



Argenta Spaarbank

IFRS Annual Financial Statements

2021

argenta.be



ARGENTA

Financial statements for the 2021 financial year (1 January 2021 to 31 December 2021) of Argenta Spaarbank nv, prepared in accordance with the *International Financial Reporting Standards* (IFRS).

The IFRS financial statements and tables are in EUR, unless otherwise explicitly stated in the table in question. The Dutch version of this report is the original text; the English version is a translation. In the event of any discrepancies, the Dutch version will take precedence.

Table of Contents

Management Report	5
Consolidated balance sheet statement (before profit distribution)	10
Consolidated statement of profit or loss	12
Consolidated statement of comprehensive income	14
Consolidated statement of changes in equity	15
Consolidated cash flow statement	16
Notes	19
1. General information	19
2. Financial reporting principles	21
2.1. Changes in accounting policies	21
2.2. Implementation and impact of changes in accounting policies and estimates for financial reporting	22
2.3. Financial reporting principles	22
3. Equity attributable to the owners of the parent	38
4. Minority interests	40
5. Risk management	40
5.1. Market risk	47
5.2. Liquidity risk	51
5.3. Credit risk	54
5.4. Non-financial risks	68
6. Solvency and capital management	70
6.1. Capital management	70
6.2. Regulatory matters	70
6.3. Solvency	72
7. Remuneration of directors	73
7.1. Composition of the Boards of Directors	73
7.2. Remuneration of executive management	76
8. Remuneration of the statutory auditor	78
9. Related party transactions	79
10. Operating segments	82
Notes to the consolidated balance sheet	88
11. Cash and balances with central banks and other demand deposits	88
12. Financial assets and liabilities held for trading	89
13. Non-trading financial assets mandatorily at fair value through profit or loss	90
14. Financial instruments measured at fair value through other comprehensive income	91
15. Financial liabilities measured at amortised cost	93
16. Derivatives used for hedging	95
17. Investments in associates and joint ventures	98
18. Tangible assets	98
19. Intangible assets	101
20. Tax assets and liabilities	103



21. Other assets	105
22. Financial liabilities measured at amortised cost	105
22.1. Deposits from central banks	106
22.2. Deposits from credit institutions	107
22.3. Deposits from other than central banks and credit institutions	107
22.4. Senior debt securities issued – bonds	108
22.5. Subordinated debt securities issued	109
22.6. Other financial liabilities	109
23. Provisions	110
24. Other liabilities	114
25. Leases	115
26. Fair value of financial instruments	119
26.1. Valuation methods and input	119
26.2. Financial instruments not recognised at fair value	120
26.3. Financial instruments recognised at fair value	123
27. Derivatives	125
Notes to the consolidated statement of profit or loss	127
28. Net interest income	127
29. Dividend income	128
30. Net commission and fee income	128
31. Gains and losses on financial assets and liabilities not measured at fair value through profit or loss	129
32. Gains and losses on financial assets and liabilities held for trading	129
33. Gains or losses on non-trading financial assets mandatorily measured at fair value through profit and loss ...	130
34. Gains or losses from hedge accounting	130
35. Realised gains or losses from the derecognition of non-financial assets	131
36. Net other operating income	131
37. Administrative expenses	132
38. Modification gains or losses	133
39. Impairments	135
40. Tax expense	140
Other notes	142
41. Encumbered assets	142
42. Securitisation policy	143
43. Off-balance sheet liabilities	144
44. Contingent liabilities	145
45. Events after the balance sheet date	145



Management Report

Developments in 2021

After experiencing the biggest economic shock since the Second World War in 2020, 2021 was another eventful year. As expected, events during the year were driven by the continued evolution of the corona crisis. However, there was also the inflation topic that came increasingly into the foreground as the year progressed. Both situations had a major impact on the economy, financial markets and interest rates.

The year started optimistically with the concrete expectation of the vaccination roll-out. This came up to speed from the second quarter onward. Throughout 2021 we were confronted with successive waves of Covid-19 infection. The vaccination campaign proved a great success, reducing the need, as the year progressed, for austerity measures to bring pressures on the health system under control. This in turn lessened the economic impact of the pandemic.

To mitigate the economic impact of the corona crisis, huge fiscal and monetary stimuli had already been introduced by the governments in 2020. This policy was continued in 2021. In Europe, a first package of extra budgetary incentives from the EUR 750 billion Next Generation EU Fund was paid out to the member states in the summer.

In addition, monetary policy was kept very flexible, with little regard for the possibility of high inflation rates. In Europe, for example, the deposit rate remained unchanged at -0.5%, with the ECB undertaking QE purchases via the EUR 1,850 billion Pandemic Emergency Purchase Program (PEPP) on the one hand and the Asset Purchase Program (APP) on the other. In addition, banks could continue to fund themselves on extremely favourable terms through the ECB's TLTRO III (targeted longer-term refinancing operations) programme. The objective of this monetary policy was, on the one hand, to expand lending to businesses and consumers and, on the other, to keep interest rates ultra low, allowing governments to finance themselves cheaply and thus also support the economy through budgetary interventions.

Nevertheless, we saw interest rates rise in 2021 as the topic of inflation increasingly came to the fore towards the end of the year. In the first half of the year this was mainly at the longer end of the yield curve (5 to 10-year point), but after the summer the shorter end (from the 2 to 3-year point upwards) also started to rise and financial markets began to price in faster interest rate hikes by central banks.

In 2021, the stock markets continued the strong rise that started after the outbreak of the corona crisis in 2020. This increase was attributable to solid business results, the improving health situation and the strong economic recovery in 2021.

At the same time, Argenta successfully continued to maintain its services to its customers, without interrupting its efforts and investments for a digital future, in which human interaction with our customers remains an important ingredient and building block.



Key figures (unaudited)

The table below gives the key figures of Argenta Spaarbank nv, in abbreviated form Aspa (hereinafter the Company).

	31/12/2020	31/12/2021
Return on equity	6.4%	7.9%
Return on total assets	0.29%	0.37%
Cost-income ratio (excluding bank levies)	49.6%	46.8%
Cost-income ratio (including bank levies)	62.8%	60.7%
Common equity tier 1 ratio	23.3%	21.6%
Total capital ratio	28.5%	21.6%
Leverage ratio	4.9%	4.9%
Liquidity coverage ratio	159%	164%
Net stable funding ratio	136%	145%
Minimum requirement for own funds and eligible liabilities	9.2%	8.1%

In calculating the cost-income ratio, the amounts recovered under cost sharing arrangements with the other group companies - and that are included under other operating income are - are allocated to the relevant other administrative costs and to expenses related to commissions and fees.

The Tier II issuance of EUR 500 million was called in 2021, as a result of which there are no more Tier II instruments outstanding (and the total capital ratio becomes equal to the Tier 1 core capital ratio).

Evolution of the balance sheet

The balance sheet total has risen by 5.42% from EUR 46.2 billion as of 31 December 2020 to EUR 48.7 billion as of 31 December 2021.

Cash and balances with (central) banks increased by EUR 0.5 billion to EUR 3.5 billion as of 31 December 2021.

To support the transmission of monetary policy via the banks, the ECB applies a two-tier system, exempting part of the reserves held by the banks with the ECB from negative interest on the deposit facility. Part of the Company's liquidity is therefore held with the ECB pending reinvestment in mortgage loans or debt securities.

In the investment portfolio, the main focus was on replacing expired positions and reinvesting the released funds profitably and cautiously. The investment portfolio as of 31 December 2021 is remained virtually unchanged from the previous year-end.

This amount consists of i) a portfolio of EUR 3.7 billion that is stated at fair value with value adjustments recognised through other comprehensive income, and ii) a portfolio of EUR 3.6 billion of debt securities stated at amortised cost. Finally, there is a limited portfolio of debt securities that IFRS standards require to be measured at fair value through profit or loss.

	31/12/2020	31/12/2021
Non-trading financial assets mandatorily at fair value through profit or loss	68,169,997	41,200,393
Financial assets at fair value through other comprehensive income	3,667,290,214	3,726,459,358
Financial assets at amortised cost - debt securities	3,650,443,377	3,576,533,053
Total securities portfolio	7,385,903,588	7,344,192,804

The portfolio of loans and advances increased from EUR 34.6 billion as of 31 December 2020 to EUR 37.0 billion as of 31 December 2021, reflecting the strong production of new loans in both the Netherlands and Belgium.

EUR 7.9 billion of mortgage loans were granted to customers, (EUR 4.2 billion in Belgium and EUR 3.7 billion in the Netherlands), as against EUR 6.6 billion in 2020.

In Belgium, we saw strong production volumes in the first half of the year, which then levelled out again as interest rates started to rise slightly for the first time. Despite this, a record amount of production was again achieved. New production in Belgium amounted to EUR 3.2 billion. In addition, EUR 0.3 billion in bridging loans were provided. Low interest rates also stimulated refinancing (EUR 671 million), which has remained at a high level for several years now.

In the Netherlands, production remained high throughout the year. There was a peak in production in December as low interest rates and expectations of increases stimulated refinancing. The Dutch housing market was tight, resulting in high real estate prices and an increased need for financing. New production in the Netherlands amounted to EUR 3.2 billion. In addition, EUR 0.5 billion in bridging loans were subscribed.

This brings the mortgage loan portfolio to EUR 35.1 billion as of 31 December 2021, compared to EUR 32.5 billion at end-2020.



	31/12/2020	31/12/2021
Financial assets at amortised cost - loans and advances	34,624,441,264	36,995,857,204
of which mortgage loans	32,517,476,492	35,140,728,956

Financial liabilities measured at amortised cost increased by EUR 2.7 billion to EUR 45.5 billion as of 31 December 2021.

Deposits from central banks consist of debts incurred under the ECB's TLTRO program. Balances on current and savings accounts continued to grow, but less sharply than in 2020, when the first lockdowns stimulated savings behaviour. The volume of term deposits continued to decline.

The Company continues to diversify its funding by raising non-retail funding. As part of the newly established covered bond programme, EUR 1.0 billion of covered bonds were issued in two rounds. In addition, EUR 650 million of residential mortgage-backed securities (RMBS) were issued by SPV Green Apple. The EUR 500 million Tier II issue arrived at its call date.

	31/12/2020	31/12/2021
Deposits from central banks	236,396,243	258,262,863
Deposits from credit institutions	9,749,260	49,268,441
Deposits from other than central banks and credit institutions	38,319,344,087	40,280,069,046
Senior debt securities issued, including saving certificates	3,628,658,376	4,847,904,930
Subordinated debt securities issued	511,087,585	0
Other financial liabilities	87,523,920	93,169,126
Financial liabilities at amortised cost	42,792,759,471	45,528,674,405

The other financial liabilities include EUR 93.2 million of lease liabilities.

Result drivers

The Company achieved in 2021 attractive and solid results, with a profit (including minority interests) of EUR 181,043,389 for the 2021 financial year compared with EUR 136,255,276 for the previous financial year. This increase reflects an improvement in the result at Argenta Spaarbank (+ EUR 28.8 million) and an increase in the result of the management company Argenta Asset Management (+ EUR 14.5 million).

The interest result remains the main driver of the recurring operating result, supplemented to a significant extent by a further increase in the net income from commissions and fees related to the offering and management of investment funds.

Net interest income rose slightly in 2021. Interest income has declined to a limited extent and is the result of a growing mortgage and investment portfolio, but at falling returns (due to the effect of pricing in the persistently low interest rates). This income was positively impacted by the high level of early redemptions on mortgages, which generated EUR 43.1 million in reinvestment fees 2021 in compared to EUR 39.9 million in 2020.

Financing costs (excluding derivatives) decreased due to the arrival at maturity of savings certificates and the subordinated Tier II loan. The further diversification of funding sources with the issuance of RMBSs, covered bonds and EMTN Bonds are supporting the decrease in funding costs.

The hedging result showed a dual evolution, which means that the global result is in line with 2020. With lower Euribor interest rates, the net interest costs on the derivatives increased. Additional hedging swaps were also entered into for a notional amount of EUR 2.2 billion. The higher yield curve on the long end had a positive impact on the time value in the market valuation of the portfolio of hedging swaptions.

Net fee and commission income increased by EUR 31.3 million from EUR -14.7 million to EUR 16.6 million for the 2021 financial year. The increase in net fee and commission income is the result of the increase in net management fees received (after acquisition costs) on assets under management and custody in the Investment pillar as a result of the rise in assets under management.

All this resulted in stable interest income and lower interest costs. Combined with higher hedging costs, we recorded a 1% lower net interest result.

In the meantime, customers are increasingly finding their way to the range of investment funds. Argenta's strategic focus on in-house funds and a rationalised range of funds resulted in high investment production, an increasing market share and an increase in the portfolio of investments under management. Sound asset management and a well-performing stock exchange also supported this. This resulted in increased income from asset management activities, mainly due to a significantly higher net management result.

Gains or losses from financial assets and liabilities held for trading and gains or losses from hedge accounting together amounted to EUR 3.9 million for 2021. The increase of EUR 3.3 million compared to 2020 reflects the evolution of the fair value of the hedging derivatives.

The gains or losses on financial assets (mandatorily) measured at fair value through profit or loss amount to EUR -1.0 million, which is 3.9 million less than in 2020.

Net other operating income amounts to EUR 46.1 million and includes recoveries as a result of cost sharing with the other group companies, of recovery of administrative costs from customers, and of rent and IT infrastructure-related recoveries from the independent branch offices.

Staff expenses amounted to EUR 86.6 million for 2021, compared to EUR 84.7 million for the previous financial year. This heading contains the salaries, social security charges and costs of pension schemes for Company employees.

Other administrative expenses increased from EUR 276.3 million in 2020 to EUR 285.6 million in 2021. Expenses for complying with various legal requirements and bank levies have increased by EUR 8.6 million. Investments in digitization and projects to renew the application and data infrastructure were continued. Depreciation has reduced by EUR 1.0 million compared with 2020.

In 2020, there was a significant net impairment charge of EUR 19.5 million, partly due to the unfavourable development of future macroeconomic indicators, which had been adjusted negatively in the light of the Covid-19 crisis. In 2021, part of the impairment charge was reversed following a recovery in this outlook.

Tax expense amounted to EUR 68.8 million. Deferred taxes are also included under this heading. The effective tax rate has fallen 30.0% to 27.5%.



Solid capital base and liquidity position

In the fourth quarter of 2021, an interim dividend of EUR 125.0 million was paid to the shareholders, followed by a capital increase of EUR 72.7 million. The 2021 dividend was higher than in previous years. This represents a one-off catch-up following the temporary suspension of dividend payments during the Covid-19 crisis. By adding the profit to the reserves, shareholders' equity continued to grow and capital ratios remained healthy, as a result of which all solvency requirements were comfortably met. The liquidity ratios remained comfortable.

The Common EquityTier 1 (CET1) ratio amounted to 21.6% at 31 December 2021 compared with 23.3% at the end of 2020.

This decrease is mainly the result of the relatively higher increase in risk-weighted assets than in available capital. Detailed disclosures on solvency and capital management can be found in Note 6.

Liquidity remains comfortable with an LCR (Liquidity Coverage Ratio) of 164% and an NSFR (Net Stable Funding Ratio) of 145% as of 31 December 2021 compared to 159% and 136% respectively as of 31 December 2020. Liquidity is further explained in Note 5.2.

Consolidated balance sheet statement (before profit distribution)

Assets	Note	31/12/2020	31/12/2021
Cash and cash equivalents	11	58,712,247	52,504,898
Cash balances at central banks and other demand deposits	11	2,963,839,532	3,484,082,966
Financial assets held for trading	12	960,263	18,595,343
Non-trading financial assets mandatorily at fair value through profit or loss	13	68,169,997	41,200,393
Financial assets at fair value through other comprehensive income	14	3,667,290,214	3,726,459,358
Financial assets at amortised cost	15,25	38,274,884,642	40,572,390,257
Derivatives used for hedge accounting	16	3,248,972	88,616,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	16	768,565,472	353,166,530
Investments in subsidiaries, joint ventures and associates	17	90,000	66,852
Tangible assets	18,25	79,376,457	82,427,896
Property, plant and equipment		78,783,688	82,025,430
Investment property		592,770	402,466
Intangible assets	19	48,065,059	38,108,141
Goodwill		0	0
Other intangible assets		48,065,059	38,108,141
Tax assets	20	17,243,511	21,522,192
Current tax assets		11,548,486	20,068,024
Deferred tax assets		5,695,025	1,454,168
Other assets	21	281,407,271	259,267,224
Non-current assets and disposal groups classified as held for sale		0	0
Total assets		46,231,853,637	48,738,408,215



Liabilities and equity	Note	31/12/2020	31/12/2021
Financial liabilities held for trading	12	465,526	16,545,565
Financial liabilities at amortised cost	22,25	42,792,759,471	45,528,674,405
Deposits from central banks		236,396,243	258,262,863
Deposits from credit institutions		9,749,260	49,268,441
Deposits from other than central banks and credit institutions		38,319,344,087	40,280,069,046
Senior debt securities issued, including saving certificates		3,628,658,376	4,847,904,930
Subordinated debt securities issued		511,087,585	0
Other financial liabilities		87,523,920	93,169,126
Derivatives used for hedge accounting	16	889,545,635	491,094,431
Fair value changes of the hedged items in portfolio hedge of interest rate risk	16	0	0
Provisions	23	3,520,005	6,056,923
Tax liabilities	20	16,208,264	17,414,795
Current tax liabilities		5,477,152	5,022,836
Deferred tax liabilities		10,731,112	12,391,959
Other liabilities	24	241,462,927	276,730,209
Liabilities included in disposal groups classified as held for sale			
Total liabilities		43,943,961,827	46,336,516,329
Equity attributable to owners of the parent	3	2,287,560,995	2,401,434,190
Equity attributable to minority interests	4	330,815	457,696
Total equity		2,287,891,810	2,401,891,886
Total liabilities and equity		46,231,853,637	48,738,408,215



Consolidated statement of profit or loss

	Note	31/12/2020	31/12/2021
Total operating income		608,753,116	644,886,535
Net interest income	28	569,213,278	578,788,122
Interest income calculated using the effective interest method		808,562,443	803,206,696
Interest expenses		-239,349,165	-224,418,574
Dividend income	29	0	306,458
Net fee and commission income	30	-14,695,329	16,634,607
Fee and commission income		173,246,885	237,327,372
Fee and commission expenses		-187,942,214	-220,692,765
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	31	1,464,708	56,478
Financial assets at fair value through other comprehensive income		1,071,482	12,572
Financial assets and liabilities at amortised cost		393,226	43,906
Gains or losses on financial assets and liabilities held for trading	32	-631,117	1,555,041
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	33	2,849,580	-1,021,915
Gains or losses from hedge accounting	34	1,266,542	2,337,910
Gains or losses on derecognition of non-financial assets	35	6,322	131,976
Net other operating income	36	49,279,132	46,097,859
Other operating income		59,288,084	57,290,692
Other operating expenses		-10,008,952	-11,192,833
Administrative expenses	37	-360,993,049	-372,176,416
Staff expenses		-84,684,627	-86,623,350
Other administrative expenses		-276,308,422	-285,553,066
Depreciation	18,25	-29,807,689	-28,867,992
Property, plant and equipment		-9,703,056	-12,065,781
Investment properties		-17,903	-17,228
Other intangible assets		-20,086,730	-16,784,982
Modification gains or losses		-3,258,931	-113,534
Provisions or reversal of provisions	23	-449,173	-1,275,323
Impairments or reversal of impairments	38	-19,488,396	7,368,578
Financial assets (debt securities) at fair value through other comprehensive income		-2,115,395	2,206,883
Financial assets at amortised cost		-16,988,375	5,161,695



	Note	31/12/2020	31/12/2021
Property, plant and equipment		-384,627	0
Goodwill		0	0
Share in results of associated companies and joint ventures		0	-23,148
Profit or loss before tax		194,755,877	249,798,700
Tax expense	39	-58,500,601	-68,755,311
Profit or loss after tax		136,255,276	181,043,389
Profit or loss attributable to owners of the parent		136,007,825	180,703,439
Profit or loss attributable to minority interests		247,451	339,950



Consolidated statement of comprehensive income

Overview of the comprehensive income	Note	31/12/2020	31/12/2021
Profit or loss		136,255,276	181,043,389
Profit or loss attributable to owners of the parent		136,007,825	180,703,439
Profit or loss attributable to minority interests		247,451	339,950
Items that will not be reclassified to profit or loss		927,089	1,694,492
Equity instruments measured at fair value through other comprehensive income	14	32,712	1,216,507
Valuation gains or losses taken to equity		43,616	1,657,009
Deferred taxes		-10,904	-440,502
Actuarial gains or losses on defined benefit pension plans	23	894,377	477,985
Gross actuarial gains or losses on liabilities defined benefit pension plans		1,189,875	637,313
Deferred taxes		-295,498	-159,328
Items that may be reclassified to profit or loss		27,189,087	-16,124,212
Debt securities at fair value through other comprehensive income	14	23,789,494	-17,425,782
Valuation gains or losses taken to equity		30,675,412	-21,014,921
Transferred to profit or loss		1,043,912	-2,219,455
Deferred taxes		-7,929,830	5,808,594
Cash flow hedges	16	3,399,593	1,301,570
Valuation gains or losses taken to equity		41,613	6,028
Transferred to profit or loss		4,227,000	1,729,399
Deferred taxes		-869,020	-433,857
Total other comprehensive income		28,116,176	-14,429,720
Total comprehensive income		164,371,452	166,613,670
Profit or loss attributable to owners of the parent		164,124,001	166,273,720
Profit or loss attributable to minority interests		247,451	339,950



Consolidated statement of changes in equity

	Accumulated other comprehensive income										
	Paid up capital	Share premium	Fair value changes of debt securities measured at fair value through other comprehensive income	Fair value changes of equity instruments measured at fair value through other comprehensive income	Cash flow hedge reserve	Actuarial gains or losses on defined benefit pension plans	Retained earnings	Profit or loss attributable to owners of the parent	Equity attributable to owners of the parent	Minority interests	Total Equity
Equity position 01/01/2020	815,642,650	0	33,683,281	0	-4,701,163	-1,208,126	1,162,659,199	117,361,155	2,123,436,996	214,749	2,123,651,745
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Profit or loss of the year	0	0	0	0	0	0	0	136,007,825	136,007,825	247,451	136,255,276
Dividends	0	0	0	0	0	0	0	0	0	-131,385	-131,385
Fair value gains or losses taken to equity	0	0	30,675,412	43,616	41,613	1,189,875	0	0	31,950,516	0	31,950,516
Fair value gains or losses transferred to profit or loss	0	0	1,043,912	0	4,227,000	0	0	0	5,270,912	0	5,270,912
Deferred taxes on fair value gains or losses	0	0	-7,929,830	-10,904	-869,020	-295,498	0	0	-9,105,252	0	-9,105,252
Total other comprehensive income	0	0	23,789,494	32,712	3,399,593	894,377	0	0	28,116,176	0	28,116,176
Other changes	0	0	0	0	0	0	0	0	0	0	0
Transfer to retained earnings	0	0	0	0	0	0	117,361,155	-117,361,155	0	0	0
Equity position 31/12/2020	815,642,650	0	57,472,775	32,712	-1,301,570	-313,749	1,280,020,354	136,007,825	2,287,560,995	330,815	2,287,891,810
Capital increase	72,659,250	0	0	0	0	0	0	0	72,659,250	0	72,659,250
Profit or loss of the year	0	0	0	0	0	0	0	180,703,439	180,703,439	339,950	181,043,389
Dividends	0	0	0	0	0	0	-125,041,500	0	-125,041,500	-231,344	-125,272,844
Fair value gains or losses taken to equity	0	0	-21,014,921	1,657,009	6,028	637,313	0	0	-18,714,571	0	-18,714,571
Fair value gains or losses transferred to profit or loss	0	0	-2,219,455	0	1,729,399	0	0	0	-490,056	0	-490,056
Deferred taxes on fair value gains or losses	0	0	5,808,594	-440,502	-433,857	-159,328	0	0	4,774,907	0	4,774,907
Total other comprehensive income	0	0	-17,425,782	1,216,507	1,301,570	477,985	0	0	-14,429,720	0	-14,429,720
Other changes	0	0	0	0	0	0	-18,277	0	-18,277	18,277	0
Transfer to retained earnings	0	0	0	0	0	0	136,007,825	-136,007,825	0	0	0
Equity position 31/12/2021	888,301,900	0	40,046,992	1,249,219	0	164,237	1,290,968,403	180,703,439	2,401,434,190	457,696	2,401,891,886

Notes 3, 4, 23 and 31 provide further information on all changes to the various equity positions in the above table.

Consolidated cash flow statement

	31/12/2020	31/12/2021
Cash and cash equivalents at the start of the period	3,162,349,538	3,764,757,587
Operating activities		
Profit or loss before tax	194,755,877	249,798,700
Adjustments for:		
Depreciation	25,452,179	21,261,109
Provisions or reversal of provisions	449,173	1,275,323
Gains or losses on derecognition of non-financial assets	-6,322	-131,976
Impairments or reversal of impairments	22,747,327	-7,255,044
Changes in assets and liabilities from hedging derivatives and hedged item	12,767,853	-67,117,885
Other adjustments (among which interest expenses financing activities)	26,057,757	33,893,856
Cash flows from operating profits before changes in operating assets and liabilities	282,223,845	231,724,085
Changes in operating assets (excluding cash and cash equivalents)		
Financial assets held for trading	1,382,287	-17,635,080
Financial assets at amortised cost	-2,205,433,613	-2,653,094,838
Financial assets at fair value through other comprehensive income	-116,116,194	-73,171,536
Non-trading financial assets mandatorily at fair value through profit or loss	-1,864,167	26,969,604
Other assets	-29,526,400	26,380,904
Changes in operating liabilities (excluding cash and cash equivalents)		
Deposits from central banks	0	0
Deposits from credit institutions	-763,783	39,519,181
Deposits from other than central banks and credit institutions	2,191,827,962	1,960,724,959
Debt securities issued, retail	-98,335,882	0
Financial liabilities held for trading	-751,170	16,080,039
Other liabilities	-25,335,616	36,144,520
(Paid) refunded income taxes	-72,723,060	-77,729,166
Net cash flow from operating activities	-75,415,791	-484,087,326
Investing activities		
Cash payments to acquire property, plant and equipment	-21,070,121	-8,212,696
Cash proceeds from disposal of property, plant and equipment	12,192,725	560,944
Cash payments to acquire intangible assets	-13,556,077	-6,828,146
Cash proceeds from disposal of intangible assets	3,032,375	82
Changes concerning consolidated companies	0	0
Net cash flow from investing activities	-19,401,098	-14,479,816



	31/12/2020	31/12/2021
Financing activities		
Paid dividends	0	-125,272,844
Cash proceeds from a capital increase	0	72,659,250
Cash proceeds from the issue of subordinated debt securities	0	0
Cash payments from subordinated debt securities	-21,569,024	-511,087,585
Cash proceeds from the issue of senior debt securities	0	1,669,227,000
Cash payments from senior debt securities	-438,574,747	-448,873,598
Cash proceeds from issuing EMTN	994,820,000	0
Cash proceeds from TLTRO - ECB	189,910,000	23,740,000
Interest paid	-27,361,292	-33,649,610
Net cash flow from financing activities	697,224,937	646,742,612
Cash and cash equivalents at the end of the period	3,764,757,586	3,912,933,057
Components of cash and cash equivalents		
Cash	58,712,247	52,504,898
Cash balances with central banks	2,803,109,816	3,225,473,830
Cash balances with other credit institutions	737,199,523	535,001,329
Other advances	165,736,000	99,953,000
Total cash and cash equivalents at the end of the period	3,764,757,587	3,912,933,057
Cash flow from operating activities:		
Received interest income	808,562,443	803,206,696
Dividends received	0	306,458
Paid interest expenses	-239,349,165	-224,418,574
Cash payments for the principal portion of lease liabilities	-3,287,547	-7,906,345
Payments for lease contracts that fall under the valuation exemptions for lease contracts (low value and short term)	-168,170	-198,854
Cash flow from financing activities:		
Paid interest expenses	-27,361,292	-33,649,610

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

Components of cash and cash equivalents

The cash in hand, cash balances at central banks and assets at other credit institutions can be found under the balance sheet item 'cash, cash balances at central banks and other demand deposits'.

The amount of the 'other advances' is included in the 'financial assets at amortised cost'. This relates to collateral paid in cash to financial institutions.

Cash flows from operating and financing activities

Further details can be found in Note 28 on interest amounts received and paid, and in note 29 on dividends received.



Notes

1. General information

The Company is registered 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 is part of the Argenta Group.

Argenta Bank- en Verzekeringsgroep nv (hereafter BVg) is the holding company of the Argenta Group. Its activities encompass Internal Audit, Compliance, Risk & Validation, Non-Financial Risks & Supervisory Office, Legal Affairs and Organisation & Talent. These activities are organised and managed 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. BVg consolidates and is responsible for the joint control of its subsidiaries Aspa and Argenta Assuranties (hereinafter Aras), a Belgian insurance company.



Aspa, together with its branch office in the Netherlands and the management subsidiaries Argenta Asset Management (AAM) and Arvestar Asset Management, forms the 'Bank Pool'. The Insurance Pool consists of Aras. The Bank Pool, Insurance Pool and BVg are hereinafter collectively referred to as the Argenta Group.

The Bank Pool mainly focuses on: attracting funds in the retail market in the form of savings and term accounts, attracting funds in the institutional market in the form of bonds, offering payment transactions via current accounts and reinvesting the collected funds in mortgage and personal loans, securities and lending to local governments, public-private partnerships and real estate developers and operators. In addition, the Company offers units in Argenta funds and in third-party undertakings for collective investment (UCIs) with which Argenta has partnerships.

The activities of the Insurance Pool comprise both life insurance, with branch 21 and branch 23 products, and non-life (i.e. casualty, property and health) insurance, and in particular car insurance, fire insurance, private civil liability, legal assistance insurance and also hospitalisation insurance.

All consolidated shareholdings in the Argenta Group are (quasi) 100% shareholdings, so that no (other than purely formal) minority interests are reported. The only exception is the management company 'Arvestar', in which AAM holds a 74.99% majority stake.

The subsidiaries and branch offices of the Company

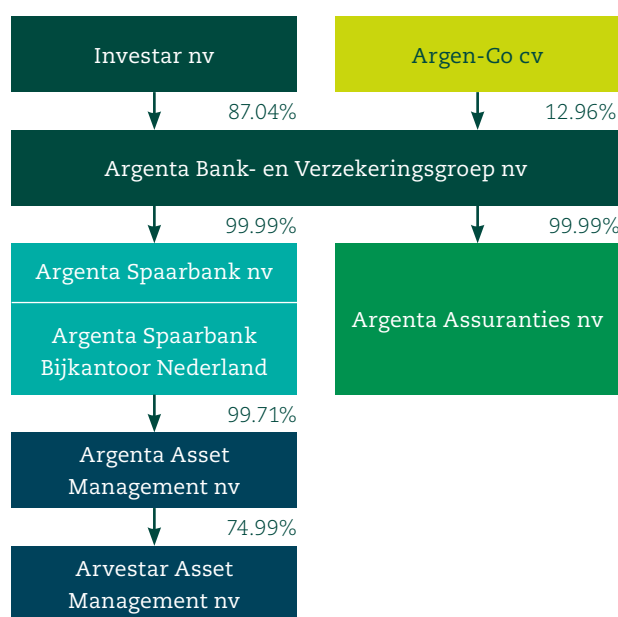
AAM is a management company that specialises in the management of the collective investment funds of the Argenta Group. AAM itself also has a subsidiary, namely Arvestar.

The Company's banking activities in the Netherlands are organised in a branch office of the Company, rather than in a subsidiary. This branch is responsible for mortgage production in the Netherlands, offering its mortgages through independent consultants and, since 2017, online. The branch office also offers savings and term accounts online. Management of the Dutch mortgage portfolio has been outsourced to service provider Quion.

Aspa also has a participating interest in Jofco to which the equity method is applied. This is a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost that jointly manages the ATMs of these institutions.

Securitisation transactions were carried out in 2017, 2018, 2019 and 2021. In these transactions, Dutch loans were sold to separate companies (independent 'SPVs' - 'Special Purpose Vehicles'), all under the Green Apple name, which then issued debt securities to finance these purchases. Despite the absence of any capital link with the Company, the Green Apple companies are consolidated, given that the management of the relevant activities is regulated by contractual agreements and the powers of the voting rights are limited to making administrative decisions. The determination of control over structured undertakings takes into account the purpose and design of the undertaking, the ability to direct the relevant activities and the extent to which the Company is exposed to the variability of the risks and rewards of the undertaking. In this way, the loans transferred return onto the Company's balance sheet.

The presentation below gives an overview of the global structure of the Argenta Group.



In accordance with IFRS rules, the entities below are included in the Company's consolidated financial reporting.

	%	31/12/2020	31/12/2021
Argenta Spaarbank nv		consolidating entity	consolidating entity
Argenta Asset Management nv	99.71%	full consolidation	full consolidation
Arvestar Asset Management nv	74.99%	full consolidation	full consolidation
Green Apple 2017 bv (SPV)	0.00%	full consolidation	full consolidation
Green Apple 2018 bv (SPV)	0.00%	full consolidation	full consolidation
Green Apple 2019 bv (SPV)	0.00%	full consolidation	full consolidation
Green Apple 2021 bv (SPV)	0.00%	full consolidation	full consolidation
Jofico cv	20.00%	equity method	equity method

Note on the number of personnel

In 2021, the average number of employees in the Company and its subsidiaries was 858.90 (886.60 in 2020). A breakdown of personnel expenses for the year can be found in Note 37.

2. Financial reporting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including these interpretations issued by the IFRS Interpretation Committee (IFRIC), which have been adopted by the European Union. As such, the rules on hedging transactions are still accounted for in accordance with IAS 39 ('carve out'). The consolidated financial statements are prepared on a going concern basis.

2.1. Changes in accounting policies

The accounting policies used for preparing these 2021 consolidated financial statements are consistent with those applied as of 31 December 2020.

The following standards and interpretations came into application during 2021:

- Amendments to IFRS 9 and IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Disclosures), IFRS 4 (Insurance Contracts) and IFRS 16 (Leases) related to Phase 2 of the benchmark reform. These changes relate to the accounting for the change of interest rate benchmark on the measurement of financial instruments and lease contracts, hedge accounting and the option to continue when adjusting the hedge documentation, and required disclosures. The reform of the benchmarks rates - phase 2 is explained in a separate section below.
- Amendment to IFRS 16 (Leases) in respect of rent concessions in connection with Covid-19 (applicable for annual periods beginning on or after 1 June 2020). There is no impact on the financial statements as no such rent concessions have been granted to the Company.

