815,539	1,100,295	996	42,916,830
Administrative expenses	-270,005,871	-42,212,535	-1,357,380	-313,575,786
Depreciation and amortisation	-23,356,481	-264,503	-105,431	-23,726,415
Provisions	9,337,951	0	0	9,337,951
Impairments	3,194,821	3,338,795	0	6,533,616
Result on assets classified as held for sale	565,005	0	0	565,005
Net profit or loss (before income tax expenses)	**-5,738,390**	**185,139,521**	**8,381,474**	**187,782,605**
Income tax expenses	14,543,350	-60,832,745	-2,490,103	-48,779,498
Net profit or loss	**8,804,960**	**124,306,776**	**5,891,371**	**139,003,107**

All transactions between segments are at arm's length. The largest earnings-related transaction between operational segments consists of 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 on products and services

The consolidated IFRS reporting covers, 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 the consolidated internal reporting.

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

Information about important customers

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

Under the various policies the Company currently applies to limit the concentration of credit risk (and implicitly the concentration of income), this 10% would never be reached.

Notes to the consolidated balance sheet

11. Cash, cash balances and deposits at (central) banks

Cash and cash balances with central and other banks (asset side)

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

	31/12/2016	31/12/2017
Cash	46,683,230	61,901,183
Current accounts with central banks	832,289,847	949,284,468
Current accounts with other financial institutions	26,848,839	57,810,570
Total	**905,821,915**	**1,068,996,221**
of which cash and cash equivalents	905,821,915	1,068,996,221

As of 31 December 2016 there was EUR 832,289,847 with central banks. As of 31 December 2017 this figure was EUR 949,284,468. Both figures are 'snapshots' and not representative for the entire year.

A part of this amount consists of the monetary reserves that every financial institution is required to hold with the central bank. There is also a larger amount in anticipation of the purchase of securities or the granting of loans.

In 2016 and 2017, there were no deposits from central banks.

12. Financial assets and liabilities held for trading

The financial assets and liabilities held for trading are composed as follows:

(Unlisted) financial assets	no.	notional	31/12/2016	no.	notional	31/12/2017
Interest rate options– caps	17	4,300,000,000	9,322,870	10	1,550,000,000	8,063,674
Securitisation transactions – caps	0	0	0	1	1,184,000,000	3,408,992
Total fair values			**9,322,870**			**11,472,666**

(Unlisted) financial liabilities	no,	notional	31/12/2016	no,	notional	31/12/2017
Interest rate options– caps	4	550,000,000	4,434	0	0	0
Securitisation transactions – caps	0	0	0	1	1,184,000,000	3,408,123
Total fair values			**4,434**			**3,408,123**

Unlisted (OTC) – interest rate options - caps

Financial assets held for trading include the interest rate options (caps) as they have a positive fair value. Financial liabilities include interest rate options (caps) with a negative fair value.

These interest rate options, purchased over-the-counter (OTC) from other financial institutions, are always entered into in the framework of economic hedges, but hedge accounting cannot be applied to them.
The options serve as protection against the interest rate risk. They are commitments by the seller to pay the buyer an interest rate difference in exchange for a premium paid by the buyer.

In 2016 and 2017 no more caps were done in the context of interest rate risk management at the Company.

Unlisted (OTC) - caps (securitisation transaction)

Under this heading the caps are concluded in the context of a securitisation transaction and that are not accounted for according to hedge accounting principles.

In 2017, a new securitisation transaction was carried out and two caps were done. The difference in the market value of the two swaps is recognised in the income statement.

13. Available-for-sale financial assets

Most of the Company's securities portfolio (equities and bonds) is recorded under this heading.

	31/12/2016	31/12/2017
Total	**7,679,040,215**	**7,900,541,785**
of which hedged via micro hedges (notional amount)	955,569,300	1,175,743,300
Fixed-income securities		
Public institutions	3,130,232,096	2,629,943,010
Credit institutions	1,750,588,189	1,847,703,787
Other loans	2,796,060,234	3,415,936,485
Non-fixed-income securities	2,159,696	6,958,503
Total	**7,679,040,215**	**7,900,541,785**

	31/12/2016	31/12/2017
Geographical breakdown		
Belgium	2,662,687,285	2,310,067,487
European Monetary Union	3,424,341,486	3,884,877,851
Rest of the world	1,592,011,444	1,705,596,447
Breakdown into fixed vs, variable interest securities		
Variable	3,190,281,925	3,238,962,238
Fixed	4,486,598,595	4,654,621,042
Undefined (equities)	2,159,696	6,958,504
Breakdown by residual term or maturity date		
Up to 1 year	1,209,235,568	1,435,482,741
Between 1 and 2 years	1,002,615,239	1,486,875,770
Between 2 and 3 years	1,339,411,802	1,835,082,759
Between 3 and 4 years	1,512,637,606	970,785,139
Between 4 and 5 years	665,079,019	782,932,842
More than 5 years	1,947,901,286	1,382,424,030
Undefined	2,159,696	6,958,504
By earliest interest rate revision or maturity date		
Up to 1 year	4,231,203,097	4,157,671,996
Between 1 and 2 years	686,029,397	761,278,490
Between 2 and 3 years	720,696,903	1,057,397,051
Between 3 and 4 years	994,723,898	378,523,453
Between 4 and 5 years	292,598,968	374,087,739
More than 5 years	751,628,257	1,164,624,551
Undefined	2,159,696	6,958,504
Impairments	**-156,590**	**-5,363**
Effective interest rate of the portfolio at 31/12	**1.24%**	**1.00%**
Used as collateral (notional amount)	**590,469,000**	**498,380,300**
Encumbrance in the event of utilization of the NBB credit line	**250,000,000**	**250,000,000**

Further information on the hierarchy level of the external fair values used is given in Note 24.

Due to the limited ownership of shares and bonds of British origin, Argenta expects that Brexit will have a limited impact on the Argenta group.

A nominal EUR 498,380,300 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 credit line with the NBB of EUR 250 million, for which securities are encumbered as and when this credit line is used.

In 2011, a limited 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 15.3.

The fair value and amortised cost and the related unrealised gains or losses on the 'available-for-sale' assets as of 31 December are as follows:

2016 financial year	Amortised cost	Pro rata interest portion	Unrealised results	Impairment losses	Fair values
Fixed-income securities					
Public authorities	2,911,248,231	39,039,903	179,943,963	0	3,130,232,097
Credit institutions	1,725,612,025	6,269,602	18,706,562	0	1,750,588,189
Securities of other counterparties	2,750,192,882	10,877,589	35,146,352	-156,590	2,796,060,233
Non-fixed-income securities					
Equities	1,784,817	0	311,741	0	2,096,558
Investment funds / Other	62,498	0	640	0	63,138
Total	**7,388,900,453**	**56,187,094**	**234,109,258**	**-156,590**	**7,679,040,215**

2017 financial year	Amortised cost	Pro rata interest portion	Unrealised results	Impairment losses	Fair values
Fixed-income securities					
Public authorities	2,470,472,711	30,172,820	129,297,480	0	2,629,943,010
Credit institutions	1,822,674,321	5,357,545	19,671,920	0	1,847,703,787
Securities of other counterparties	3,364,499,337	13,875,024	37,567,487	-5,363	3,415,936,485
Non-fixed-income securities					
Equities	4,923,155	0	1,291,087	0	6,214,242
Investment funds / Other	743,506	0	755	0	744,261
Total	**7,663,313,030**	**49,405,388**	**187,828,730**	**-5,363**	**7,900,541,784**

The breakdown into public authorities, credit institutions and 'securities other counterparties' or 'other debt securities' is that of prudential reporting at bank-only level.

14. Financial assets held to maturity

This heading contains the purchased bonds that the Company is sure that it will hold to maturity.

	31/12/2016	31/12/2017
Fixed-income securities		
Public authorities	407,869,374	445,054,454
Credit institutions	0	0
Overige leningen	17.772.418	17.725.748
Total	**425,641,792**	**462,780,202**

	31/12/2016	31/12/2017
Geographic breakdown		
Belgium	402,519,118	439,663,220
Europeean Monetary Union	23,122,674	23,116,982
Breakdown into fixed or variable interest rate		
Variable	99,911,727	98,499,229
Fixed	325,730,065	364,280,973
Breakdown by residual term by maturity date:		
Up to 1 year	0	217,626,190
Between 1 and 2 years	217,617,894	37,954,235
Between 2 and 3 years	26,337,459	45,681,380
Between 3 and 4 years	28,194,074	1,001,057
Between 4 and 5 years	1,001,057	0
More than 5 years	152,491,309	160,517,339
By earliest interest rate revision or maturity date		
Up to 1 year	99,911,727	316,125,419
Between 1 and 2 years	217,617,894	26,337,459
Between 2 and 3 years	26,337,459	34,181,174
Between 3 and 4 years	16,693,627	1,001,057
Between 4 and 5 years	1,001,057	0
More than 5 years	64,080,028	85,135,092
Total public and regional authorities (sovereign)	407,869,374	445,054,453
Total other sectors (other MBS, real estate)	17,772,418	17,725,748
Impairments	0	0
Effective interest rate of the portfolio at 31/12	2.33%	2.07%

15. Loans and receivables

15.1. Loans to and advances to credit institutions

Loans and advances to credit institutions are composed as follows:

	31/12/2016	31/12/2017
Total loans and advances to credit institutions	**0**	**22,286,000**
Of which cash and cash equivalents:	0	22,286,000
Impairment losses	0	0
Effective interest rate of the portfolio at 31/12	0.00%	-0.33%

As of 31 December 2017 there was under this heading an amount received in the context of collateral management. It involved a receivable from a credit institution in Belgium with a residual maturity of less than three months.