These new provisions had no material impact on the Company's results for 2021 or on its equity as of 31 December 2021 or on the presentation of its financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective for financial years ended 31 December 2021 and have not been applied in the preparation of these consolidated financial statements:

- Amendments to IAS 1 (Presentation of Financial Statements): classification of liabilities as current or non-current (effective for annual periods commencing on or after 1 January 2023, but not yet adopted in the European Union);
- Amendments to IAS 1 (Presentation of Financial Statements) and IFRS Practice Statement 2: Disclosure of financial reporting principles (effective for annual periods commencing on or after 1 January 2023 but not yet adopted in the European Union);
- Amendments to IAS 8 (Accounting Policies, Accounting Estimates and Errors: Definition of Estimates (effective for annual periods commencing on or after 1 January 2023 but not yet adopted in the European Union);
- Amendments to IFRS 3 (Business Combinations): references to the conceptual framework (effective for annual periods commencing on or after 1 January 2022);
- Amendments to IAS 12 (Income Taxes): deferred taxes on assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023 but not yet adopted in the European Union);
- Amendments to IAS 16 (Property, Plant and Equipment): Proceeds before intended use (effective for annual periods commencing on or after 1 January 2022);
- Amendments to IAS 37 (Provisions, Contingent liabilities and Contingent assets – onerous contracts—cost of fulfilling a contract (effective for annual periods commencing on or after 1 January 2022);
- Annual improvements (2018-2020 (effective for annual periods commencing on or after 1 January 2022).

The Company will apply all of the foregoing standards, amendments to standards and interpretations upon their entry into force. These amendments are not expected to have a material impact on the Company's consolidated financial statements.



2.2. Implementation and impact of changes in accounting policies and estimates for financial reporting

Interest Rate Benchmark Reform

In August 2020, the IASB published Phase 2 of the benchmark interest rate reform, amending IFRS 9 and IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Disclosures), IFRS 4 (Insurance Contracts) and IFRS 16 (Leases).

These changes relate to the effects of the transition from an interest rate benchmark on the measurement of financial instruments, lease contracts and hedge accounting. They offer the option to continue hedge accounting, by adjusting the hedge documentation, and set out the required disclosures.

The main benchmark interest rates to which the hedging derivatives are exposed are Euribor (mainly 3 months) and Eonia/Estr for discounting (OIS). For cash collateral exchanged under these above derivative contracts the interest payments are based on Eonia or Estr. More specifically, the following instruments and volumes are involved:

- Cleared swaps: EUR 6.7 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr;
- Uncleared swaps, caps and swaptions: EUR 11.1 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr;
- Caps, swaps and swaptions (non-cleared): EUR 2.1 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr + spread (8.5 basis points).



For derivatives cleared through a central counterparty, the calculation of the interest on cash collateral exchanged under these contracts was transferred from an Eonia to an Estr basis in 2020. For these derivatives, the discounting curve used was switched simultaneously. To compensate for the decrease in fair value, a payment of EUR 2,368,062 was received, which was accounted for in the statement of profit or loss under 'Gains or losses from hedge accounting'. For the non-cleared derivatives with bilateral counterparties, a switch was made in the course of 2021 from Eonia to Estr or modified Estr. To compensate for the decrease in fair value, net compensation of EUR 360,530 was received.

In addition, the Company has exposure of EUR 1.5 billion in debt securities and EUR 0.3 billion in loans to non-retail counterparties and approximately EUR 0.1 billion in mortgage loans with floating interest structures (also mainly Euribor). The debt securities issued by the Company as part of the securitisation transactions have interest payments based on Euribor (3 months).

The Company uses the amendment to IFRS 9 with regard to the consequences of the reform on the hedge relationship in respect of fair value hedge accounting contracts.

2.3. Financial reporting principles

Judgements and estimates

Preparing the consolidated financial statements requires management to make judgements and estimates that affect the measurement of assets and liabilities in the balance sheet, of income and expenses in the statement of profit or loss and also the information included in the notes. For making these judgements and estimates, management uses the information available at the time of preparing the consolidated financial statements. The actual outcomes can differ from these judgements and estimates. This can have a material impact on the consolidated financial statements.

Judgements relate mainly to the following areas:

- Assessing the business model and, consequently, classifying the financial instrument (see section 'financial assets and liabilities - classification and measurement after initial recognition of financial assets');
- Judging whether the contractual cash flows of the financial instrument involve only payments of principal and interest (see section 'financial assets and liabilities - classification and measurement after initial recognition of financial assets');
- Determining whether a market is active or inactive and the resulting hierarchical level to which the financial instrument is allocated (see section 'financial assets and liabilities - fair value of financial instruments');
- Assessing whether a significant increase in credit risk has taken place since the initial recognition based on which the financial instrument is allocated to a particular stage (see section 'financial assets and liabilities - impairment of financial assets - general model');
- The models and assumptions used to determine expected credit losses and to determine different economic scenarios and their respective weightings (see section 'financial assets and liabilities - impairments of financial assets - general model').

Estimates are mainly made in the following areas:

- Determining the expected useful life and residual value of tangible and intangible non-current assets (see section 'tangible and intangible non-current assets');
- Estimating the recoverable amount of financial assets in default for determining the impairment losses (see section 'financial assets and liabilities - impairments of financial assets - general model');
- Estimating future taxable profit for the measurement of deferred tax assets (see section: 'income taxes');
- Estimating the recoverable amount of the cash flow-generating units for goodwill impairments (see section 'goodwill');
- Calculating the fair value of financial instruments measured at fair value that are not listed or are not listed on an active market (see section 'financial assets and liabilities - fair value of financial instruments');
- Actuarial estimates when measuring employee pension liabilities (see section 'employee benefits - long-term benefits').

These judgements and estimates are disclosed in the corresponding sections of the valuation rules. However, the Company is of the opinion that the above judgements and estimates do not pose a significant risk of material adjustment in the measurement of the relevant assets or liabilities for the upcoming financial year.

Operating segments

An operating segment is part of the Company:

- That conducts business activities that generate revenue and that generate costs;
- The results of which are regularly assessed separately by management;
- For which separate financial information is available.

The management of the Company is considered to be the chief operating decision maker that makes important operational decisions.

The operating segments derive from the operating activities and the economic environments in which the Company operates and are best represented by the following segments:

- Activities in Belgium;
- Activities in the Netherlands;
- Activities in Luxembourg.

This segmentation follows the internal reporting. Transactions or transfers between segments take place on the basis of the usual commercial conditions that also apply to unrelated parties ('arm's length basis').



Consolidation

Scope of consolidation

The consolidated financial statements include all companies over which the Company exercises exclusive or joint control or over which the Company exercises significant influence.

All companies included in the consolidated financial statements of the Company end their financial year on 31 December. This closing date corresponds to the closing date for the preparation of the consolidated financial statements.

Subsidiaries

Subsidiaries are companies in which the Company has direct or indirect exclusive control. Control exists when the Company is exposed to, or has rights to, variable returns from the participating interest and it has the ability to influence those returns through its control over the participating interest.

The Company exercises control if it directly or indirectly holds a majority of the voting rights (and there are no contractual provisions modifying those rights) or if by contractual agreement the Company has the power to direct the relevant activities, and when these rights are material. A right is material if the holder has the practical possibility to exercise that right. The existence of control is reassessed if changes occur in elements that determine control.

Subsidiaries are fully consolidated as from the date on which effective control is obtained and are no longer consolidated as from the date on which such control ceases. Intra-group transactions and balances, and results from transactions between the companies included in the consolidation, are eliminated. Before proceeding to consolidate the subsidiaries, the measurement rules of the subsidiaries have been adjusted to align them with the measurement rules applicable in the Company.



In the event of loss of control of a subsidiary, the gain or loss on the disposal is determined as the difference between:

- The sum of the fair value of the consideration received and the fair value of the remaining investment held by the Company;
- The carrying amount of the assets (including goodwill) and the liabilities of the subsidiary and minority interests.

Joint ventures and associated companies

Joint control is the sharing of control with one or more parties on the basis of a contractual agreement that determines that decisions concerning the relevant activities require unanimous consent. Joint ventures are accounted for by the equity method.

Associated companies are companies in which the Company has significant influence, but does not exercise control. A significant influence is presumed to exist when the Company directly or indirectly exercises 20% or more of the company's voting rights. Participating interests in associated companies are initially measured at cost and subsequently accounted for by the equity method.

Gains and losses on transactions between the Company and participating interests accounted for by the equity method are eliminated to the extent of the Company's interest. Losses are no longer recorded once they equal the carrying amount of the participating interest. Further losses are recognised only if a de iure or de facto obligation has been entered into or a guarantee has been given.

Structured undertakings

Structured undertakings are undertakings that are set up in such a way that they are not managed by voting rights. The management of the relevant activities is regulated by contractual agreements and the powers of the voting rights are limited to making administrative decisions.

The determination of control over structured undertakings takes into account the purpose and design of the undertaking, the ability to direct the relevant activities and the extent to which the Company is exposed to the variability of the risks and rewards of the undertaking.

Business combinations

Business combinations are accounted for using the acquisition method. In this case the identifiable assets and liabilities are measured at fair value at acquisition date. Minority interests are measured at fair value or their share in the revalued net assets of the acquired party. The consideration given in acquiring a business combination is the fair value of the assets given, the liabilities assumed and the equity instruments issued to gain control of the acquired party. Each contingent amount in the consideration is recognised at fair value. Subsequent changes in the fair value of such contingent consideration is recognised in the statement of profit or loss. The costs associated with the acquisition are recognised in the statement of profit or loss.

When the business combination is realised in several phases, the interest previously held by the Company in the equity of the acquired party is measured at the acquisition date at fair value through profit and loss.

Foreign currencies

Conversion of foreign currency

The consolidated financial statements are presented in euros, which is the functional currency of the financial statements of all companies within the group.

Transactions in foreign currencies

Transactions in foreign currencies are recognised at the exchange rates prevailing on the dates of the individual transactions.

Monetary assets and liabilities expressed in foreign currency are converted into the functional currency at the exchange rate at the closing date. Exchange differences are recognised in the statement of profit or loss, except for exchange differences arising from financial instruments designated as cash flow hedges, which are recognised directly in equity.

Non-monetary items denominated in foreign currency and measured at historical cost are converted into the functional currency based on the historical exchange rate at transaction date and are subsequently not remeasured for changes in exchange rates.

Non-monetary items denominated in foreign currency and measured at fair value are converted into the functional currency at the closing rate. Exchange rate differences for non-monetary items carried at fair value follow the same accounting treatment as the fair value adjustment.

Financial assets and liabilities

Recognition and initial measurement

Financial assets or liabilities are recognised in the balance sheet as soon as the Company becomes party to the contractual terms of the instrument. Purchases of financial assets settled according to standard market conventions are recognised in the balance sheet at settlement date.

Financial assets and liabilities are initially measured at fair value adjusted for any transaction directly attributable to the acquisition or issue of the financial instrument. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are immediately recognised in the statement of profit or loss.



Classification and measurement of financial assets subsequent to initial recognition

The classification and measurement of the financial assets depends on the type of financial instrument and is based on both the business model and on the characteristics of the contractual cash flows of the financial assets (so-called 'solely payments of principal and interest test' or 'SPPI test'). For debt instruments, an irrevocable option exists to designate these as measured at fair value through profit or loss in the event of an accounting mismatch.

The categories for the measurement of financial assets are:

- Measured at amortised cost;
- Measured at fair value through other comprehensive income;
- Measured at fair value through profit or loss.

Business model

The possible business models for the control of financial assets are:

- The business model aimed at holding financial assets to receive the contractual cash flows ('hold-to-collect' or 'HTC');
- The business model aimed at holding financial assets to receive the contractual cash flows and to sell financial assets ('hold-to-collect-and-sell' or 'HTC & S');
- Other business models, such as holding financial assets for trading purposes and management based on fair value.

The financial assets are allocated internally within the Company to similar portfolios which are each assigned to a particular business model. Assignment to a business model takes into account how the performance and risks of the financial asset are tracked, assessed and reported, and experience and expectations with regard to selling. At the Company, there is no relationship between the business models and the remuneration of the managers and dividend policy. Any exceptional change in business model and subsequent reclassification of financial assets is handled and validated by the Asset Liability Committee (Alco).



Contractual cash flows test

The contractual cash flows test determines whether the cash flows of the financial asset consist solely of redemptions and interest payments on the principal amount outstanding, in accordance with the terms of a basic credit agreement. The interest payments contain compensation for the time value of money, the credit risk and any other risks and costs, and a commercial margin.

For financial assets that are contractually linked to cash flows from an underlying pool of financial instruments, and where the financial instrument is divided into tranches, a look-through approach is applied. In this case, the contract terms of the financial asset (tranche) and the characteristics of the underlying pool are subject to the contractual cash flows test and the credit risk of the tranche must be less than or equal to the credit risk associated with the underlying pool of financial instruments.

In applying this test, the Company takes into account, inter alia:

- Contract terms that change the timing or amount of contractual cash flows, including options for early redemption (taking into account early termination penalties) and extension, interest rate adjustments and variable interest rate features;
- The analysis of the magnitude of the difference between the frequency of the interest rate review and the fixed interest period of variable-rate financial assets when these do not match;
- Conditions that limit the Company's recourse to the cash flows of the specific underlying assets ('non recourse' characteristics).

Financial assets measured at amortised cost

Debt instruments held in a business model that is designed to receive contractual cash flows and where the contractual cash flows consist solely of repayments and interest payments on the principal outstanding, and where the Company has not opted for designation as measured at fair value through profit or loss, are measured, after initial recognition, at amortised cost.

Debt instruments that are sold to a securitisation vehicle included in the Company's consolidation may continue to be classified under a business model designed to receive contractual cash flows.

Sales can be compatible with the hold-to-collect business model if:

- The sales take place shortly before maturity in an amount that approximates the remaining contractual cash flows;
- The sales are made as a result of an increase in credit risk;
- The sales relate to the investment policy (e.g. sustainability criteria);
- The sales are not significant in value or infrequent.

Amortised cost is the amount at which the instrument is recognised at initial measurement, less principal payments and adjusted for cumulative amortisation, using the effective interest method, of the difference between the initial measurement amount and the repayment amount. From initial recognition onwards, expected credit losses are recognised in the statement of profit or loss. The interest is included in the statement of profit or loss on the basis of the effective interest rate determined at the start of the contract.

Financial assets measured at fair value through other comprehensive income

Debt instruments held in a business model that is intended both for receiving contractual cash flows and selling debt instruments and where the contractual cash flows consist exclusively of redemptions and interest payments on the outstanding principal, are measured at fair value through other comprehensive income. This applies provided that the Company has not opted to designate them as measured at fair value through profit or loss.

After recognition, these debt instruments are measured at fair value, with adjustments in fair value included in a specific heading in other comprehensive income in equity. The interest is taken into profit or loss on the basis of the effective interest rate in the same way as for financial assets measured at amortised cost. The expected credit losses are recognised in the other components of comprehensive income via the statement of profit or loss. Upon sale, the cumulative fair value changes previously recognised in other comprehensive income are transferred to the statement of profit or loss.

For equity instruments in the form of shares not held for trading, it is possible to opt irrevocably to measure these on initial recognition at fair value on an individual basis, with value adjustments recognised in (a specific heading of) the other comprehensive income. Upon sale of the shares, the cumulative fair value adjustments previously recognised in other comprehensive income are transferred, not to the statement of profit or loss, but to the results carried forward. Dividends are recognised in the statement of profit or loss where they form consideration for this investment. No impairment losses should be recognised on these instruments.

Financial assets measured at fair value through profit or loss include

Financial assets measured, after initial recognition, at fair value through profit or loss include debt instruments, equity instruments and derivatives that are not designated as hedging instruments. Derivatives are treated in section 'financial assets and liabilities - derivatives'.

Debt instruments held for trading are part of a business model that focuses on short-term profit taking (including from exchange rate fluctuations).

Debt instruments designated as measured at fair value through profit or loss are debt instruments for which the Company has made the irrevocable choice to designate these as measured at fair value through profit or loss. These are debt instruments that meet the criteria of the business model intended to receive and/or sell contractual cash flows and also pass the cash flows test. The Company may apply this option whenever, for these instruments, the other measurement methods give rise to inconsistencies in the measurement (accounting mismatch).

Debt instruments required to be measured at fair value through profit or loss include debt instruments that do not meet the contractual cash flow test.

After initial recognition, these debt instruments are measured at fair value and changes in fair value and realised results are recognised in a specific statement of profit or loss heading. The interest is recognised in net interest income on the basis of the effective interest rate.

Equity instruments measured at fair value through profit or loss consist of investments in equity instruments in respect of which it was not irrevocably opted upon initial recognition to measure them at fair value through other comprehensive income. Realised and unrealised results through revaluation to fair value are included in a specific statement of profit or loss heading. Dividends are recognised in the statement of profit or loss where they form consideration for the investment.



Classification and measurement of financial liabilities subsequent to initial recognition

The categories for the measurement of financial liabilities are:

- Measured at amortised cost;
- Measured at fair value through profit or loss.

Financial liabilities measured at amortised cost

After initial recognition, these obligations are measured at amortised cost, with the difference between the initial measurement and the repayment amount periodically recognised in net interest income using the effective interest method.

Financial liabilities measured at fair value through profit or loss

Financial liabilities held for trading are intended to generate short-term profit, and also include derivatives that are not designated as hedging instruments. Derivatives are treated in the section 'financial assets and liabilities - derivatives'.

For financial liabilities designated as measured at fair value through profit or loss for which the Company has made the irrevocable choice to designate these as measured at fair value through profit or loss, this irrevocable choice can be applied whenever:

- The use of the option eliminates or significantly reduces an inconsistency in the measurement (accounting mismatch);
- The financial liability contains one or more embedded derivatives and it is permitted to designate the entire financial instrument as measured at fair value through profit or loss.

After initial recognition, these financial liabilities are measured at fair value and changes in fair value and realised results are recognised in a specific statement of profit or loss heading. The interest is recognised in net interest income on the basis of the effective interest rate.

Netting

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

Derecognition of financial assets and liabilities

Derecognition of financial assets

Financial assets are no longer recognised when the contractual rights to cash flows from the financial asset expire or when the contractual rights to cash flows and substantially all risks and rewards of ownership are transferred. Where these conditions are not met, the financial asset is retained on the balance sheet and a liability is recognised to account for the ensuing liability. Sales of financial assets settled according to standard market conventions are derecognised from the balance sheet at settlement date.

Derecognition of financial liabilities

Financial liabilities are no longer recognised when the liability has been extinguished (when the contractual obligation has been fulfilled, the contract is terminated or expires).

Contract modifications

In the event of a change in the contractual terms of the cash flows of a financial asset that does not lead to derecognition of the financial asset, a modification gain or loss is recognised in the results.

Sales and repurchase agreements and securities lending

Securities (debt instruments and equity instruments) subject to a linked repurchase agreement (repo) remain on the Company's balance sheet. The corresponding liability resulting from the commitment to repurchase the securities is recorded in financial liabilities measured at amortised cost – deposits. The asset value of the securities is recognised off-balance sheet as collateral.

Securities sold under a linked sales agreement ('reverse repo') are recognised off-balance sheet as securities received as collateral. The corresponding receivable is recorded under financial assets measured at amortised cost – loans and advances.



The difference between the sale and repurchase price is recorded in the interest result over the term of the agreement using the effective interest method.

Securities that are lent out remain on the balance sheet. Borrowed securities are not included in the balance sheet. Securities lending commissions are included under fee and commission income and expenses.

Impairment losses on financial assets

The impairment model is based on expected credit losses and is applied to debt instruments measured at amortised cost or debt instruments measured at fair value through other comprehensive income. Impairment losses are also recognised on loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss, with a provision recorded for expected losses. No impairment losses are recorded on investments in equity instruments.

General model

Calculation of impairment losses is based on a two-step model:

- Step 1 consists of allocating the financial asset to the appropriate 'stage', corresponding to a specific situation with respect to the evolution of the counterparty's credit risk since initial recognition of the instrument;
- Step 2 consists of calculating the expected credit losses per instrument.

The allocation to the appropriate stage is determined by comparing the evolution with respect to the previous reporting period. A financial asset can change stage in both directions.

The different stages and the resulting calculation method for impairments are:

- Performing financial assets (performing – stage 1): these are financial assets not classified in stages 2 and 3, on which expected credit losses within 12 months are recognised (expected credit losses from potential defaults within 12 months of reporting date);
- Performing financial assets with reduced creditworthiness (underperforming - stage 2): these are financial assets, the credit risk of which has significantly increased since creation or purchase and on which expected credit losses are recognised for the entire term (expected credit losses arising from defaults over the entire remaining expected term after reporting date);
- Non-performing financial assets with reduced creditworthiness (non-performing – stage 3): these are financial assets for which objective evidence exists that they are in default and on which impairment losses are recognised equal to expected credit losses over the term of the asset.

A significant increase in credit risk is based on both quantitative and qualitative factors.

Expected credit losses are calculated on the basis of a probability-weighted average of a number of scenarios, which take into account information about past events, current circumstances and estimates of future economic conditions. This forward-looking information uses the macroeconomic budget projections. Management overlays may also be added to cover the model risk and uncertainties inherent in budget projections and estimates of forward-looking information.

The expected credit losses are calculated as the difference between the gross carrying amount of the financial asset and the value of estimated future cash flows. The calculated expected credit losses are recognised as impairment losses in the statement of profit or loss. The estimated future cash flows take into account the contractual cash flows and contract terms that may change the cash flows (such as prepayment or extension options) and expected cash flow shortfalls, taking into account collateral values and other forms of credit protection.

Definition of default

The definition of default is aligned with the definition applied for internal credit risk management and meets the requirements of the CRR default definition. In doing so, the Company treats 'non-performing' and 'default' in an identical manner.

Default status is assigned to financial assets that meet at least one of the following criteria:

- The financial asset is in arrears of more than 90 consecutive days;
- The Company has knowledge of factors indicating that repayment is unlikely.



The arrears include outstanding capital, past due interest and related costs (such as late payment interest, fines, fees). The day count of arrears takes into account the materiality thresholds from the CRR regulations.

UTP (unlikely to pay) indicators showing that payment is unlikely are recorded at individual debtor level. Here the Company makes a distinction between:

- Indicators that immediately give rise to a recording of default;
- Indicators that give rise to a manual assessment by a credit manager with a possible recording as a default.

The granting of forbearance measures gives rise to the registration of default in the cases provided for in the CRR regulation.

When a significant portion (more than 20%) of the debtor's total outstanding debt is considered in default, the Company considers it unlikely that the debtor's other obligations will be fully discharged and the entire amount of this debtor's financial assets are also classified as in default ("pull through effect").

If the criteria for recognising the financial asset under default status no longer apply, the financial asset can be remediated if no new criteria for recognising the financial asset under default status are established during the probation period of at least 3 months.

If the conditions for remediation are violated during the probation period, a new period of at least 3 months will start. For financial assets in default due to forbearance measures, the probation period is 12 months.

Recognition of impairment losses

For financial assets measured at amortised cost, the impairment losses are recognised in the balance sheet as corrections to be deducted from the gross carrying amount. For financial assets measured at fair value through other comprehensive income, the impairment losses are recognised in other components of comprehensive income and are not deducted from the gross carrying amount on the asset side of the balance sheet. Additions, reversals and applications of impairment losses are included in the statement of profit or loss under a separate heading.

Impairment losses on loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss are recognised in the balance sheet as a provision and movements are recognised in the statement of profit or loss under recognition and reversal of provisions.

Write-offs

Debt instruments are written off when they meet certain conditions. The Company always writes off the entire financial asset (and does not use partial write-off). For this the financial asset must be in stage 3. The write-off of the financial asset and the application of the already-recognised impairment loss are recognised in the statement of profit or loss in impairment losses.

As a general rule, debt instruments are written off when all reasonable recourse options have been exhausted and no significant recovery is expected.

More specifically, for Belgian mortgage receivables, the following conditions are followed for write-off:

- The mortgage receivable has been called, and the real estate collateral has already been sold. The proceeds from this sale have been collected for the most part or no proceeds have been collected from the sale because the Company's receivable is subordinated to that of other creditors;
- The mortgage borrower is admitted to collective debt restructuring or is in a state of bankruptcy and the collateral that served as guarantee has already been sold;
- The procedural costs involved in enforcing the guarantee are out of proportion with the possible benefits, as a result of which the guarantee cannot be sold.

For the Dutch portfolio, mortgage receivables are written off if, after enforcement of all the guarantees present, a residual debt remains and no further recovery options are expected.

For writing off of instalment loans the following criteria apply:

- The loan has been called. The loan is written off no later than 2 years after this date;
- The loan debtor has been admitted to collective debt restructuring procedures or is in a state of bankruptcy.

If, for loans that have been written off according to the above criteria, payments or recoveries are received by the Company at a later date, these are recognised as income in the statement of profit or loss in the impairment losses heading.

Derivatives

Recognition and Measurement

Derivatives are, at initial recognition and thereafter, measured at fair value through profit or loss. The fair value is determined on the basis of quoted market prices where an active market exists. Where no active market exists for the financial instrument, the fair value is measured using valuation techniques.

Derivatives are recognised as financial assets when their fair value is positive and as liabilities when their fair value is negative. Interest received and paid is included in the interest result.

Derivatives held for trading

Derivatives that are not designated as hedging instruments are recognised as held for trading.

For a hybrid contract that is a financial liability, a lease receivable, an insurance contract or other non-financial contract, it is necessary to assess whether the elements contained in the contract should be separated from the basic contract. This is the case when:

- The features and risks of the elements contained in a contract do not closely match those of the basic contract;
- The hybrid contract as a whole is not measured at fair value through profit or loss;
- A separate instrument with the same conditions and characteristics as the element embedded in the contract would meet the definition of a derivative.



The separated-out derivatives embedded in the contract are recognised as held-for-trading derivatives. Derivatives held for trading are included under financial assets or liabilities held for trading, and changes in fair value and realised gains and losses are recognised in gains and losses on financial assets and liabilities held for trading.

Hedging derivatives

The Company uses the option to continue to apply the requirements and conditions of IAS 39 on hedging transactions, as endorsed by the European Union (the so-called 'carve out').

Derivatives entered into as part of a hedging relationship are classified according to the purpose of the hedging:

- Fair value hedges serve to hedge of the risk of changes in the fair value of a financial asset or liability, or in the interest rate risk of a portfolio;
- Cash flow hedges serve to hedge the possible variability in cash flows of a financial asset or liability.

The conditions to qualify as a hedging instrument are:

- The presence of formal documentation of the hedging relationship (with identification of hedging instrument, hedged item and the hedging objective) at the outset of the hedge;
- The expectation that the hedge will be highly effective and the ability to measure the hedging effectiveness in a reliable way;
- Continuous measurement during the reported period in which the hedge can be designated as effective.

Fair value hedges

In fair value hedges, the derivatives are recognised under hedging derivatives as assets or liabilities, with changes in fair value recognised in gains and losses from the recognition of hedging transactions together with the corresponding change in the fair value of the hedged risk of the hedged assets or liabilities.

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 under-hedging exists.

Cash flow hedges

In cash flow hedges, the derivatives are recognised under hedging derivatives as assets or liabilities, with changes in the fair value of the effective portion of the hedging recognised in other comprehensive income in equity. The ineffective part of the change in fair value is included in the statement of profit or loss under gains and losses from the recognition of hedging transactions. The revaluation adjustment recognised in equity is transferred to the statement of profit or loss in the period in which the hedged instrument affects the statement of profit or loss.

Termination of hedging transaction

If the hedging transaction no longer meets the conditions or if the hedging is terminated, the hedging instrument is transferred to derivatives held for trading.

In the case of a fair value hedge of an identified fixed-income financial instrument (micro fair value hedge), the revaluation adjustment of the hedged instrument is amortised over the remaining life of the instrument based on the effective interest rate. In the case of the fair value hedge of a portfolio of fixed-income instruments (macro fair value hedge), the revaluation adjustment is amortised on a straight-line basis over the remaining term of the original hedge. When the hedging instrument is no longer recorded in the balance sheet (owing to prepayment or sale), the revaluation adjustment is immediately recognised in the statement of profit or loss.

In the case of a cash flow hedge, the revaluation adjustment remains in other comprehensive income until the originally hedged instrument impacts the statement of profit or loss or until it is clear that the transaction will not take place. At that time, the revaluation adjustment is recognised in the statement of profit or loss.

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 time of measurement.

The Company uses the following hierarchy for determining the fair value of financial instruments:

- Quoted prices in an active market;
- The use of 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.

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

Interest income and expenses

Interest income and interest expenses are recognised in the statement of profit or loss on a pro rata basis based on the effective interest method.

The effective interest rate is the interest rate that precisely discounts to net carrying value the expected future cash flows (taking into account contractual payments and including transaction costs and commissions and fees paid and received and other forms of compensation that form an integral part of the effective interest rate) over the expected life of the financial instrument or, if more appropriate, over a shorter period. Commissions and fees that form an integral part of the effective interest rate include, inter alia, commissions received for the creation or acquisition of a financial asset, or commissions paid for the issue of financial liabilities.

In this way, transaction costs, commissions and fees are treated as an additional interest component included in the effective interest rate and are recognised in net interest income.

For derivatives and debt instruments held for trading, the Company opts for the recognition of the interest received and paid under net interest income.

Tangible and intangible assets

All tangible and intangible non-current assets are recorded at cost (i.e. acquisition value including directly allocable acquisition costs), less accumulated depreciation and any impairment losses.

Tangible and intangible non-current assets are depreciated on a straight-line basis over their expected economic life. The depreciable amount is calculated after deduction of the residual value (if any) and is applied as soon as the assets are ready for use. The depreciation expense is included under depreciation in the statement of profit or loss.

Tangible and intangible non-current assets are assessed for impairment whenever there is an indication of loss of value. Where the estimated recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss under depreciation. The recoverable amount is the higher of (i) the fair value minus sales costs and (ii) its value in use. After recognition of the impairment loss, the regular depreciation is adjusted as a function of the adjusted carrying value. When the realisable value increases or when the indication of loss of value no longer exists, the impairment is reversed.

Upon disposal of tangible and intangible non-current assets, realised gains or losses are immediately recognised in the statement of profit or loss for the financial year under gains and losses on derecognition of non-financial assets.

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 proportionally between the land and the building.

The building is depreciated over its estimated useful life, being 33 years, on a monthly basis.

The purchase price and purchase costs of renovations are depreciated over 10 years, 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 over 3 years, on a monthly basis.

Other equipment (including vehicles)

The purchase price and purchase costs of furnishings and equipment are depreciated over 10 years, on a monthly basis. The purchase price and purchase costs of vehicles are depreciated over 4 years, on a monthly basis.

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.

Intangible assets

An intangible asset is an identifiable non-monetary asset. 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.

Where the capitalisation criteria are met, acquired software is recognised at cost under intangible assets. The acquisition price and acquisition costs are amortised by the straight-line method from the time that the software is available for use.

The purchase price and purchase costs of acquired software are amortised over 5 years, on a monthly basis. Other intangible assets are amortised over 10 years.



Goodwill

Goodwill represents the difference between the cost of acquiring a business combination and the acquirer's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. It is determined as of the date of acquisition.

Where this difference is negative (badwill), it is immediately recognised as income in the statement of profit or loss. Where the difference is positive, it is recognised as an asset and measured at cost less any impairment losses. Goodwill is not amortised, but is tested at least once a year for impairment.

The Company allocates the goodwill to cash generating units or groups. Impairment losses are recognised on goodwill whenever the carrying amount of the cash-generating unit to which the goodwill belongs exceeds its realisable value. The recoverable amount is the higher of (i) the fair value minus sales costs and (ii) its value in use. The value in use is the present value of estimated future cash flows that are expected to arise from the cash-generating unit. Impairment losses on goodwill cannot be reversed.

Non-current assets and classified as held for sale and discontinued operations

When the Company decides to sell a non-current asset (or group of assets) and it is highly probable that the sale will take place within 12 months, the assets and the liabilities associated with these assets are included under non-current assets classified as held for sale.

The asset is measured at the lower of (i) the carrying value and (ii) fair value less cost to sell. 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 assets are then no longer depreciated. Gains and losses, including impairment losses and realised results, are recorded in the statement of profit or loss under result on assets held for sale.

When the group of assets and associated liabilities represents an industry or geographical area of activity, it is classified as a discontinued business activity. The profit and loss from discontinued business activities are recognised in a separate statement of profit or loss heading.

Leases

For each contract that is entered into, the Company assesses whether the contract is or contains a lease. A contract is or contains a lease whenever the contract provides, in exchange for a consideration, the right to control the use of an identified asset for a period of time.

The Company acts as a lessee in lease contracts for the rental of equipment or real estate and as a lessor in subleases of real estate to its tied agents.

Lessee

On the commencement date of the contract, the Company recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost on initial recognition. The cost price consists of:

- The amount of the initial measurement of the lease liability;
- The amount of the lease payments made before the commencement date (which are not included in the lease liability);
- The initial direct costs;
- The estimated costs of dismantling, removal and repair (if applicable).

The lease liability is measured at the present value of the lease payments (not yet made). The lease payments are discounted based on the implicit interest rate of the lease, provided it can be easily determined. Where it cannot be easily determined, the marginal interest rate is used.

The right-of-use asset is recognised and measured correspondingly in property, plant and equipment.

After initial recognition the lease liability is recognised as borrowings, with the interest payments recognised using the effective interest method. Revisions or reassessments of the lease liability are recognised when determined. These result in the revaluation of the lease liability and the adjustment of the right-of-use asset. Where the right-of-use asset no longer has a carrying amount and the revaluation concerns a decrease in the lease liability, the revaluation is recognised in the statement of income or loss.

Lessor

In a finance lease, the lessor transfers substantially all of the risks and rewards associated with ownership of an asset to the lessee. An operating lease is any lease that is not classified as a finance lease.

The income from an operating lease is recognised in the statement of profit or loss on a straight-line basis over the lease term. The underlying asset is recorded using the measurement rules applicable to the underlying property, plant and equipment.

For finance leases, a lease receivable is recorded, corresponding to the net investment in the lease. Interest income is recognised over the lease term using the implied interest rate of the lease. Where, in a sublease, the implied interest rate of the sublease cannot be easily determined, the discount rate used for the main lease may be used for measuring the net investment in the sublease.

Provisions

Provisions are recognised in the balance sheet when:

- An existing legally enforceable or constructive obligation exists on the balance sheet date, as a result of past events;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- 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 outcome.

Commissions and fees received and paid

Commissions and fees received for services (excluding commissions that form part of effective interest) are recognised using the following five basic principles:

- Identification of the contract;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations;
- Recognition of the income to the extent that the performance obligation is met.

The performance obligation is met when control of the good or service is transferred.

The Company accounts for commissions and fees received for services:

- Progressively over the period, pro rata as the services are provided in the case of continuous services;
- When the service was performed.

Commissions and fees paid consist mainly of commissions to agents and are based on turnover volumes and production figures. Turnover commissions are included in the statement of profit or loss progressively over the period. Production commissions are included in the effective interest rate of the financial instrument.



Employee benefits

Short-term benefits

Short-term benefits include salaries, paid vacation and additional benefits that are expected to be settled within 12 months of the balance sheet date. Short-term benefits are recognised as an expense in the statement of profit or loss when the Company has availed of the services provided by employees in exchange for the benefits given.

Long-term benefits

Long-term benefits include deferred benefits and long-term disability benefits. These are benefits that are deferred for more than 12 months. The Company does not grant material long-term benefits to its employees.

Severance compensation

Severance compensation consists of benefits that arise as a result of a decision by the Company to terminate an employee's employment or as a result of a decision by the employee to voluntarily leave the Company early in exchange for compensation. A provision for severance compensation is recognised in accordance with the measurement rules for provisions.

Post-employment benefits

The Company has both pension obligations for occupational pension schemes with fixed contributions (the so-called 'fixed contribution schemes') and pension schemes with targets to be achieved (the so-called 'fixed performance schemes'). The Company financed the pension schemes through group insurance, whereby the insurer guarantees a return.

Fixed contribution schemes

The Company's contributions to defined contribution pension schemes are charged to the statement of profit or loss in the year to which they relate.

Given their legally imposed minimum guaranteed return, Belgian defined contribution schemes are considered as defined performance schemes and the obligation is measured based on the methodology used for defined performance schemes (the Projected Unit Credit method).

Defined performance schemes

For determining the gross pension obligation, the Company determines the expected benefit at retirement date for each employee, taking into account the expected evolution of the salary and the likelihood of the employee leaving the scheme. The expected benefit at retirement date is then allocated on a linear basis to past service.

The present value of the gross liability is determined by discounting the gross pension obligation based on the market return of high-quality corporate bonds. The present value is at least equivalent to the fair value of the employee's insurance contract, since he is entitled to the higher of the minimum guaranteed return and the actual return offered by the insurer.

A scheme is backloaded if an employee's pension build-up in later years of his career leads to significantly higher benefits than in earlier years of his career.

The fair value of the insurance contracts is determined by the projection of the accumulated reserves, using the actual yields offered by the insurer, discounted on the basis of the market return of high-quality corporate bonds.

The amount recognised in the balance sheet in respect of the pension schemes is the difference between the present value of the gross liability and the fair value of the insurance contracts. If this difference results in an asset value, this is limited to the asset ceiling, which is equal to the present value of the economic benefits available to Argenta Group in the form of repayments or reduction of future contributions.

Revaluations of the net pension liability are included in the other components of comprehensive income and are never transferred to the statement of profit or loss. Revaluations come from changes in actuarial assumptions, experience adjustments, return on scheme assets and changes in the asset ceiling.



Tax expense

Taxes on the profit 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 enterprise operates.

Current taxes consist of those payable in respect of the current period on the taxable income of the year, on the basis of the applicable tax rates at balance sheet date, as well as any revision of the taxes payable or refundable for previous periods.

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, along with unused tax loss carryforwards.

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 recognised only to the extent that it is probable that sufficient future taxable profits will be available against which the temporary differences and fiscal losses can be offset.

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. Current and deferred taxes are recognised in the statement of profit or loss with the exception of those related to instruments, transactions or events that are measured directly in (comprehensive income in) equity. These are booked directly to equity.

Levies



Levies are outflows of economic benefits imposed by governments. The Company immediately recognises the levy in the statement of profit or loss as soon as the obligation arises.

Credit institutions are subject to various Belgian and European levies, such as the deposit and guarantee fund and the subscription tax. These contributions are established on 1 January of the calendar year and are therefore fully recognised in the statement of profit or loss on that date.

Share capital

The company does not repurchase, nor does it hold any treasury shares. Dividends on shares are recognised as a liability as from the date they are declared.

3. Equity attributable to the owners of the parent

The Company is the consolidating company. Its shares are 99.99% owned by BVg. Equity including equity attributable to minority interests amounts as of 31 December 2021 to EUR 2,401,891,886 compared to EUR 2,287,891,810 as of 31 December 2020. The minority interests amount to EUR 457,696 as of 31 December 2021. Further explanation can be found in note 4.

	31/12/2020	31/12/2021
Paid up capital	815,642,650	888,301,900
Share premium	0	0
Accumulated fair value changes of debt securities measured at fair value through other comprehensive income	57,472,775	40,046,993
Accumulated fair value changes of equity instruments measured at fair value through other comprehensive income	32,712	1,249,219
Accumulated cash flow hedge reserve	-1,301,570	0
Accumulated actuarial gains or losses on defined benefit pension plans	-313,749	164,236
Reserves	1,280,020,354	1,290,968,403
Profit or loss attributable to owners of the parent	136,007,825	180,703,439
Minority interests	330,815	457,696
Total equity	2,287,891,810	2,401,891,886

The increase in equity in 2021 is the combined result of several factors. The individual elements of equity are further discussed in the text below.

Paid-up capital and share premium

The paid-up capital, represented by 168,975 no par shares, is EUR 888,301,900 as of 31 December 2021 (EUR 815,642,650 as of 31 December 2020).

Capital increases in the Company

The increase in paid-in capital is the result of a capital increase of EUR 72,659,250, which took place on 27 October 2021. This capital increase involved no issue of new shares and was subscribed by the present shareholders. No capital increases took place at the Company in 2020.

Acquisition of own shares

Neither the Company, nor a direct subsidiary, nor any person acting in their own name but on behalf of the Company or the direct subsidiary, acquired shares of the Company during the 2021 financial year.

Accumulated other components of comprehensive income

Accumulated fair value changes of debt and equity instruments measured at fair value through other comprehensive income

The financial instruments measured at fair value through other comprehensive income are measured at fair value, with all fluctuations in the fair value recognised in a separate line in equity until realisation of the assets or until an impairment loss occurs, with the exception of equity instruments in respect of which no impairment losses are recognised and realised results are transferred directly to the reserves.

The above-mentioned fluctuations in fair value are found in shareholders' equity under 'accumulated other comprehensive income'. This component (which arises after offsetting of deferred taxes and the changes in fair value of hedged positions with micro fair value hedging) evolved from EUR 57,505,487 as of 31 December 2020 to EUR 41,296,211 as of 31 December 2021.

	31/12/2020	to profit or loss	to reserves	to other comprehensive income	taxes	31/12/2021
Debt securities at fair value through other comprehensive income						
Accumulated valuation gains or losses	151,100,672	-2,219,455		-54,368,962		94,512,256
Accumulated fair value changes of the hedged items in micro fair value hedge	-74,470,307	0		33,354,041		-41,116,266
Deferred taxes	-19,157,591				5,808,594	-13,348,997
Equity instruments at fair value through other comprehensive income						
Accumulated valuation gains or losses	43,616		1,657,009	0		1,700,625
Deferred taxes	-10,904				-440,502	-451,406
Accumulated other comprehensive income for debt securities and equity instruments	57,505,487	-2,219,455	1,657,009	-21,014,921	5,368,092	41,296,211

In the 2021 financial year a total of EUR -2,219,455 was recycled to profit or loss. Note 16 gives further information on the processing of the micro hedges.

Accumulated cash flow hedge reserve

The Company had in the past concluded one interest rate swap that was accounted for as a cash flow hedge. This swap matured in 2021.

	31/12/2020	to profit or loss	to reserves	to other comprehensive income	taxes	31/12/2021
Cash flow hedges						
Accumulated valuation gains or losses taken to equity	-1,735,427	1,729,399		6,028	0	0
Deferred taxes	433,857				-433,857	0
Accumulated other comprehensive income for cash flow hedges	-1,301,570	1,729,399	0	6,028	-433,857	0

Accumulated actuarial gains or losses on defined benefit pension plans

Revaluations of the net pension liability for defined benefit pension obligations are recognised under a separate line in equity and are never transferred to the profit and loss account. Revaluations come from changes in actuarial assumptions, experience adjustments, return on scheme assets and changes in the asset ceiling.

Reserves

The reserves position (EUR 1,290,968,402 as of 31 December 2021) contains the statutory reserves (legal reserves, available reserves and retained earnings) and the consolidated reserves of the Company. The legal reserve is the reserve fund as referred to in Articles 7:211 of the Companies Code, which requires the formation of a legal reserve amounting to at least one tenth of the share capital. The available reserves are the reserves that are eligible for distribution. The retained earnings are the sum of profits or losses that have not been added to the available reserves during the appropriation of the result and which it has nevertheless been decided to keep in the Company.

Profit or loss attributable to owners of the parent

The consolidated result (excluding minority interests) for the year ending on 31 December 2021 was EUR 180,703,439 compared to EUR 136,007,824 for the year ending on 31 December 2020.

Dividends

In the fourth quarter of 2021, an interim dividend of EUR 125,041,500 (EUR 740 per share) was paid to shareholders. Subsequently a capital increase of EUR 72,659,250 took place, subscribed by the two shareholders.

There will be no proposal by the Company's Board of Directors to the General Meeting of shareholders of the Company for an additional dividend in respect of the 2021 financial year.



4. Minority interests

In 2020, EUR 330,815 was attributable to the minority interests, and EUR 457,696 in 2021.

The increase in the minority interest in the Company's accounts relates to the result attributable to minority interests from the company Arvestar, 25.01% of the shares in which are held by Degroof Petercam.

5. Risk management

Introduction

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 financial risks, and non-financial 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, branch managers, investor managers, supervisory authorities and rating agencies, as well as directors, management and employees.

The risk management function within Argenta is centrally organised at Argenta Bank- en Verzekeringsgroep (BVG), with the exception of the risk management function of the asset managers, which is organised decentrally in the relevant management companies, and local aspects in the Argenta branch office in the Netherlands.

In general, it can be stated that the risk management function contributes to Company strategy by developing and applying an appropriate framework for risk management, by facilitating risk awareness within the organisation and by supporting and advising the organisation in the implementing and monitoring of risk management (supported risk culture). The risk management function ensures that all significant risks are demonstrably under control, both now and in the future, and reports on this. This allows the Company to develop in a healthy manner in terms of risk profile as a bank within the risk appetite and strategy as laid down by the board of directors ('offering assurance').

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. These include the Governance Memorandum and the Charters of the independent control functions;
- 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/risk capacity limits for each risk category; Overarching this is the Integrated Risk Management policy, which defines the most important components and processes on the basis of which Argenta has set up its risk management policy. 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 are actively monitored and analysed, and that appropriate changes are made to the system if necessary;
- Coordination and planning and between the independent control functions Compliance, Risk Management, Actuarial Function and Internal Audit.

2nd line risk management monitors the embedding of risk awareness in the 1st line and the control of the risk management exercised at headquarters, and in the entities and the branch network. This management takes the form of risk-based monitoring and of testing risk identification, risk analysis and risk response in the 1st line, with the aim of ensuring that the main risks are identified, measured, managed and monitored.

Risk policy

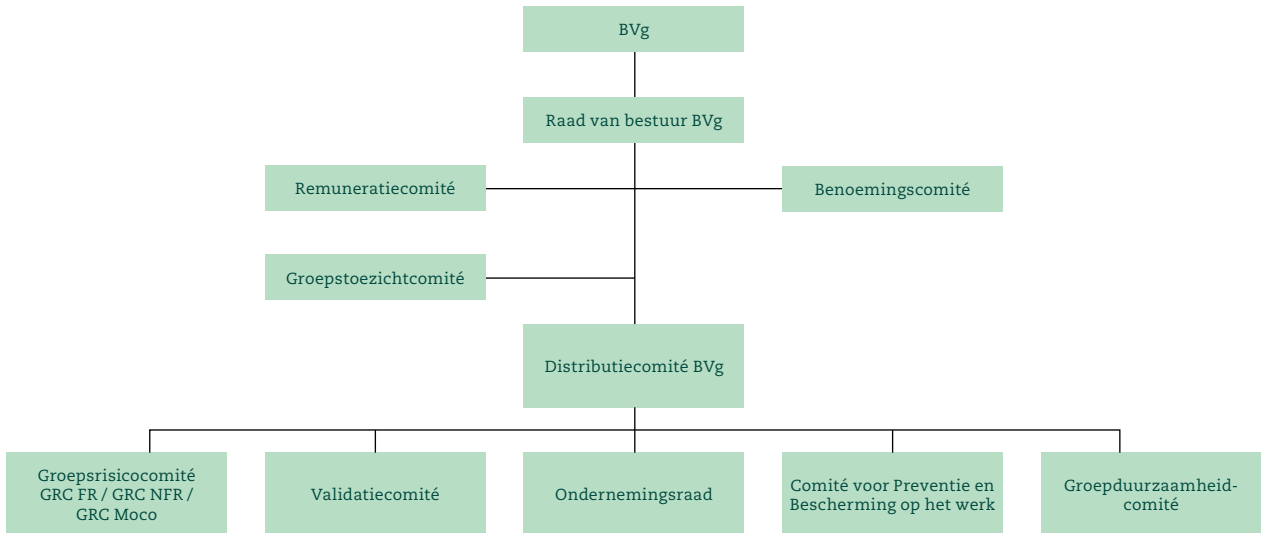
The main components of our risk policy model are:

- The Board of Directors that, with the support of the 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 Risk Committee of the Board of Directors, which supervises the adequacy of the risk management system and advises the Board of Directors on this.
- The Executive Committee that implements the risk management system and links together the risk appetite, strategy and definition of the company purpose. In its decision-making process, the Executive Committee takes into account the information reported in the context of the risk management system.
- The Group Risk Committee and the activity-related Risk Committees in which the discussion, follow-up and management of the various risks take place.
- The 1st line employees who bear the final responsibility and consequences of the risks specific to the processes, supported by expertise from 1st line risk support.

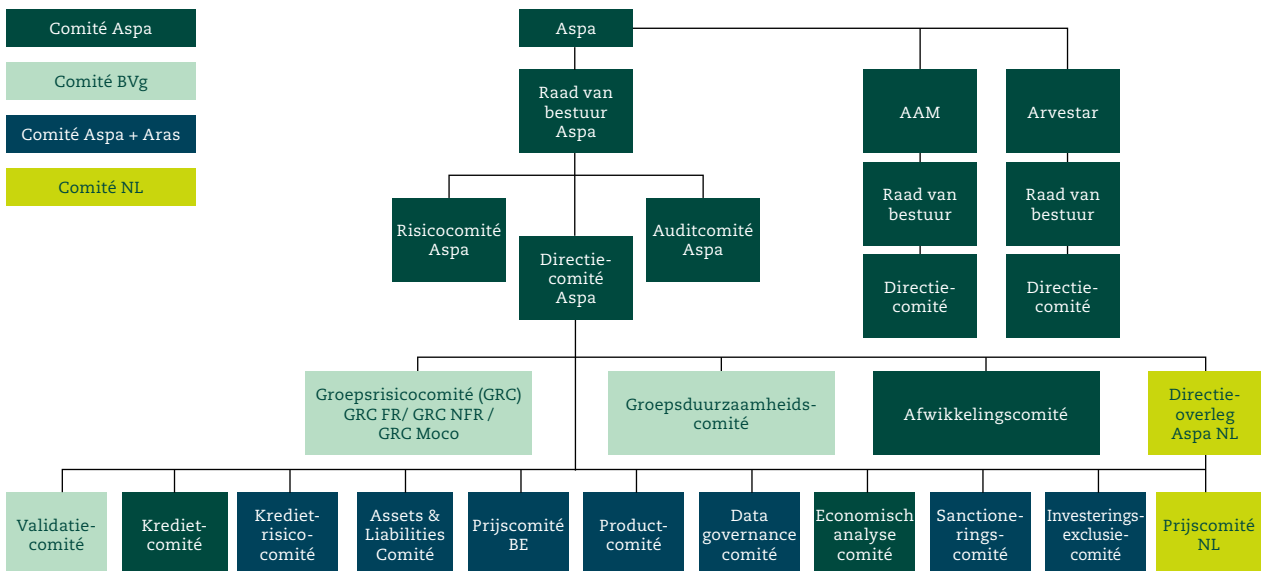
- The 2nd line independent control functions that monitor the embedding of risk awareness in the 1st line and which control the risk management by the 1st line.
- The 3rd line independent control function that oversees the quality and effectiveness of internal control, risk management and the governance systems and processes.

Governance of risk management

The overview below shows the committee and consultation structure responsible for risk management within BVg, to which the Group Sustainability Committee was added in 2021.



The table below shows the committee and consultation structure competent for risk management within the Company.



The Group Risk Committee, Group Sustainability Committee and the Validation Committee are organised at BVg level. The other committees are organised within the Company.

Relevant risk management bodies and control functions reporting to the Board of Directors or the Executive Committee:

- The Appointments Committee advises the Board of Directors on the composition and functioning of the Board of Directors and the Executive Committees of the 3 main Argenta Group entities: Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties.
- The Remuneration Committee advises the Board of Directors on establishing and maintaining the remuneration policy of all entities of the Argenta group, for supervising its implementation, for approving changes to the remuneration policy and for monitoring the impact of the remuneration policy.
- The Group Supervisory Committee has a specific advisory task at group level in order to ensure, on a limited number of topics and with a view to potential conflicts of interest, that:
 - The Board of Directors has at all times a view at a consolidated level of the activities of the various Argenta entities and that internal control of these activities is in line with the role of the Audit Committees and the Risk Committees set up within Aspa and Aras;
 - The agreements between and the processes of the various group entities are consistently organised and operate in an integrated fashion;
 - The impact on the group is always taken into account in the decisions of individual entities.

Meetings are held as often as the chair of the committee considers it desirable, and at least twice a year with the half-year and annual results.

- 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:

- Advising on the risk strategy and risk appetite for approval by the Board;
- Defining a company-wide risk management framework (risk mapping, risk appetite statements, Risk Appetite Framework (RAF), policies and procedures);
- Company-wide reporting and analysis of risks;
- Managing the lifecycle risk management at the level of model risks and non-financial risks.

The GRC meets every month and ad hoc. At least once every three months it focuses specifically on financial risks, model overview and non-financial risks.

- The GRC/Financial Risk Committee (GRC FR) addresses all financial risks in a broad sense including all aspects of Pillar 2 capital management, discusses the financial RAF reporting and RAM (Risk Asset Management) reporting and monitors the climate risk action plan;
 - The GRC/Model Overview Committee (GRC/ MOCO) is responsible for monitoring governance in respect of model risk management, managing the methodology, development and follow-up of all models in the model management framework in order to maintain a central overview and ensure consistency in the model choices across all model types within the Company;
 - The GRC/Non-financial Risk Committee (GRC NFR) is responsible for monitoring the non-financial risks including compliance risks and advises the Executive Committee on non-financial risk management.
- The Validation Committee discusses and validates the work of the validation cell with regard to the internal models for mortgages, banks, corporates and the models assigned to the validation cell within the model governance framework. The Validation Committee is organised ad hoc at the initiative of the validation cell.
 - The Asset & Liability Committee (Alco) is responsible for ensuring:
 - The optimal balance sheet equilibrium by evaluating, following up and proposing actions aimed at minimising the value and result shocks caused by assets and liabilities mismatches;
 - The liquidity position, the interest rate risk and the solvency position including leverage and MREL (Minimum Requirement for own funds & Eligible Liabilities);
 - 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 optimal funding diversification including potential wholesale issuances, among these the covered bond framework;
 - The follow-up and approval of non-retail credit provisions (IFRS 9);
 - The PARP (Product Approval and Review Process) for non-retail products.
- Alco is organised on a monthly basis or on demand, if required.

- The Credit Risk Committee Retail (Kreco) has decision-making authority on all aspects of credit risk policy with regard to retail loans, viz. credit risk analysis & steering, quantification 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 and pockets of risk;
 - Deliberating and deciding on changes to acceptance and authorisation frameworks;
 - Evolutions in the business and macroeconomic environment, and their potential impact on credit risks;
 - The monitoring and approval of retail credit provisions (IFRS 9);
 - Proposing and deciding on action to mitigate credit risks;
 - The functional environment with regard to the acceptance and authorisation framework and operational processes.
- Kreco consults monthly with an alternating focus on the Belgium and the Netherlands sub-portfolios. Both portfolios are discussed on a quarterly basis.

- The Pricing Committee (Prico) is tasked with monitoring:

- Tariff-setting, the product range and the evolution of commercial margins and deciding on any requisite adjustments;
- The diversification of the product range.

Prico is organised on an at least monthly basis or on demand, if required.

- The Product Committee (Proco) monitors the implementation of the PARP (Product Approval and Review Process) for retail products with the aim of:

- Validating each new and updated product based on a check on whether the product meets the company's requirements in terms of risk, strategy, profitability and legal obligations and a follow-up review within six months of launch;
- Selective review on an annual basis of each active product in relation to any changes in, for example, processes, regulations, etc.;
- Thorough review of each product on a three-year basis.

Proco meets monthly or on an ad hoc basis.

- The Group Sustainability Committee (GDC) develops a global sustainability policy for Argenta and supervises the various aspects of sustainability at group level in order to achieve consistent and coherent coordination, monitoring, follow-up, awareness-raising, adjustment and policy preparation with regard to sustainability, in respect of both the Bank Pool and the Insurance Pool.

To this end, the GDC provides advice on the development of a global sustainability policy across all Argenta departments, including:

- Its integration into the commercial policy (new products development, pricing, KPI, ...) in respect of the Lending, Investment and Insurance pillars and with linking to Operations and IT via the Value Streams;
- Monitoring of sustainability-related risk management (risk appetite, RAF framework);
- Monitoring the reporting of financial and non-financial sustainability risks;
- Monitoring sustainability in respect of employees, customers and society and with regard to ecological efforts.

- The Investment Exclusion Committee (IEC) implements the wish to imaintain a consistent and coherent exclusion policy across all Argenta entities. The exclusion policy is part of a sustainable investment policy, whereby the Argenta Group wishes to manage its customer portfolios and its own investment portfolios in a responsible manner.

The exclusion policy is applied to all investments in the proprietary investment portfolios of both the Bank Pool (Aspa) and the Insurance Pool (Aras), and to the investments of Argenta Asset Management and those of Arvestar.



- Separate audit and risk committees have been set up within the Boards of Directors of Argenta Spaarbank and Argenta Assuranties. At Argenta Spaarbank, both committees are chaired by an independent director not belonging to the Board of Directors of Argenta Assuranties. At Argenta Assuranties, both committees are chaired by an independent director not belonging to the Board of Directors of Argenta Spaarbank. The (limited) specific activities of Argenta Bank- en Verzekeringsgroep are overseen by the Audit Committee and the Risk Committee set up within the Board of Directors of Argenta Spaarbank.

The Audit Committee supports the Board of Directors in fulfilling its duty of oversight of the financial reporting process, the internal system, the audit process and the process for monitoring compliance with legislation and regulations.

The Audit Committee must include at least one independent director having the requisite individual competence in accounting and/or auditing. The majority of the members of the Audit Committee must be independent directors. On the other hand the Audit Committee members are required to have collective expertise in the area of Bank's activities and in the area of accounting and auditing.

Risk appetite

The Company has formalised its risk appetite in a Risk Appetite Framework (RAF). All significant risks to which the Company is exposed are included in the risk mapping and tested against the risk appetite.

In 2021, the Integrated Risk Management Policy (formerly RAF Policy) was updated and approved by the Board of Directors. This policy defines the most important components and processes on the basis of which Argenta has established its risk management policy. The end-to-end integrated risk management process is the basis and was rationalised together with Process Excellence. This end-to-end integrated risk management universe was further rolled out in 2021 and completed by writing the L3 procedures and L4 working instructions.

The risk cartography and risk appetite statements for all risk types (financial and non-financial) were reviewed and aligned with the current monitoring and policy framework, discussed by the risk committees and approved by the Board of Directors.

The update of the risk cartography, which includes the non-financial risks, is part of the annual process whereby (i) the identification and classification of the risks is assessed, (ii) the risk appetite statements are formulated, (iii) the monitoring and capitalization of the risks within the RAF is updated, and (iv) the monitoring of these risks within the 3 Lines of Defence framework is confirmed. The risks are assessed during workshops with the Executive Committee and the management teams. During these workshops, the priority focal points ('hot spot risks') for the following year are also defined.

For each of these risk types the Company establishes the desired risk appetite. This risk appetite and the RAF then form the reference point against which risks are assessed in the risk management cycle (identifying and assessing risks, defining responses, monitoring and reporting).

The RAF has evolved as an important part of management and provides a connection between 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 risk monitoring and escalation framework;
- Translates the risk appetite into measurable measures and objectives (indicators);
- Provides senior management and Board Members/the Risk Committee with a practical tool for communicating, measuring and monitoring risk targets;
- Is embedded in the multi-year business cycle;
- Functions as a starting point for operational policies that include a wide set of operational limits and flashing lights.

The RAF indicators themselves are assessed annually as to their appropriateness and replaced or adjusted if necessary, with discussion in the Risk Committees and approval by the Boards of Directors. The quantitative and qualitative RAF on financial and non-financial risks, the forward-looking RAF and the Risk Asset Management (RAM) reporting is reported on a quarterly basis to the Risk Committees, with feedback to the Board.



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, operational flashing lights and early warning indicators.

Type of limit	Decision-making authority	Description
RAF limits	Board of Directors	<ul style="list-style-type: none"> ■ RAF limits are highest in the limit hierarchy. They establish the risk appetite and business development objectives at the level of the most important financial and non-financial risk policy areas. ■ RAF limits are limited in number and are defined only for core indicators. ■ RAF limits are strictly normative. Excesses must be reported and decided on according to a fixed escalation framework.
RAF flashing lights	Board of Directors	<ul style="list-style-type: none"> ■ RAF flashing lights are indicators on a sub-portfolio or component level of the RAF limit. These can have a material impact on the development of the RAF limit. ■ RAF indicators are more informative than normative, indicating a deterioration of a specific indicator.
Operational limits	Board of Directors	<ul style="list-style-type: none"> ■ RAF limits are translated into and supplemented by operational limits in the policy. These are complementary to the RAF limits and are major factors in determining the permitted risk appetite. ■ These limits have a controlling and normative character and must be strictly adhered to.
Operational flashing lights and Early Warning Indicators	GRC, Alco, Kresco, other relevant committees	<ul style="list-style-type: none"> ■ RAF and operational limits are supplemented by operational flashing lights. These are derived from and complementary to the RAF and operational limits and provide additional information and steering. ■ Operational flashing lights indicators are more informative than normative, indicating a deterioration of a specific indicator.



Reporting and business plan process

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

The 7 financial risk types are subdivided into the following categories/risks:

- Market risk;
- Credit risk;
- Liquidity risk;
- Business risk;
- Capital risk;
- Model risk ;
- Climate risk.

The 12 non-financial indicators are subdivided into the following categories/risks:

- Sourcing risk;
- Human Resources risk;
- Information Security & Cyber Risk;
- Legal (& Regulatory) risk;
- Fraud risk;
- Data management risk;
- Strategic & Change risk;
- Business continuity risk;
- Brand & Sustainability risk;

- IT risk;
- Process risk;
- Compliance risk.

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

Interaction of ICAAP, ILAAP with Business Plan and Recovery Plan

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

In the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Assessment Process (ILAAP) under Pillar 2, the Company evaluates its capital and liquidity adequacy in various base case and adverse scenarios, taking into account all risks identified by the Company. Attention is therefore also paid to climate risk. ICAAP analyses are calculated from a normative perspective and from an economic perspective, which are complementary to each other. The normative perspective evaluates the ability to continue to comply with the legal and prudential requirements in a crisis scenario. The economic scenario evaluates whether the Company has sufficient qualitative internal capital to cover the material economic risks present. The RAF risk cartography forms the basis for this risk assessment. The ICAAP process is also embedded timing-wise in the business plan cycle, giving it the necessary impact on decision-making.

This shows, among other things, that the Company is subject to a number of financial and non-financial risks that are not included in Pillar 1. For these risks, either additional capital is provided in Pillar 2 or no additional capital is provided for these risks because these are already implicitly included in the risks in Pillar I or because there are processes in place that strongly mitigate these risks.

Calculating the recovery plan examines whether the Company can recover from a near-to-default scenario by activating feasible and effective recovery options. It is important that the risk monitoring framework be able to detect a deterioration of the risk and financial situation in sufficient time to ensure that recovery options can be successfully activated.

The above scenario and stress test analyses together form the stress testing programme, and are implemented making maximum use of consistent processes, models and tools. In this way the conclusions are robust and consistent and can be included in the managing of capital and liquidity planning and in calibrating the RAF limits.

In line with the updated FR hot spot risks - as determined by the Executive Committee members - the priorities remain focused on climate risk, market risk and business risk.

The group risk management function with a focus on financial risks is performed by the Risk & Validation department.

5.1. Market risk

Market risk is the risk of a negative change in financial situation caused by the volatility of market prices of 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 accept foreign currency for its own risk. Assets and liabilities are denominated only in euros. The Company has no trading portfolio ("trading book").

Interest rate risk

Exposure

The single largest market risk to which the Company is exposed is the interest rate risk of the banking book (the Company has no trading book). This risk arises from changes in market interest rates and their impact on interest-bearing assets and liabilities.

The Company's results and equity position are by nature sensitive to such interest rate changes because the business model consists of raising funds in the short to medium term (mainly from private individuals through savings and term deposits supplemented, but to a lesser extent, with wholesale financing from institutional investors). These funds are then reinvested longer term in the form of loans and other interest-bearing investments. The interest rate differences between the various maturities generate an interest result. This result is subject to interest rate risk, which is managed according to a risk acceptance framework.

Risk management

Alco is responsible for monitoring the interest rate and liquidity risk. It monitors and optimises the financial positions and reports on this to the Executive Committee. Its remit includes optimising both the sensitivity of the net interest income and the sensitivity of equity within set limits.

In its risk management, Alco takes into account the sub-types of interest rate risk to which the Company is potentially subject. These include the gap risk (risk from interest rate mismatch between assets and liabilities), the option risk (risk from the embedded options in assets and/or liabilities) and the basis risk (risk arising from a difference in the reference indexes used for repricing the asset and liabilities products). In addition, business risks (including the risk that the price elasticity of products without contractual interest maturity dates will evolve differently than is modelled for the purpose of interest rate risk management) are also monitored and managed or capitalised.

In order to keep the relevant risks within the risk appetite (RAF) determined by the Board of Directors and within legal limits, the balance sheet is managed both endogenously and exogenously, including a Hedging Consultation (HO) reporting to Alco. Endogenous management refers to managing the balance mix between assets and liabilities products. Exogenous hedges involve concluding interest rate derivatives. The combination of the two maintains the Company's balance sheet strategy in line with the RAF.

More information on the applied fair value hedges can be found in Notes 16 and 27.

Sensitivity analysis – interest rate risk

The table below 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, both upwards and downwards.

In the absence of a trading book, the interest rate risk in the banking book therefore represents the Company's entire interest rate risk.

	31/12/2020		31/12/2021	
	+100bp	-100bp	+100bp	-100bp
Impact on earnings (over 12 months)	33,946,390	-54,397,282	43,027,002	-61,305,202
Impact on equity	90,495,895	-120,852,496	-979,042	-273,034,356

These sensitivity analyses are measured using the following internal method. This method is in line with the prevailing EBA's IRRBB guidelines that came into effect on 30 June 2019):

- Repricing behaviour of savings accounts without contractual maturity dates is modelled on the basis of business-economic replicating models (specifically for the savings portfolios in Belgium, savings in the Netherlands and current accounts in Belgium);
- Loan prepayments are taken into account based on Conditional Prepayment Rate (CPR) models, based on observations in the Belgium and Netherlands mortgage portfolios;
- Income sensitivity is calculated on the assumption of a static balance sheet (constant balance sheet total and mix);
- To determine the income impact over 12 months, the interest rate shock takes place in four steps of 25bp (immediately, after 3 months, after 6 months, and after 9 months);
- For determining the impact on equity, the full interest rate shock is calculated immediately;
- Expected draw-downs of approved but not yet fully drawn-down credit facilities at position date are calculated in;
- Interest rate caps and floors on variable interest rate loans are taken into account;
- Call options in the securities portfolio are taken into account on a weighted average life (WAL) basis;
- The prevailing EBA floor serves as the interest rate floor in sensitivity analyses under -100bp;
- The negative market value impact on reaching the interest rate floor on regulated savings is taken into account in the capital simulations.

The negative impact on equity from a +100bp interest rate rise increased in 2021 owing to the higher market interest rates, which reduced the modelled (interest-sensitive) prepayments on Belgian mortgages, coupled with strong new mortgages production. The interest rate risk was mitigated, on the one hand by two covered bond issues with an interest maturity that is more in line with that of the mortgages than the retail funding, and on the other by taking out additional exogenous hedges.

The exogenous hedges have a certain adverse effect at -100bp. The negative impact of the exogenous hedges on down-risk is mitigated by an appropriate mix of (long-term) forward payer swaps and swaptions, supplemented by (short-term) receiver swaps. The down risk increased mainly because the rise in market interest rates caused the simulated interest rate shock to increase to the EBA floor.

The hedging strategy continues to focus on keeping the interest rate risk under active control (i.e. within the internally set limits). To this end, not only are the sensitivities under parallel up and down shocks considered, but also the possible impact under the 6 defined EBA interest rate shocks. In each case a capital and a result perspective are taken into account.

The exogenous hedging instruments used fall under the application of hedge accounting. The qualification criteria are monitored monthly. These continued to be respected in 2021.

In 2022, in line with NBB Circular_2021_20, an Article 36bis derogation request will be submitted for macro hedging transactions and for current securitisation transactions.

Spread widening risk

Exposure

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 also by other factors than those that can directly or indirectly influence the issuer's creditworthiness.

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 important pillars of healthy portfolio management.

The investment policy is governed by a strict investment framework, as defined in the Company's financial policies, which determines the permitted investment envelope and maximum duration depending on the creditworthiness of the issuer. 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 Alco and in the Investment Consultation (IO). Credit spread sensitivity is calculated and monitored in the ICAAP framework, where it is calculated together with credit risk.