The other receivables from credit institutions - excluding the purchased securities - are found under 'cash and cash balances with (central) banks'.

15.2. Loans and receivables from other customers

Loans to and receivables from other customers are composed as follows:

	31/12/2016	31/12/2017
Total loans to customers	**26,521,606,556**	**27,637,439,318**
Breakdown by residual term		
Up to 1 year	901,889,182	1,013,279,036
1 to 5 years.	3,453,362,836	3,817,323,306
> 5 year	22,166,354,538	22,806,836,976
Impairments	**35,808,312**	**26,571,957**
Breakdown by loan type		
Consumer loans	97,669,919	114,057,678
Mortgage loans	26,024,523,154	26,957,897,483
Instalment loans	374,179,424	545,857,794
Advances/overdrafts	3,633,163	2,595,185
Other loan receivables - MBS portfolio	21,600,896	17,031,178
Effective interest rate on portfolio as of 31/12	2.89%	2.64%

The mortgage loan portfolio was increased by the additional lending to the Company's retail customers, both in Belgium and the Netherlands.

15.3. Note on the reclassification of the MBS portfolio

On October 1st 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 2016 this negative revaluation reserve amounted still to EUR 4,120,143 (included in equity under 'under other elements of comprehensive income'). Without reclassification, this would have amounted to EUR 760,910. In the IFRS balance sheet, these securities are carried under 'loans and receivables' in an amount of EUR 21,600,896.

As of 31 December 2017 this negative revaluation reserve amounted still to EUR 3,764,472 (included in equity under 'under other elements of comprehensive income'). Without reclassification, this would have amounted to EUR 440,643. In the IFRS balance sheet, these securities are carried under 'loans and receivables' in an amount of EUR 17,031,178.

Note 24.1 gives information on the current market value of this portfolio (under 'other credit receivables - MBS portfolio').

In 2017 there is no interest income received for the securities concerned, in 2016 there was an interest income of EUR 5,437. There were no indications for proceeding to record impairments on individual items.

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

16. 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, subject to certain criteria being met. 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;
- the hedge is effective from the start and is continuously assessed.

Note on macro hedges

First and foremost, the Company applies IAS 39, which has been 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) which fall within the definition of qualifying hedged positions.

The Company performs an overall analysis of the interest rate risk and selects assets (and/or liabilities) that need to 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 checking 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 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 on 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 31).

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 amount to EUR 122,822,732 as of 31 December 2017. What we have here are macro fair value hedges of the interest rate risk on a hedged mortgage portfolio.

Note on micro hedges

The Company also concludes swaps to hedge the interest rate risk on 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 legs 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. As of 31 December 2017, this involved an amount of EUR 65,571,900.

In 2011, a swap was concluded that was recognised in IFRS as a cash *flow hedge* (CFH). This involved 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 term products. Meanwhile, the placement of the term products concerned was also realised. The swap in question had a negative market value of EUR 16,949,422 as of 31 December 2017.

Note on the fair value hedges

The table below summarises the swaps used for hedging and accounted for as fair value hedges. The *cash flow hedge* swap is not included in this list.

Macro hedge - fair value hedging	no.	notional	31/12/2016	no.	notional	31/12/2017
Change in the fair value of hedged positions (L&R)			310,184,988			122,822,732
Derivatives with negative market value (clean price)	36	5,250,000,000	-361,975,359	34	5,050,000,000	-218,148,334
Derivatives with positive market value (clean price)	22	2,100,000,000	51,261,177	33	3,200,000,000	97,538,609

Micro hedge - fair value hedging	no.	notional	31/12/2016	no,	notional	31/12/2017
Change in the fair value of hedged positions (AFS)			93,208,307			65,571,900
Derivatives with negative market value	7	955,569,300	-93,302,229	9	1,075,723,300	-66,467,456
Derivatives with positive market value				1	100,020,000	932,491

The ‘number’ in the above table refers to the number of contracts, and ‘notional’ to the notional amounts of the concluded swaps. Columns 4 and 7 give the clean price of the derivatives involved and the change in the hedged positions.

The ‘macro hedge’ table includes the clean price in order to provide an explanation between the swaps involved in hedge accounting and the change in the fair value of the hedged positions.

Note on totals of derivatives used for hedging

The table below shows the derivative instruments as recognised in the balance sheet, giving additionally the total market value recognised under the applicable IFRS hedge accounting rules.

Market values (dirty price) of derivatives used for hedging	31/12/2016		31/12/2017	
Derivatives used for hedging (assets side)		49,455,484		102,427,643
Fair value macro hedges	49,455,484		101,844,313	
Fair value micro hedges	0		583,330	
Derivatives used for hedging (liabilities side)		557,592,277		384,310,450
Fair value macro hedges	432,634,134		288,705,860	
Fair value micro hedges	103,850,359		78,655,168	
Cash flow hedge	21,107,784		16,949,422	

17. Property, plant and equipment

The property, plant and equipment (measured using the cost price model) as of 31 December 2016 and 31 December 2017 were as follows:

	31/12/2016	31/12/2017
Buildings, land, equipment	12,477,129	12,703,396
Investment properties	1,450,009	1,009,298
Total	**13,927,138**	**13,712,694**
Fair value of investment properties	1,537,465	1,078,713

The portfolio of real estate investments changes mainly as a result of the purchasing and reselling of properties under the mortgage lending foreclosure policy. In addition, periodically a 1% share is purchased in premises that are used as office buildings by self-employed branch managers. These are also accounted for under the investment properties.

The fair value of the real estate investments (level 3) is based on the individual valuation of the respective investments.

	Land Buildings	IT	Other	Total	investment property
Opening balance as of 1/1/2016	**21,921,614**	**4,761,932**	**8,824,465**	**35,508,011**	**1,605,437**
- Investments	541,419	2,049,267	3,109,968	5,700,654	376,735
- Disposals	0	-88	-794,027	-794,115	-535,268
- Depreciation	-1,525,718	-2,591,971	-2,105,951	-6,223,640	-37,030
- Transfers	-21,596,057	0	0	-21,596,057	0
- Other changes	1,006,308	3,182	-1,127,213	-117,722	40,135
Closing balance as of 31/12/2016	**347,566**	**4,222,322**	**7,907,242**	**12,477,130**	**1,450,009**

	Land Buildings	IT	Other	Total	investment property
Opening balance as of 1/1/2017	**347,566**	**4,222,322**	**7,907,242**	**12,477,130**	**1,450,009**
- Investments	0	2,701,391	3,059,548	5,760,939	279,915
- Disposals	-219,607	0	-167,408	-387,015	-670,898
- Depreciation	-5,197	-2,371,301	-2,846,427	-5,222,925	-35,783
- Transfers	-122,762	0	122,762	0	0
- Other changes	0	0	75,266	75,266	-13,944
Closing balance as of 31/12/2017	**0**	**4,552,413**	**8,150,983**	**12,703,396**	**1,009,298**

The amount of buildings and land has reduced to zero owing to the sale of these buildings and land in 2017. Most of the assets in question were recorded at the end of 2016 under 'available-for-sale assets'.

The Board of Directors and Executive Committee of Argenta Spaarbank decided in the fourth quarter of 2016 to initiate the sale of the group of "land and buildings" in question on Belgiëlei 49-53 and 55 and Lamorinièrestraat 39 and 58. The sale to Investar was completed in 2017.

18. Goodwill and 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.

As of 31 December, the other intangible assets included on the basis of the paid costs (cost model) were composed as follows:

	Internally developed software	Other intangible assets	Goodwill	Total
Opening balance as of 1January 2016	**45,865,148**	**4,146,176**	**0**	**50,011,324**
- Separately acquired additions	23,447,501	3,654,901	0	27,102,402
- Retirement and disposal	0	0	0	0
- Recorded amortisation	-18,725,833	-1,598,988	0	-20,324,822
- Impairments	0	0	0	0
- Other changes	639,711	-637,655	0	2,056
Closing balance as of 31 December 2016	**51,226,526**	**5,564,433**	**0**	**56,790,960**

	Internally developed software	Other intangible assets	Goodwill	Total
Opening balance as of 1January 2017	**51,226,526**	**5,564,433**	**0**	**56,790,960**
- Separately acquired additions	19,685,950	5,455,296	0	25,141,246
- Retirement and disposal	0	-199	0	-199
- Recorded amortisation	-16,501,239	-1,966,468	0	-18,467,707
- Impairments	0	0	0	0
- Other changes	610,762	-610,762	0	0
Closing balance as of 31 December 2017	**55,021,999**	**8,442,301**	**0**	**63,464,300**

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

The amount of EUR 18,467,707 for 2017 can be found in the income statement under the amortisation of the assets concerned.