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 December 2021, the impact for the Company of a 1 basis point increase in the credit spread was EUR -3,287,423 compared to EUR -3,740,708 at the end of 2020. The decrease in sensitivity is the result of a decrease in average term given an stable portfolio.

The portfolio in question is 51% measured at fair value through other comprehensive income, whereby a decrease in the fair value due to an increase in the credit spread is recognised in other comprehensive income. The other 49% is measured at amortised cost. In this way a decrease in fair value has no direct impact on income or equity. Less than 1% is measured at fair value through profit or loss.



Equity risk

Exposure

From a strategic allocation perspective, equities can 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 into its investment portfolio equity positions in counterparties which develop or operate real estate.

Risk management

The portfolio of individual shares is limited and is managed within a rigorous risk management framework, including limits on size, permitted sectors (here: real estate), 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 equity instruments.

	31/12/2020	31/12/2021
	-10%	-10%
Impact on earnings	0	0
Impact on equity	-801,005	-1,715,284

Equity instruments at fair value through other comprehensive income amount to EUR 17,152,843 (market value) as of 31 December 2021. If the markets fall by 10%, the amount in equity will decrease by EUR 1,715,284 and no impairments will be recorded. The company has no equity instruments measured at fair value through profit or loss.

Property risk

Exposure

The evolution of real estate prices influences retail lending and also influences the credit risk through the giving of property as collateral. One of the Company's core activities is mortgage lending to private individuals in Belgium and the Netherlands. This makes the Company dependent, among other things, on developments in the housing market. In the context of the foreclosure policy, in exceptional circumstances properties are temporarily purchased by the Company with a view to subsequent realisation.

At the same time, the investment framework allows a portfolio of indirect investment properties to be maintained. This takes the form, not of direct investments in real estate, but of loans to or purchasing equity instruments of counterparties operating in real estate.

Risk management

The indirect real estate investments are managed within a rigorous risk management framework, including limits on investment type, geography and concentration (see under 'credit risk' below).

Direct real estate investments are accounted for using the cost price model. The latent capital gains and gains on these direct real estate investments are not recorded in equity.

Sensitivity analysis - property risk

In 2021 this involved a portfolio with a carrying value of EUR 402,466. As of end-2020, the carrying value was EUR 592,770.

A decrease of 10% of the market value will, in the absence of permanent impairment - have no impact on the result. The maximum risk of loss is EUR 402,466.

5.2. Liquidity risk

Exposure

Liquidity risk is the risk of an adverse change in the financial situation, as a direct or indirect consequence of insufficient liquidity being available to meet financial obligations.

The Company's strategy is to raise mainly short or medium term funds and to reinvest these through various types of mainly longer-term loans and investments.

Sources of liquidity

The Company's financing model and liquidity profile are mainly characterised by:

- A substantial base of customer deposits;
- Being widely present across the Belgian and Dutch markets;
- Diversification towards wholesale funding;
- A liquid securities portfolio.

Funding policy is directed first and foremost at obtaining funding from retail customers in Belgium and the Netherlands through payments and savings accounts. Customer deposits constitute the largest and most important primary funding source of the Company's banking activities. The current and savings accounts of private individuals are available on demand and as such represent sources of liquidity risk. At the same time they provide a stable long-term financing basis. This stability is determined by clients' confidence in the Company's solvency, profitability and risk management.



The Company also goes to the interbank or professional market to fund itself. This it does to diversify its sources of financing and to meet new legal requirements or support the S&P rating (EMTN programme with the possibility to issue Tier-2, Senior Non Preferred (SNP) or Senior Preferred (SP) instruments). Since 2021 the Company may, after first obtaining a licence from the regulatory authority, issue Belgian Covered Bonds (*Pandbrieven*). Specific follow-up is provided through the Covered Bond Experts Consultation (CBEO), reporting to Alco. Repurchase agreements (repos) are also concluded periodically in the context of liquidity management, and in the past years the Company also took part in the ECB's TLTRO-III operations.

The immediately available liquidity sources consist of high-quality assets. These consist mainly of a diversified portfolio of central bank reserves, government bonds, securitisations and corporate bonds. In addition to the liquid assets eligible for the LCR the Company also has a portfolio of ECB-eligible and other saleable securities.

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

The Company maintains a derivatives portfolio with a view to hedging the interest rate risk. The value of this portfolio is hedged with collateral. The assets used as collateral are excluded from the LCR (Liquidity Coverage Ratio) 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 the Company. The evolution of the collateral is closely monitored.

Funding sources	31/12/2020	31/12/2021
Deposits from central banks	0.54%	0.56%
Deposits from credit institutions	0.02%	0.11%
Deposits from other than central banks and credit institutions	87.20%	86.93%
Savings certificates issued to retail customers	0.00%	0.00%
Senior debt securities issued to retail customers	0.00%	0.00%
Other debt securities issued to institutional investors	8.26%	10.46%
Subordinated debt securities issued to retail customers	0.00%	0.00%
Subordinated debt securities issued to institutional investors	1.16%	0.00%
Other liabilities	2.82%	1.94%
Total liabilities	100.00%	100.00%
Total liabilities in euro	43,943,961,827	46,336,516,329

Risk management

The Company has a continuous internal risk-based assessment of both current and future funding and liquidity requirements to ensure that sufficient liquidity and funding resources are available to cover the risks arising from the business strategy. All this is contained in the Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP Policy, which has been approved by the Board of Directors, provides an overview and description of the key elements of ILAAP and their interaction, and explains how ILAAP is integrated into the Company's operations and how its findings are used.

Also monitors the liquidity indicators on a systematic basis. First line responsibility for the measuring, monitoring, checking and reporting of the liquidity risk lies with the ALM department. The liquidity risk is monitored both from a market liquidity risk perspective (liquidation value of assets) and from a refinancing risk perspective (funding stability). Management of the liquidity position falls under the authority of the Treasury and Investment Management department.

For measuring, monitoring, checking and reporting on the liquidity risk, the Company has a specially adapted management information system, 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 permanently aware of the evolving situation. Daily financing reports are distributed to a broad target group within the Company.

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 Framework.

The risk appetite is managed in the Bank Pool's RAF by flashing light levels on the following risk indicators:

- 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 an at least one-year period,
- The AER (Asset Encumbrance Ratio) compares the amount of unencumbered assets with the volume of protected deposits;
- Wholesale funding ratios: these ratios track the proportion of institutional funding and refinancing risk within set limits.

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

The overview of the ratios and legal limits can be found in the following table:

	Legal Limits	31/12/2020	31/12/2021
LCR	100%	159%	164%
NSFR	100%	136%	151%
AER strict (RAF limit)	95%	106.9%	106.6%
AER wide (RAF flashing light)	110%	115.0%	113.4%

The flashing light threshold and the recovery plan threshold for the AER depend on the category in which the Company is located. This category is determined as a function of the eligible deposits as defined in Article 389 of the Banking Act in relation to the total assets of the institution. In 2021, the Company was in category 2.

Remaining term analysis

Notes 14, 15 and 16 contain additional information on the remaining terms of the financial assets at fair value through other comprehensive income and on the financial assets at amortised cost. 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.

31/12/2020	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities held for trading	0	0	0	0
Financial liabilities at amortised cost				
Deposits from central banks	0	0	236,396,243	0
Deposits from credit institutions	9,738,401	0	10,859	0
Deposits from other - on demand	36,572,354,168	0	0	0
Deposits from other - on term	320,667,840	316,804,578	963,285,284	146,232,217
Debt securities issued - saving certificates	0	0	0	0
Debt securities issued - other	110,539,789	254,040,647	2,479,695,156	784,382,784
Subordinated debt securities issued	0	511,087,585	0	0
Other financial liabilities	2,550,547	7,651,640	37,185,880	40,135,855
Derivatives used for hedge accounting	27,731,764	76,121,828	306,696,792	286,677,536
Total financial liabilities	37,043,582,509	1,165,706,278	4,023,270,214	1,257,428,392

31/12/2021	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities held for trading	0	0	0	0
Financial liabilities at amortised cost				
Deposits from central banks	0	0	258,262,863	0
Deposits from credit institutions	49,255,578	0	12,863	0
Deposits from other - on demand	38,925,489,393	0	0	0
Deposits from other - on term	330,946,276	246,386,554	683,527,719	93,719,104
Debt securities issued - saving certificates	0	0	0	0
Debt securities issued - other	94,353,089	283,666,102	2,650,759,262	1,819,126,477
Subordinated debt securities issued	0		0	0
Other financial liabilities	3,243,478	9,730,434	41,988,699	38,206,515
Derivatives used for hedge accounting	30,001,141	80,051,403	287,924,969	339,959,919
Total financial liabilities	39,433,288,955	619,834,493	3,922,476,375	2,291,012,015

Financial liabilities held for trading consist of the derivatives (caps) entered into for economic interest rate risk hedging, but for which no formal hedge accounting could be applied. A premium was paid in advance for these caps, but in view of the current interest rate environment, no further cash flows are expected during the remaining term (expectation that the strike price will not be exceeded).

For 'derivatives for hedging purposes' the interest flows can be found in the interest rate swaps for the categories in question. This interest is calculated using the fixed and variable rates as of 31 December 2021 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 other financial liabilities relate to lease debts.

5.3. Credit risk

Exposure

Credit risk is the risk of an 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.

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

Risk management

In the retail segment, the Company's target group consists of individuals, families, self-employed persons and liberal professions having their usual place of residence in Belgium or the Netherlands and wishing to take out loans for mainly non-professional purposes. The financing may also be for professional purposes, in the case of Argenta's own branch managers.

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, along with set limits for creditworthiness, monitoring procedures and a monthly follow-up of the credit risk indicators on production and portfolios, along with targeted detail analyses. More detailed and periodic follow-up was applied in Belgium to credit files for which Covid-19 payment deferment requests had been submitted or where credit quality was observed to have declined. There is no regulatory moratorium in the Netherlands. Customers could apply, however, qualify for a deferment in the event of payment problems as a result of Covid-19. Approved Covid-19 deferments are classified as a forbearance measure, with a watch kept on credit quality.

For production year 2021, Kresco and Prico ensured that no concentrations of higher LTV (loan-to-value) or higher DTI/LTI (debt service-to-income/loan-to-income) occurred.

This governance is supported through the operation of the Retail Credit Risk Committee (Kresco) with reporting to the Executive Committee and to the Risk Committee of the Board of Directors.

The non-retail investment framework focuses on strong counterparty quality, with a focus on significant diversification into national governments, financial institutions, corporates, indirect real estate, structured products such as RMBS, covered bonds, and into securities of or loans to local authorities and public-private partnerships (PPS).

The application and practical implementation of the investment policy is also supported by the Investment Consultation (IO), in which representatives of the Executive Committee (in the case of escalation), Treasury and Investment Management (TIM), Treasury & Investment Services (TIS), Legal and the Credit Risk Analysis (CRA) department in the first line, and Risk in the second line, are represented.

The internal investment framework establishes which positions and which ratings may be considered for investment, and in which amounts. The ratings of all interest-bearing securities are then systematically monitored. If, after purchase, the rating of a bond/non-retail loan drops below the set minimum rating requirement, the position concerned will be discussed again by the Rating Consultation (RO) and Alco.

Every year, credit analysis of the banking, corporate and property counterparties is carried out. The results of rating reviews are discussed in the monthly Rating Committee (RO), which reports to Alco. This consultation 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 in, Alco, the Executive Committee and the Risk Committee of the Board of Directors. The first-line report, which includes credit risk, is also drawn up and reported to Alco on a monthly basis.

Internal models for credit risk

The Company 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. The bank has developed rating internal models for this. A distinction is made between models for Probability of Default - PD and Loss Given Default - LGD (incl. Expected Loss Best Estimate – ELBE and LGD in default).

For the retail credit portfolios, for which the Company has opted for an internal rating system, both a PD model and an LGD model have been developed. The total mortgage loan portfolio is scored on a monthly basis using these PD and LGD models (AIRB approach) and a PD category and a LGD determined for each loan. These risk parameters form the basis for calculating the capital charge for unexpected losses. The internal mortgage rating models are being redeveloped to bring them into line with the new default definition, in order to comply with EBA guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures. The redeveloped models are audited internally and externally and can only be applied after approval by the ECB.

For banking, corporate and property counterparties, this is a FIRB approach, for which a PD model has been developed. The internal rating models are subjected to internal review on an at least annual basis.

Maximum credit risk

The total credit risk exposure of the Company consists of 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 securities purchases in progress, credit commitments and financial guarantees) as specified in the (Basel) equity regulations. The table below shows the outstanding credit risk of the Company as reported in the prudential COREP tables. For the off-balance sheet exposures, this is the maximum exposure (for the application of the conversion factors, the so-called 'credit conversion factor' or 'CCF' in the Basel regulations). The Pillar 3 Disclosures give further information and interpretation of this total exposure.

	31/12/2020	31/12/2021
Total on-balance sheet	45,915,283,018	48,400,090,187
Total off-balance sheet	3,688,981,675	4,168,012,424
Total derivatives	154,551,088	141,834,525
Total exposure to credit risk	49,758,815,781	52,709,937,136


Collateral and other forms of credit improvement

Personal guarantees or collateral are always required when granting retail mortgage loans. For such collateral (in this case the properties on which a registration may be registered, in certain cases combined with a power of attorney) individual expert valuations are periodically undertaken at different points in the credit cycle.

Valuations can be made at the start of the credit using the rules defined in the acceptance frameworks for Belgium and the Netherlands. In Belgium, control estimates of collateral are performed on a random sample of collateral one year after the start of the credit, in cases where the collateral was not assessed by an expert at the outset. This methodology will be replaced from 2022 by the implementation of the new EBA guidelines on valuations. This type of sampling does not apply in the Netherlands because a property is always estimated at the start of the loan by an expert by means of a (desktop) appraisal. During the further life of the loan, a statistical method is used to take collateral samples for individual expert valuation. Individual estimates can also be performed at the start of a foreclosure procedure. Counterparties with large exposures (above EUR 3,000,000) are monitored annually to determine whether a recent expert estimate has been made on the underlying guarantees. The same applies to loans in default where the exposure is greater than EUR 300,000.

In addition, the values of the collateral in the portfolio are regularly indexed to ensure that there is always a current value on file.

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 partially exists in Dutch credit files. This consists of insurance policies pledged to the Company and of the National Mortgage Guarantee (NHG).

 In the case of non-retail securities and loans, collateral or credit protection exists to a limited extent. This mainly takes the form of guarantees from local, regional or central governments or from the companies affiliated with the counterparty.

The collateral given does not give rise to the recording of an asset on the Company's balance sheet.

During 2021, no significant negative changes took place in the quality of the collateral present and no major changes were made to the collateral solicitation policy. There is an overarching policy for the valuation of collateral, with guiding principles with which Argenta is required to comply. The guiding principles are based on the Capital Requirements Regulation (CRR), the EBA and ECB guidelines, and the EBA guidance with regard to loan origination and monitoring. Action plans have been drawn up to make improvements in the property valuation processes, including the recording of energy performance certificates and energy labels as part of the collection and reporting of information on the energy efficiency of real estate exposures.

Concentration of credit risk

Concentration risk is the risk associated with having a large concentration of loans to or securities of an individual counterparty or a group of related counterparties (counterparty concentration) or as a result of an uneven distribution across markets, sectors or countries/regions (sector concentration). The latter occurs when significant risk positions are taken on counterparties whose probability of default and/or loss in case of default are driven by common underlying factors.

The table below shows, for the retail portfolio, the percentage distribution of the different types of loans and receivables within the 'loans and advances' heading.

	31/12/2020		31/12/2021	
	Carrying amount	%	Carrying amount	%
Advances and overdrafts	4,511,041	0.01%	6,916,787	0.02%
Consumer loans	290,897,981	0.88%	329,566,906	0.92%
Mortgage loans Belgium	15,115,327,772	45.85%	16,836,289,474	47.24%
Mortgage loans Netherlands	17,402,148,720	52.78%	18,304,439,481	51.36%
Term loans	156,862,873	0.48%	165,128,754	0.46%
Total	32,969,748,387	100.00%	35,642,341,403	100.00%

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

The Company's non-retail portfolio consists of investments in fixed-income securities and lending to local and regional authorities, public-private partnerships and real estate developments and/or operators.



	31/12/2020		31/12/2021	
	Carrying amount	%	Carrying amount	%
Financial assets at fair value through other comprehensive income	3,659,280,157	100.00%	3,709,306,514	100.00%
Debt securities				
General Governments	1,032,932,962	28.23%	1,023,420,644	27.59%
Credit Institutions	1,112,437,831	30.40%	1,111,788,244	29.97%
Other Financial corporations	413,637,947	11.30%	578,712,770	15.60%
Non Financial corporations	1,100,271,416	30.07%	995,384,857	26.83%
Financial assets at amortised cost	4,562,930,447	100.00%	4,553,703,661	100.00%
Debt securities				
General Governments	796,575,988	17.46%	678,408,001	14.90%
Credit Institutions	520,780,014	11.41%	425,288,625	9.34%
Other Financial corporations	1,039,049,725	22.77%	1,006,743,223	22.11%
Non Financial corporations	1,294,037,650	28.36%	1,466,093,204	32.20%
Term loans	884,146,467	19.38%	943,720,308	20.72%
Leasing	28,340,603	0.62%	33,450,300	0.73%
Non-trading financial assets mandatorily at fair value through profit or loss	68,169,997	100.00%	41,200,393	100.00%
Debt securities				
General Governments	20,028,219	29.38%	0	0.00%
Credit Institutions	27,318,750	40.07%	26,514,847	64.36%
Other Financial corporations	20,823,028	30.55%	14,685,546	35.64%
Non Financial corporations	0	0.00%	0	0.00%



The table below provides a geographical breakdown of the non-retail portfolio. It documents a large exposure to Belgium (Company head office location).

	31/12/2020	31/12/2021		31/12/2020	31/12/2021
Belgium	29.70%	32.26%	Lithuania	0.26%	0.27%
Canada	2.07%	2.07%	Luxembourg	3.45%	3.99%
Chili	0.10%	0.37%	Mexico	0.17%	0.17%
Denmark	1.43%	1.44%	The Netherlands	17.30%	16.58%
Germany	6.56%	6.19%	Austria	0.27%	0.26%
Finland	1.17%	1.91%	Poland	2.13%	1.43%
France	13.22%	12.86%	Romania	0.39%	0.39%
Hungary	0.50%	0.50%	Slovenia	2.46%	1.99%
Ireland	3.69%	3.86%	Slovakia	0.68%	0.68%
Iceland	0.87%	1.63%	Spain	6.77%	6.48%
Indonesia	0.33%	0.33%	Czech-Republic	0.68%	0.00%
Italia	0.22%	0.21%	United Kingdom	0.54%	0.33%
Croatia	0.06%	0.06%	United States of America	1.72%	1.22%
Latvia	0.43%	0.43%	Sweden	2.84%	2.09%
			Total	100.00%	100.00%

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.

Expected credit losses (ECL) (stage 1 and stage 2)

Inputs, assumptions and techniques

Impairments on the financial instruments in the retail portfolio are determined on the basis of a scenario-weighted model in which the ratings are based on current and past information, while the scenarios themselves make forecasts for the future. The expected credit losses (ECL) are calculated as the sum of the weighted credit losses under a baseline scenario, a downward scenario and a recovery scenario. Credit losses are calculated by applying the probability that a borrower defaults to the expected exposure in the event of default, taking into account the expected loss in the event of default, discounted at the effective interest rate of the instrument and adjusted for the credit's survival chances.

The ECLs are calculated for the relevant period from the reporting date, being 1 year (stage 1) or the entire remaining life of the contract (stage 2):

- The probability of the borrower defaulting ('Probability of Default'- PD) is determined by a PD model that takes into account the individual characteristics of the instrument (internal rating category on the basis of the IRB models, historical performance), based on a 'through-the-cycle' (TTC) component (average macroeconomic conditions) and a 'point-in-time' (PIT) component (forward-looking macroeconomic conditions);
- 'Exposure at Default' (EAD) is calculated on the reporting date and over the life of the instrument and includes both on- and off-balance sheet exposures. The on-balance sheet exposure consists of the sum of the outstanding capital plus any arrears. The projection of the on-balance sheet exposures over the remaining term takes into account the contractual repayments. Off-balance sheet exposures (being the credit pipeline, unused credit lines and building deposits) are included based on the modelled expected conversion and take-down. The EAD for the Dutch portfolio is corrected for the likelihood of partial prepayment. For Dutch mortgages there is an additional assessment for loans with a non-annuity repayment component;

- 'Loss Given Default' (LGD) is a measure of the expected loss on a loan if this counterparty fails. This factors in the likelihood of the customer being to resume his payment obligations over time ('Cure rate'), the expected recovery and realisation value of the collateral involved and the costs related to default or curing;
- A credit's survival chances are defined as the probability that a credit at the start of a specified period:
 - (i) is not fully repaid or
 - (ii) is not in default or disappears from the portfolio after default;
- Effective interest is the return on the loan on an annual basis, taking into account all direct costs. Owing to the limited impact of direct costs on the effective interest rate, the contractual interest rate is used as an approximation;
- In view of the uncertainty, management overlays are applied (haircut pledge values, loss given loss - LGL factor), with, specifically for the Belgian portfolio, capping of the cure rate).

Impairments on the non-retail portfolio are determined by mapping the current value of the cash flows that would be lost if a debtor defaulted at the effective interest rate of the instrument. To this is applied the probability of the debtor defaulting over a certain period.

- Cash flows from a financial instrument are determined based on the prospectus (or equivalent document) of the asset. The Company does not estimate the likelihood of early redemptions and projects cash flows to maturity or the instrument's first call date where applicable;
- The effective interest rate is determined, on initial recognition, at instrument level, as the annual interest rate over the life of the asset, taking into account coupon payments and any difference between the fair value of the instrument when recorded on the balance sheet and its national value;
- The PD is determined on the basis of external 'Standard & Poors' (S&P) information. This is because, to date, no defaults have occurred in Argenta's 'non-retail' portfolio and no in-house data are therefore available. Various adjustments are made to the external data to determine an average long-term migration matrix. After this the long-term PDs from the matrix are converted into expected PIT PDs;
- The LGD percentages are based on the standard approach Basel percentages (covered: 11.25%; senior unsecured: 45%; subordinated: 75%).



Incorporation of forward-looking (FL) information

For the retail portfolios, macroeconomic FL information is included both in the ECL calculations and in determining the PIT LT PD (Point-in-time Lifetime Probability of Default). For the ECL and PIT LT PD, 3 different scenarios (baseline, downturn and recovery scenario) are calculated based on macroeconomic expectations, with the scenarios used (including the weight of each scenario) being the same as those used for the internal budgeting process. The relevant macroeconomic expectations relate to the expected evolution of the unemployment rate (for PD) and the house price index (for LGD). The ECL and PIT LT PD is an average risk of the baseline, downturn and recovery scenarios weighted with their weights.

The inclusion of FL information in the non-retail portfolio is achieved by modelling the historical rating migration matrices and their relationship to macroeconomic factors. These relationships are then used to determine FL rating migration matrices in which the Point In Time (PIT) PDs are present. The economic indicators taken into account are the change in real GDP growth, the change in unemployment level and the change in headline inflation. In calculating the PIT PDs, different scenarios are taken into account (baseline, down and recovery) per system factor per year and with a weighting per scenario. The scenarios and their weightings are determined internally based on the Company's business plan. The final FL PIT PDs are reviewed at least semi-annually and are approved by Alco. The scenarios and their weightings are established every least six months (for Q2 and Q4) and are approved by Alco.

Further information about the weightings used for the scenarios and the FL information is included in Note 39: Impairment losses.

Significant increase in credit risk and low risk exception

Within the retail portfolio, the Company identifies any significant increase in credit risk since initial recognition of the instrument through a quantitative analysis and/or based on qualitative indications. A number of safety net indicators have also been built in which automatically lead to an instrument's migrating to stage 2. The 'staging' models have been adjusted to the specificity of the Company's various retail portfolios.

The quantitative analysis is based on the evolution of the 'lifetime' PD using the so-called 'confidence interval' method. As per the reporting date the remaining 'lifetime' PD (PD_{LT}) is compared with the upper limit of remaining 'lifetime' PD (PD_{bg}) taking into account the characteristics of the instrument as they were present at the time of initial recording of the instrument. The 'staging' model can be summarised as follows:

- Stage 1 – 12-months ECL: $PD_{LT} \leq PD_{bg}$;
- Stage 2 – Lifetime ECL: $PD_{LT} > PD_{bg}$.

In addition, a SICR (Significant Increase in Credit Risk) trigger has been introduced, which states that if the annualised 'lifetime' PD increases by at least a factor of 3, the instrument enters stage 2 in any event.

The qualitative indications and safety net indicators include a number of criteria that were not included in the PD model. The following qualitative elements, among others, give rise to the recording of an instrument in stage 2:

- Attributing of a forbearance measure to an instrument;
- Unlikelihood to pay (UTP) score on an instrument that did not lead to the recording of the instrument as non-performing;
- Recording of the instrument as non-performing in the past 12 months;
- More than 30 days' arrears on contractual payments (backstop).

Apart from the above automatic criteria, the Company assesses whether for certain sub-portfolios an increased risk exists that these loans will not be repaid in full and on time, and should be considered in stage 2. Moreover, in 2021, in the context of the increased attention to SICR, additional EWS (early warning signals) were implemented.

In this way the Company does not avail of the 'Low credit risk' exemption for retail instruments. This means that on every reporting date an analysis of the increase in credit risk is done for all instruments. The assumption that a significant increase in credit risk has occurred with contractual payments that are more than 30 days in arrears is not refuted.



In the non-retail portfolio, the Company identifies a significant increase in credit risk since initial recognition of the instrument via a negative revision of the creditworthiness of the related counterparty or based on an ad hoc internal analysis.

The 'staging' of non-retail securities and loans is based on internal credit ratings, or, where these are not available, on external credit ratings, and can be summarised further as follows:

- Stage 1: contains instruments with investment grade counterparties and counterparties that, at the time of recognition, had a non-investment grade rating without negative revision;
- Stage 2: counterparties with an investment grade or non-investment grade rating on initial recognition that have been negatively revised to non-investment grade or (in the event of initial non-investment rating) one credit score lower. Deviations to this rule are permitted only if there is no significant credit deterioration and with the approval of the Rating Consultation (RO).

In addition to the policies listed above, there are a number of triggers that may require an ad hoc analysis of the counterparty's internal rating:

- When a rating agency negatively revises the creditworthiness of a counterparty;
- Regional crisis;
- Negative news about a counterparty;
- Mergers and acquisitions.

If the ad hoc analysis leads to a negative revision of the internal creditworthiness assessment of the counterparty (to non-investment grade or reduction by a grade for non-investment grade) the instrument migrates from stage 1 to stage 2. Counterparties with neither an internal nor an external rating are assessed at instrument level on the basis of expert knowledge. For the staging, overarching country and or sector risks are also taken into consideration. All counterparties falling into such a category are then placed on a 'watch list' for closer monitoring, and migrate to stage 2 based on a decision of the Rating Committee.

The Company uses the 'Low credit risk' exemption for non-retail instruments, whereby an instrument is assumed to be low credit risk if the creditworthiness is investment grade. This corresponds to a minimum S&P credit rating of 'BBB-'.

Grouping of financial instruments

The Company does not use grouping of instruments based on common credit risk characteristics for modelling parameters for ECL.

Changes in inputs, assumptions and techniques

The non-retail model for determining the PIT PDs was adapted at the end of the year to an internally developed model in place of an external S&P model. There were otherwise no changes in valuation techniques or significant assumptions underlying the models used during the reporting period.

However, a recalibration of the PIT PD for the Netherlands mortgage portfolio was carried out in line with the evolution of the macroeconomic variables, while for the Belgian and Dutch mortgage portfolios the update of the expected evolution of the CPR was taken into account. The management overlays were not changed during 2021.

Default, non-performing and credit-impaired (stage 3)

A loan receivable is considered to be in default once it is 90 consecutive days in arrears in a material amount (more than EUR 100 and 1% of exposure for retail credit portfolios), or where there are a number of signals, other than arrears, that the borrower will be unable to meet its obligations ('unlikely to pay' or 'UTP'). There are UTP indicators that immediately give rise to UTP on an individual basis, and there are also UTP indicators that in combination give rise to UTP (but not on an individual basis). The UTP indicators in Belgium and the Netherlands are aligned as much as possible. The main UTP indicators are:

- Indicator 'Relational problems with financial difficulties';
- Indicator 'Death (until the 2nd degree)';
- Indicator 'Credit increase';
- Indicator 'Impact on income due to unemployment';
- Indicator 'Other';
- Covid UTP indicators – these were phased out from Q1 2021 according to established criteria (not applicable for the Netherlands).

The Company applies equal treatment to default, non-performing and credit-impaired situations. Individual impairments are determined based on defaulted receivables based on the difference between the outstanding receivable and the expected recoveries.

For changing its prudential definition of default, the Company has decided to use the two-step approach proposed by the ECB. Under this approach, in a first step, permission was requested of the supervisor, via an application file to be submitted by the end of 2018, to change the definition of default. ECB approval was obtained on 15 January 2020. Argenta has applied the new definition since 9 March 2020 in its reporting and then, in step two, is adjusting its models to the internal rating approach. The application file for the non-retail models was submitted on 30 June 2021. The Belgian retail mortgage models were submitted on 24 December 2021 and the Dutch retail mortgage models will be submitted as a target at the end of April 2022.



The table below gives an overview of the stage 1, 2 and 3 receivables per category of financial instruments and the transfers between phases. The stage 1 loan commitments for the reference financial year have been changed retroactively in order to correct a presentation error.

	31/12/2020			31/12/2021		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost	33,682,103,157	4,463,490,425	172,417,028	37,148,702,104	3,287,948,790	171,089,854
Debt securities	3,628,663,264	26,740,303	0	3,552,467,498	25,501,973	0
Loans and advances	30,053,439,893	4,436,750,122	172,417,028	33,596,234,606	3,262,446,817	171,089,854
of which leasing receivables	28,340,603	0	0	33,450,300	0	0
Financial assets at fair value through other comprehensive income	3,662,303,760	0	0	3,710,123,235	0	0
Debt securities	3,662,303,760	0	0	3,710,123,235	0	0
Equity instruments						
Total financial assets	37,344,406,916	4,463,490,425	172,417,028	40,858,825,339	3,287,948,790	171,089,854
Loan commitments, financial guarantees and other commitments given	2,694,279,269	51,004,485	0	3,198,637,873	33,431,070	0
of which purchased credit-impaired financial assets	0	0	0	0	0	0

31/12/2020	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Financial assets at amortised cost	2,830,146,225	514,375,583	61,350,551	20,004,884	42,057,798	700,584
Debt securities	26,269,583	36,911,900	0	0	0	0
Loans and advances	2,803,876,642	477,463,683	61,350,551	20,004,884	42,057,798	700,584
of which leasing receivables	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0
Equity instruments						
Total financial assets	2,830,146,225	514,375,583	61,350,551	20,004,884	42,057,798	700,584
Loan commitments, financial guarantees and other commitments given	7,633,952	1,892,136	0	0	0	0



31/12/2021	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Financial assets at amortised cost	575,618,753	1,482,523,897	47,378,203	36,652,160	17,660,404	782,156
Debt securities	0	1,252,684	0	0	0	0
Loans and advances	575,618,753	1,481,271,213	47,378,203	36,652,160	17,660,404	782,156
of which leasing receivables	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0
Equity instruments						
Total financial assets	575,618,753	1,482,523,897	47,378,203	36,652,160	17,660,404	782,156
Loan commitments, financial guarantees and other commitments given	4,603,942	7,323,843	0	15,096	0	0



The mutation table below gives an overview of the stage 1, 2 and 3 impairments.

	01/01/2020	Origination and acquisition	Derecognition	Changes in credit risk (net)	Changes due to update in the institution's methodology for estimation (net) and in the macro-economic factors	Write-offs	Other	31/12/2020
Stage 1	-5,450,292	-4,318,879	1,922,066	-2,360,589	488		-1,139,983	-11,347,189
Debt securities	-2,513,409	-2,638,851	569,788	-2,934,970	0		0	-7,517,442
Loans and advances	-2,936,883	-1,680,028	1,352,278	574,381	488		-1,139,983	-3,829,747
Stage 2	-9,469,499	-1,732,290	2,227,009	-2,247,634	-103,343		-3,384,578	-14,710,335
Debt securities	-361,092	0	70,648	-175,908	0		0	-466,352
Loans and advances	-9,108,407	-1,732,290	2,156,361	-2,071,726	-103,343		-3,384,578	-14,243,983
Stage 3	-12,273,057	-820,723	3,003,626	-11,988,501	235,097	1,751,558	0	-20,092,002
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-12,273,057	-820,723	3,003,626	-11,988,501	235,097	1,751,558		-20,092,002
Provisions on loan commitments, financial guarantees and other commitments given	-921,933	-3,533,567	3,076,706	-11,988,501	235,097	0	501,715	-940,941
Stage 1	-872,003	-3,453,757	2,883,018	76,193	0		515,982	-850,567
Stage 2	-49,930	-79,810	193,688	-140,364	309		-14,267	-90,374
Stage 3	0	0	0	0	0	0	0	0
Total	-28,114,781	-10,405,459	10,229,406	-28,585,225	367,339	1,751,558	-4,022,846	-47,090,467

	01/01/2021	Origination and acquisition	Derecognition	Changes in credit risk (net)	Changes due to update in the institution's methodology for estimation (net) and in the macro-economic factors	Write-offs	Other	31/12/2021
Stage 1	-11,347,189	-2,114,987	1,169,291	8,993,591	1,836		-1,515,581	-4,813,039
Debt securities	-7,517,442	-691,063	377,139	6,486,251	0		-731,043	-2,076,158
Loans and advances	-3,829,747	-1,423,925	792,152	2,507,340	1,836		-784,538	-2,736,881
Stage 2	-14,710,335	0	1,925,359	10,306,610	-56,011		-4,209,665	-6,744,042
Debt securities	-466,352	0	0	108,548	0		180,823	-176,981
Loans and advances	-14,243,983	0	1,925,359	10,198,062	-56,011		-4,390,488	-6,567,062
Stage 3	-20,092,002	0	1,804,521	-10,456,466	0	4,133,816	0	-24,610,131
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-20,092,002	0	1,804,521	-10,456,466	0	4,133,816		-24,610,131
Provisions on loan commitments, financial guarantees and other commitments given	-940,941	-2,252,437	1,937,776	267,443	10	0	18,351	-969,798
Stage 1	-850,567	-2,252,437	1,853,788	282,404	0		43,525	-923,286
Stage 2	-90,374	0	83,988	-14,962	10		-25,175	-46,513
Stage 3	0	0	0	0	0	0	0	0
Total	-47,090,467	-4,367,424	6,836,946	9,111,178	-54,165	4,133,816	-5,706,895	-37,137,010

For the receivables in stage 3 amounting to EUR 171,089,854, EUR 24,610,131 of impairments have been recorded as of 31 December 2021 (14.4% coverage ratio). For the phase 3 outstanding receivables, the Company holds collateral (in the form of immovable property) with an estimated value of EUR 146,045,168.