The acquisition price and acquisition costs of acquired software and the capitalised cost of intangible assets are amortised at 20% a year. Other intangible assets are amortised at 10% per annum.

19. Tax assets and liabilities

The tax position can be summarised as follows:

	31/12/2016	31/12/2017
Current tax assets	1,322,627	5,040,583
Deferred tax assets	4,659,925	0
Total tax assets	**5,982,552**	**5,040,583**
Current tax liabilities	17,497,327	992,002
Deferred tax liabilities	52,520,075	31,765,278
Total tax liabilities	**70,017,402**	**32,757,280**
Total globalised deferred taxes	**47,860,150**	**31,765,278**

The breakdown of the deferred taxes can be found in the tables below.

Deferred taxes by type of timing difference	31/12/2015	Change via revaluation reserve	Change via P&L	31/12/2016
Tax assets related to cash flow hedging	4,759,621	-99,696	0	4,659,925
Tax assets related to reclassified assets	2,623,868	-502,316	0	2,121,552
Tax asset related to valuation of swaps and caps	18,052,741	0	-4,255,922	13,796,819
Tax asset associated with non-deductible expenses under local accounting rules	2,968,852	0	1,469,743	4,438,595
Tax asset in respect of other small items	383,075	0	-383,075	0
Total decompensated tax assets	**28,788,157**	**-602,012**	**-3,169,254**	**25,016,891**
Tax liability on available-for-sale assets	51,007,938	-3,220,597	0	47,787,341
Tax liability out of valuation at amortised cost	23,176,329	0	1,684,402	24,860,731
Tax liability in respect of other small items	0	0	228,969	228,969
Total decompensated tax liabilities	**74,184,267**	**-3,220,597**	**1,913,371**	**72,877,041**
Compensated tax debts	**45,396,110**	**-2,618,585**	**5,082,625**	**47,860,150**

The main items in 2016 were a deferred tax liability of EUR 47,787,341 on the positive delta market value of the 'available-for-sale assets', a deferred tax liability of EUR 24,860,731 on the amortised cost of the loans and a tax claim of 18,456,744 relating to the processing of the derivative instruments.

Deferred taxes by type of timing difference	31/12/2016	Change via revaluation reserve	Change via P&L	31/12/2017
Tax assets related to cash flow hedging	4,659,925	-1,012,903	0	3,647,022
Tax assets related to reclassified assets	2,121,552	-866,728	0	1,254,824
Tax asset related to valuation of swaps and caps	13,796,819	0	-6,097,782	7,699,037
Tax asset related to non-deductible expenses under local accounting rules	4,438,595	0	4,553,457	8,992,052
Tax asset related to pension liabilities	0	430,353	163,392	593,745
Total decompensated tax assets	**25,016,891**	**-1,449,278**	**-1,380,933**	**22,186,680**
Tax liability on available-for-sale assets	47,787,341	-16,328,425	0	31,458,916
Tax liability out of valuation at amortised cost	24,860,731	0	-2,367,688	22,493,043
Tax liability in respect of other small items	228,969	0	-228,969	0
Total decompensated tax liabilities	**72,877,041**	**-16,328,425**	**-2,596,657**	**53,951,959**
Compensated tax debts	**47,860,150**	**-14,879,147**	**-1,215,724**	**31,765,279**

The main items in 2017 were a deferred tax liability of EUR 31,458,916 on the positive delta market value of the ‘available-for-sale assets’, a deferred tax liability of EUR 22,493,043 on the amortised cost of the loans, and a tax claim of EUR 11,346,059 relating to the processing of the derivative instruments.

The tax claim of unaccepted costs has increased from EUR 4,438,595 at the end of 2016 to EUR 8,992,052 at the end of 2017. This increase is the result of (a) an inability to use a DBI (definitively taxed income) deduction in Belgium (with the recognition of tax claim of EUR 1.3 million) and (b) a tax carryforwardable loss in Belgium (with the booking of a tax claim of EUR 5.9 million). There are no temporary deductible differences, for which no DTA (deferred tax asset) was created.

Note 36 provides further information of the impact of corporate taxes on the Company’s result.

20. Other assets

The other assets break down as follows:

	31/12/2016	31/12/2017
Prepaid expenses	3,290,740	5,419,849
Other assets in the context of lending	31,064,617	84,189,383
Other assets in the context of securities transactions	5,546,443	5,038,262
Other assets in the context of payment traffic	58,389,519	59,122,495
Suspense accounts	62,553,962	61,405,805
Total other assets	**160,845,281**	**215,175,794**

’Suspense accounts’ contains amounts awaiting definitive allocation.

21. Financial liabilities measured at amortised cost

In summary form (see references in the individual lines)	31/12/2016	31/12/2017
Deposits from credit institutions (see 21.1)	1,389,829	76,393,437
Retail funding deposits (see 21.2)	31,615,282,958	32,427,415,232
Retail funding - debt certificates - retail savings certificates (see 21.3)	1,210,484,036	717,959,678
Debt certificates – bonds (see 21.4)	0	1,193,646,908
Subordinated liabilities (see 21.5)	660,464,000	596,596,220
Total	**33.487.620.823**	**35.012.011.475**

21.1. Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2016	31/12/2017
Deposits from credit institutions	**1,389,829**	**76,393,437**
Geographical breakdown		
Belgium	695,847	1,219,958
Other EMU countries	693,982	75,173,479
Rest of the world	0	0
Breakdown by residual term		
Up to 1 year	1,389,829	76,393,437
Breakdown by type		
Demand deposits	716,060	1,451,462
Repos	0	0
Collateral from financial institutions	673,769	74,941,975
Effective interest rate on portfolio as of 31/12	-0.18%	-0.33%

21.2. Retail funding – deposits

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

	31/12/2016	31/12/2017
Deposits from other than credit institutions	**31,615,282,958**	**32,427,415,232**
Breakdown by type		
Demand deposits	3,547,650,924	4,074,884,558
Fixed-term deposits	3,010,767,803	2,907,221,165
Regulated savings deposits	22,757,401,893	23,075,556,453
Mortgage-linked deposits	438,063,472	441,035,930
Other deposits	1,861,398,867	1,928,717,126
Breakdown of fixed-term deposits by residual term		
Up to 1 year	753,632,386	937,589,385
Between 1 and 5 years	1,899,912,202	1,619,373,584
More than 5 years	357,223,215	350,258,196
Effective interest rate of the portfolio at 31/12	0.34%	0.30%

The portfolio of regulated savings deposits is rising gradually. Deposits linked to mortgage loans include, among other things, the undrawn amounts of mortgage loans and 'savings' linked to Dutch mortgage loans.

The latter item involves the placement of the savings - built up in group entity Argenta Assuranties - branch - by that entity with the Company.

The 'other deposits' contains mainly the savings deposits in the Netherlands branch.

21.3. Retail funding - debt certificates - retail savings certificates

The debt certificates break down as follows:

	31/12/2016	31/12/2017
Debt certificates – retail savings certificates	**1,210,484,036**	**717,959,678**
Breakdown by residual term		
Up to 1 year	486,070,818	296,690,991
Between 1 and 5 years	724,413,218	421,268,687
More than 5 years	0	0
Effective interest rate of the portfolio as of 31/12	2.52%	2.35%

The downward trend of recent years in this portfolio continues as a result of the low interest rates on this type of funding, but also because the Company has decided to stop promoting retail savings certificates, given that term accounts present the same characteristics.

21.4. Debt certificates – bonds

This section contains the A notes issued by SPV Green Apple 2017 I NHG - in the context of a securitisation transaction.

	31/12/2016	31/12/2017
Debt certificates – bonds	0	1,193,646,908

The notes were issued on 5 October 2017 in a notional amount of EUR 1.2 billion and were placed with institutional investors.

As of 31 December 2017, there was still a notional amount of EUR 1,182,888,000 of notes outstanding.

The interest rate on these notes amounts to Euribor 3 months plus 40 basis points. On 31 December 2017 the effective interest rate was 0.069%.

The notes were issued on 5 October 2017 and run until 2056 with a prepayment option from March 2024.

21.5. Subordinated liabilities

The normal subordinated liabilities are placed by the Company with the retail public. The Tier 2 loan issued in 2016 was offered to institutional investors only.

The subordinated liabilities are composed as follows:

	31/12/2016	31/12/2017
Subordinated liabilities	**660,464,000**	**596,596,220**
Breakdown by residual term		
Up to 1 year	65,035,137	22,184,956
Between 1 and 5 years	595,428,863	574,411,264
More than 5 years	0	0
Breakdown by type		
Subordinated loans (retail funding)	150,645,429	86,389,886
Tier 2 loan (corporate funding)	509,818,572	510,206,334
Effective interest rate of the portfolio as of 31/12	3.59%	3.67%

Since 2014, no subordinated certificates have been offered to retail customers. The current portfolio will therefore decrease systematically as the securities arrive at maturity.

In the second quarter of 2016, a Tier 2 loan was very successfully issued and placed with institutional investors. This was an issue for a nominal amouunt of EUR 500 million.

22. Provisions

The changes in the provisions during the year are:

	Pension obligations	Current legal disputes	Other provisions	Totals
Opening balance 1/1/2016	0	529,354	9,877,434	10,406,788
Additions	0	0	1,993,778	1,993,778
Amounts used	0	-350,000		-350,000
Closing balance 31/12/2016	0	179,354	11,871,212	12,050,566
Additions	1,894,576	0	0	1,894,576
Amounts used	0	-179,354	-9,158,597	-9,337,951
Closing balance 31/12/ 2017	1,894,576	0	2,712,615	4,607,191

The provisions for 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 office managers with whom cooperation has been discontinued.

The item 'other provisions' mainly consists of a provision for a possible soil remediation of land that was sold. The large reversal relates to a fiscal provision for VAT.

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 provides an additional company pension scheme for its employees. The Company offers an occupational pension scheme of the defined contribution type for its Belgian employees. These defined contribution plans are funded solely by the employer through a group insurance, in which the insurer guarantees a minimum return.

Under Article 24 of the Law of 28/04/2003 on Supplementary Pensions (the so-called 'WAP/LPC'), the employer is required to guarantee a minimum return for defined contribution plans. The legal minimum guaranteed return which the employer is required to pay in respect of employer contributions was until 31 December 2015 set at 3.25%. The guaranteed return was recently amended by the Law of 18/12/2015. Since then a variable guaranteed return has applied, linked to the yield on the 10-year OLO; with a minimum of 1.75% and a maximum of 3.75%. However, the cumulative contributions up to 31 December 2015 remain subject to the 3.25% guaranteed return until employees leave the Company's pension plan (the 'horizontal' approach).

Because of the legally imposed minimum guaranteed return, Belgian defined contribution plans are considered as defined benefit plans. The contributions to the pension plan depend on the wage level and seniority.

The Company offers an occupational pension scheme of the defined benefit type for its Dutch employees, financed entirely by the employer. For the defined benefit plans, the final benefit at retirement date for the employee depends on various elements such as years of service and final remuneration.

The pension plan assets consist of insurance contracts measured in accordance with IAS19.115.

The main risks to which the Company's contribution plans are exposed are interest rate, inflation, life expectancy and legal retirement age. The pension obligations are evaluated at least annually. The sensitivity of the plans to interest rate and inflation shocks is determined on a regular basis.

Table of changes	31/12/2017
Cash value of the gross pension liability at the start of the year	34.306.601
Pension costs allocated in respect of the employment year	4.341.415
Pension costs allocated in respect of past employment years and settlement losses	0
Interest costs	455.481
Effect of changes in demographic hypotheses	0
Effect of changes in financial hypotheses	0
Experience-based adjustments	1.457.808
Benefits paid out	-67.220
Cash value of the gross pension liability at the end of the year	40.494.085
Fair value of the insurance contracts at the start of the year	34.306.601
Interest income	469.249
Administrative costs and taxes	-511.423
Employer contributions	4.665.905
Effect of changes in financial hypotheses	0
Experience-based adjustments	-263.603
Benefits paid out	-67.220
Fair value of the insurance contracts at the end of the year	38.599.509
(Shortfall) / surplus	-1.894.576
Assets ceiling	
Net pension liability	-1.894.576
Net pension liability at the start of the year	
Expenses and income included in the income statement	-4.839.070
Revaluations taken into equity	-1.721.411
Employer contributions	4.665.905
Net pension liability at the end of the year	-1.894.576
Expenses and income included in the income statement	-4.839.070
Pension costs allocated in respect of the employment year	-4.341.415
Pension costs allocated in respect of past employment years and settlement losses	0
Interest costs	-455.481
Interest income	469.249
Administrative costs and taxes	-511.423
Revaluations taken into equity	-1.721.411
Effect of changes in demographic hypotheses	0
Effect of changes in financial hypotheses	0
Experience-based adjustments	-1.721.411

Additional information concerning the contracts

	Belgische werknemers	Nederlandse werknemers
Type of pension plan benefits	Lump sum capital at pension retirement age Death in service benefit	Pension annuity from retirement age (lifelong). Partner annuity at death of plan affiliate or pensioner (lifelong). Orphan's lump sum capital at death of plan affiliate or pensioner
Legislative framework	Regulated by the Belgian WAP/LPC and included in pension regulations. Supervision by the Belgian National Bank (BNB) and the Financial Services and Markets Authority (FSMA)	Regulated by the Dutch Pensions Act. Supervision by De Nederlansche Bank (DNB) and the Financial Markets Authority (AFM)
Plan changes	Since 1 May 2011 there has been a defined contribution plan, financed by employer contributions. Since 1 May 2017 the difference in premium budget by pay scales has been abolished.	Since 1 March 2008 there has been a defined benefit plan financed by employer contributions.
Limitations and settlements	Not applicable	
Active affiliates	794	46
Passive affiliates	341	19
Estimated 2018 contributions	4,006,625	883,399

Hypotheses used

For the Belgian defined contribution plans, the following assumptions were used: discount rate (1.30%), inflation rate (1.30%-2%), salary increase (3%), mortality tables (experience tables Assuralia 2011) and turnover (based on observed historical data, broken down by age category).

For the Dutch defined benefit plans, the following assumptions were used: discount rate (1.30%), inflation rate (1.30%-2%), salary increase (2.5%), mortality tables (experience tables AG 2014 prognosis table) and turnover (based on observed historical data).

Sensitivity of the gross pension liability

Belgian defined contribution plans		
Discount rate	+ 25 bp	- 25 bp
Impact on gross pension liability	-5.22%	5.66%
Impact on fair value of the insurance contracts	-5.40%	5.78%
Inflation percentage	+ 100 bp	- 100 bp
Impact on gross pension liability	-0.39%	0.48%
Impact on the fair value of the insurance contracts	0.00%	0.00%
Salary increases	+ 100 bp	- 100 bp
Impact on gross pension liability	1.97%	-1.23%
Impact on the fair value of the insurance contracts	0.00%	0.00%
Dutch defined benefit plans		
Discount rate	+ 100 bp	- 100 bp
Impact on gross pension liability	-16.94%	20.98%
Impact on fair value of the insurance contracts	0.00%	0.00%
Salary increases	+ 100 bp	- 100 bp
Impact on gross pension liability	0.05%	-0.01%
Impact on the fair value of the insurance contracts	0.00%	0.00%

Weighted average duration

	31/12/2016	31/12/2017
Average term of the liability (years)	22.00	21.50

23. Other liabilities

The other liabilities are composed as follows:

	31/12/2016	31/12/2017
Social security charges	6,221,475	6,693,574
Accrued charges	7,299	9,152
Supplier accounts	31,447,141	38,402,020
Debts – other group companies	24,420,033	28,197,896
Debts – agents	26,102,219	28,626,963
Credit items in suspense	30,007,593	40,055,357
Payment traffic items in suspense	38,241,282	43,033,605
Investment items in suspense	8,208,144	7,546,108
Various taxes	3,342,709	3,914,208
Other	19,785,177	21,030,451
Total other liabilities	**187,783,070**	**217,509,333**

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

24. Fair value of financial instruments

24.1. Valuation methods and input

The Company defines the fair value as 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 time of measurement. The definition used is in line with the IFRS 13 definition. The fair value is not the price that would be received on the basis of a forced transaction, a forced sale or mandatory liquidation.

The fair value is a market-based and not an entity-specific valuation. This means that assumptions are to be used that other market participants would use in the measurement of financial instruments, including assumptions about risks. Only the characteristics of the instrument itself are to be taken into consideration; characteristics arising from the fact of the entity holding the instrument are therefore left out of account in the measurement. For determining the fair value of a financial instrument, the Company opts for the measurement methods and techniques that are appropriate under the circumstances and for which sufficient data are available to calculate the fair value. The chosen technique must maximise the use of relevant observable inputs and minimise those of non-observable inputs.

The Company recognises value adjustments for counterparty risk on all assets and liabilities that are valued at fair value. CVA (Credit Valuation Adjustment) is an adjustment of the market value of derivative financial instruments to take into account the creditworthiness of the counterparty. This takes into account the current market value, expected future market value and creditworthiness (based on the counterparty's credit default swap spread). A DVA (Debt Valuation Adjustment) is recorded for derivative financial instruments where the counterparty has a risk on the Company.

The valuation methodologies, the valuation hierarchy and positions within the levels, and the fair value calculations of both financial instruments not recognised at fair value and of financial instruments recognised at fair value are explained and validated by Alco on a quarterly basis.

The valuation hierarchy of the Company distinguishes between the levels below. The fair value level here depends on the type of input used for the valuation of financial instruments.