The other movements include the increase in stage 2 and 3 impairments owing to the recognition of off-balance sheet commitments (loan commitments) and changes due to adjustments to methodology, assumptions and techniques.

For the assets recorded at amortised cost, the expected credit losses are deducted from the financial assets. For the financial assets measured at fair value through comprehensive income, the expected credit losses form part of the other components of comprehensive income. The expected credit losses of the off-balance sheet items (committed loans, financial guarantees and other commitments) are recorded as a provision.

Write-off method

A detailed description of the write-off method is included in the valuation rules in the 'Write-offs' section'.

Where, for credits written off according to the above criteria, payments continue to come in, or where the Company still sees possibilities of recovery, such credits will continue to be monitored by the credit specialists of the Curative Lending Management sub-department. In the Netherlands, this task is undertaken by the NL Coordinator Special Management. Proceedings continue as long as the cost-benefit analysis remains positive. Limitation periods are tracked and interrupted where necessary.

Contract modification and Forbearance

Forbearance measures may be authorised by the Company with a debtor who is unable or will soon be unable to meet his financial obligations. These forbearance measures are agreed upon in direct consultation between the counterparty and the servicer or the NL Coordinator Special Management (for Dutch loans), or the Company's Curative Management (for Belgian loans). The following measures are permitted:

- Cancellation of penalties (specifically for Dutch loans);
- Conversion of repayment form or interest (specifically for Dutch loans);
- Interest rate averaging (specifically for Dutch loans);
- Interest pause (specifically for Dutch loans);
- Maturity extension (for Dutch and Belgian loans);
- Internal refinancing (specifically for Belgian loans in Curative Management);
- Deferment of payment (specifically for Belgian loans);
- Payment agreements (specifically for Belgian loans).

A modification specifically permitted in 2020 outside the normal forbearance measures was the regulatory moratorium as part of the Covid-19 measures, granted by the Belgian regulator. The application of these regulatory moratoria was extended by the regulator until Q2 2021. Files with Covid-19 measures were scored by the Curative management department with Covid-UTP indicators, followed by an assessment in accordance with the existing procedures for UTP soft default. The maximum number of granted months for the regulatory moratoria was reached after 9 months.

There was no Covid-19-related regulatory moratorium in the Netherlands. Argenta Nederland offers its customers the possibility of a payment break for interest and repayments. This payment break is initially for 3 months, with the option of extending it after a reassessment by 3 months until the maximum of 12 months has been reached. All granted Covid-19 measures are classified as forbearance. Covid-19 measures that are extended after the first three months are given a UTP soft default in accordance with existing procedures. Further information about the Covid-19 payment deferment measures is included in Note 38.

Internal refinancings give rise to the recording of a credit receivable, and the repayment (and derecognition) of the refinanced credit receivable. Where the refinancing is granted owing to a forbearance measure (forbearance is granted in such a way as to deviate from the normal acceptance framework and the normal conditions for refinancing), this is recorded as such. In most cases, when granting forbearance measures that do not represent internal financing, additional future compensation and fees are always recorded, in such a way that the instrument is permanently included in the balance sheet and no significant valuation impact arises.



The granting of a forbearance measure is a qualitative indicator for identifying of a significant increase in credit risk, and automatically leads to migration to stage 2. Migration to stage 1 is possible when the forbearance measure has ended. If during the current forbearance measure an arrears of > 30 days occurs, or an additional forbearance measure is granted, then the loan migrates to stage 3. The increase in forbearance compared to 2020 is mainly the result of the Covid-19 measures taken in the Netherlands.

	31/12/2020	31/12/2021
Gross carrying amount of exposures with forbearance measures	160,604,536	208,175,043
of which performing exposures with forbearance measures	103,410,481	137,930,491
of which non-performing exposures with forbearance measures	57,194,055	70,244,552
Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	4,255,725	5,667,707
Collateral and financial guarantees received	150,854,921	194,755,725

5.4. Non-financial risks

Exposure



The overarching definition for non-financial risks is the chance of negative consequences (both financial and non-financial) as a direct or indirect consequence of inadequate or failing internal processes, people or systems, or of external events. The non-financial risks are defined in the risk mapping as compliance risk, strategic and change risk, legal (& regulatory) risk, business continuity risk, sourcing risk, information security and cyber risk, brand and sustainability risk, IT risk, process risk, human resources risk, data management risk and fraud risk.

All businesses carrying out activities of any kind have to contend with operational risk and, as defined above, non-financial risks. The Company's activities depend on its ability to process a very large number of transactions efficiently, accurately and in compliance with its policies and with laws and regulations. Non-financial 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 from external events (such as disasters, cyber-criminality or malfunctions of external systems, including those of the Company's suppliers or counterparties).

Risk management

The importance of (and the focus on) non-financial risks has increased significantly in recent years with, among other things, increased digitisation, the increased speed of change, and additional laws and regulations. This translates, among other things, into a possible increase in the effective financial losses as a result of these risks, as well as in loss of efficiency, an increased risk of reputation loss, more complex processes and increased pressure from regulators. A thorough approach to the non-financial risks within the Company therefore remains essential.

The Company's objective of sustainable growth (history of customer experience, cost and risk management) is the starting point and basis for simple and practical risk management with regard to non-financial risks.

The roles and responsibilities with regard to risk management are defined in the Integrated Risk Management policy, with the structure of the '3 lines of defence' and are further translated, with respect to the non-financial risks, in the risk management policy for non-financial risks.

The group risk management function with a focus on non-financial risks is performed by the Non-financial Risk Management & Supervisory Office department.

NFRM & SO, as an independent second-line control function, monitors the embedding of risk awareness in the 1st line and the control of risk management as conducted.

The raison d'être of the 2nd line control function consists in providing assurance by

- Developing and implementing an appropriate risk management framework;
- Facilitating risk awareness within the organisation;
- Supporting and advising the organisation in the implementation and monitoring of risk management;
- Ensuring that the risk appetite is respected company-wide.

With the distinction between 'advisory' and 'monitoring & investigations', a division is made based on the dual role of the 2nd line management, namely "advising and challenging" on the one hand and the role of independent control function ('monitoring & investigations') on the other. Both departments make no distinction in terms of scope (both head office and branches) or domain (all non-financial risks, with the exception of compliance¹).

Within the overall risk appetite framework, the non-financial risks are managed in a structured way. The qualitative risk appetite statements (RAS) are translated into quantitative risk profiles (RAF limits, flashing lights and indicators) in order to be able to adequately monitor the non-financial risks at company level.

A clear and well-functioning Risk Appetite Framework (RAF) exists, which is embedded as an active steering tool in the organisation. The RAF is the subject of quarterly reporting at the Risk Committees, with feedback to the Boards.

For the non-financial risks, the specific reporting of the risk profiles in the RAF dashboard is further extended to the group entities.

The annual voluntarist RAF exercise with the Risk Committee ahead of the business plan also incorporates the non-financial risks. In this way the risk check on the business plan also better covers the financial and non-financial risks.

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. The global maturity score was stable in 2021 at 3.36 (on a scale to 5). A score of 3+ indicates a defined maturity level, where the control measures are present. Argenta aims for a global average internal control maturity level of 3.50, with a minimum target score of 3.00² for each department. Specific attention is paid to fraud risk and cyber risk.

Argenta, as an integrated bank-insurer, has opted to assess its banking and insurance activities jointly in the area of governance and internal control. To this end it produces a single report, the Internal Control Annual Report. Approval by the Executive Committee of the assessment of the internal control system also serves as the statement by senior management with regard to the effectiveness of the governance system.

The second-line independent audit is carried out, both in the branches and at head office by means of 4 types of surveys (Standard surveys, Special surveys, Target and Domain surveys). The main results are fed back via the GRC-NFR (Group Risk Committee - non-financial risks), the recommendations are recorded and followed up via pentana (tooling).

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.

The reporting includes both quantitative reporting (RAF reporting of non-financial risks, branch risk score (KRS), etc.) and qualitative reporting (activities report, internal control annual report, action plan, etc.).

Finally, the Legal Affairs department is tasked with managing the corporate insurance programme (CIP), whereby a number of appropriate insurance covers for non-financial risks are concluded with the help of a broker.

In line with the updated NFR hot spot risks - as determined by the Executive Committee members - the priorities remain focused on improved internal control and strengthening the internal control environment for information security & cyber risk and for fraud risk, as well as IT risk.

1. In the Compliance department, a distinction is also made between "advisory" and "monitoring & investigations".

2. A maturity score of 3 means that control measures are in place. They are standardised, documented, communicated and applied ('Do'). A maturity score of 4 means that the control measures are periodically evaluated internally (their effectiveness is tested) and adjusted ('Check' and 'Act').

6. Solvency and capital management

Capital risk is the risk of available capital falling short of the capital required by the activities and size of the company, or of being unable to raise 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 Company's capital management is aimed at maintaining a solid solvency position, with a constant search for a good balance between the amount of capital held and the risks run by the Company.

The Company needs to comply with the regulatory capital ratios at all times. It strives here for a healthy balance between, on the one hand, the business objectives with sufficient room to grow and, on the other hand, a healthy capital base which allows it to bear all material risks.

The Company has always pursued a policy of self-financing and wishes to continue to do so. To maintain a level of capital that leaves enough room to grow and to bear all material risks, an optimal composition is striven for of the following instruments:

- CET1 growth with retention of profits;
- Capital increases;
- Hybrid Tier-1 issues;
- Subordinated loans (tier 2);
- Bail-in instruments.

6.2. Regulatory matters

Introduction

The Company is subject to the CRR and CRD legislation. Information on Pillar 1 (minimum capital requirements) and Pillar 2 (SREP process) is given below. BVg's Pillar 3 disclosures are published separately on the Argenta website, with part of this information taken from the present financial statements.

Legal capital requirements

The Pillar I requirements impose a minimum solvency ratio of 4.5% for the Common Equity Tier 1 (CET1) ratio, of 6% for the Tier 1 (T1) ratio, and of 8% for the Total Capital (TC) ratio. The regulators have the possibility to impose a number of additional buffers (combined buffer requirement):

- A capital conservation buffer: an additional CET1 requirement of 2.50%;
- A countercyclical capital buffer: gives an additional CET-1 requirement of 0.01% calculated as a weighted average of the requirement imposed per country and the Company's exposure to that country;
- A buffer for systemically important institutions: the Belgian regulator has designated the Company as an O-SII or other system-relevant institution', as a result of which the Company is subject to an additional CET-1 requirement of 0.75%;
- A Pillar 2 requirement (P2R) of 1.75% and a Pillar 2 recommendation (P2G).

In addition, the absence of Alternative Tier 1 and Tier 2 capital of 1.50% and 2.00% is also compensated via CET1.

In the framework of the SREP (Supervisory Review and Evaluation Process), the competent supervisor (in this case the ECB) can impose higher minimum ratios 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 P2R imposed by the ECB in the SREP will decrease from 1.75% to 1.50% in 2022 (to be filled in with a minimum of 56.25% in CET-1 and 75% in T1 with the remaining requirement in T2).

The minimum solvency ratios increased by the Pillar 2 recommendation (P2G) define an early warning limit with an obligation to escalate to the supervisor.

Internal capital requirements

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

The ICAAP process is intended to identify and quantify all material risks, so that the adequacy of the available capital can be assessed and the required capital 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.

The RAF provides for the monitoring of the capital risk via the following RAF limits, among others:

- CET-1 ratio;
- TC ratio (total capital);
- Leverage;
- MREL (Minimum Requirement for own funds & Eligible Liabilities);
- ICAAP 99.90%.

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 following table shows the most important capital requirements, calculated according to the applicable rules.

	31/12/2020	31/12/2021
Available capital		
1 Tier 1 core capital (CET1)	2,265,275,494	2,354,485,837
2 Tier 1 capital (T1)	2,265,275,494	2,354,485,837
3 Total capital (TC)	2,769,655,153	2,354,485,837
Risk-weighted items		
4 Total risk-weighted items	9,712,247,223	10,907,465,778
Solvency ratio's as a percentage of RWA		
5 Common Equity Tier 1 core capital (%)	23.32%	21.59%
6 Tier 1 capital ratio (%)	23.32%	21.59%
7 Total Capital Ratio (%)	28.52%	21.59%
Additional CET1 buffer requirements as a percentage of RWA		
8 Capital Conservation Buffer requirements (%)	2.50%	2.50%
9 Contracyclical capital buffer requirements (%)	0.01%	0.01%
10 O-SII (Other Systemically Important Institution) buffer requirements (%)	0.75%	0.75%
11 Total of CET1 buffer requirements (%) (row 8 + row 9 + row 10)	3.26%	3.26%
12 % CET1 available to fulfill buffer requirement above the minimum capital requirements of 4.5%	18.82%	17.09%
Leverage ratio		
13 Leverage exposure	46,491,410,438	47,585,910,844
14 Leverage ratio (%) (row 2 / row 13)	4.87%	4.95%
Liquidity Coverage Ratio (LCR)		
15 Total high quality liquid assets	5,883,643,926	6,046,952,418
16 Total net cash outflow	3,704,525,626	3,681,141,084
17 LCR ratio (%)	158.82%	164.27%
Net Stable Funding Ratio (NSFR)		
18 Total available stable funding	41,109,508,694	44,306,539,136
19 Total required stable funding	30,318,865,652	30,523,335,443
20 NSFR ratio (%)	135.59%	145.16%

From 1 January 2022 the Company is subject to a binding MREL intermediary obligation of 7.16% and of 6.41% subordinated. At the end of 2021, these MREL figures were 8.09% and 7.03% respectively.

The Company therefore amply meets all statutory capital requirements.

The movement in the Tier 1 core capital is the result of an interim dividend payment of EUR 125.0 million in the fourth quarter of 2021, followed by a capital increase of EUR 72.7 million, and the adding of the profit to the reserves. A proposal will be made by the Company's Board of Directors to the General Meeting of shareholders of the Company that no additional dividend be declared in respect of the 2021 financial year.

The Tier 1 ratio has fallen from 23.32 % to 21.59 % at the end of 2021. The lower ratio is the result of larger loan portfolios, an increased percentage of non-NHG loans in the Dutch portfolio and a higher risk weighting in the securities portfolio.

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 BVg, Aspa and Aras are similar in structure and composition. They consist of:

- 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 referred to below as the 'non-executive directors').

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 in the Boards are always formed by non-executive directors.

The number of directors in the Board of Directors should preferably not exceed fifteen. Board members must be natural persons. In principle, directors' mandates are for six years and are renewable.

The following age limits apply to 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.

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 need to meet all the requirements stipulated in Article 7:87 §1 of the CCA (Code on Companies and Associations).

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

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.



At the end of 2021, the Board of Directors of Argenta Spaarbank was composed as follows:

- Marc van Heel, Chairman of the Board and member of the Risk Committee
- Geert Ameloot, executive director and CFO
- Inge Ampe, executive director and COO
- Ann Brands, executive director and COO
- Marie-Anne Haegeman, non-executive director
- Carlo Henriksen, non-executive and independent director and chairman of the Risk Committee
- Marc Lauwers, executive director and CEO and Chairman of the Board of AAM
- Anne Leclercq, non-executive director and member of the Audit Committee
- Baudouin Thomas, non-executive and independent director, member of the Audit Committee and member of the Risk Committee
- Cynthia Van Hulle, non-executive director
- Bart Van Rompuy, non-executive director and member of the Risk Committee
- Raf Vanderstichele, non-executive and independent director, chairman of the Audit Committee and member of the Risk Committee
- Gert Wauters, executive director and CRO, member of the Board of AAM

The Aspa Board of Directors met 13 times in the past year.

Separate audit and risk committees have been set up within the Boards of Directors of Aspa and Aras. At Aspa both committees are chaired by an independent director not belonging to the Board of Directors of Aras. The (limited) specific activities of BVg are overseen by the Audit Committee and the Risk Committee set up within the Board of Directors of Aspa.

The Audit Committee supports the Board of Directors in fulfilling its duty of oversight of the financial reporting process, the internal system, the audit process and the process for monitoring compliance with legislation and regulations.

In 2021 the Audit Committee of Aspa met 6 times.

The Risk Committee assists the Board of Directors in monitoring the implementation of the risk strategy by the Executive Committee. In accordance with the Governance Memorandum this includes determining the nature, scope, form and frequency of the information on the risks that the Board of Directors wishes to receive.

In 2021 the Aspa Risk Committee met 6 times.

The BVg Executive Committee stipulates the limits within which the various group companies perform their activities and exercise their responsibilities. The Executive Committees of the Argenta Group companies met in principle weekly during the past year. At these meetings various relevant topics were on the agenda, including the development, approval and regular update of the mission, vision and values as these relate to economic, social and environmental issues.

The Executive Committee consists of the chairman, Marc Lauwers (CEO – Chief Executive Officer) and 4 members: Geert Ameloot (CFO - Chief Financial Officer), Gert Wauters (CRO - Chief Risk Officer), Ann Brands (COO - Chief Operations Officer - responsible for customer service), and Inge Ampe (CCO - Chief Commercial Officer - responsible for commercial policy, management of the branch network and product development).

Brigitte Buyle joined Aspa in April 2020 as head of IT. In 2021 she was nominated as a member of the Aspa Executive Committee, with responsibility for IT. After approval by the regulator, she has been a member of the Aspa Executive Committee from 10 January 2022.

Policy decisions related to corporate social responsibility (including economic, environmental and social impact) are monitored directly by the CEO in his capacity as CSO (Chief Sustainability Officer). The CEO also chairs the Group Sustainability Committee, which develops a global sustainability policy for Argenta and exercises supervision at group level on the various aspects of sustainability.

The mission and the composition of the Executive Committees are defined with a view to the maximum operational integration of the individual companies in the interest of the group.

The Dutch branch office (bank and insurance) is headed by Ronald Touwslager (CEO) and Sander Blommaert (CFRO).

The Luxembourg management company AAM is headed by Grégory Ferrant (CEO) and Michel Waterplas.

The Belgian management company Arvestar is headed by Vincent Vanbellinghen (CEO) and Rudolf Sneyers (CRO).

The 'Suitability of Key Executives' Charter produced for the Argenta Group, including management companies AAM and Arvestar and the Dutch branch office, sets out the governance and structured framework that Argenta Group has set up to ensure the suitability of its key executives.

'Suitability' means that the person in question has the expertise and professional integrity (fit & proper), as specified in the 'Manual on Assessment of Fitness and Propriety' (Annexe to NBB Circular NBB_2018_25), of executive committee members, directors, persons responsible for independent control functions and senior managers of financial institutions.

'Key executives' are 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 beginning of 2021. The results of this confirm the professional functioning of the board of directors and the presence of the necessary competences and expertise to arrive at a balanced decision-making process. The proposed improvements (including in the field of onboarding) were also adopted and implemented. This exercise was repeated at the end of 2021 for evaluating the functioning of the Executive Committee.



External appointments and personal interests of the directors

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 7:96 CCA)

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 following directors of Argenta Spaarbank have exercised external mandates during the past financial year:

- Carlo Henriksen holds an external mandate at:
 - Royal Ostend Golf Club, a cooperative company, with its registered office at 8420 De Haan, Koninklijke Baan 2, as a non-executive director
- Baudouin Thomas holds external mandates in
 - BTH Consulting BVBA with its registered office at 1150, Sint-Pieters-Woluwe, Alfred Madouxlaan 8, as general manager (zaakvoerder). BTH Consulting is an executive director of Reimagine CVBA with its registered office at 1150, Sint-Pieters-Woluwe, Alfred Madouxlaan 8
 - Tender Experts, a private limited company (besloten vennootschap), with its registered office at 1000, Brussels, Oud Korenhuis 3 as non-executive director via BTH Consulting
- Raf Vanderstichele holds an external mandate in
 - Korora, a private limited liability company (bvba), not listed on a regulated market, with its registered office at 3000 Leuven, Refugehof 4/0301, as general manager
- Cynthia Van Hulle holds external mandates in:
 - Miko nv, with its registered office at 2300 Turnhout, Steenweg op Mol 177, listed on a regulated market, as a non-executive director
 - Warehouses De Pauw nv, with its registered office at 1861 Meise, Blakebergen 15, listed on a regulated market, as a non-executive director

- Argenta Coöperatieve cvba, with its registered office at 2018 Antwerp, Belgiëlei 49-53, not listed on a regulated market, as non-executive director
- Bart Van Rompuy holds external mandates in:
 - Raco bvba with its registered office at 2018 Antwerp, Van Putlei 54-56, not listed on a regulated market, as general manager
 - Investeringsmaatschappij Argenta NV (abbreviated “Investar”, with its registered office at 2018 Antwerp, Belgiëlei 49-53, not listed on a regulated market, as managing director
- Anne Leclercq holds external mandates in
 - Fluxys Belgium, with its registered office at 1040 Brussels, Kunstlaan 31, listed on a regulated market, as non-executive director
 - Warehouses De Pauw nv, with its registered office at 1861 Meise, Blakebergen 15, listed on a regulated market, as a non-executive director
 - KULeuven – UZ Leuven, with its registered office at 3000 Leuven, Oude Markt 13, as a director
- Marie-Anne Haegeman holds an external mandate in
 - Euroclear Bank nv, with its registered office at 1210 Sint-Joost-ten-Node, Koning Albert II-laan 1, as executive director
- Ann Brands holds an external mandate in
 - Van Ameyde Services Belgium bvba with its registered office at 2600 Berchem, Posthoflei 3, bus 7, not listed on a regulated market, as general manager

7.2. Remuneration of executive management

The remuneration of the directors is determined by the General Meeting on the basis of the relevant legal regulations and on the proposal of the Board of Directors, having obtained the advice of the Remuneration Committee.



Remuneration of the non-executive directors

The remuneration of the non-executive members of the Boards of Directors of the Argenta Group companies consists solely of 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).

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 that are inconsistent with the Argenta Group's long-term objectives.

The annual remuneration is in line with the stipulations contained in Circular NBB_2021_30 on the update of the legal framework and transposition of the EBA guidelines of 2 July 2021 on a sound remuneration policy in accordance with Directive 2013/36/EU (EBA/GL/2021/04), and also to 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), and from contractual severance compensation.

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

The following report provides an explanation of the remuneration of the executive directors of the Company.

In 2021, Argenta Spaarbank paid to Marc Lauwers (CEO of Argenta and chairman of the Executive Committees of Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties) a basic salary of EUR 389,520, an increase of 0.37% compared with 2020. Added to this in 2021 was a contribution to the supplementary pension and disability group policies amounting to EUR 70,509 (EUR 70,127 in 2020).

In 2021, the total direct remuneration of the executive directors/Executive Committee members of Argenta Spaarbank (excluding that of the CEO), amounted to EUR 915,000 (EUR 909,000 in 2020). Contributions to the group supplementary pension and disability policies in respect of the Executive Committee members, excluding the CEO, amounted to EUR 172,491 (EUR 170,679 in 2020).

Severance indemnity

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

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

If the appointment as a director and the appointment to the Executive Committee is revoked other than for serious misconduct or is not renewed other than for serious misconduct, the Director is entitled to a severance indemnity 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.

The mandate and this agreement can be terminated at any time by the Director, either by the giving of 6 months' prior notice to Argenta notified by registered mail, and taking effect on the first business day after its sending, or with immediate effect, subject to payment of a substitute severance indemnity equal to six (6) months' pay.

In 2021, no severance payments were made by the Company to Executive Committee members.



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 has been assigned since 2021 to the statutory auditor, KPMG Bedrijfsrevisoren, represented by Kenneth Vermeire.

The fees received by auditor (including VAT) are broken out below in (accordance with arts. 3:64 §5 and 3:65 of the CAA).

The Company

The Company paid to the statutory auditor additional fees for additional non-audit services in a total amount (including VAT) of EUR 134,830 in 2020 and EUR 12,100 in 2021. In addition, companies having a relationship of professional cooperation with the statutory auditor or belonging to the statutory auditor's network were paid fees for additional, non-audit services in a total amount (including VAT) of EUR 999,472 in 2020. For 2021, no fees were paid to companies having a relationship of professional cooperation with the statutory auditor or belonging to the statutory auditor's network for additional, non-audit services.

Fees for audit assignments – this includes the fees for the auditing of the statutory (unconsolidated) and consolidated financial statements and other reporting assignments – amounted to EUR 368,687 in 2020 and EUR 297,348 in 2021.

Subsidiaries of the Company

Fees for audit assignments amounted to EUR 68,970 in 2020 and EUR 30,260 in 2021. During the financial year, no additional fees were paid to the statutory auditor by the Company's subsidiaries for additional, non-audit services. In addition, companies having a relationship of professional cooperation with the statutory auditor or belonging to the statutory auditor's network were paid fees for additional, non-audit services in a total amount (including VAT) of EUR 6,050 in 2021.



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.

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

2020 balance sheet	Parent company	Key management	Subsidiaries	Joint ventures	Associates	Other related parties
Financial assets at fair value through other comprehensive income	0	0	0	0	0	1,000,000
Financial assets at amortised cost	0	80,467	0	0	0	4,396,106
Other assets	3,326,823	0	5,893,576	0	0	0
Total assets	3,326,823	80,467	5,893,576	0	0	5,396,106
Financial liabilities at amortised cost	124,985,175	1,499,657	115,085,468	1,560,084	0	3,630,074
Other liabilities	390,297	0	52,247,435	0	0	0
Total liabilities	125,375,472	1,499,657	167,332,904	1,560,084	0	3,630,074

2021 balance sheet	Parent company	Key management	Subsidiaries	Joint ventures	Associates	Other related parties
Financial assets at fair value through other comprehensive income	0	0	0	0	0	2,734,005
Financial assets at amortised cost	0	57,224	0	0	0	4,646,475
Other assets	3,068,903	0	5,161,213	0	0	0
Total assets	3,068,903	57,224	5,161,213	0	0	7,380,480
Financial liabilities at amortised cost	179,588,223	1,491,630	261,140,792	2,571,192	0	5,507,277
Other liabilities	842,737	0	64,669,685	0	0	0
Total liabilities	180,430,960	1,491,630	325,810,477	2,571,192	0	5,507,277

As explained, the majority shareholder of the Company is BVg. Above this is the holding Investeringsmaatschappij Argenta (hereafter Investar). The 'parent company' column contains the data in respect of both holding companies.

The 'managers in key positions' column contains information in respect of executive and non-executive directors (Note 7) and the "close relatives" of directors who are natural persons. The following are considered 'close relatives' in this context: spouses, partners who are regarded as equivalent to a spouse under their national law and first-degree blood relatives.

These are included under other related parties.

The 'subsidiaries' and other group companies column contains the data of the non-consolidated subsidiaries of the Company (there are no such companies as all subsidiaries are consolidated) and the other companies belonging to the Argenta group (namely Aras and Aula Invest).

Also included in other related parties are the associates of the other companies belonging to the Argenta group.

The financial liabilities at amortised cost towards the parent company consist of the lease obligations for the business buildings, as well as sight and savings balances held by the parent companies with the Company. The balance on sight and savings accounts held by the parent companies increased further in 2021. The financial liabilities towards other group companies also consist of current and savings balances held by Aras and Aula Invest with the Company, the other liabilities are cost-sharing and leasing debts. The financial liabilities at amortised cost towards 'joint ventures' represent the lease commitments to Jofico for the Company's ATMs.

2020 statement of profit or loss	Parent company	Key management	Subsidiaries	Joint ventures	Associates	Other related parties
Interest expenses	61,852	787	0	3,314	0	2,264
Fee and commission expenses	0	0	17,156,988	0	0	0
Other operating expenses	9,417,111	0	0	0	0	0
Other administrative expenses	3,245,398	0	0	1,238,379	0	0
Total expenses	12,724,361	787	17,156,988	1,241,693	0	2,264
Interest income	571	1,475	2,718	0	0	255,671
Fee and commission income	0	0	140,436	0	0	0
Other operating income	422,357	0	39,655,905	0	0	0
Tax expense	0	0	775,000	0	0	0
Total income	422,928	1,475	40,574,059	0	0	255,671

2021 statement of profit or loss	Parent company	Key management	Subsidiaries	Joint ventures	Associates	Other related parties
Interest expenses	224,933	993	-15,625	10,855	0	2,258
Fee and commission expenses	0	0	20,853,871	0	0	0
Other operating expenses	10,080,087	0	211,613	0	0	0
Other administrative expenses	1,308,618	0	-196,612	942,132	0	0
Total expenses	11,613,638	993	20,853,246	952,987	0	2,258
Interest income	0	614	0	0	0	280,127
Fee and commission income	0	0	575,506	0	0	0
Other operating income	564,623	214	39,587,739	0	0	941
Tax expense	0	0	450,000	0	0	0
Total income	564,623	828	40,613,245	0	0	281,068

The decrease in tax expenses compared to 2020 relates to the reimbursement of the group contribution of EUR 450,000, which is lower in 2021 compared to 2020 (see also Note 40). Other operating income and expenses relate to cost sharing between Aspa, Aras and Bvg.

No impairment losses were recognised in 2020 and 2021 on balance sheet items involving related parties.

Note on credit transfers to Aras

Since 2013 credit transfers have taken place between Aspa and Aras. For this a general framework agreement and an RACI (*Responsible – Accountable – Consulted – Informed*) have 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. The credit transfers are compiled on the basis of a random selection from recent new production of (according to Aras's risk appetite) eligible loans. After selection they are immediately transferred. The framework agreement was updated in 2020.

In this way the Company grants Dutch loans through the branch which are then taken over definitively by Aras. The total amount of the loans definitively transferred in 2021 amounted to EUR 103,297,175. These loans and attendant settlement of transaction costs are not included in the tables above.

Note on compensation – executive directors

The remuneration of the executive directors has already been described in Note 7.



10. Operating segments

An operating 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.

The Company's structure is explained in Note 1 'General Information'. The operating segments follow from the business activities (products and services) and the geographical areas in which the Company operates.

The geographic areas where the Company operates are reflected in the organisational format by the existence of Aspa in Belgium, a branch office in the Netherlands and a subsidiary, AAM, in Luxembourg. Consequently, the following segments are distinguished:

- Activities in Belgium;
- Activities in the Netherlands;
- Activities in Luxembourg.

The business activities reflect the activities and services offered by the Company. The Company's services fall under the general heading of 'retail' banking. Until further notice this is treated in the internal reporting as a single operating segment. The ultimate chief operating decision maker (CODM) is the Executive Committee of the Company.

Information on products and services

The Company operates under the general heading of 'retail' banking. In the consolidated internal reporting this is treated as a single operating segment.

Retail banking offers financial services to private individuals as well as to self-employed persons and, to a very limited extent, to small and medium-sized companies. In the Benelux, it provides advice on daily banking, saving, lending and investment.