- For determining the fair value of financial instruments, the Company first uses the quoted (unadjusted) prices in an active market (externally available and observable fair values of financial instruments on liquid markets). Only where these are available does the Company use valuation techniques. The definition of Level 1 inputs refers to the terminology "active market"; this is defined as a market in which transactions in the instrument take place with sufficient frequency and volume that the price information is available on a continuous basis. Whether the frequency and volume of transactions are sufficient to speak of an active market is a question of assessment and depends on the specific facts and circumstances of the market for the instrument. The Company uses several sources (Bloomberg and Euroclear, the Company's main clearing and holding counterparties) and assesses liquidity on the basis of price availability and price differences between the different sources. If deviations are determined based on analysis, an individual detailed analysis is carried out for the instrument in question.
- Where the fair value is not available based on quoted prices in an active market, the Company determines the fair value using a valuation technique based on observable or non-observable parameters. Level 2 inputs are observable inputs that are either direct or indirect. Direct Level 2 inputs are listed prices for similar instruments in active markets, quoted prices for identical or similar instruments in non-active markets and other inputs that are observable for the instrument (e.g. interest rate curves, implied volatility, credit spreads) that can be used as input for the valuation model. Indirect Level 2 inputs are inputs derived from observable market data (e.g. via extrapolations). The valuation techniques used on the basis of observable parameters are the discounting of future cash flows, and comparisons with the fair value of a similar instrument.
- Level 3 inputs are non-observable inputs. These are based on assumptions used by the Company in the valuation. Examples of non-observable inputs are the historical volatility of a quoted share, or non-observable interest rates derived from observable data, but which are not confirmed by observable data, ...

When the fair value measurement uses inputs that fall within different levels, it is classified actively or passively according to the lowest level of the inputs concerned.

24.2. Financial instruments not designated at fair value

The following information should be interpreted with due caution. The fair values shown are value 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 realise the fair value immediately. As a result, this value does not represent the substantial value to the Company on a going concern basis.

Estimating the fair value of financial instruments measured at historical cost requires the use of techniques, models, hypotheses and assumptions.

The calculation of the fair value of financial instruments, where this is not obtained externally, can be summarised as follows:

(1) The fair value of consumer credits, mortgage loans, forward loans and term financial liabilities (fixed-term deposits, retail savings certificates, bonds and subordinated loans and bonds) is determined by discounting contractual cash flows using the discounted cash flow method. The discount rate is based on the risk-free reference rate to which a market-based margin is applied. This includes, among other things, a capital cost and a credit cost. The interest rate curves are analogous to those used in the sensitivity analysis of interest rate risk (see risk section 5.1). The sensitivity of the market values of the Level 3 values is contained in the result of the ‘economic values’ calculation mentioned there (here with the impact of all levels).

(2) The fair value of cash, sight deposits, regulated savings deposits, deposits of a special nature and deposits linked to mortgage loans is assumed to be equal to the book value, in view of their immediately retrievable or short-term nature.

(3) The other credit receivables and held-to-maturity financial instruments relate to bonds in which the quoted (unadjusted) prices are used where these are traded on an active market. Where the instruments are deemed less liquid, valuation methods are used (theoretical or modelled prices with price control - Level 2, or pricing by third parties for which no benchmark is possible due to a lack of market data - Level 3).

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 property, plant and equipment and other intangible assets that were briefly discussed in the respective notes.

	31/12/2016		31/12/2017	
	carrying value	fair value	carrying value	fair value
Cash and cash balances and deposits with (central) banks	905.821.915	905.821.915	1.068.996.221	1.068.996.221
Loans and receivables				
Loans to and receivables from credit institutions				
Current accounts	0	0	0	0
Term deposits	0	0	0	0
Reserves with Central Banks	0	0	0	0
Collateral with financial institutions	0	0	22.286.000	22.286.000
Loans to and receivables from other customers				
Consumer loans	97.669.919	102.320.337	114.057.678	118.130.649
Mortgage loans	26.024.523.154	29.215.508.369	26.957.897.483	29.455.403.834
Instalment loans	374.179.424	385.245.205	545.857.794	566.490.924
Advances/overdrafts	3.633.163	3.633.163	2.595.185	2.595.185
Other loan receivables - MBS portfolio	21.600.896	26.749.540	17.031.178	21.462.950
Financial assets held to maturity	425.641.792	444.507.388	462.780.202	473.228.779
Total financial assets	**27.853.070.263**	**31.083.785.917**	**29.191.501.741**	**31.728.594.542**
Financial liabilities measured at amortised cost				
Deposits from credit institutions	1.389.829	1.389.829	76.393.437	76.393.437
Deposits from other than credit institutions				
Demand deposits	3.547.650.924	3.547.650.924	4.074.884.558	4.074.884.558
Fixed-term deposits	3.010.767.803	3.194.270.466	2.907.221.165	3.059.413.379
Deposits of a special nature	1.861.398.867	1.861.398.867	1.928.717.126	1.928.717.126
Regulated savings deposits	22.757.401.893	22.757.401.893	23.075.556.453	23.075.556.453
Mortgage-linked deposits	438.063.472	438.063.472	441.035.930	441.035.930
Protection scheme deposits	0	0	0	0
Debt certificates, including retail savings certificates				
Retail savings certificates	1.210.484.036	1.273.456.312	717.959.678	751.402.372
Bonds	0	0	1.193.646.908	1.204.537.188
Subordinated debts	150.645.429	160.270.571	86.389.886	91.967.226
Tier 1 loan	0	0	0	0
Tier 2 loan	509.818.572	523.515.000	510.206.334	553.891.334
Total liabilities	**33.487.620.824**	**33.757.417.332**	**35.012.011.475**	**35.257.799.003**

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

A Level 2 is assigned by the Company to the very short term financial instruments - with the carrying value used as market value -, while a Level 3 is assigned to all other calculated market values.

Data as of 31/12/2016	Fair value	level 1	level 2	level 3
Cash and cash balances and deposits with (central) banks	905,821,915	0	905,821,915	0
Loans and receivables	29,733,456,614	0	20,693,474	29,712,763,140
Financial assets held to maturity	444,507,388	219,097,422	162,721,961	62,688,005
Financial liabilities measured at amortised cost	33,757,417,332	0	28,605,904,985	5,151,512,347

Data as of 31/12/2017	Fair value	level 1	level 2	level 3
Cash and cash balances and deposits with (central) banks	1,068,996,221	0	1,068,996,221	0
Loans and receivables	30,186,369,542	0	46,344,135	30,140,025,407
Financial assets held to maturity	473,228,779	212,105,213	235,527,078	25,596,488
Financial liabilities measured at amortised cost	35,257,799,003	0	29,596,587,504	5,661,211,499

Cash, cash balances at (central) banks and other demand deposits are valued at Level 2 fair value (given the short term nature).

Loans and receivables with level 3 fair value relate primarily to mortgage loans to individuals for which Argenta has calculated a market valuation based on a DCF model. Here, certain assumptions are applied with respect to spread and prepayment rate.

The financial liabilities measured at amortised cost included under level 2 are the deposits of credit institutions, sight deposits, deposits of a special nature and regulated savings deposits.

Given their short term nature, these liabilities are recognised as level 2 (carrying amount equated with value).

The financial liabilities included in Level 3 are retail savings certificates, subordinated loans and deposits with fixed maturities.

24.3. Financial instruments designated at fair value

The following tables show the fair values of the financial instruments that are stated in the balance sheet at their fair value.

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

For determining the fair value of the 'available-for-sale assets', The Company uses the quoted (unadjusted) prices in an active market.

For this, the Company uses the same external sources as in previous years, namely Bloomberg and Euroclear. Instruments are classified under Level 2 where theoretical or modelled prices are available that can be substantiated by/benchmarked against another source or pricing by third parties. For instruments included in Level 3, prices are received from third parties for which the Company does not have a benchmark.

The fair values of derivative instruments are calculated internally using a FINCAD application, with the market values calculated daily, in the context, among others, 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.

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

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

Data as of 31/12/2016	level 1	level 2	level 3
Assets recorded at fair value	**5,898,937,443**	**1,816,586,088**	**22,295,038**
Assets held for trading	0	7,239,219	2,083,651
Assets designated at fair value with valuation changes through profit or loss	0	0	0
Available-for-sale financial assets	5,898,937,443	1,759,891,385	20,211,387
Derivatives used for hedging	0	49,455,484	0
Liabilities recorded at fair value	**0**	**536,484,520**	**21,112,190**
Liabilities held for trading	0	28	4,406
Liabilities designated at fair value with valuation changes through profit or loss	0	0	0
Derivatives used for hedging	0	536,484,492	21,107,784

Data as of 31/12/2017	level 1	level 2	level 3
Assets recorded at fair value	**5,887,268,279**	**2,106,403,500**	**20,770,315**
Assets held for trading	0	11,472,666	0
Assets designated at fair value with valuation changes through profit or loss	0	0	0
Available-for-sale financial assets	5,887,268,279	1,992,503,191	20,770,315
Derivatives used for hedging	0	102,427,643	0
Liabilities recorded at fair value	**0**	**387,718,573**	**0**
Liabilities held for trading	0	3,408,123	0
Liabilities designated at fair value with valuation changes through profit or loss	0	0	0
Derivatives used for hedging	0	384,310,450	0

In the ‘available-for-sale’ portfolio, we encounter sporadic changes between Level 1 and Level 2 as a result of changes in the liquidity of the instruments (e.g. more providers). In 2016, the Company reclassified EUR 217 million of bonds (10 securities) from Level 2 to Level 1. This related mainly to bonds issued by financial institutions, Belgian companies and Belgian local authorities. The vast majority of reclassifications were the result of an increase in liquidity permitting admission to Level 1. In 2017, EUR 10 million of bonds (2 securities) of financial institutions were reclassified from Level 2 to Level 1, also due to an increase in liquidity.