Information on geographic regions

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



Assets	Belgium	The Netherlands	Luxembourg	31/12/2020
Cash and cash equivalents	58,712,247	0	0	58,712,247
Cash balances at central banks and other demand deposits	2,670,461,886	291,899,766	1,477,879	2,963,839,532
Financial assets held for trading	488,933	471,330	0	960,263
Non-trading financial assets mandatorily at fair value through profit or loss	68,169,997	0	0	68,169,997
Financial assets at fair value through other comprehensive income	3,667,290,214	0	0	3,667,290,214
Financial assets at amortised cost	20,871,635,687	17,402,148,720	1,100,234	38,274,884,641
Derivatives used for hedge accounting	3,248,972	0	0	3,248,972
Fair value changes of the hedged items in portfolio hedge of interest rate risk	701,614,824	66,950,648	0	768,565,472
Investments in subsidiaries, joint ventures and associates	90,000	0	0	90,000
Tangible assets	78,035,442	1,339,950	1,065	79,376,457
Intangible assets	48,046,728	1,217	17,114	48,065,059
Tax assets	6,463,707	10,779,804	0	17,243,511
Other assets	123,583,578	149,974,950	7,848,743	281,407,271
Total Assets	28,297,842,215	17,923,566,385	10,445,036	46,231,853,637

Assets	Belgium	The Netherlands	Luxembourg	31/12/2021
Cash and cash equivalents	52,504,898	0	0	52,504,898
Cash balances at central banks and other demand deposits	3,077,689,104	403,898,729	2,495,134	3,484,082,966
Financial assets held for trading	2,021,813	16,573,530	0	18,595,343
Non-trading financial assets mandatorily at fair value through profit or loss	41,200,393	0	0	41,200,393
Financial assets at fair value through other comprehensive income	3,726,459,358	0	0	3,726,459,358
Financial assets at amortised cost	22,266,850,557	18,304,439,481	1,100,219	40,572,390,257
Derivatives used for hedge accounting	88,616,165	0	0	88,616,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	313,757,088	39,409,442	0	353,166,530
Investments in subsidiaries, joint ventures and associates	66,852	0	0	66,852
Tangible assets	81,290,121	1,136,698	1,078	82,427,896
Intangible assets	38,091,928	608	15,605	38,108,141
Tax assets	2,091,035	19,431,157	0	21,522,192
Other assets	116,393,828	131,183,786	11,689,609	259,267,224
Total Assets	29,807,033,138	18,916,073,431	15,301,645	48,738,408,215

Liabilities	Belgium	The Netherlands	Luxembourg	31/12/2020
Financial liabilities held for trading	0	465,526	0	465,526
Financial liabilities at amortised cost	37,838,758,931	4,954,000,540	0	42,792,759,471
Derivatives used for hedge accounting	808,404,707	81,140,927	0	889,545,635
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	1,877,482	1,642,523	0	3,520,005
Tax liabilities	0	10,731,112	5,477,152	16,208,264
Other liabilities	119,896,230	120,102,099	1,464,598	241,462,927
Total liabilities	38,768,937,351	5,168,082,726	6,941,750	43,943,961,827

Liabilities	Belgium	The Netherlands	Luxembourg	31/12/2021
Financial liabilities held for trading	0	16,545,565	0	16,545,565
Financial liabilities at amortised cost	40,253,283,406	5,275,390,999	0	45,528,674,405
Derivatives used for hedge accounting	441,668,729	49,425,702	0	491,094,431
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	3,452,067	2,604,857	0	6,056,923
Tax liabilities	1,722	12,391,917	5,021,156	17,414,795
Other liabilities	137,283,657	137,765,186	1,681,367	276,730,209
Total liabilities	40,835,689,581	5,494,124,226	6,702,523	46,336,516,329



Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	31/12/2020
Net interest income	233,422,616	335,795,550	-4,888	0	569,213,278
Dividend income	0	0	0	0	0
Net fee and commission income	-54,199,914	2,384,625	38,729,780	-1,609,820	-14,695,329
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	1,292,631	-775,120	0	947,197	1,464,708
Profit or loss before tax	2,849,580	0	0	0	2,849,580
Gains or losses on financial assets and liabilities held for trading	-632,189	948,269	0	-947,197	-631,117
Gains or losses from hedge accounting	1,114,114	152,428	0	0	1,266,542
Gains or losses on derecognition of non-financial assets	6,322	0	0	0	6,322
Net other operating income	166,915,686	-117,284,119	-8,162	-344,273	49,279,132
Administrative expenses	-312,756,245	-47,419,500	-2,771,398	1,954,093	-360,993,049
Depreciation	-29,377,492	-426,309	-3,888	0	-29,807,689
Modification gains or losses	-3,258,931	0	0	0	-3,258,931
Provisions or reversal of provisions	-457,640	8,466	0	0	-449,173
Impairments or reversal of impairments	-17,607,673	-1,880,723	0	0	-19,488,396
Profit or loss before tax	-12,689,135	171,503,569	35,941,444	0	194,755,877
Tax expense	-6,398,522	-43,139,464	-8,962,615	0	-58,500,601
Profit or loss after tax	-19,087,657	128,364,105	26,978,829	0	136,255,276



Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	31/12/2021
Net interest income	250,169,483	328,627,640	-9,001	0	578,788,122
Dividend income	306,458	0	0	0	306,458
Net fee and commission income	-42,885,683	2,789,562	58,180,738	-1,450,011	16,634,607
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	186,072	-129,594	0	1	56,478
Profit or loss before tax	-1,044,077	22,162	0	0	-1,021,915
Profit or loss before tax	1,555,041	0	0	0	1,555,041
Gains or losses from hedge accounting	2,378,640	-40,730	0	0	2,337,910
Gains or losses on derecognition of non-financial assets	131,976	0	0	0	131,976
Net other operating income	158,405,175	-112,101,929	-58,842	-146,545	46,097,859
Administrative expenses	-321,157,643	-49,530,851	-3,084,478	1,596,556	-372,176,416
Depreciation	-28,530,642	-333,962	-3,387	0	-28,867,992
Modification gains or losses	-113,534	0	0	0	-113,534
Provisions or reversal of provisions	-1,243,365	-31,959	0	0	-1,275,323
Impairments or reversal of impairments	3,288,848	4,079,731	0	0	7,368,578
Share in results of associated companies and joint ventures	-23,148	0	0	0	-23,148
Profit or loss before tax	21,423,600	173,350,070	55,025,029	0	249,798,700
Tax expense	-11,485,928	-43,711,698	-13,557,685	0	-68,755,311
Profit or loss after tax	9,937,672	129,638,372	41,467,345	0	181,043,389

The main transaction between the operating segments consists of:

- The distribution of profits between the Company's head office (located in Belgium) and the branch office (in the Netherlands). More information is included below.
- The retrocession of a portion of the management fees of portfolio management activities performed in Luxembourg to the Company's registered office as consideration for the distribution of these investment products.

The result in the Netherlands is realised by the Company's branch office, whereby the Company's head office finances the branch office and exercises a number of activities (mainly of a general strategy and risk management nature) for the branch office. The Company applies a ruling (pending approval by the tax authorities) for the determination of the allocation of the results to the branch. The profit distribution in the ruling mechanism consists of:

- An interest payment for the financing provided, whereby a part of the total interest expenses of the head office is allocated (on the basis of the financing provided) to the branch (fungibility approach). This payment is recorded under 'Net interest income'.
- A fee for the responsibilities performed by the Company's head office for the value chain and key entrepreneurial risk-taking functions. This fee is recorded under 'Net other operating expenses'.

On 31 December 2019, the previous ruling agreement expired and a new application was submitted for a period of 3 years. The mechanism as in the submitted application, which had not yet been approved at the date of this report, has been applied in preparing the balance sheet and results as of 31 December 2021.

Key customer information

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 and balances with central banks and other demand deposits

Cash and balances with central banks and other demand deposits includes all cash and current account balances with central and other banks.

	31/12/2020	31/12/2021
Cash	58,712,247	52,504,898
Cash balances with central banks	2,803,109,816	3,225,473,830
Cash balances with other financial institutions	160,729,715	258,609,136
Total	3,022,551,779	3,536,587,864

As of 31 December 2021, there were EUR 3,225,473,830 in the current accounts at the central bank. A part of this amount consists of the monetary reserves that each financial institution is required to hold with the central bank, namely EUR 2,984,963,058 at the Belgian National Bank and EUR 155,235,490 at the Dutch Central Bank.



In order to support the transmission of monetary policy via the banks, a two-tier system for the reimbursement of reserves has been introduced by the ECB. In this way, a portion of the overliquidity held by the banks is exempted from the negative interest on the deposit facility.

In 2021, the Company participated again to a limited extent in the ECB/NBB's TLTRO programme. Further information can be found in Note 22.1.

12. Financial assets and liabilities held for trading

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

Financial assets	Count	31/12/2020		Count	31/12/2021	
		Notional	Carrying amount		Notional	Carrying amount
Interest rate options - caps	9	1,450,000,000	489,560	7	1,250,000,000	2,021,813
Securitization transactions - caps	3	2,668,000,000	470,703	4	3,170,343,707	16,573,530
Total			960,263			18,595,343

Financial liabilities	Count	31/12/2020		Count	31/12/2021	
		Notional	Carrying amount		Notional	Carrying amount
Interest rate options - caps	0	0	0	0	0	0
Securitization transactions - caps	3	2,668,000,000	465,526	4	3,170,343,707	16,545,565
Total			465,526			16,545,565

Not listed (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 entered into in the framework of economic hedges within the ALM policy, but were not documented for the application of hedge accounting.

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.

During the past two years no additional caps have been concluded in the context of the Company's interest rate risk management.

Not listed (OTC) - swaps (securitisation transactions)

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

In 2017, 2018, 2019 and 2021, securitisation transactions were carried out, with two caps for each transaction.

The limited difference between the market value of the caps on the asset side and the liability side of the balance sheet is recognised in the statement of profit or loss.

13. Non-trading financial assets mandatorily at fair value through profit or loss

In the context the classification and measurement of financial instruments, the SPPI test is performed to determine whether only ordinary interest and capital repayments are made on a financial instrument.

Where this is not the case, the security has to be recognised at fair value through profit or loss.

As of 31 December 2021, there was EUR 41,200,393 under this classification.

	31/12/2020	31/12/2021
Total portfolio	68,169,997	41,200,393
Breakdown by instrument type		
Equity instruments	0	0
Debt securities	68,169,997	41,200,393
Breakdown by interest rate type		
Variable	51,743,866	30,263,370
Fixed	16,426,131	10,937,023
Undefined	0	0
Geographical breakdown		
Belgium	5,774,847	5,623,547
European Monetary Union	62,395,150	35,576,846
Rest of the world	0	0
Breakdown by residual term or maturity date		
Untill 1 year	20,028,219	0
1 to 5 year	0	0
More than 5 years	48,141,778	41,200,393
Undefined	0	0
Breakdown according to counterparty		
General Governments	20,028,219	0
Credit Institutions	27,318,750	26,514,847
Other Financial corporations	20,823,028	14,685,546
Non Financial corporations	0	0
Effective interest rate at 31/12	0.59%	1.02%



14. Financial instruments measured at fair value through other comprehensive income

Instruments recorded at fair value through other comprehensive income amounted to EUR 3,726,459,358 (market value) as of 31 December 2021.

	31/12/2020	31/12/2021
Total portfolio	3,667,290,214	3,726,459,358
of which hedged via micro-hedges	942,066,357	909,854,764
Breakdown by instrument type		
Equity instruments	8,010,057	17,152,843
Debt securities	3,659,280,157	3,709,306,514
Breakdown by interest rate type		
Variable	906,475,847	1,017,548,651
Fixed	2,752,804,309	2,691,757,864
Undefined	8,010,057	17,152,843
Geographical breakdown		
Belgium	752,077,685	749,065,593
European Monetary Union	2,454,269,113	2,406,165,271
Rest of the world	460,943,416	571,228,494
Breakdown by residual term or maturity date		
Up to 1 year	217,157,612	402,172,506
1 to 5 year	2,190,272,448	2,374,578,802
More than 5 years	1,251,850,097	932,555,206
Undefined	8,010,057	17,152,843
Breakdown according to counterparty		
General Governments	1,032,932,962	1,023,420,644
Credit Institutions	1,112,437,831	1,111,788,244
Other Financial corporations	413,637,947	578,712,770
Non-Financial corporations	1,108,281,473	1,012,537,700
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	3,659,280,157	3,709,306,514
Stage 2	0	0
Stage 3	0	0
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-3,023,603	-816,720
Stage 2	0	0
Stage 3	0	0
Effective interest rate at 31/12	0.64%	0.61%



In the past years, no individual (stage 3) impairments were recorded on this portfolio.

As of 31 December 2020, there were a total of EUR 3,023,603 of stage 1 impairments. This figure fell during 2021 to EUR 816,720. Further information on the evolution of the impairments is included in Note 39.

The securities involved are all recognised in the balance sheet as financial assets at fair value through other comprehensive income. Note 26 provides further information on the fair values used and in particular on the level hierarchy of the fair values involved.

The Company has opted to measure its full portfolio of equity instruments at fair value through other comprehensive income. The underlying positions consist of an infrastructure fund that the Company maintains with a long-term investment perspective (the Company also provides loans to finance the underlying infrastructure projects), along with equity instruments of companies with which it pursues long-term relationships.

In 2020 and 2021, no positions were realised and therefore no valuation gains were transferred to reserves. EUR 306,458 of dividends were received in 2021.

As of the end of 2021 securities were encumbered as part of the collateral management of derivative instruments and as surety for the credit cards issuer. The Company also has a credit line with the NBB, for which securities are encumbered as and when this credit line is used. Further information on encumbered assets can be found in Note 41.

The amortised cost and fair value adjustments in other comprehensive income of the portfolios concerned as of 31 December were as follows:

31/12/2020	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	931,408,000	102,360,777	-835,815	1,032,932,962
Credit institutions	1,095,756,083	17,304,485	-622,737	1,112,437,831
Other Financial corporations	404,772,102	990,274	-134,486	405,627,890
Non-Financial corporations	1,079,266,902	30,445,137	-1,430,566	1,108,281,473
Equity instruments				
Shares and others	7,904,178	105,879		8,010,057
Total	3,519,107,265	151,206,552	-3,023,603	3,667,290,213

31/12/2021	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	954,774,603	68,866,550	-220,509	1,023,420,644
Credit institutions	1,103,498,652	8,467,136	-177,545	1,111,788,244
Other Financial corporations	561,163,429	419,982	-23,484	561,559,926
Non-Financial corporations	996,174,296	16,758,587	-395,182	1,012,537,700
Equity instruments				
Shares and others	15,452,218	1,700,625		17,152,844
Total	3,631,063,198	96,212,880	-816,720	3,726,459,358

15. Financial liabilities measured at amortised cost

A distinction is made between 'loans and advances' and debt securities.

	31/12/2020	31/12/2021
Total portfolio	38,274,884,642	40,572,390,257
Breakdown by instrument type		
Loans and advances	34,624,441,264	36,995,857,204
Debt securities	3,650,443,377	3,576,533,053
Breakdown by product type		
Loans to credit institutions	1,100,234	1,100,219
Cash collateral	741,105,574	375,244,974
Consumer loans	290,897,981	329,566,906
Mortgage loans	32,517,476,492	35,140,728,956
Term loans	1,041,009,340	1,108,849,061
Advances and overdrafts	4,511,041	6,916,787
Leasing	28,340,603	33,450,300
Debt securities	3,650,443,377	3,576,533,053
Breakdown debt securities by interest rate type		
Variable	695,091,081	469,526,750
Fixed	2,955,352,296	3,107,006,303
Geographical breakdown debt securities		
Belgium	1,435,519,989	1,614,050,481
European Monetary Union	1,761,234,482	1,649,756,985
Rest of the world	453,688,906	312,725,587
Breakdown by residual or maturity date		
Debt securities		
Up to 1 year	570,097,010	746,213,531
1 to 5 year	1,507,014,526	1,993,101,542
More than 5 years	1,573,331,841	837,217,980
Loans and advances		
Up to 1 year	2,141,761,305	2,006,801,926
1 to 5 year	5,533,713,511	6,180,295,752
More than 5 years	26,948,966,449	28,808,759,526
Breakdown debt securities according to counterparty		
General Governments	796,575,988	678,408,001
Credit Institutions	520,780,014	425,288,625
Other Financial corporations	1,039,049,725	1,006,743,223
Non-Financial corporations	1,294,037,650	1,466,093,204



	31/12/2020	31/12/2021
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	3,628,663,264	3,552,467,498
Stage 2	26,740,303	25,501,973
Stage 3	0	0
Loans and advances		
Stage 1	30,053,439,847	33,596,234,606
Stage 2	4,436,750,122	3,262,446,817
Stage 3	172,417,028	171,089,854
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-4,493,838	-1,259,437
Stage 2	-466,352	-176,981
Stage 3	0	0
Loans and advances		
Stage 1	-3,829,747	-2,736,881
Stage 2	-14,243,983	-6,567,062
Stage 3	-20,092,002	-24,610,131
Effective interest rate debt securities at 31/12	1.04%	0.94%
Effective interest rate loans and advances at 31/12	2.06%	1.89%

The loans and advances have further increased through the additional lending to the Company's retail customers, both in Belgium and the Netherlands.

For loans and receivables there are, at the end of 2021, EUR 2,736,881 of stage 1 and EUR 6,567,062 of stage 2 impairments. The amount of stage 3 individual impairments has risen to EUR 24,610,131. Further information on the evolution of the impairments is included in Note 39.

The stage 1 and 2 impairments for debt securities have fallen to EUR 1,259,437 and EUR 176,981. There are no individual impairments (stage 3) for this portfolio.

16. Derivatives used for hedging

This section contains, inter alia, additional information on the balance sheet headings 'derivatives used for hedging' and 'fair value changes of the hedged positions in portfolio hedge of interest rate risk'. The Company uses derivatives and hedge accounting only for hedging interest rate 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% of the 'dollar offset ratio') 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.

The global dollar offset ratio ('DOR') is calculated as the change in value of the hedging instrument versus the change in value of the hedged position compared to the previous reporting period (on a quarterly basis). For the value of the hedged position, the value of the fixed leg of the underlying hedging derivatives is taken as proxy (discounted on a swap curve with 3 month tenor). The value of the hedging derivative is the 'clean price' (fair value without interest accrued but not yet payable) (discounted on the OIS curve). It can happen that the DOR of an individual swap falls outside the 80%-125% interval in the presence of the phenomenon of small value fluctuations. In accordance with general hedge accounting documentation, this is an acceptable reason for the deviating DORs.

Note on macro hedges

The Company continues to apply IAS 39, which has been authorised by the EU, because it reflects best the way in which the Company manages its activities. The option to continue applying this was provided for in the new IFRS 9 standard.

Hedge 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 statement of profit or loss.

The changes in fair value of the hedged positions (in this case a hedged portfolio of mortgage loans) can be found under the heading 'fair value changes of the hedged items in portfolio hedge of interest rate risk' and amount to EUR 353,166,530 as of 31 December 2021. What we have here are macro fair value hedges of the interest rate risk on a hedged mortgage portfolio.



Macro hedge - fair value hedge	Count	Notional	31/12/2020	Count	Notional	31/12/2021
Change in fair value hedged positions			768,565,472			353,166,530
Derivatives with negative fair value (clean price)	69	7,550,000,000	-770,548,823	69	7,550,000,000	-408,521,471
Derivatives with positive fair value (clean price)	1	150,000,000	99,170	16	2,500,000,000	55,485,543

In the above table the clean price is included in order to provide a link between the swaps involved in the hedge accounting and the change in the fair value of the hedged positions. The 'clean price' is used to calculate the hedge effectiveness, while the carrying value in the balance sheet of the derivatives concerned in the balance sheet includes accrued but not yet payable interest ('dirty price').

Swaptions have also been concluded in the context of the macro coverage of the interest rate risk. Hedge accounting can be applied to the intrinsic value of the swaptions involved. The time value of these instruments ends up in the profit and loss based on the market value evolution of these instruments. As long as the option for entering into the swap has not been exercised, a one-sided interest rate risk is hedged.

As of 31 December 2021, the Company had 12 swaptions concluded in a notional amount of EUR 1.45 billion. As of 31 December 2021, these had no intrinsic value, so no change in fair value of the hedged positions was recorded. The time value is not included in the market value (clean price) in the table above as it is not part of the hedging relationship.

Note on micro hedges

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

Swaps have been entered into to hedge purchased securities that are included under 'Financial assets at fair value through other comprehensive income'. 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.

Part of the change in fair value of the 'Financial assets at fair value through other comprehensive income' is not recorded on a separate line in equity, but is recognised in the statement of profit or loss in the context of hedge accounting. As of 31 December 2021, this involved an amount of EUR 41,116,265.

Micro hedge - fair value hedge	Count	Notional	31/12/2020	Count	Notional	31/12/2021
Change in fair value hedged positions			74,470,306			41,116,265
Derivatives with negative fair value (clean price)	11	836,373,888	-74,534,097	10	799,373,888	-42,113,348
Derivatives with positive fair value (clean price)	0	0	0	1	37,000,000	895,891

In the above table the clean price is included in order to provide a link between the swaps involved in the hedge accounting and the change in the fair value of the hedged positions.

On 31 May 2021, the swap processed as a cash flow hedge ('CFH') came to maturity.

Note on total derivatives used for hedging

As of 31 December 2021, all swaps are processed as fair value hedges. 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.

Fair value (dirty price) derivatives used for hedge accounting		31/12/2020		31/12/2021	
Derivatives used for hedge accounting (assets)			3,248,972		88,616,165
Fair value macro hedges	3,248,972			87,727,218	
Fair value micro hedges	0			888,948	
Derivatives used for hedge accounting (liabilities)			889,545,635		491,094,431
Fair value macro hedges	805,073,374			443,226,096	
Fair value micro hedges	80,256,998			47,868,335	
Cash flow hedges	4,215,263			0	

Further information can be found in Notes 3 and 34.

The table below gives an overview of the maturity dates of the derivative positions.

31/12/2020	Notional	1 year	1-5 year	5-10 year	10-15 year	> 15 year
Macro hedge - fair value hedge	8,500,000,000	100,000,000	3,700,000,000	2,450,000,000	1,400,000,000	850,000,000
Micro hedge - fair value hedge	836,373,888	0	303,375,500	532,998,388	0	0
Micro hedge - cash flow hedge	100,000,000	100,000,000	0	0	0	0

31/12/2021	Notional	1 year	1-5 year	5-10 year	10-15 year	> 15 year
Macro hedge - fair value hedge	11,500,000,000	300,000,000	5,350,000,000	1,550,000,000	2,850,000,000	1,450,000,000
Micro hedge - fair value hedge	836,373,888	0	354,040,500	482,333,388	0	0
Micro hedge - cash flow hedge	0	0	0	0	0	0



17. Investments in associates and joint ventures

The investments in associates and joint ventures relate to a 20.00% share in Jofico. This is a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost that jointly manages all these institutions' ATMs.

	31/12/2020	31/12/2021
Investments in joint ventures	90,000	66,852
Investments in associates	0	0
of which not individual material	90,000	66,852
Total	90,000	66,852

The Company has revalued its participation in Jofco as of 31 December 2021, based on Jofco's audited financial statements, by EUR -23,148.

	31/12/2020	31/12/2021
Share of investments in joint ventures or associates that are not individually material	0	66,852
Profit before taxes	0	-23,148
Net profit	0	-23,148
Other components total result	0	0
Total impact in profit or loss	0	-23,148



18. Tangible assets

The tangible assets are recorded using the cost model and break down as of 31 December into:

	31/12/2020	31/12/2021
Property, plant and equipment	78,783,688	82,025,430
Investment properties	592,770	402,466
Total	79,376,457	82,427,896
Fair value of investment properties	584,688	402,466

The "property, plant and equipment" item contains the renovated head office. This is leased from Investar, with an asset (right of use) created that is amortised over the term of the contract.

The investment properties portfolio consists mainly of properties purchased in the context of the mortgage lending foreclosure policy. In addition, on an exceptional basis the Company co-invests in premises used as office buildings by self-employed branch managers. These are also accounted for under investment properties.

	Land and buildings	IT	IT leasing	Other material	Other material leasing	Total	Investment property
Acquisition value at 1 January 2020	8,820,644	26,175,680	0	23,548,533	3,560,781	62,105,638	660,288
Leasing	48,613,301	0	1,678,395	0	276,826	50,568,522	0
Acquisitions	0	1,298,126	0	9,761,885	0	11,060,011	3,000
Disposals	0	-4,487,023	0	-7,262,629	0	-11,749,653	0
Transfer	0	0	0	0	0	0	0
Other changes	0	-159,292	0	-1,159,377	0	-1,318,668	0
Acquisition value at 31 December 2020	57,433,945	22,827,490	1,678,395	24,888,412	3,837,607	110,665,850	663,288
Accumulated depreciation and impairment losses at 1 January 2020	-2,003,040	-21,106,250	0	-11,802,958	-1,408,116	-36,320,364	-52,615
Leasing	2,306,678	0	1,239	0	947,634	3,255,551	0
Acquisitions	0	0	0	0	0	0	0
Disposals	0	4,481,564	0	6,404,143	0	10,885,707	0
Depreciation	-2,685,030	-2,488,736	-122,062	-2,858,810	-1,548,418	-9,703,056	-17,903
Transfer	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
Accumulated depreciation and impairment losses at 31 December 2020	-2,381,392	-19,113,422	-120,823	-8,257,625	-2,008,900	-31,882,162	-70,518
Carrying amount at 31 December 2020	55,052,553	3,714,069	1,557,572	16,630,787	1,828,707	78,783,688	592,770



	Land and buildings	IT	IT leasing	Other material	Other material leasing	Total	Investment property
Acquisition value at 1 January 2021	57,433,945	22,827,490	1,678,395	24,888,412	3,837,607	110,665,850	663,288
Leasing	825,666	0	4,491,967	0	2,105,484	7,423,117	0
Acquisitions	0	1,251,491	0	2,017,157	0	3,268,648	0
Disposals	0	-6,448,734	0	-4,318,478	0	-10,767,212	-203,857
Transfer	0	0	0	0	0	0	0
Other changes	0	5,024,003	0	-79,955	0	4,944,048	0
Acquisition value at 31 December 2021	58,259,611	22,654,250	6,170,362	22,507,136	5,943,091	115,534,450	459,431
Accumulated depreciation and impairment losses at 1 January 2021							
	-2,381,392	-19,113,422	-120,823	-8,257,625	-2,008,900	-31,882,162	-70,518
Leasing	705,736	0	-669,817	0	64,759	100,678	0
Acquisitions	0	0	0	0	0	0	0
Disposals	0	6,436,745	0	3,516,872	0	9,953,617	30,782
Depreciation	-4,709,069	-2,319,838	-1,303,003	-2,139,060	-1,594,811	-12,065,781	-17,228
Transfer	0	0	0	0	0	0	0
Other changes	0	0	0	384,627	0	384,627	0
Accumulated depreciation and impairment losses at 31 December 2021	-6,384,725	-14,996,515	-2,093,643	-6,495,186	-3,538,952	-33,509,020	-56,964
Carrying amount at 31 December 2021	51,874,886	7,657,735	4,076,719	16,011,950	2,404,139	82,025,430	402,467

The 'other changes' line in the above tables shows the movement in assets under construction.

19. Intangible assets

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
Acquisition value at 1 January 2020	19,264,062	183,378,404	0	202,642,465
Leasing	0	0	0	0
Acquisitions	1,362,585	9,176,017	0	10,538,602
Disposals	-2,447,558	-572,483	0	-3,020,041
Transfer	0	0	0	0
Other changes	0	0	0	0
Acquisition value at 31 December 2020	18,179,089	191,981,938	0	210,161,027
Accumulated depreciation and impairment losses at 1 January 2020	-13,938,861	-131,075,517	0	-145,014,379
Leasing	0	0	0	0
Acquisitions	0	0	0	0
Disposals	2,432,658	572,483	0	3,005,141
Depreciation	-2,131,742	-17,954,988	0	-20,086,730
Transfer	0	0	0	0
Other changes	0	0	0	0
Accumulated depreciation and impairment losses at 31 December 2020	-13,637,945	-148,458,022	0	-162,095,968
Carrying amount at 31 December 2020	4,541,144	43,523,916	0	48,065,059



	Internally developed software	Other intangible assets	Goodwill	Total
Acquisition value at 1 January 2021	18,179,089	191,981,938	0	210,161,027
Leasing	0			0
Acquisitions	2,009,501	4,818,645	0	6,828,146
Disposals	-1,816,993	-20,127,122	0	-21,944,115
Transfer	0	0	0	0
Other changes	0	0	0	0
Acquisition value at 31 December 2021	18,371,597	176,673,461	0	195,045,058
Accumulated depreciation and impairment losses at 1 January 2021	-13,637,945	-148,458,022	0	-162,095,968
Leasing	0	0	0	0
Acquisitions	0	0	0	0
Disposals	1,816,911	20,127,122	0	21,944,033
Depreciation	-1,725,853	-15,059,130	0	-16,784,982
Transfer	0	0	0	0
Other changes	0	0	0	0
Accumulated depreciation and impairment losses at 31 December 2021	-13,546,887	-143,390,030	0	-156,936,917
Carrying amount at 31 December 2021	4,824,710	33,283,431	0	38,108,141

The amortisation of EUR 16,784,982 for 2021 can be found in the statement of profit or loss under the amortisation of the assets concerned.



20. Tax assets and liabilities

The tax position can be summarised as follows:

	31/12/2020	31/12/2021
Current tax assets	11,548,486	20,068,024
Deferred tax assets	5,695,025	1,454,168
Total tax assets	17,243,511	21,522,192
Current tax liabilities	5,477,152	5,022,836
Deferred tax liabilities	10,731,112	12,391,959
Total tax liabilities	16,208,264	17,414,795
Total globalised deferred taxes	-5,036,086	-10,937,792



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

Deferred taxes by type	31/12/2019	Changes through other comprehensive income	Changes through profit or loss	31/12/2020	Changes through other comprehensive income	Changes through profit or loss	31/12/2021
Tax asset on derivatives	12,232,263	-869,020	-2,387,149	8,976,095	-433,857	-8,542,238	0
DTI and fiscal losses	26,088,082	0	-4,612,905	21,475,177	0	0	21,475,177
Tax asset on other items	4,231,892	-295,498	3,295,132	7,231,526	-159,327	-2,679,878	4,392,321
Total deferred tax assets	42,552,237	-1,164,518	-3,704,922	37,682,798	-593,184	-11,222,116	25,867,498
Tax liabilities on financial instruments at fair value	11,264,300	7,940,735	712,395	19,917,431	-5,368,092	-255,479	14,293,860
Tax liabilities on financial instruments at amortized cost	21,513,365	0	1,288,090	22,801,455	0	-774,645	22,026,810
Tax liabilities on derivatives	0	0	0	0	0	484,619	484,619
Tax liabilities on other items	0	0	0	0	0	0	0
Total deferred tax liabilities	32,777,665	7,940,735	2,000,485	42,718,886	-5,368,092	-545,505	36,805,289
Total deferred tax position	9,774,572	-9,105,253	-5,705,406	-5,036,088	4,774,908	-10,676,612	-10,937,791

The main items in 2021 were a deferred tax liability of EUR 14,293,860 on the positive fair value delta of financial instruments measured at fair value (decreased owing to the decrease in the fair value of financial assets), a deferred tax liability of EUR 22,026,810 on the measurement at amortised cost (with effective interest rate), and a tax asset of EUR 21,475,177 related to tax loss carryforwards and definitively taxed income (DTI). Deferred taxes on derivatives decreased in 2021 owing to the positive evolution of the fair value.

When creating deferred tax assets, an assessment is always made as to whether they can be used. Owing to the negatively adjusted outlook and the uncertainties caused by the Covid-19 crisis, deferred tax assets were written down by EUR 7,500,000 in 2020. This counter-booking is included under the item 'DTI and fiscal losses'. In 2021, no additional deferred tax assets for tax losses and DTI were recognised. In all, no DTAs have been recorded in respect of EUR 53.3 million of fiscally transferable assets (unused definitively taxed income) that have been accrued in current and previous years and are freely transferable.

Note 40 provides further information of the impact of corporate taxes on the Company's result.

21. Other assets

The other assets break down as follows:

	31/12/2020	31/12/2021
Prepaid expenses	12,287,867	12,402,361
Other assets in context of lending transactions	97,707,092	67,891,563
Other assets in context of securities transactions	1,961,481	975,445
Other assets in context of payment transactions	49,777,284	61,502,299
Suspense accounts	119,673,546	116,495,556
Total other assets	281,407,271	259,267,224

'Other assets in the context of lending transactions' relate to credit advances to notary accounts and to the external manager in connection with the Dutch loans.

'Assets in the context of securities transactions' relate to fees receivable for the sale of investment funds of external fund managers (on entry and on portfolio). These fees are settled periodically (monthly).

'Assets in the context of payment traffic' relate to transition accounts for debit and credit cards.

'Suspense accounts' contain amounts awaiting definitive allocation to specific bookkeeping accounts, advances to agents and personnel and current accounts of affiliated companies.



22. Financial liabilities measured at amortised cost

	31/12/2020	31/12/2021
Deposits from central banks	236,396,243	258,262,863
Deposits from credit institutions	9,749,260	49,268,441
Deposits from other than central banks and credit institutions	38,319,344,087	40,280,069,046
Senior debt securities issued - saving certificates	0	0
Senior debt securities issued - other	3,628,658,376	4,847,904,930
Subordinated debt securities issued	511,087,585	0
Other financial liabilities	87,523,920	93,169,126
Total	42,792,759,471	45,528,674,405

22.1. Deposits from central banks

The deposits from central banks break down as follows:

	31/12/2020	31/12/2021
Deposits from central banks	236,396,243	258,262,863
Breakdown by product type		
Targeted Long Term Refinancing Operations	236,396,243	258,262,863
Geographical breakdown		
Belgium	0	0
European Monetary Union	236,396,243	258,262,863
Rest of the world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	0	0
1 to 5 year	236,396,243	258,262,863
Effective interest rate at 31/12		
	-0.90%	-0.91%



In 2021, the Company participated to a limited extent in one of the ECB's TLTRO operations, increasing the total amount under this heading to EUR 258,262,863.

The interest on the TLTRO operations is linked to the interest rate on the main refinancing operations, with an additional negative spread linked to the achievement of net lending growth. If the Company sufficiently improves its lending to the real economy, an additional interest discount is granted. For this reason the interest rate is determined at the maturity of the transaction.

The Company estimates, based on the interim net growth of the eligible loans, that this condition will be met, and the additional discount is therefore pro-rated on top of the main refinancing rate. The Company monitors this net growth on a periodic basis. The TLTRO operations were recognised (from drawdown) under IFRS 9 (and not as government grants or loans at below market interest rates).

22.2. Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2020	31/12/2021
Deposits from credit institutions	9,749,260	49,268,441
Breakdown by product type		
Deposits on demand	8,955,533	8,635,441
Repurchase agreements	0	0
Cash Collateral from financial institutions	793,727	40,633,000
Geographical breakdown		
Belgium	8,740,605	30,968,147
European Monetary Union	1,008,655	18,300,294
Rest of the world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	9,749,260	49,268,441
1 to 5 year	0	0
Effective interest rate at 31/12	-0.04%	-0.52%

The cash collateral consists of cash collateral received in respect of the current derivative contracts. With the increase in fair value, some of these contracts have acquired a positive fair value, as a result of which the Company receives (additional) collateral.

22.3. Deposits from other than central banks and credit institutions

Deposits from institutions other than central banks credit institutions – essentially deposits by the Company's retail customers – break down as follows:

	31/12/2020	31/12/2021
Deposits from other than central banks and credit institutions	38,319,344,087	40,280,069,046
Breakdown by product type		
Deposits on demand	6,247,511,556	6,895,038,793
Deposits on term	1,746,989,919	1,354,579,653
Regulated saving deposits	26,905,745,223	28,432,763,545
Mortgage-linked deposits	639,202,028	669,514,737
Cash collateral	0	4,378,000
Other deposits	2,779,895,360	2,923,794,318
Breakdown by residual term or maturity date		
Up to 1 year	637,472,418	577,332,830
1 to 5 year	963,285,284	683,527,719
More than 5 years	146,232,217	93,719,104
Undefined	36,572,354,168	38,925,489,393
Effective interest rate at 31/12	0.16%	0.14%

The outstanding amounts on current ('on demand') accounts increased further in line with previous years. Term deposits are decreasing, owing to the limited additional interest payment, which makes them less interesting for our customers.

The portfolio of regulated savings deposits continues to rise gradually. In 2020, the regulated savings deposits of non-private individuals were converted into non-regulated savings deposits (included under 'other deposits').

Mortgage-linked deposits contain the undrawn amounts of mortgage loans and 'savings' linked to Dutch mortgage loans that have meanwhile been made available in blocked accounts (home construction account) and the mortgage part linked to the endowment mortgage insurance.

The 'other deposits' consist mainly of the savings deposits in the Netherlands branch and the non-regulated savings accounts in Belgium.

22.4. Senior debt securities issued – bonds

The heading contains the bonds issued by Green Apple and the EMTN issue.