The following table provides a reconciliation of Level 3 fair values between 1 January 2016 and 31 December 2017. 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 1/1/2016	**17,003,018**	**-29,349,949**	**47,296,948**	**61,452**
Purchases / new contracts	0	0	20,149,935	0
Expired instruments	0	0	-20,059,942	0
(Partial) repayments	0	0	0	0
Changes to other levels	0	0	-27,237,006	0
Changes from other levels	0	0	0	0
Other changes (including value changes)	-14,919,367	8,237,759	0	0
Closing balance as of 31/12/2016	**2,083,651**	**-21,112,190**	**20,149,935**	**61,452**
Purchases / new contracts	0	0	0	681,008
Expired instruments	0	0	0	0
(Partial) repayments	0	0	0	0
Changes to other levels	-2,083,651	21,112,190	0	0
Changes from other levels	0	0	0	0
Other changes (including value changes)	0	0	-122,080	0
Closing balance as of 31/12/2017	**0**	**0**	**20,027,855**	**742,460**

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

The total of the fixed-income securities and equities valued at level 3 fair values is EUR 20,708,863 as of 31 December 2017 (compared to EUR 20,149,935 at end-2015).

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. In 2016, EUR 27,237,006 were reclassified from Level 3 to Level 2 due to increased liquidity. For the caps, the valuation method was refined, with a shift to Level 2. The new purchases in 2017 consist of unquoted bonds, real estate certificates and infrastructure funds where the Company receives pricing or valuation from third parties.

As of 31 December 2016 there was a positive impact of EUR 440,535 from these level 3 securities in OCI, and as of 31 December 2017 a limited negative impact of EUR 10,152 (pre-tax), which is totally attributable to the valuation changes of the securities. No P&L impacts were determined for these effects. In 2017, no positions were realised or written down.

Note on the credit risk in the fair value of derivatives

Since 2014 and in line with market practices, a CVA (Credit Valuation Adjustment) and a DVA (Debt Valuation Adjustment) have been taken into account in establishing the market value of derivatives. The combined impact of both elements was very limited, amounting to EUR 1.2 million in 2016. As of 31 December 2017 there was a positive net impact of EUR 1 million.

25. Derivaten

Besides derivatives embedded in contracts, the Company has three types of derivatives (derived financial instruments) on its balance sheet on 31 December 2017: interest rate options (purchased and sold caps), swaptions 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 hedge 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.

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 frameworks for processing micro-hedges in the AFS portfolio and for processing derivatives as cash flow hedges are also embedded at the Company.

In 2016 and 2017 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. These are options where 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.

As of 31 December 2017 the Company still had 10 caps (21 at end-2016) standing on its balance sheet in a notional amount of EUR 1.55 billion (EUR 4.85 billion at end-2016).

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

The fair values used for the separately presented financial derivatives above were determined using solely measurement techniques based on objectively observable market parameters.

Swaptions

In 2017, the Company started taking out swaptions: the first swaption transaction took place in May, a second in October.

A swaption entitles the buyer to conclude a swap after the option period and thus to pay or receive a fixed rate. With a payer swaption, the buyer is entitled to pay fixed interest and receive a floating rate.

These swaptions are accounted for as hedging derivatives (macro hedge). The hedge accounting framework for this type of instrument has been developed for this purpose.

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.

		2016	
number	**notional**	**Hedge type**	**Treatment in IFRS**
58	7,350,000,000	interest rate risk on loan portfolio	macro portfolio fair value hedge
7	955,569,300	interest rate risk on individual AFS securities	micro fair value hedge AFS instruments
1	100,000,000	interest rate risk on loan portfolio	macro portfolio fair value hedge

		2017	
number	**notional**	**Hedge type**	**Treatment in IFRS**
67	8,250,000,000	interest rate risk on loan portfolio	macro portfolio fair value hedge
10	1,175,723,300	interest rate risk on individual AFS securities	micro fair value hedge AFS instruments
1	100,000,000	interest rate risk on loan portfolio	macro portfolio fair value hedge

Note on the cash flow hedge 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 date 31 May 2016 and end date 31 May 2021) to hedge the interest cost of a future portfolio of retail savings certificates/term deposits.

As of 31 December 2016, the swap concerned had a negative market value of EUR 18,639,700 and, after offsetting of an unrealised tax claim of EUR 4,659,925, an amount of EUR 13,979,775 was recorded under ‘cash flow hedge’ in equity.

As of 31 December 2017, the swap concerned had a negative market value of EUR 14,588,089 and, after offsetting of an unrealised tax claim of EUR 3,647,022, an amount of EUR 10,941,066 was recorded under ‘cash flow hedge’ in equity.

Embedded derivatives

Derivatives embedded in contracts are required 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 separated out and classified under this category.

Notes to the consolidated income statement

26. Net interest income

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

	31/12/2016	31/12/2017
Interest income		
Available-for-sale financial assets	109,878,804	75,276,640
Loans to and receivables from credit institutions	124,413	230,095
Loans to and receivables from other customers	809,363,165	749,374,678
Held-to-maturity investments	9,269,273	8,868,946
Derivatives, hedge accounting	3,781,409	3,306,685
Other assets	0	469,249
Interest expenses		
Deposits from credit institutions	695,788	3,235,090
Deposits from other than credit institutions	147,429,407	109,519,849
Debt certificates, including retail savings certificates	36,073,680	27,242,615
Subordinated liabilities	20,854,585	22,856,102
Derivatives, hedge accounting	148,561,512	179,766,768
Other liabilities	0	455,481
Net interest income	**578,802,091**	**494,450,389**
Interest income from impaired financial assets	395,661	410,583

27. Income from dividends

Dividends received are given below.

	31/12/2016	31/12/2017
Dividends from equity instruments from available-for-sale financial assets	427,846	153,513

In 2016 and 2017, a dividend was received from Visa Card Company.

28. Net income from commissions and fees

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

	31/12/2016	31/12/2017
Income from commission and fee income	**93,499,253**	**111,887,107**
Securities: buy and sell orders and other	11,218,753	17,416,085
Management fees received	57,515,000	71,390,936
Payment services	12,514,322	13,960,092
Commissions on hospitalization insurance	3,199,740	0
Other items	9,051,438	9,119,994
Expenses related to commissions and fees	**-152,441,765**	**-161,231,855**
Acquisition costs (commissions and/or transaction costs)	-125,632,148	-136,133,085
Custody	-1,671,323	-1,667,524
Commissions on hospitalization insurance	-2,785,318	0
Payment services	-20,550,340	-20,985,620
Other items	-1,802,636	-2,445,627
Net commission result	**-58,942,512**	**-49,344,748**

29. Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss

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

	31/12/2016	31/12/2017
Realised gains		
Available-for-sale financial assets		
Gains on fixed-income securities	10,158,881	18,737,024
Gains on non-fixed-income securities	0	176,835
Financial liabilities measured at amortised cost	0	0
Realised losses		
Available-for-sale financial assets		
Losses on fixed-income securities	-1,115,321	-103,791
Losses on non-fixed-income securities	-2,253	0
Financial liabilities measured at amortised cost	0	0
Total net realised result	**9,041,307**	**18,810,068**

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 the category ‘financial liabilities measured at amortised cost’ are given in Note 24.

In 2016 a total net gain of EUR 9 million was produced by the ‘available-for-sale assets’. In 2017 this gain amounted to EUR 18.8 million.

30. Gains and losses on financial assets and liabilities held for trading

The results of the assets and liabilities held for trading can be shown as follows:

	31/12/2016	31/12/2017
Gains and losses on swaps	-351,213	0
Gains and losses on caps	-7,010,456	-1,253,896
Gains and losses on bonds	29,681	0

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 customers).

Under the ALM policy, all the swaps and caps concerned are concluded for the account of the Company. For the swaps the amount shown is the final impact of the swaps concluded in the context of a securitisation operation (which was called in 2016).

The result of the caps is the result of the measurement of the fair value of the relevant instruments on the balance sheet at fair value through P&L.

31. Gains and losses from hedge accounting

For derivatives that are part of the fair value hedge transactions undertaken 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 the hedged risk of the hedged assets are recognised in the item 'gains and losses from hedge accounting'.