	31/12/2020	31/12/2021
Senior debt securities issued - other	3,628,658,376	4,847,904,930
Green Apple 2017-I NHG	733,183,157	571,906,238
Green Apple 2018-I NHG	709,127,167	558,831,751
Green Apple 2019-I NHG	685,856,079	571,144,219
Green Apple 2021-I	0	646,117,596
EMTN programme	1,500,491,973	1,502,385,737
Belgian Mortgage Pandbrieven Programme	0	997,519,388
Breakdown by residual term or maturity date		
Up to 1 year	364,580,436	378,019,191
1 to 5 year	2,479,695,156	2,650,759,262
More than 5 years	784,382,784	1,819,126,477
Effective interest rate at 31/12	0.19%	0.17%

The Green Apple SPVs serve for the securitisation of Dutch mortgage loans. The A notes of these transactions have been placed with external institutional investors.

The A notes of SPV Green Apple 2017 I NHG were issued on 5 October 2017 in a notional amount of EUR 1.2 billion. The notes run until 2056 with a prepayment option from March 2024.

The A notes of SPV Green Apple 2018 1 NHG were issued on 26 June 2018 in a notional amount of EUR 1.0 billion. The notes mature contractually in 2057, with a prepayment option from January 2025.

The A notes of SPV Green Apple 2019 I NHG were issued on 26 June 2019 in a notional amount of EUR 825 million. The notes run until 2058 with a prepayment option from January 2026.

On 23 June 2021, an additional securitisation was carried out via the SPV Green Apple 2021-I with A notes in a notional amount of EUR 650 million. The notes run until 2060 with a prepayment option from January 2028.

On 4 February 2019, a senior preferred bond for EUR 500 million with a term of 5 years was issued. On 27 January 2020, a EUR 500 million senior non-preferred bond with a maturity of 7 years was issued, followed on 9 October 2020 by another EUR 500 million senior non-preferred bond with a maturity of 6 years was issued.

In 2021, the Company continued to diversify its funding by raising non-retail funding. As part of the newly established covered bond programme, EUR 1.0 billion of covered bonds were issued in two rounds, the first on 11 February 2021 for EUR 500 million with a 10-year term, and a second on 8 October 2021 for another EUR 500 million with a 20-year term.

22.5. Subordinated debt securities issued

The Tier 2 bond issued in 2016 was offered to institutional investors only. The existing call option was exercised in 2021.

The subordinated liabilities are composed as follows:

	31/12/2020	31/12/2021
Subordinated debt securities issued	511,087,585	0
Breakdown by type		
Subordinated certificates	0	0
Tier 2 debt securities issued	511,087,585	0
Breakdown by residual term or maturity date		
Up to 1 year	511,087,585	0
1 to 5 year	0	0
More than 5 years	0	0
Effective interest rate at 31/12	3.99%	0.00%

22.6. Other financial liabilities

The other financial liabilities consist of lease liabilities measured and recorded in accordance with the IFRS 16 standard.

	31/12/2020	31/12/2021
Other financial liabilities	87,523,920	93,169,126
Breakdown by type		
Leasing	87,523,920	93,169,126
Breakdown by residual term or maturity date		
Up to 1 year	10,202,187	12,973,912
1 to 5 year	37,185,880	41,988,699
More than 5 years	40,135,855	38,206,515

The increase in lease obligations reflects the concluding of new (mainly IT) lease contracts.

23. Provisions

The changes in the provisions during the year are:

	Pension liabilities	Litigation	Loan commitments, financial guarantees and other commitments given	Other provisions	Total
Closing balance at 31 December 2019	1,606,859	866,832	921,933	229,986	3,625,610
Additions	0	751,018	19,007	0	770,025
Amounts used	0	0	0	-33,728	-33,728
Unused amounts reversed during the period	0	-286,424	0	-700	-287,124
Other	-554,778	0	0	0	-554,778
Closing balance at 31 December 2020	1,052,081	1,331,426	940,940	195,558	3,520,005
Additions	0	1,886,910	28,858	26,846	1,942,614
Amounts used	0	-527,121	0	0	-527,121
Unused amounts reversed during the period	0	-140,170	0	0	-140,170
Other	1,261,595	-6,320	0	6,320	1,261,595
Closing balance at 31 December 2021	2,313,676	2,544,725	969,798	228,725	6,056,923

The provisions for legal disputes and the other provisions are based on the best possible accounting estimates available at year-end, taking account of the opinions of legal and tax advisers. They relate to ongoing legal disputes.

For future obligations and guarantees given, expected credit losses are also recognised in the form of stage 1 and stage 2 impairment amounts. Further information can be found in Note 5.3.

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 schemes are funded solely by the employer through a group insurance, in which the insurer guarantees a minimum return on the premiums paid.

Under Article 24 of the Supplementary Pensions Act of 28.04.2003 (the so-called 'WAP/LPC'), the employer is required to guarantee a minimum return on defined contribution schemes. 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 amended by the Act of 18 December 2015, with the guaranteed return 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 scheme (the 'horizontal' approach).

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

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

A defined contribution occupational pension scheme is offered for employees in Luxembourg. The contribution paid for this plan amounted in 2021 to EUR 125,021.

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



Mutation table	31/12/2020	31/12/2021
Defined benefit obligations at the beginning of the period	64,435,280	78,458,097
Current service cost	5,530,257	7,565,855
Past-service cost	632,186	0
Interest expenses	635,089	287,123
Actuarial gain or loss resulting from changes in demographic assumptions	-9,511	-24,636
Actuarial gain or loss resulting from changes in financial assumptions	8,208,104	-8,125,690
Experience adjustments	-575,484	1,841,680
Benefits paid	-397,824	-854,177
Defined benefit obligations at the end of the period	78,458,097	79,148,252
Fair value of plan assets (insurance contracts) at the beginning of the year	62,828,419	77,936,740
Interest income	621,242	283,056
Administrative expenses and taxes	-650,178	-639,957
Employer contributions	6,191,372	6,310,971
Actuarial gain or loss resulting from changes in financial assumptions	7,948,388	-7,021,234
Experience adjustments	1,395,321	819,177
Benefits paid	-397,824	-854,177
Fair value of plan assets (insurance contracts) at the end of the year	77,936,740	76,834,576
Funded status	-521,357	-2,313,676
Asset ceiling limit	530,724	0
Net defined benefit obligations	-1,052,081	-2,313,676
Net defined benefit obligations at the beginning of the year	-1,606,861	-1,052,081
Current service cost	-6,826,468	-8,209,879
Changes to the amounts recognised in other comprehensive income	1,189,876	637,313
Employer contributions	6,191,372	6,310,971
Net defined benefit obligations at the end of the year	-1,052,081	-2,313,676
Amounts recognised in the income statement	-6,826,468	-8,209,879
Current service cost	-5,530,257	-7,565,855
Past-service cost	-632,186	0
Interest charges	-635,089	-287,123
Interest income	621,242	283,056
Administrative expenses and taxes	-650,178	-639,957
Changes to the amounts recognised in other comprehensive income	1,189,876	637,313
Actuarial gain or loss from changes in demographic assumptions	9,511	24,636
Actuarial gain or loss from changes in financial assumptions	-259,716	1,104,456
Experience adjustments	1,970,805	-1,022,503
Asset ceiling limit	-530,724	530,724



Additional information about the contracts

	Belgian employees	Dutch employees
Nature of the benefits of the pension plan	Capital on retirement age Death capital in the event of death during active employment	Pension annuity from retirement age (lifelong). Partner annuity in the death of the participant or pensioner of the plan (lifelong). Orphan capital in the event of the death of the participant or pensioner of the plan (lifelong)
Legislative framework	Governed by the Belgian LPC/WAP (supplementary pension law) and included in a set of pension regulations. The National Bank of Belgium (NBB) and the Financial Services and Markets Authority (FSMA) act as out the supervisors.	Regulated by the Dutch Pensions Act. The Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM) act as out the supervisors.
Plan changes	Since 1 May 2011 there has been a fixed contribution plan, financed with employer's contributions, replacing the previous plan. Since 1 May 2017, the distinction in premium budget between wage scales has been abolished.	Since 1 March 2008 there has been a fixed benefit plan, financed with employer's contributions.
Limitations and settlements	Not applicable	
Passive affiliates	907	84
Active affiliates	813	88
Contributions	Annual funding through premium payment in function of the reference salary and the seniority in accordance with the pension regulations for the additional year of service - deficits are adjusted according to use	Annual funding through premium payment in function of the reference salary and the seniority in accordance with the pension regulations for the additional year of service - deficits are adjusted according to use
Estimated contributions 2021	5,306,118	1,004,853

Hypotheses used

For the Belgian fixed contribution schemes, following assumptions have been used: discount rate 0.85% (0.38% in 2020), inflation rate 1.60% (1.40% in 2020), salary increase 3.00% (3.00% in 2020). For mortality tables the Assuralia 2011-2015 experience tables were used and, for employee turnover, observed historical data, broken down by age category.

For the Dutch fixed contribution schemes, following assumptions were used: discount rate 0.85% (0.38% in 2020), inflation rate 1.40% (1.40% in 2020), salary increase 3.00% (3.00% in 2020). For mortality tables the AG 2014 prognosis table was used, and for employee turnover, observed historical data.



Sensitivity of the gross pension liability

	31/12/2020	31/12/2021
Discount rate	- 25 bp	- 25 bp
Impact on the defined benefit obligations	+5.30%	+5.20%
Impact on the fair value of plan assets (insurance contracts)	+5.18%	+4.55%
Salary increase rate	- 25 bp	- 25 bp
Impact on the defined benefit obligations	-0.04%	-0.09%
Impact on the fair value of plan assets (insurance contracts)	+0.00%	+0.00%

Weighted average term

	31/12/2020	31/12/2021
Average duration of the pension obligation	18.5	17.6

24. Other liabilities

The other liabilities break down as follows:

	31/12/2020	31/12/2021
Social security charges	8,369,573	8,897,249
Accrued charges	249	51
Accounts payable suppliers	34,488,808	45,850,391
Debts - other group companies	51,646,270	64,210,046
Debts - agents	31,772,512	32,978,046
Suspense accounts - lending transactions	42,967,082	39,714,959
Suspense accounts - payment transactions	15,063,340	16,013,722
Suspense accounts - securities transactions	6,119,375	6,152,124
Other taxes	1,970,277	1,730,307
Other	49,065,440	61,183,314
Total	241,462,927	276,730,209

The suspense accounts contain primarily amounts that stay on these accounts for a few days only (until definitively allocated). The 'other' item consists of suspense accounts relating to trade payables and securitisations, containing amounts pending final allocation. This item has temporarily increased.



25. Leases

The Company has leases in various asset categories such as buildings and cars. The total leasing cost of low value items (mainly ITC equipment and bicycles), for which the exemption option was applied, amounts to EUR 198,854 in 2021.

The table below shows the changes over the past two financial years.

	Right-of-use assets	Lease receivables	Lease liability
Opening balance as per 01/01/2020	8,970,269	26,001,954	34,971,367
Additions	57,775,958	7,146,019	63,551,539
Interest expense (liability) /income (receivable)		250,319	351,275
Lease payments		-5,228,704	-8,516,251
Depreciation expense	-4,355,511	0	0
Adjustments due to remeasurements	-3,951,880	171,014	-2,834,008
Adjustments due to modifications	0	0	0
Closing balance as per 31/12/2020	58,438,836	28,340,602	87,523,922

	Right-of-use assets	Lease receivables	Lease liability
Opening balance as per 01/01/2021	58,438,836	28,340,602	87,523,922
Additions	8,281,890	10,762,751	19,044,642
Interest expense (liability) /income (receivable)		237,521	508,977
Lease payments		-6,330,868	-14,237,213
Depreciation expense	-7,606,883	0	0
Adjustments due to remeasurements	-758,098	440,293	328,798
Adjustments due to modifications	0	0	0
Closing balance as per 31/12/2021	58,355,746	33,450,300	93,169,126

Interest income related to lease receivables is included under 'interest income on financial assets measured at amortised cost'.



Right-of-use assets

The rights of use relate to leases on office buildings for own use, other buildings and cars. The leases that are subleased to the branch managers are recorded as lease receivables and are therefore not part of the overview below.

The details per asset category are shown in the table below:

Right of use asset	Depreciation	Acquisition value	Accumulated depreciation	Carrying amount
Company cars	-1,548,419	3,837,607	-2,008,899	1,828,708
Tangible assets	-122,062	1,678,395	-120,823	1,557,571
Leased buildings without sublease	-439,102	2,527,409	-637,656	1,889,753
Leased other buildings	-2,245,927	54,906,538	-1,743,735	53,162,803
Total 31/12/2020	-4,355,511	62,949,949	-4,511,113	58,438,836

Right of use asset	Depreciation	Acquisition value	Accumulated depreciation	Carrying amount
Company cars	-1,594,811	5,943,091	-3,538,951	2,404,140
Tangible assets	-1,303,003	6,170,361	-2,093,640	4,076,721
Leased buildings without sublease	-326,745	1,722,040	-641,193	1,080,847
Leased other buildings	-4,382,325	56,537,571	-5,743,533	50,794,038
Total 31/12/2021	-7,606,883	70,373,063	-12,017,317	58,355,746



Lease liabilities

The tables below provide the maturity profile of the lease liabilities:

Lease liabilities (undiscounted)	
Up to 1 year	10,657,023
1 to 5 year	38,392,359
More than 5 years	40,832,553
Total at 31/12/2020	89,881,935

Lease liabilities (undiscounted)	
Up to 1 year	13,551,442
1 to 5 year	42,897,845
More than 5 years	39,033,767
Total at 31/12/2021	95,483,053

Lease liabilities (discounted)	
Up to 1 year	10,202,187
1 to 5 year	37,185,880
More than 5 years	40,135,855
Total at 31/12/2020	87,523,922

Lease liabilities (discounted)	
Up to 1 year	12,973,912
1 to 5 year	41,988,699
More than 5 years	38,206,515
Total at 31/12/2021	93,169,126

The average discount rate on the lease liabilities is 0.33% (previous year -0.02%).



Lease receivables

The tables below provide the maturity profile of the lease receivables:

Lease receivables (undiscounted)	
Up to 1 year	5,079,943
1 to 5 year	17,100,467
More than 5 years	6,848,657
Total at 31/12/2020	29,029,067

Lease receivables (undiscounted)	
Up to 1 year	6,088,638
1 to 5 year	20,516,600
More than 5 years	7,527,020
Total at 31/12/2021	34,132,259

Lease receivables (discounted)	
Up to 1 year	4,877,142
1 to 5 year	16,663,185
More than 5 years	6,800,275
Total at 31/12/2020	28,340,602

Lease receivables (discounted)	
Up to 1 year	5,765,310
1 to 5 year	20,254,228
More than 5 years	7,430,762
Total at 31/12/2021	33,450,300

Exercise of option clauses - lease contracts

Certain office building leases include extension options that can be exercised by the Company. Based on the estimate by the Company, these extension options are included in the initial estimate of lease term, given that the Company intends to use the contracts for the maximum contractual term (including extension options). The extension options held are exercisable by the Company only and not by the lessors. The majority of car lease contracts provide for purchase options, which the Company has no intention of exercising.

In exceptional circumstances giving rise to the premature termination of a lease, a revaluation will be carried out.



26. Fair value of financial instruments

26.1. 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 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 the assumptions to be used are those that other market participants would use for 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 identity 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 measured at fair value. CVA (Credit Valuation Adjustment) is an adjustment of the market value of derivative financial instruments to reflect 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 (Debit 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 recorded at fair value financial instruments and of financial instruments recorded at fair value are examined and validated by Alco on a quarterly basis.

The Company's valuation hierarchy distinguishes between the levels below. The fair value level here depends on the type of input used for the measurement 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 not available does the Company use valuation techniques. The definition of level 1 inputs refers to the term '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 matter 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 this analysis, an individual detailed analysis is carried out for 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. 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. They are based on assumptions used by the Company in the valuation. Examples of non-observable inputs are the historical volatility of a quoted share, and non-observable interest rates derived from observable data, but which are not confirmed by observable data.

When the fair value measurement uses inputs from different levels, the asset or liability is classified according to the lowest level of the inputs concerned (with level 1 as the highest and level 3 as the lowest level).



26.2. Financial instruments not recognised at fair value

The fair values recorded have been obtained mainly on the basis of internal calculations. These can, however, fluctuate on a daily basis owing to the parameters used, such as interest rates, commercial margin, 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:

- The fair value of consumer credits, mortgage loans, term loans and term financial liabilities (fixed-term deposits, retail savings certificates, bonds and subordinated loans and bonds) is determined by discounting contractual cash flows by the discounted cash flow method. The discounting percentage is based on the risk-free reference rate to which a market-based margin is applied. This includes, among other things, a commercial margin spread, 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 'economic values' calculation mentioned there (here with the impact of all levels);
- 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 carrying value, in view of their immediately retrievable or short-term nature;
- The other credit receivables and 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 owing 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 discussed in the respective notes.



	Carrying amount 31/12/2020	Fair value 31/12/2020	Carrying amount 31/12/2021	Fair value 31/12/2021
Cash and cash equivalents	58,712,247	58,712,247	52,504,898	52,504,898
Cash balances at central banks and other demand deposits	2,963,839,532	2,963,839,532	3,484,082,966	3,484,082,966
Financial assets at amortised cost				
Loans to credit institutions	1,100,234	1,100,234	1,100,219	1,100,219
Cash collateral to financial institutions	741,105,574	741,105,574	375,244,974	375,244,974
Loans and advances to other customers				
Consumer loans	290,897,981	301,092,008	329,566,906	339,120,816
Mortgage loans	32,517,476,492	35,786,905,380	35,140,728,956	37,053,398,290
Term loans	1,041,009,340	1,114,931,162	1,108,849,061	1,143,945,007
Advances and overdrafts	4,511,041	4,511,041	6,916,787	6,916,787
Leasing	28,340,603	28,340,603	33,450,300	33,450,300
Debt securities	3,650,443,377	3,759,223,789	3,576,533,053	3,635,677,602
Total financial assets	41,297,436,421	44,759,761,570	44,108,978,121	46,125,441,859
Financial liabilities at amortised cost				
Deposits from central banks	236,396,243	236,396,243	258,262,863	258,262,863
Deposits from credit institutions	9,749,260	9,749,260	49,268,441	49,268,441
Deposits from other than central banks and credit institutions				
Deposits on demand	6,247,511,556	6,247,511,556	6,895,038,793	6,895,038,793
Deposits on term	1,746,989,919	1,840,318,486	1,354,579,653	1,387,893,869
Regulated savings deposits	26,905,745,223	26,905,745,223	28,432,763,545	28,432,763,545
Mortgage-linked deposits	639,202,028	815,356,151	669,514,737	733,579,594
Cash collateral	0	0	4,378,000	4,378,000
Other deposits	2,779,895,360	2,779,895,360	2,923,794,318	2,923,794,318
Deposit protection scheme	0	0	0	0
Senior debt securities issued				
Saving certificates	0	0	0	0
Other	3,628,658,376	3,678,639,379	4,847,904,930	4,867,288,561
Subordinated debt securities issued				
Subordinated certificates	0	0	0	0
Tier 2 debt securities issued	511,087,585	507,550,000	0	0
Other financial liabilities	87,523,920	87,523,920	93,169,126	93,169,126
Total financial liabilities	42,792,759,471	43,108,685,579	45,528,674,405	45,645,437,110



The table below shows the fair values of the listed IFRS classifications presented 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 fair value -, while a level 3 is assigned to all other calculated fair values.

31/12/2020	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	58,712,247	0	58,712,247	0
Cash balances at central banks and other demand deposits	2,963,839,532	0	2,963,839,532	0
Financial assets at amortised cost	41,737,209,791	2,415,589,945	2,110,875,697	37,210,744,149
Loans and advances	37,977,986,002	0	775,057,452	37,202,928,550
Debt securities	3,759,223,789	2,415,589,945	1,335,818,245	7,815,599
Financial liabilities at amortised cost	43,108,685,579	2,046,135,000	36,575,198,396	4,487,352,183

31/12/2021	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	52,504,898	0	52,504,898	0
Cash balances at central banks and other demand deposits	3,484,082,966	0	3,484,082,966	0
Financial assets at amortised cost	42,588,853,995	2,195,083,611	1,853,747,704	38,540,022,681
Loans and advances	38,953,176,393	0	416,712,280	38,536,464,113
Debt securities	3,635,677,602	2,195,083,611	1,437,035,423	3,558,568
Financial liabilities at amortised cost	45,645,437,110	2,516,522,671	38,656,675,087	4,472,239,352

Cash and balances at central banks and other demand deposits are measured at level 2 fair values (given the short-term nature).

Loans and advances measured at 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 spread used includes, among other things, a commercial margin, a capital cost and a credit cost. The Company periodically monitors the commercial margin and compares it with the observed commercial margin in transactions in the market (in particular, the commercial margin ceded to investors in an RMBS transaction).

The 'financial assets at amortised cost' includes the relevant debt securities from the securities portfolio. The relevant fair values are obtained externally.

Financial liabilities measured at amortised cost under level 2 relate to deposits from credit institutions, demand deposits, regulated savings deposits and other deposits. Given the short-term nature of these liabilities, they are treated as a level 2 (carrying value equivalent to fair value).

The financial liabilities included in level 3 are the retail savings certificates, subordinated loans and fixed term deposits. Here a market valuation is calculated based on a DCF model. The covered bonds and issues under the EMTN programme are included under level 1 as there is sufficient evidence available for the existence of a liquid market for these instruments.

Overall, the fair value has decreased compared to 2020 owing to an increase in the long-term yield curve at the end of 2021. The rise in the risk-free yield curve causes the unrealised capital gain to fall and consequently also the fair value/book value ratio. In addition, in FY 2021, an additional add-on of 15bp was added to the discounting of Belgian and Dutch mortgages in the valuation to reflect a potential loss of some commercial margin in the event of a sale. A change was also made to the methodology for Dutch mortgages, whereby cash flows after interest rate adjustment are no longer included in the fair value. This further reduces this fair value.

26.3. Financial instruments recognised at fair value

The following tables present the fair values of the financial instruments that are recognised 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.

In determining the fair value, the Company first 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 as 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.

31/12/2020	Total	Level 1	Level 2	Level 3
Assets measured at fair value	3,739,669,447	3,398,606,212	340,000,737	1,062,498
Financial assets held for trading	960,263	0	960,263	0
Financial assets at fair value through other comprehensive income	3,667,290,214	3,382,180,081	284,047,636	1,062,498
Non-trading financial assets mandatorily at fair value through profit or loss	68,169,997	16,426,131	51,743,866	0
Derivatives used for hedge accounting	3,248,972	0	3,248,972	0
Liabilities measured at fair value	890,011,160	0	890,011,160	0
Financial liabilities held for trading	465,526	0	465,526	0
Derivatives used for hedge accounting	889,545,634	0	889,545,634	0

31/12/2021	Total	Level 1	Level 2	Level 3
Assets measured at fair value	3,874,871,259	3,291,480,762	580,593,994	2,796,503
Financial assets held for trading	18,595,343	0	18,595,343	0
Financial assets at fair value through other comprehensive income	3,726,459,358	3,280,543,739	443,119,116	2,796,503
Non-trading financial assets mandatorily at fair value through profit or loss	41,200,393	10,937,023	30,263,370	0
Derivatives used for hedge accounting	88,616,165	0	88,616,165	0
Liabilities measured at fair value	507,639,996	0	507,639,996	0
Financial liabilities held for trading	16,545,565	0	16,545,565	0
Derivatives used for hedge accounting	491,094,431	0	491,094,431	0

In the portfolio 'financial assets at fair value through other comprehensive income', sporadic changes occur between level 1 and level 2 as a result of changes in the liquidity of the instruments (for example, more providers).

In 2020 and 2021 there were no level changes from level 1 to level 2 for the instruments measured at fair value.

The following table provides a reconciliation of level 3 fair values between 1 January 2020 and 31 December 2021.

	Debt securities at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial assets (mandatorily) at fair value through profit or loss
Opening at 01/01/2020	0	1,062,498	0
Purchases and new contracts	0	0	0
Expired instruments	0	0	0
(Partial) repayments	0	0	0
Changes to other levels	0	0	0
Changes from other levels	0	0	0
Other changes (including value changes)	0	0	0
Closing at 31/12/2020	0	1,062,498	0
Purchases and new contracts	0	1,839,005	0
Expired instruments	0	0	0
(Partial) repayments	0	0	0
Changes to other levels	0	0	0
Changes from other levels	0	0	0
Other changes (including value changes)	0	-105,000	0
Closing at 31/12/2021	0	2,796,503	0

As can be seen from the table, there is only a limited amount of level 3 market values in the financial instruments involved. The total of the debt securities and equity instruments measured at level 3 fair values was EUR 2,796,503 as of 31 December 2021.

Level changes have per se no P&L impact. The delta market values of the financial instruments at fair value through comprehensive income appear in other comprehensive income (OCI) in equity.

The EUR 2,796,503 of equity instruments with a level 3 fair value consist of shares and an infrastructure fund where the Company receives pricing or valuation from third parties.

Note on the credit risk in the market value of derivatives

In line with market practices, a CVA (Credit Valuation Adjustment) and a DVA (Debit 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 0.5 million on the 2021 measurement as against EUR 0.8 million in 2020, with an income impact of EUR -0.3 million.

27. Derivatives

Besides derivatives embedded in contracts, the Company has three types of derivatives (derived financial instruments) on its balance sheet on 31 December 2021: interest rate options (purchased and sold caps), (purchased) 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, under the influence of 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 have to 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 IAS 39 hedging transactions as approved by the EU. As a result, the particular hedging instruments are classified as derivatives used for hedging. The framework for recognising micro hedges in the portfolio at fair value through other comprehensive income and the framework for processing derivatives as cash flow hedging were also embedded in the Company.

In 2020 and 2021 no offsetting was undertaken in processing the derivatives both on and off the balance sheet. As a result, no disclosures in this respect were made as described in IFRS 7.



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.

At the end of 2021 the Company had 7 interest rate caps in its balance sheet in a notional amount of EUR 1.25 billion. These are used in managing its global interest rate risk.

It also has securitisation-related caps on its balance sheet. At the end of 2021, it had eight securitisation-related caps (4 back-to-back and 4 front caps) on its balance sheet.

Financial assets (unlisted)	Count	Notional	31/12/2020	Count	Notional	31/12/2021
Interest rate options - caps	9	1,450,000,000	489,560	7	1,250,000,000	2,021,813
Securisation transactions - caps	3	2,668,000,000	470,703	4	3,170,343,707	16,573,530

Financial liabilities (unlisted)	Count	Notional	31/12/2020	Count	Notional	31/12/2021
Interest rate options - caps	0	0	0	0	0	0
Securisation transactions - caps	3	2,668,000,000	465,526	4	3,170,343,707	16,545,565

Although serving to hedge the interest rate risk, these 7 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 2021, 4 additional swaptions were concluded in a nominal amount of EUR 750 million, giving a total of 12 swaptions with a nominal value of EUR 1.45 billion.

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 processed as hedging derivatives (macro hedge). The hedge accounting framework for this type of instruments 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 lists all swaps and swaptions recognised at year-end, the hedged positions and the IFRS processing method.

2020				
Count	Notional	Hedge type	Treatment in IFRS	Derivative type
70	7,700,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Interest rate swaps
11	836,373,888	Interest rate risk on individual debt securities	Micro fair value hedge	Interest rate swaps
1	100,000,000	Interest rate risk on term products	Micro hedge - cash flow hedge	Interest rate swaps
8	800,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Swaptions

2021				
Count	Notional	Hedge type	Treatment in IFRS	Derivative type
85	10,050,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Interest rate swaps
11	836,373,888	Interest rate risk on individual debt securities	Micro fair value hedge	Interest rate swaps
12	1,450,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Swaptions

Note on the cash flow hedge referred to in the table above

As of 31 December 2020, the swap processed as a cash flow hedge had a negative clean market value of EUR 1,735,427. After offsetting of an unrealised tax claim of EUR 433,865 an amount of EUR 1,301,562 was recorded under 'cash flow hedge' in equity.

On 31 May 2021, the swap accounted for as a cash flow hedge came to maturity. As a result, there is no longer any amount in the line "cash flow hedge" in equity.

Notes to the consolidated statement of profit or loss

28. Net interest income

The breakdown of interest income and expenses by type of interest margin-generating financial instrument is as follows. Interest income and interest expense are accounted for using the effective interest method.

	31/12/2020	31/12/2021
Interest income calculated using the effective interest method	808,562,443	803,206,696
Non-trading financial assets mandatorily at fair value through profit or loss	486,564	380,980
Financial assets at fair value through other comprehensive income	22,402,058	21,624,845
Financial assets at amortised cost - loans and advances	745,267,473	740,321,880
Financial assets at amortised cost - debt securities	38,763,412	37,140,689
Derivatives used for hedge accounting	36,509	43,290
Other assets	621,242	283,056
Interest income on liabilities	985,184	3,411,957
Interest expenses	239,349,165	224,418,574
Deposits from central banks and credit institutions	1,143,685	11,264
Deposits from other than central banks and credit institutions	67,240,510	58,795,857
Senior debt securities issued	8,417,892	13,107,834
Subordinated debt securities issued	20,313,145	8,287,415
Leasing liabilities	356,124	508,976
Derivatives used for hedge accounting	138,045,197	138,152,371
Other liabilities	635,089	5,554,858
Interest expenses on assets	3,197,523	0
Net interest income	569,213,278	578,788,122
of which interest-income on credit impaired financial assets	250,019	359,291

Interest income has declined to a limited extent and is the result of a growing mortgage and investment portfolio, but at falling returns (due to the effect of pricing in the persistently low interest rates). Interest income in 2021 was positively impacted here by the high level of mortgage prepayments, generating EUR 43.1 million in reinvestment fees compared to EUR 39.9 million in 2020.

Financing costs (excluding derivatives) decreased due to the arrival at maturity of savings certificates and the subordinated Tier II loan. The further diversification of funding sources with the issuance of RMBSs, covered bonds and EMTN Bonds is supporting the decrease in funding costs.

The hedging result showed a dual evolution, whereby the global result is in line with 2020. With lower Euribor interest rates, the net interest costs on the derivatives increased. Additional swaps were also concluded in a notional amount of EUR 2.2 billion. The higher yield curve at the long end had a positive impact on the time value in the market valuation of the hedging swaptions portfolio.

29. Dividend income

Dividends received are specified below.

	31/12/2020	31/12/2021
Dividend income	0	306,458
Equity instruments at fair value through other comprehensive income	0	306,458
Equity instruments mandatorily valued at fair value through profit or loss	0	0

30. Net commission and fee income

The net income from commissions and fees can be found below. Net fee and commission income increased by EUR 31.3 million to EUR 16.6 million for 2021.

The increase in net fee and commission income is due to the increase in net management fees received (after acquisition costs) on assets under management and custody in the Investment pillar as a result of the rise in assets under management.

	31/12/2020	31/12/2021
Fee and commission income	173,246,885	237,327,372
Securities: issuances and transfer orders	20,481,555	26,328,652
Asset management, including central administrative services for collective investment	102,921,247	149,303,565
Customer resources distributed but not managed	25,506,740	25,854,044
Payment services	11,142,853	20,378,228
Other	13,194,491	15,462,883
Fee and commission expenses	-187,942,214	-220,692,766
Acquisition charges	-153,630,987	-182,179,775
Asset management	-7,538,478	-8,832,950
Custody	-1,691,263	-2,109,312
Payment services	-20,768,579	-23,099,309
Other	-4,312,907	-4,471,420
Net fee and commission income	-14,695,329	16,634,606

The acquisition charges heading contains the bulk of the costs paid to the Argenta Group's tied agents ('branch managers'). These have increased further with the growing sales of investment funds.



31. Gains and losses on financial assets and liabilities not measured at fair value through profit or loss

The realised gains and losses on the one hand, on financial assets measured at fair value through other comprehensive income and, on the other hand, on financial assets measured at amortised cost, can be presented as follows:

	31/12/2020	31/12/2021
Gains on derecognition		
Debt securities at fair value through other comprehensive income	1,109,477	12,572
Financial assets at amortised cost	835,479	285,789
Losses on derecognition		
Debt securities at fair value through other comprehensive income	-37,995	0
Financial assets at amortised cost	-442,253	-241,884
Total result on derecognition	1,464,708	56,478
of which debt securities at fair value through other comprehensive income	1,071,482	12,572
of which financial assets at amortised cost	393,226	43,906

The fair values of the category 'financial assets measured at amortised cost' are given in Note 26. In 2020 and 2021 there were no realised results from financial liabilities not measured at fair value through profit or loss.



In 2021, the realised results were respectively EUR 12,572 for debt securities measured at fair value through other comprehensive income and EUR 43,906 for financial assets at amortised cost. The sales under the financial assets at amortised cost heading (hold-to-collect business model) are 2 positions with a carrying amount of EUR 17,994,081 sold because close to maturity and 1 position with a carrying amount of EUR 2,985,060 sold because of exceeding policy limits.

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

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

	31/12/2020	31/12/2021
Fair value changes related to caps	-631,117	1,555,041

The result of interest options can be found under the net result. Under the ALM policy, all the caps concerned are concluded for the account of the Company.

The gains and losses on caps figure is the result of the recognition of the relevant instruments at market value on the balance sheet, with changes in market value taken through profit and loss.

33. Gains or losses on non-trading financial assets mandatorily measured at fair value through profit and loss

This heading groups the gains or losses on assets that are not held for trading purposes but that are required to be recognised at fair value through profit or loss.

This is impact on market value of a limited portfolio of securities that did not meet the SPPI tests and were therefore included on the balance sheet at market value taken through profit and loss.

	31/12/2020	31/12/2021
Fair value changes related to debt securities	2,849,580	-1,021,915

34. Gains or 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'.

	31/12/2020	31/12/2021
Macro fair value hedge		
Fair value changes of the hedged item	-197,788,146	417,413,725
Fair value changes of the derivatives used for hedge accounting	196,623,684	-415,398,944
Micro fair value hedge		
Fair value changes of the hedged item	-11,550,844	-33,354,041
Fair value changes of the derivatives used for hedge accounting	11,613,787	33,316,639
Compensation related to transition from Euribor to Ester (Euro short-term rate)	2,368,061	360,530
Gains or losses from hedge accounting	1,266,542	2,337,910

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).

For derivatives cleared through a central counterparty, the calculation of the interest on cash collateral exchanged under these contracts was transferred in 2020 from an Eonia to an Estr basis. In compensation for the decrease in fair value, net compensation of EUR 2,368,061 was received. In 2021, this transition was continued in respect of individual counterparties. For this, compensation of EUR 360,530 was received. This compensation is included under 'Gains or losses on accounting for hedging transactions' in profit or loss.



35. Realised gains or losses from the derecognition of non-financial assets

The gains and losses on derecognised assets are shown below.

	31/12/2020	31/12/2021
Gains on property, plant and equipment	325,856	389,880
Gains on investment properties	0	50,356
Losses on property, plant and equipment	-319,534	-308,261
Losses on investment properties	0	0
Total	6,322	131,976

36. Net other operating income

Net other operating income consists of the following elements:

	31/12/2020	31/12/2021
Other operating income		
Rental income from investment properties	6,579	0
Cost-sharing group companies	37,137,712	38,562,501
Agent recuperations	15,069,666	12,510,449
Other	7,074,127	6,217,743
Operating expenses		
Cost-sharing group companies	-9,417,111	-10,080,087
Other	-591,841	-1,112,746
Total	49,279,132	46,097,859

This includes recoveries of administrative costs (file costs) from customers and of rental costs and IT infrastructure costs from agents.

The 'cost-sharing group companies' item refers to expenses recharged to and from 'entities not consolidated by the Company' of the Argenta Group (in this case the overarching holding BVg and Aras).



37. Administrative expenses

Staff expenses consist of the following components:

	31/12/2020	31/12/2021
Wages and salaries	59,693,590	60,227,173
Social security charges	14,626,158	14,917,560
Pension expenses	7,289,354	8,744,368
Share-based payments	0	0
Other	3,075,525	2,734,248
Staff expenses	84,684,627	86,623,350
Average number of employees in FTE	886.6	858.9

Remuneration has increased owing to an active effort in recent years to reduce dependence on external consultants and to recruit staff.

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.

Other administrative expenses can be specified as follows:

	31/12/2020	31/12/2021
Marketing expenses	5,108,666	4,742,030
Professional fees - ICT	41,583,790	42,993,190
Professional fees (including legal and fiscal)	16,005,479	19,982,524
IT expenses	63,314,169	64,443,666
Rental expenses	12,300,872	3,668,279
Other taxes and bank levies	77,860,842	86,915,640
Servicing charges	19,908,668	21,188,217
Utilities	8,886,393	8,281,050
Supervisor	7,406,122	6,960,612
Postage	3,744,468	3,342,852
Interim labour	1,815,870	1,648,041
Other	18,373,082	21,386,966
Other administrative expenses	276,308,422	285,553,066

The increase in general and administrative expenses is due mainly to increased expenditure on bank levies.

The 'professional fees - ICT' and 'IT expenses' items consist mainly of the costs of external ICT employees and/or managed services contracts, application management, storage, maintenance and infrastructure. Investments in digitisation and projects to renew the application and data infrastructure were continued.

Rental expenses relate to additional charges and costs related to rental contracts and lease contracts that are considered to be short-term and/or immaterial.

The “business taxes and bank levies” remain a large part of the administrative costs and have increased from EUR 77.9 million to EUR 86.9 million.

The “other” heading includes expenses for telephone, postage, office supplies, professional contributions and travel expenses. These are cost items that were strictly monitored.

38. Modification gains or losses

	31/12/2020	31/12/2021
Financial assets at fair value through other comprehensive income	0	0
Financial assets at amortised cost	-3,258,931	-113,534
Modification gains or losses	-3,258,931	-113,534

The measures (relevant to the Company) taken by the Belgian government to support the economy during the Covid-19 crisis included (under certain conditions):

- Payment deferment of up to 6 months on mortgage loans (with a possible extension of up to 3 months to a combined maximum of 9 months); and
- Payment deferment of up to 3 months for consumer credits (with a possible extension of up to 3 months to a combined maximum of 6 months).

This deferment included principal and interest payments for retail customers. Interest was accrued over the deferment period, with the exception of households with a net disposable income of less than EUR 1,700. For the latter group, no interest was payable (and accrued) over the deferment period, resulting in a revision loss of **-113,534 for 2021 and EUR -3.3 million for 2020**.

For Dutch mortgages, no government programme was organised. To support its Dutch mortgage customers, the Company offered individual solutions (treated as forbearance measures) that defer payment of principal and interest for a period of 3 months (with possible 3-month extensions up to a maximum of 12 months. Interest continued to accrue during the deferment period.

The table below provides an overview of the number of credits for which payment deferment was granted during 2020 and 2021. For the Belgian and Dutch loans, the payment deferral expired in 2021. These are therefore presented under expired measures.



Gross carrying amount 31/12/2020				
	Performing	of which forbearance	of which stage 2	Non- performing (stage 3)
Active EBA-compliant moratoria of COVID-19 forbearance measures	4,477,124	4,477,124	4,477,124	3,322,026
Belgian mortgage loans	0	0	0	0
Belgian consumer loans	0	0	0	0
Dutch mortgage loans	4,477,124	4,477,124	4,477,124	3,322,026
Expired EBA-compliant moratoria of COVID-19 forbearance measures	752,703,851	20,906,528	364,420,227	18,406,385
Belgian mortgage loans	737,022,847	5,683,934	349,193,421	14,080,525
Belgian consumer loans	458,410	0	4,212	23,354
Dutch mortgage loans	15,222,594	15,222,594	15,222,594	4,302,506

Gross carrying amount 31/12/2021				
	Performing	of which forbearance	of which stage 2	Non- performing (stage 3)
Active EBA-compliant moratoria of COVID-19 forbearance measures	0	0	0	0
Belgian mortgage loans	0	0	0	0
Belgian consumer loans	0	0	0	0
Dutch mortgage loans	0	0	0	0
Expired EBA-compliant moratoria of COVID-19 forbearance measures	704,916,741	27,220,191	147,392,345	29,157,992
Belgian mortgage loans	689,105,599	11,687,751	131,841,080	19,655,002
Belgian consumer loans	278,702	0	18,825	23,054
Dutch mortgage loans	15,532,440	15,532,440	15,532,440	9,479,937



39. Impairments

The changes in impairments can be broken down as follows:

	31/12/2020	31/12/2021
Debt securities at fair value through other comprehensive income	-2,115,395	2,206,883
Debt securities at amortised cost	-2,993,899	3,523,772
Loans and advances at amortised cost	-13,994,476	1,637,923
Property, plant and equipment	-384,627	0
Goodwill	0	0
Impairments	-19,488,396	7,368,578

The tables below show the composition and evolution of the impairments as of 31 December 2020 and 31 December 2021. The impairments on future obligations and guarantees given are explained in Notes 5.3 and 22.

For 2020, there is a net negative impact of EUR 19,488,396, of which EUR 5,109,293 for debt certificates (EUR 2,115,395 for debt certificates measured at fair value through other comprehensive income and EUR 2,993,899 for debt certificates measured at amortised cost) and EUR 13,994,476 for loans and advances (mainly retail). In addition, there was a limited write-down of EUR 384,627 on ATMs withdrawn from use.

For 2021 there is a net global positive impact of EUR 7,368,578, of which EUR 5,730,656 reversal on debt securities and EUR 1,637,923 reversal on loans and advances.



	1/01/2020	Changes of balance sheet impairments	31/12/2020	Recoveries in profit or loss	Direct write offs	Total impairments in profit or loss
Debt securities at fair value through other comprehensive income	-908,209	-2,115,395	-3,023,604	0	0	-2,115,395
Stage 1	-908,209	-2,115,395	-3,023,604			-2,115,395
Stage 2	0	0	0			0
Stage 3	0	0	0	0	0	0
Debt securities at amortised cost	-1,966,291	-2,993,899	-4,960,190	0	0	-2,993,899
Stage 1	-1,605,199	-2,888,639	-4,493,838			-2,888,639
Stage 2	-361,092	-105,260	-466,352			-105,260
Stage 3	0	0	0	0	0	0
Loans and advances at amortised cost	-24,318,346	-13,847,385	-38,165,731	1,604,563	-1,751,653	-13,994,475
Stage 1	-2,936,883	-892,864	-3,829,747			-892,864
Stage 2	-9,108,407	-5,135,576	-14,243,983			-5,135,576
Stage 3	-12,273,056	-7,818,945	-20,092,001	1,604,563	-1,751,653	-7,966,035
<i>of which consumer loans</i>	<i>-1,192,671</i>	<i>-1,736,782</i>	<i>-2,929,453</i>	<i>233,839</i>	<i>-265,587</i>	<i>-1,768,530</i>
<i>of which mortgage loans</i>	<i>-9,647,547</i>	<i>-6,771,532</i>	<i>-16,419,079</i>	<i>1,104,819</i>	<i>-411,647</i>	<i>-6,078,360</i>
<i>of which term loans</i>	<i>-283,749</i>	<i>28,448</i>	<i>-255,301</i>	<i>26,599</i>	<i>-39,599</i>	<i>15,447</i>
<i>of which advances and overdarfts</i>	<i>-1,149,090</i>	<i>660,921</i>	<i>-488,169</i>	<i>239,306</i>	<i>-1,034,820</i>	<i>-134,593</i>
Total	-27,192,846	-18,956,679	-46,149,525	1,604,563	-1,751,653	-19,103,769



	01/01/2021	Changes of balance sheet impairments	31/12/2021	Recoveries in profit or loss	Direct write offs	Total impairments in profit or loss
Debt securities at fair value through other comprehensive income	-3,023,604	2,206,883	-816,721	0	0	2,206,883
Stage 1	-3,023,604	2,206,883	-816,721			2,206,883
Stage 2	0	0	0			0
Stage 3	0	0	0	0	0	0
Debt securities at amortised cost	-4,960,190	3,523,772	-1,436,418	0	0	3,523,772
Stage 1	-4,493,838	3,234,401	-1,259,437			3,234,401
Stage 2	-466,352	289,371	-176,981			289,371
Stage 3	0	0	0	0	0	0
Loans and advances at amortised cost	-38,165,731	4,251,658	-33,914,073	1,519,594	-4,133,330	1,637,922
Stage 1	-3,829,747	1,092,866	-2,736,881			1,092,866
Stage 2	-14,243,983	7,676,921	-6,567,062			7,676,921
Stage 3	-20,092,001	-4,518,129	-24,610,130	1,519,594	-4,133,330	-7,131,865
<i>of which consumer loans</i>	<i>-2,929,453</i>	<i>-1,010,763</i>	<i>-3,940,216</i>	<i>178,579</i>	<i>-905,669</i>	<i>-1,737,853</i>
<i>of which mortgage loans</i>	<i>-16,419,079</i>	<i>-1,148,531</i>	<i>-17,567,610</i>	<i>1,075,666</i>	<i>-1,138,361</i>	<i>-1,211,226</i>
<i>of which term loans</i>	<i>-255,301</i>	<i>27,503</i>	<i>-227,798</i>	<i>43,187</i>	<i>-75,871</i>	<i>-5,180</i>
<i>of which advances and overdrafts</i>	<i>-488,169</i>	<i>-2,386,338</i>	<i>-2,874,507</i>	<i>222,162</i>	<i>-2,013,429</i>	<i>-4,177,605</i>
Total	-46,149,525	9,982,313	-36,167,211	1,519,594	-4,133,330	7,368,578



The stage 3 impairments are the individual impairments that have been applied. The detailed change table for impairments as of 31 December 2020 and 2021 has been included in the disclosure on credit risk in section 5.3.

Expected credit losses (ECL) on the financial instruments are calculated on the basis of a scenario-weighted model that includes historical and forward-looking information. The ECL figure is calculated as the sum of the weighted credit losses in a base scenario, a down-scenario and an up-scenario.

The ECL is calculated by applying the probability of a borrower defaulting to the expected exposure in the event of default, taking into account the expected loss in the event of default, discounted at the effective interest rate of the instrument and adjusted for the credit's survival chances.

The following approach has been used to calculate ECL as of 31 December 2021:

- Update of the forecast of the main forward-looking indicators causing credit losses in the retail and non-retail portfolios. The recovery expectations differ among the scenarios, with the base scenario showing a steady recovery (U-curve), the up-scenario showing a full recovery (V-curve), and the down-scenario a continuing disturbed situation (L-curve);
- Rebalancing of the probabilities of the scenarios from 60% baseline, 20% up and 20% down, to 50% baseline, 25% up and 25% down.

The table below shows the comparison of the main forward-looking indicators for the retail portfolio and the non-retail portfolio according to the base scenario as of 31 December 2021 compared to the end of 2020. The main sensitivity of the stage 1 and 2 impairments concerns the (House Price Index) HPI NL, if the observed HPI increase in 2021 (17.9%) is neutralised, this has an effect of increasing ECL by EUR 3.5 million.

	31/12/2020				31/12/2021			
	2020E	2021E	2022E	>2022E	2021E	2022E	2023E	>2023E
Retail								
Unemployment BE (%)	5.6	7.4	7.1	6.7	6.3	6.1	5.9	5.5
Unemployment NL (%)	4.0	6.5	6.0	5.5	3.3	3.4	3.5	3.3
House price index BE (% , JoJ)	2.0	-1.0	1.8	1.9	6.0	2.0	1.6	1.6
House price index NL (% , JoJ)	7.1	2.0	1.1	1.4	15	11.3	5.0	1.4
Non-retail								
GDP Eurozone (% , JoJ)	-7.3	3.9	4.2	2.1	5.1	4.2	2.9	1.2
Energy Index (% , JoJ)	-25	1.9	1.9	1.9	82.1	1.9	1.9	1.9
Non-energy Index (% , JoJ)	-5.0	1.9	1.9	1.9	18.7	1.9	1.9	1.9
Unemployment Eurozone (%)	8.0	9.3	8.2	7.5	7.7	7.3	6.9	6.5

The net impairments for non-retail positions (debt securities and a limited portfolio of loans to companies and local governments included under loans and advances at amortised cost of EUR 0.9 billion) amounted for the 2021 financial year to EUR +7.5 million.

The changes in the forward-looking indicators and the weighting of the scenarios lead to a reversal of EUR 7.3 million. Migrations between stages (to stage 1) result in a reversal of EUR 0.7 million. The non-retail ECL model was further fine-tuned in 2021, giving rise to an additional ECL of EUR 0.7 million. The remainder of the net impairments relates to portfolio evolutions.

The impact of net impairments on retail positions (mainly mortgage loans and consumer loans) for 2021 amounts to EUR -0.2 million.

For the Dutch mortgage portfolio, phase 1 and 2 impairments decreased by EUR 5.7 million. The main reasons for this decline are:

- A very strong increase in house prices in the Netherlands (around 18% on an annual basis). The indexation of the pledge values for the Dutch portfolio is carried out on a quarterly basis. This evolution causes a decrease in the Loan-To-Value (LTV).
- The application of macroeconomic scenarios with more favourable outlook than in 2020. The weightings of the scenarios were adjusted with a larger proportion of up and down scenarios to reflect the remaining uncertainty.
- A larger share of non-NHG in new business, gradually increasing the portfolio share of non-NHG. Non-NHG files on average have a lower PD (probability of default) and a higher LGD (loss given default) than NHG loans. In the course of 2021, the non-NHG share became dominant in the mortgage portfolio.

These effects were partly offset by a recalibration of the PIT PD which is responsible for an increase in the impairments.

With regard to the stage 3 impairments, these decreased by EUR 1.8 million for Dutch mortgages in the course of 2021. This decrease was caused by:

- A limited inflow of new defaults in the course of 2021.
- The striking and strong increase in house prices in the Netherlands in the course of 2021. As a result, the expected recovery value of the collateral increases, which causes a decrease in the impairment.
- A striking outflow due to curing. The inflow of those files was observed with the implementation of the new definition of default. This gave rise for the first time in March 2021 (one year after the implementation of the new definition) to an outflow after a positive manual probation assessment.

In the course of 2021, stage 1 and 2 impairments in the Belgian mortgage portfolio decreased by EUR 1.3 million. The main reasons for this decline are:

- The application of macroeconomic scenarios with more favourable outlook than in 2020. The weightings of the scenarios were adjusted with a larger proportion of up and down scenarios to reflect the remaining uncertainty.
- The migration of a large number of files that took advantage of the government's Covid payment scheme from phase 2 to stage 3 (unfavourable cases) or back to stage 1 (favourable cases).
- In addition, we also see a favourable evolution in the housing market in Belgium, with price increases that are much lower than in the Netherlands, but are still very high by Belgian standards (of about 8%).

The stage 3 impairments for the Belgian mortgage portfolio increased by EUR 3.0 million during 2021, as a result of:

- The placing in default of credit files with Covid payment deferrals after conducting an assessment to identify high-risk files. This movement took place mainly in the first quarter of 2021.
- Outflow due to curing of a large number of files that had been flagged as default forbearance in the course of 2020.
- A relatively important part of the inflow in 2021 is the result of unlikely-to-pay indicators (and therefore no effective arrears). For a significant part of these files, the mortgage mandates have not yet been converted, which negatively affects the expected recovery value.

In the LOA portfolio, impairments increased by EUR 1.7 million and the stages 1 and 2 impairments by EUR 0.1 million.

An impairment of EUR 4.2 million was recorded on current accounts (debit balances and overdrafts).

At portfolio level, in line with 2020, a management overlay was applied to the HPI for the Netherlands (in down scenario), and a collective staging to phase 2 was exercised for interest-only loans with high residual LTVs. The combined impact of all management overlays increased the stock of phase 1 and 2 impairments by EUR EUR 7.0 million compared with an increase of EUR 10.7 million in 2020. As of 2021, no direct climate risk factors were included in the ECL valuation.



40. Tax expense

The details of current and deferred taxes are shown below:

	31/12/2020	31/12/2021
Current taxes		
Current tax expenses for the financial year	55,326,782	58,772,433
Current tax expenses for prior periods	-1,756,587	-243,734
Current tax income related to fiscal consolidation	-775,000	-450,000
Deferred taxes		
Deferred taxes relating to fiscal losses and DRD	2,888,214	0
Deferred taxes for prior periods	1,724,691	0
Deferred taxes relating to accounting timing differences	1,092,501	10,676,612
Total taxes	58,500,601	68,755,311
Reconciliation of statutory and effective tax rate		
Profit or loss before tax	194,755,877	249,798,700
Statutory tax rate	25.00%	25.00%
Income tax calculated using statutory rate	48,688,969	62,449,675
Tax effect of different tax rates in other jurisdictions	-22,000	-24,500
Fiscal deferred taxes - not recognised	7,500,000	5,830,338
Tax effect of non-taxable income	0	0
Tax effect of non-tax-deductible expenses	578,834	774,991
Tax benefit not previously recognised	0	0
Prior period taxation	-31,896	-243,734
Tax impact of change of tax rate	1,845,992	0
Other differences in statutory taxation	-59,299	-31,459
Total income tax expense	58,500,601	68,755,311
Effective tax rate	30.04%	27.52%

As reflected in the table above, the effective tax rate was 27.52% in 2021 and 30.04% in 2020. This compares with the statutory tax rate of 25.00% in Belgium.

Leaving aside the EUR 5.8 million unrecognised deferred taxes, the effective tax rate amounts to 25.19% in 2021.

Part of the taxable basis is realised in the Netherlands and Luxembourg.

The result in the Netherlands is realised largely by the Company's branch office, whereby the Company provides financing to the branch office and carries out a number of activities (mainly in the areas of general strategy and risk management) for the branch office. The Company has a ruling for the allocation of the results to the branch office (remuneration for the central financing function and central functions). On 31 December 2019, the existing ruling expired and a new application was filed for a period of 3 years. The mechanism as in the filed application has been applied in preparing the balance sheet and results as of 31 December 2020 and is also used for 2021.

Due to the negative adjusted outlook and the uncertainties caused by the Covid-19 crisis, deferred tax assets were written down by EUR 7.5 million in 2020. No additional deferred tax assets were recorded in 2021. The “unrecognized deferred taxes” represents EUR 53.3 million of fiscally carryforwardable assets (unused definitively taxed income) that have been accrued in current and previous years and are freely carryforwardable.

The prior period taxation consists of corrections following a tax inspection and for the difference between the tax provision recognised at the end of the financial year and the actual tax return.

Other increases mainly relate to the effect of realised capital losses on equity instruments measured at fair value through profit or loss (in the ‘other differences’ item) and disallowed expenses (in the ‘non-tax-deductible expenses’ item).

The group contribution scheme (fiscal consolidation) was introduced by the Act of 25 December 2017 reforming corporate income tax and applies from the 2020 assessment year. The group contribution scheme is a system whereby one group company can transfer (part of) its taxable result via a purely fiscal group contribution to another loss-making group company. In 2020, Aspa main house transferred part of the tax losses to Aras through the EUR 3.1 million group contribution. For this, Aras paid a fee to Aspa main house in the amount of the tax at the statutory rate of 25.00% (EUR 775,000). In 2021, the group contribution scheme was not applied to the Company.



Other notes

41. 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.

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 2020 and 2021, together with the average for 2021.

	31/12/2020	31/12/2020	31/12/2021	31/12/2021	Average 2021	Average 2021
	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
Securities Collateral						
Collateral for derivatives (caps and swaps)	307,481,000	330,467,997	338,466,000	367,615,765	321,877,500	353,766,671
Collateral for Bank Card Company	52,000,000	54,201,186	50,800,000	52,968,689	49,441,667	52,109,472
Collateral for TLTRO	237,390,000	248,816,609	261,130,000	269,542,109	257,173,333	266,596,515
Collateral for covered bond	0	0	3,000,000	3,195,025	2,636,364	2,829,979
Collateral for repo transactions	0	0	0	0	0	0
Collateral for Target2-platform	50,000,000	51,272,927	50,000,000	50,086,450	50,000,000	50,191,494
Collateral for unused credit line	250,903,000	257,290,624	250,963,000	255,091,614	250,953,000	256,657,773
Total collateral given	897,774,000	942,049,343	954,359,000	998,499,651	932,081,863	982,151,903
Loans and advances						
Collateral for covered bond	0	0	1,238,209,581		766,692,444	
Cash Collateral						
Paid cash (derivatives)		741,105,574		375,244,974		552,637,051
Cash received (derivatives)		793,727		45,011,000		20,407,667
Net cash (derivatives)		740,311,847		330,233,974		532,229,385

At the end of 2021, a nominal EUR 338.4 million was encumbered in respect of derivatives and repos and a nominal EUR 50.8 million in connection with the use of credit cards by the Company's customers. EUR 261.13 million of assets were encumbered in respect of the TLTRO operation and EUR 3 million in respect of the covered bond issues.

In addition, EUR 375.2 million of cash was paid and EUR 45.0 million of cash received in respect of collateral management for derivatives. This involves the exchange of collateral (in cash – variation margin) to hedge the credit risk (as a result of the fair value) on derivatives.

The bank has given EUR 50 million of collateral for the Target2 platform. There is also a EUR 250.0 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.

42. Securitisation policy

The operational framework and the policies for undertaking securitisation transactions were elaborated in mid-2007. Securitisation transactions were carried out in 2017, 2018, 2019 and 2021.

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. The Company invests only in the A tranches of securitisation transactions and has no 'resecuritisation' positions in its possession.

Per type	Country	Carrying amount 31/12/2020	Carrying amount 31/12/2021
MBS	Spain	11,735,933	9,734,229
MBS	France	7,806,870	3,558,802
MBS	Ireland	5,247,338	3,198,938
MBS	The Netherlands	510,069,281	489,745,458
MBS	Great-Britain	6,153,598	0
ABS	Belgium	0	40,975,249
ABS	Germany	21,555,677	41,661,228
ABS	United States of America	973,382	0
ABS	France	18,907,391	46,491,054
ABS	Ireland	2,836,250	25,388,282
ABS	Luxembourg	45,205,291	63,183,397
ABS	The Netherlands	9,395,104	18,301,476
Total securitisation positions		639,886,115	742,238,113

The MBSs are all related to securitised mortgage loans. The ABSs are mainly related to securitised car loans.



43. Off-balance sheet liabilities

The Bank Pool itself has given and received collateral and guarantees. The reasons and nominal values of the assets involved can be found in the table below.

	31/12/2020	31/12/2021
Collateral received	40,459,338,909	43,621,091,787

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 given below.

	31/12/2020	31/12/2021
Financial guarantees issued	5,854,440	4,734,270
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.

	31/12/2020	31/12/2021
Credit lines granted	2,739,429,315	3,227,334,674
Credit lines received	230,875,000	230,325,000

The Bank Pool has a EUR 250.0 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.

The impairments on future obligations (credit commitments) and guarantees given are explained in section 5.3 and Note 22.

Argenta also offers investments to its customers. The table below breaks down the securities in custody broken down into i) funds managed by subsidiaries Argenta Asset Management and Arvestar ii) securities distributed but not managed by Argenta. Argenta has no discretionary management.

	31/12/2020	31/12/2021
Assets under custody	11,521,991,902	15,390,651,557
asset management	9,537,793,549	13,661,229,421
distributed but not managed	1,984,198,353	1,729,422,136

44. Contingent liabilities

The Company is a defendant in a number of disputes within the context of normal business operations.

The Company creates provisions for such cases when, in the opinion of management and after consultation with its legal advisers, it is probable that the Company will have to make payments, and the payable amount can be reasonably estimated.

These provisions were briefly explained in Note 23. Provisions.

For further claims and legal proceedings against the Company of which the management is aware (and for which, in accordance with the principles described above, no provision has been set aside), 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 outcomes of these cases are not expected to result in a significant loss in the statement of profit or loss.

45. Events after the balance sheet date

Covid-19

At the date of preparation of this annual report, the COVID-19 pandemic is still present. Argenta will, as in 2020 and 2021, continue to closely monitor the financial impact of the COVID-19 crisis and will, in due course, take the necessary operational measures, also taking them into account in determining Argenta's financial position.

Important events after balance sheet date

Ukraine

Tensions between Ukraine and Russia have escalated further after the start of a Russian military offensive on 24 February 2022, and evolved into a global geopolitical crisis. Following the military offensive, the EU decided to adopt several packages of sanctions. These EU sanctions have been aligned with those of the US, UK and others. In response to the many measures taken against Russia, countermeasures were also taken.

The implications of these sanctions are limited for Argenta given the focus on the Benelux.

At the date of preparation of this annual report, the immediately measurable financial impact of this crisis is limited for Argenta. The consequences of the above sanctions and developments on the world economy, economic prospects and financial markets are as yet unknown. Argenta continues to monitor closely the financial impact and will, in due course, take the necessary operational measures, also taking them into account in determining Argenta's financial position.

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 2021.

Circumstances that could significantly influence the development of Argenta

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 development.

Approval for publication

On 29 March 2022, the Board of Directors reviewed the financial statements and gave its approval for their publication. The financial statements will be submitted to the general meeting of shareholders on 29 April 2022.

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:

Argenta Bank- en Verzekeringsgroep nv

Belgiëlei 49- 53
B-2018 Antwerp
Tel: + 32 3 287 48 25
pers@argenta.be

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

Belgiëlei 49- 53
B-2018 Antwerp
Tel: + 32 3 285 56 45
klachtenbeheer@argenta.be



Anyone not satisfied with the efforts of the Argenta Complaints Management service is free to contact Ombudsfin (the Banking - Credits - Investments mediation service) or the Insurance Ombudsman. Argenta Spaarbank is a member of the Financial Ombudsman system, while Argenta Assuranties is a member of the Insurance Ombudsman service.

Appendix: overview of abbreviations used

(F)IRB	Foundation of the Internal Ratings-Based approach
ALCO	Assets and Liability Committee
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulations
CVA	Credit Value Adjustment
DNB	De Nederlandsche Bank
DRD	Dividends Received Deduction
DVA	Debt Valuation Adjustment
ECB	European Central Bank
ECL	Expected Credit Losses
ELBE	Expected Loss Best Estimate
EMTN	European Medium Term Note
EONIA	Euro OverNight Index Average
ESTR	Euro Short Term Rate
FIBR / AIRB	Foundation Internal Ratings Based / Advanced Internal Rating Based
FVOCI	Fair Value through Other Comprehensive Income
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IO	Investering Overleg
IRS	Interest Rate Swap
LCR	Liquidity Coverage Ratio
MBS	Mortgage Backed Security
MFVTPL	Mandatorily Fair Value through Profit and loss
MREL	Minimum Required Owned Funds and Eligible Liabilities
NBB	Nationale Bank van België
NHG	Nederlandse Hypotheek Garantie
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
RAF	Risk Appetite Framework
RMBS	Residential Mortgage Backed Security
RWA	Risk Weighted Assets
SPPI	Solely Payments of Principal and Interest
SPV	Special Purpose Vehicle
SREP	Supervisory Review and Evaluation Process





Statutory auditor's report to the general meeting of Argenta Spaarbank NV on the consolidated financial statements as of and for the year ended 31 December 2021

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

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 provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2021, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 30 April 2021, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2023. This is the first year we have performed the statutory audit of the consolidated financial statements of the Group.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2021, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet statement (before profit distribution) as at 31 December 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated balance sheet statement amounts to EUR 48.738.408.215 and the consolidated statement of profit or loss shows a profit for the year of EUR 181.043.389.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.



Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the “Statutory auditors’ responsibility for the audit of the consolidated financial statements” section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

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 we have 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 judgement, 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.

Impairments on loans and advances

We refer to heading “Financial assets measured at amortised cost” of the consolidated balance sheet statement in the consolidated financial statements and to notes n° 15 “Financial assets measured at amortised cost” and n° 39 “Impairments” in which the impairment losses are disclosed.

Description

As at 31 December 2021, the Group has EUR (‘000) 36.995.857 of loans and advances measured at amortised cost representing 76% of total assets.

The measurement of the expected credit losses and the determination of the stage allocation contain subjective elements and require significant judgement from management, such as the selection of macro-economic scenarios used in the determination of expected credit losses, the evaluation of deteriorating credit quality and the application of models for the determination of expected credit losses.

Given the significance of impairments on loans and advances, and the related high degree of estimation uncertainty, we consider the determination and measurement of impairments on loans and advances as a key audit matter.

Our audit procedures

With the assistance of our IT and Financial Risk Management, we performed the following procedures:

- Evaluation of the design, implementation and operating effectiveness of key controls around the expected credit loss.

- Inspection of the minutes of the relevant committees and rationale for conclusions made therein for our risk assessment and to support our selection and extent of audit procedures.
- Evaluation if key models are delivering a reliable output on the basis of the assessment of the model validation process, including the assessment of the Macro-Economic Factors (“MEF”) and the weights associated to the different economic scenarios included in the models.
- Evaluation of the reliability of key inputs to the models such as loans and advances data as well as collateral used to determine the collective impairment. For a sample of loans and advances, comparison of data used in the models with underlying documentation such as contracts and other relevant documents.
- Evaluation whether the manual adjustments to the model-based expected credit loss are adequately justified and supported.
- Inspection of a sample of credit files in stage 1, 2 and 3 to assess whether the stage classification used in the expected credit loss models are accurate.
- Evaluation whether the assumptions used in the expected credit loss models, such as reasonableness of scenarios, scenario weighting, expected cash flows, collateral values, effective interest rates, etc, are reasonable.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Fair value measurement of Level 2 and Level 3 financial instruments

We refer to headings “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income”, “Derivatives used for hedge accounting”, and “Financial liabilities held for trading” of the consolidated balance sheet statement in the consolidated financial statements and to note n° 26 “Fair value of financial instruments” in which the fair value analysis of the financial instruments recognized on the balance sheet is disclosed.

Description

As at 31 December 2021, the Group has:

- Financial assets held for trading for EUR (‘000) 18.595 Level 2;
- Financial assets at fair value through other comprehensive income for EUR (‘000) 443.119 Level 2 and EUR (‘000) 2.797 Level 3;
- Non-trading financial assets mandatorily at fair value through profit or loss for EUR (‘000) 30.263 Level 2;
- Derivatives used for hedge accounting for EUR (‘000) 88.616 Level 2 recognized on the asset side and EUR (‘000) 491.094 Level 2 recognized on the liability side;
- Financial liabilities held for trading for EUR (‘000) 16.546 Level 2.



The determination of the fair value of Level 2 and 3 financial instruments is based on a range of inputs. Where observable market data is not readily available, estimates are developed and are subject to a higher level of judgment.

The determination of the fair value of Level 2 and 3 financial instruments, including complex financial instruments, represent a higher exposure to risk of incorrect valuation due to the absence of observable market data, the complexity of certain valuation models and the higher level of judgment involved.

Our audit procedures

With the assistance of our Financial Risk Management specialists we performed the following procedures:

- Obtaining an understanding of the processes regarding the valuation of financial instruments.
- Evaluation of the design and implementation of key controls around the valuation of financial instruments.
- Inspection of the minutes of the Asset and Liability Committee and rationale for conclusions made therein for our risk assessment and to support our selection and extent of audit procedures.
- Independent determination of the fair value for the Level 2 and 3 financial instruments on a sample basis.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

IT systems and controls over financial reporting

Description

We identified IT systems and controls over financial reporting as a key audit matter for the Group because its financial accounting and reporting systems are fundamentally reliant on IT systems and automated application controls to process significant transaction volumes. Automated application controls and general IT controls, which include IT governance, general IT controls over program development and changes, access to programs and data and computer operations, are required to be adequately designed and to operate effectively to ensure accurate financial reporting.

Our audit procedures

With the assistance of our IT specialists, we have performed the following procedures:

- Examination of the Group's framework of governance over the IT organisation.
- Assessment of the design, implementation and evaluation of the operating effectiveness of general IT controls over program development and changes, access to programs and data and computer operations on key IT systems that support financial accounting and reporting also taking into consideration compensating controls and assessment of the impact on the extent and



nature of other audit procedures whenever controls are not operating effectively.

- Assessment of the design and implementation and evaluation of the operating effectiveness of IT application controls in the key processes impacting financial reporting of the Group, including compensating controls and substantive procedures whenever supporting general IT controls are not operating effectively (e.g. access to programs and data).
- Assessment of the integrity of data transmission through the different IT systems to the financial reporting systems.
- Assessment of the design and implementation and evaluation of operating effectiveness of controls at the relevant service organization.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unqualified opinion on 1 April 2021 on those consolidated financial statements.

Board of directors' responsibilities for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 related to 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 realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated 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 ISAs 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 the users taken on the basis of these consolidated financial statements.



When performing our audit, we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group. Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls 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 board of directors;
- Conclude on the appropriateness of board of directors' 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 auditors' 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 auditors' 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, including the disclosures, 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 or 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, among 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with 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 public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the Board of directors

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

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated financial statements

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements contains material misstatements, that is information incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The Company is exempt from the statement of non-financial information, as required by Article 3:32 §2 of the Belgian Companies and Associations Code, since it is a subsidiary and is included (together with its subsidiaries) in the consolidated annual report of Argenta Bank- en Verzekeringsgroep NV, which contains the Group's non-financial information.



Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the course of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

Other aspect

- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, 14 April 2022

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

Kenneth Vermeire
Bedrijfsrevisor / Réviseur d'Entreprises