	31/12/2016	31/12/2017
Portfolio hedge of interest rate risk portfolio		
Changes in the fair value of the hedging instruments	-2,071,807	190,104,457
Changes in the fair value of hedged items	6,098,779	-187,362,259
Hedging of the interest rate risk of individual financial instruments		
Changes in the fair value of the hedging instruments	6,334,663	-27,636,407
Changes in the fair value of hedged items	-6,277,351	27,767,264
Gains and losses from hedge accounting	**4,084,284**	**2,873,055**

The difference between the changes in the market value of the hedged positions and the change in market value of the hedging instruments gives the gains and losses from hedge accounting. The above contains the macro hedge (hedging of the interest rate risk of a portfolio) and the micro hedge (hedging of the interest rate risk of individual instruments).

In the case of the swap processed as a cash flow hedge, there was no ineffectiveness in 2016 and 2017, leaving no movements in connection with this swap under this heading.

32. 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.

	31/12/2016	31/12/2017
Gains on derecognition of property, plant and equipment	417,743	171,271
Gains on derecognition of investment properties	112,382	16,751
Losses on derecognition of property, plant and equipment	-47,846	-144,999
Losses of derecognition of investment properties	0	0
Total net gain or loss	**482,279**	**43,023**

33. Other operating income

Other net operating income consists of the following elements:

	31/12/2016	31/12/2017
Operating income		
Rental income from investment properties	126,131	137,461
Cost-sharing, group companies	29,892,349	29,981,357
Portfolio acquisition fee from agents	2,701,830	5,113,444
Received from renting out of printers & ICT infrastructure	7,206,652	7,879,128
Other fees income	11,523,537	8,120,137
Operating expenses		
With respect to rented-out investment properties	0	0
Cost-sharing, group companies	-6,263,779	-7,989,721
Other fee expenses	-213,871	-324,975
Total other operating income	**44,972,850**	**42,916,830**

The 'cost-sharing, group companies' item refers to expenses recharged to and from Argenta Group entities (in this case the BVg holding) and the Insurance Pool that are not consolidated by the Company.

34. Administrative expenses

Employee expenses consist of the following components:

	31/12/2016	31/12/2017
Wages and salaries	40,402,458	42,671,339
Social security charges	10,792,747	11,445,579
Pension expenses	5,256,841	4,341,416
Share-based payments	0	0
Other	2,170,726	3,106,125
Total employee expenses	**58,622,771**	**61,564,459**
Average number of employees in FTE	731.5	774.6

The Company has mainly pension obligations based on defined contribution schemes. The contributions are paid by the employer only. In Belgium such group insurance schemes are required to provide a minimum return.

There are no ‘share-based payments’ at the Company.

General and administrative expenses can be summarised as follows:

	31/12/2016	31/12/2017
Marketing expenses	3,971,536	3,662,983
Professional fees	51,820,306	57,562,146
IT expenses	43,731,674	52,409,395
Rents	7,480,046	10,007,941
Business taxes and bank taxes	60,271,934	68,431,047
Other	60,910,793	59,937,815
Total general and administrative expenses	**228,186,289**	**252,011,328**

The heading ‘other’ includes expenses for telephone, postage, office supplies, professional contributions and travel expenses.

The increase in general and administrative expenses was primarily due to expenses incurred in the further development of the IT infrastructure, higher professional fees, and the continuing high levels of investments.

The rents relate mainly to the rent paid for office buildings used by the tied agents (branch managers). This rental is recovered from the tied agents. The average remaining term of these rental contracts is 5.9 years. In addition, rent is also paid for the office buildings.

35. Impairments

The changes in impairments can be broken down as follows:

Impairments on assets not designated at fair value through P&L	31/12/2016	31/12/2017
Available-for-sale financial assets	-1,779,330	-163,237
Loans and receivables	5,030,062	-6,370,380
Goodwill	0	0
Total impairments	**3,250,732**	**-6,533,616**

Under AFS assets, a provision for a bond issued by Petrobras was reversed in 2016. On balance, there was also a negative impact on the loans and receivables of EUR 5 million. In 2017, the last impairment in the securities portfolio was reversed and in the loans and receivables there was a total reversal of EUR 6.4 million.

Outstanding impairments on financial assets measured on an individual basis	31/12/2016	31/12/2017
Available-for-sale assets (fixed income securities)	124,650	0
Loans and receivables		
Consumer loans	2,019,249	1,669,253
Mortgage loans	22,394,762	17,367,245
Instalment loans	398,600	337,798
Advances/overdrafts	938,951	956,965
Other loan receivables - reclassification MBS	0	0
Total loans and advances	25,751,562	20,331,261
Total impairments recognised	**25,876,212**	**20,331,261**

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 2016 and 31 December 2017.

At end-2016, the overall impact of impairments recognised on both an individual and a portfolio basis on ‘loans and receivables’ was EUR -5,030,062.

Loans and receivables as of 31/12/2016	Opening balance 1/1/2016	Increase through P&L	Reversal through P&L	Closing balance 31/12/2016	Recoveries through P&L	Direct write-offs	Collective provision	Total P&L impact
Consumer loans	2,613,225	235,689	-829,664	2,019,250	-207,428	344,045	0	-457,358
Mortgage loans	24,930,738	18,509,713	-21,045,689	22,394,762	-1,086,104	6,569,803	3,186,358	6,134,081
Instalment loans	339,961	344,556	-285,918	398,599	-228,546	178,815	0	8,907
Advances/ overdrafts	1,277,133	-1,178,726	840,544	938,951	-775,743	462,537	0	-651,388
Other loan receivables	900	0	-900	0	-4,179	899	0	-4,180
Total loans and receivables	**29,161,957**	**17,911,232**	**-21,321,627**	**25,751,562**	**-2,302,000**	**7,556,099**	**3,186,358**	**5,030,062**

At end-2017, the overall impact of impairments recognised on both an individual and a portfolio basis on ‘loans and receivables’ was EUR 6,370,379.

The heading "collective provision" contains the change in the collective provision (including the already discussed IBNR provision) and the "direct write-off" contains the amounts of the additional write-offs but also of the use of the provisions set up.

Loans and receivables as of 31/12/2017	Opening balance 1/1/2017	Increase through P&L	Reversal through P&L	Closing balance 31/12/2017	Recoveries through P&L	Direct write-offs	Collective provision	Total P&L impact
Consumer loans	2,019,250	71,155	-421,151	1,669,254	-120,243	245,201	0	-225,038
Mortgage loans	22,394,762	12,769,247	-17,796,763	17,367,246	-984,061	3,863,460	-3,756,388	-5,904,505
Instalment loans	398,599	3,306	-64,108	337,797	-7,513	0	0	-68,315
Advances/ overdrafts	938,951	474,198	-456,183	956,966	-406,667	216,131	0	-172,521
Other loan receivables	0	0	0	0	0	0	0	0
Total loans and receivables	**25,751,562**	**13,317,906**	**-18,738,205**	**20,331,263**	**-1,518,484**	**4,324,792**	**-3,756,388**	**-6,370,379**

36. Income tax expense

The details of current and deferred taxes are shown below:

Income tax expense	31/12/2016	31/12/2017
Current tax liabilities for the financial year	51,734,051	50,052,493
Current liabilities in respect of prior periods	1,290	-57,267
Deferred taxes related to timing differences	468,991	-4,782,429
Deferred taxes related to derivatives	4,299,470	6,097,782
Deferred taxes relating to amortised cost calculations	3,012,820	-2,367,689
Deferred taxes relating to pension liabilities		-163,392
Total P&L impact of income taxes	**59,516,622**	**48,779,498**
Reconciliation of statutory and effective tax rate		
Net profit before tax	249,537,037	187,782,605
Statutory tax rate	33.99%	33.99%
Income tax calculated using statutory rate	84,817,639	63,827,307
Tax effect of different tax rates in other countries	-20,102,385	-15,770,645
Tax effect of non-taxable income	6,185	0
Tax effect of non-tax-deductible expenses	3,932,997	2,031,680
Tax benefit not previously recognised	-6,546,390	0
Prior period taxation	1,290	-57,267
Tax impact of change in tax rate	0	-1,209,073
Other increase (decrease) in statutory taxation	-2,592,713	-42,504
Total income tax expense	**59,516,622**	**48,779,498**
Effective tax rate	23.85%	25.98%

As reflected in the table above, the effective tax rate was 23.85% in 2016 and 25.98% in 2017.

The planned change in tax rate in Belgium (from 33.99% in 2017 to 29.58% in 2018-2019 and subsequently 25% from 2020) has an impact of EUR 1,209,073 on the taxes in the IFRS result. The limited global impact can be explained by the following factors:

- a large part of the taxable base was already taxed at 25% (the basic tax rate in the Netherlands);
- the tax on the latent values of the ‘available-for-sale assets’ does not go through profit and loss but through equity;
- the impact of the “amortisation of transaction costs” with a resulting tax liability and that of the “derivative instruments” with a resulting tax claim largely cancel each other out.

Other notes

37. Lease agreements

The Company only acts as a lessee in lease agreements. These lease agreements qualify as operating lease contracts. They relate to:

- Office buildings for own use that are rented from the parent company that manages the property and makes it available to the Company. This relates to various office buildings with lease terms of between 9 and 15 years. The lease costs depend on the surface area used (in m^2) and are indexed annually. Given the Company's intention to use these buildings during the entire term of the lease, the lease payments are equated to non-cancellable minimum lease payments. The Company has no purchase option on the underlying asset of the lease agreement.
- Office buildings for own use that are rented from third parties. This relates to various floors of office buildings with lease terms of between 3 and 6 years. The lease cost is indexed annually. The Company has no purchase option at lease expiry date.
- Buildings rented by the Company and sublet to the agents. The full lease cost is recovered via the sublease agreement. The lease contracts are for 9 years, with termination options every 3 years, and are indexed annually. The Company has no purchase option at lease expiry date.
- Company cars made available to Company employees (salary cars and cafeteria plan cars). The lease terms are 3 to 5 years. The Company has a purchase option on maturity.

The company is not a counterparty in lease agreements that qualify as financial leases.

The table below gives an overview of the costs and income of the lease agreements:

	31/12/2016	31/12/2017
Minimum lease payments	8,886,661	11,776,323
Conditional lease payments	0	0
Minimum sub-lease payments received	-6,638,562	-7,948,996

The future minimum lease payments under non-cancellable lease agreements are:

	31/12/2016	31/12/2017
One year after the end of the financial year	6,666,972	9,532,884
More than one year and no more than five years after the end of the financial year	20,177,625	34,557,936
More than five years after the end of the financial year	6,494,788	33,441,133

38. Encumbered assets

By 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 about the previous twelve months based on median values of at least quarterly data. Below is an overview of the encumbered assets at the Company as reported as of 31 December 2016 and 2017, together with the average for 2017.

	31/12/2016 nom. value	31/12/2016 market value	31/12/2017 nom. value	31/12/2017 market value	gem. 2017 nom. value	gem. 2017 Market value
Collateral for derivatives (caps and swaps)	559,469,000	623,109,656	466,630,300	515,786,689	503,705,458	555,193,494
Collateral for repo transactions	0	0	0	0	0	0
Collateral for Bank Card Company	31,000,000	33,118,285	31,750,000	32,424,413	31,750,000	33,035,079
Total collateral given	**590,469,000**	**656,227,941**	**498,380,300**	**548,211,102**	**535,455,458**	**588,228,573**
Cash paid (derivatives)		28,900,000		22,286,000		21,921,250
Cash received (derivatives)		29,573,769		74,941,976		72,378,794
Netto cash (derivatives)		**-673,769**		**-52,655,976**		**-50,457,544**
Collateral NBB credit line	**250,000,000**	**261,525,000**	**250,000,000**	**259,573,950**	**250,000,000**	**261,844,450**

At the end of 2016, a nominal EUR 559,469,000 was encumbered in respect of derivatives and repos and a nominal EUR 31 million in connection with the use of credit cards by the Company's customers. In addition, EUR 28.9 million of cash was paid and EUR 29.5 million cash received in respect of collateral management for derivatives.

At the end of 2017, a nominal EUR 748,380,300 was encumbered in respect of derivatives and repos and a nominal EUR 31.75 million in connection with the use of credit cards by the Company's customers. In addition, EUR 22.2 million of cash was paid and EUR 74.9 million cash received in respect of collateral management for derivatives.

Argenta Spaarbank has not issued covered bonds and the loans that were previously securitised are, as already explained, back in the Bank Pool balance sheet. The bank has a EUR 250 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.

This note - combined with note 40 - gives an indication of the encumbered (pledged) assets as described and requested in the IFRS 7 standard (being assets encumbered as collateral for liabilities or contingent liabilities).

39. Securitisation policy

The operational framework and the policies for undertaking securitisation transactions were developed mid 2007, resulting in two successful issues in the following years.

Both involved the securitisation of a portfolio of Dutch residential mortgage loans via the Green Apple SPV. At the end of 2013 the call was exercised at the Green Apple 2008 transaction, causing it to mature on 23 January 2014.

At the end of 2015 the call was exercised on the 2007 Green Apple transaction, causing it to mature on 25 January 2016.

In October 2017 a new securitisation transaction was carried out, as disclosed earlier in this annual report.

Under its investment policy, the Company also has a number of ABSs and MBSs in its investment portfolio. The portfolio is given below by exposure, indicating the type and country of issue.

Per type	Country	Exposure 31/12/2016	Exposure 31/12/2017
MBS	Belgium	26,599,622	23.431.633
MBS	Spain	27,842,590	22.050.474
MBS	France	43,123,402	39.091.729
MBS	Ireland	17,925,571	32.416.706
MBS	the Netherlands	711,773,598	762.420.958
MBS	Great Britain	14,795,160	14.829.162
ABS	Germany	18,449,202	20.680.303
ABS	Spain	27,128,442	26.063.442
ABS	United States of America	9,521,057	7.242.797
ABS	France	22,142,983	25.623.978
ABS	Ireland	18,881,806	21.300.104
ABS	Luxembourg	59,582,144	74.926.547
ABS	the Netherlands	24,256,347	23.163.001
Total securitization positions		**1.022.021.924**	**1,093,240,834**

The MBSs are all related to securitised mortgage loans. The ABS in the US relates to a securitisation of student loans and the ABS from Spain refers to the securitisation of covered bonds. The ABSs from other countries relate to securitised vehicle loans.

40. Off-balance sheet liabilities

The Bank Pool has issued guarantees against its own financial assets. The summary below gives the reasons for these and the nominal values of the assets concerned, which can all be found under 'available-for-sale assets'.

		31/12/2016	31/12/2017
Collateral given			
For repos	Nominal value	0	0
For swaps and caps	Nominal value	559,469,000	466,630,300
For Bank Card Company	Nominal value	31,000,000	31,750,000
Collateral received		32,333,852,987	33,464,950,601

The collateral received relates to the collateral received in return for lending (including mortgage registrations and pledged securities).

The financial guarantees granted and received are:

	31/12/2016	31/12/2017
Financial guarantees issued	4,225,620	4,352,806
Financial guarantees received	0	0

Finally, there are credit lines granted and received. The credit lines granted relate to notified credit lines and credit offers for retail lending.

The credit lines received relate to the credit lines received from other financial institutions on the Company's accounts with these institutions.

	31/12/2016	31/12/2017
Credit lines granted	1,152,435,508	1,569,554,444
Credit lines received	250,000,000	250,000,000

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

41. 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 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 to further claims and legal proceedings against the Company of which management is aware (and for which no provision has been made in accordance with the principles described above), management, believes after obtaining professional advice, that these claims have no chance of success, or that the Company can defend itself successfully against them or that the outcome of these claims is not expected to result in a significant loss in income.

42. Events after the balance sheet date

Important events after balance sheet date
To the best of the knowledge of the Board of Directors, no other significant events have occurred since the end of the financial year concerning the Company and its individual subsidiaries.

In other words, 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 2017.

To the best of the Board of Directors' knowledge, there are no circumstances other than those mentioned in this Annual Report that could have a material impact on the Company's s development.

Approval for publication
On 20 March 2018, 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 27 April 2018.

Additional Information

The Company's IFRS financial statements are published in Dutch and English. The English version is a translation of the original Dutch version and is published as a courtesy to stakeholders. In the event of any disparity between the two versions, the Dutch language version takes precedence. Questions related to the distribution of these reports should be directed to:

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Complaints Management

If you have a complaint or remark concerning Argenta Group services, please first contact your branch manager. Our branch managers are always ready and willing to do all they can to help resolve your problem. If you are not satisfied with the outcome, you can then contract Argenta Group's Complaint Management service for both Bank and Insurance issues.

Complaints Management
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Overview of abbreviations

ALCO	Assets en Liability Comité
AAM	Argenta Asset Management
AE	Asset Encumbrance
AER	Asset Encumbrance Ratio
AFS	Available For Sale
ALM	Asset Liability Management
Aras	Argenta Assuranties nv
Aspa	Argenta Spaarbank nv
BM	Business Model
BVg	Bank- en Verzekeringsgroep nv
CBHK	Centraal Bureau voor Hypothecaire Kredieten
CET 1	Common Equity Tier 1
CFO	Chief Financial Officer
CGU	Cash Generating Unit
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulations
CVA	Credit Valuation Adjustment
DC	Danish Compromise
DCF	Discounted Cash Flow
DTA	Deferred Tax Asset
DVA	Debt Valuation Adjustment
EAD	Exposures At Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses
FICOD	Financial Conglomerates Directive
FVOCI	Fair Value through Other Comprehensive Income
GRC	Group Risk Committee
HTM	Held To Maturity
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal liquidity adequacy assessment process
IO	Investment Committee
IRB	Internal Ratings Based
Kreco	Credit Risk Committee
LAT	Liability Adequacy Test
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MBS	Mortgage Backed Securities
MCR	Minimum Capital Requirements
NHG	National Mortgage Guarantee
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
ORSA	Own Risk and Solvency Assessment
OTC	Over The Counter
PD	Probability of Default

Prico	Pricing comité
RACI	Responsible Accountable Consulted Informed
RAF	Risk Appetite Framework
RMBS	Residential Mortgage Backed Security
RO	Rating Committee
ROE	Return On Equity
ROI	Return On Investment
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition Report
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
VRC	Insurance Risk Committee
WAP	Law on Supplementary Pensions