Argenta Bank- en Verzekeringsgroep nv*

Pillar 3 disclosures

Capital adequacy & risk report

2021

argenta.be

* BVg conso CRR scope

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1. Introduction

Pursuant to the Capital Requirement Regulation (CRR) and the Capital Requirement Directive (CRD) of the European Union (EU), this report is published on an annual basis. It contains all the information that is relevant for assessing the risk profile and capital adequacy of Argenta Bank- en Verzekeringsgroep nv, in abbreviated form BVg (hereinafter the "Company"). The report is prepared annually, following a pre-defined method, and validated by management.

It provides insight into aspects like the capital position, the size and composition of the capital and its relationship to, *inter alia*, credit, market, settlement and operational risk, expressed in risk-weighted items.

The Pillar 3 report contains information on all subjects included in the directives and implementing regulations, insofar as they apply to BVg:

- Part Eight of CRR (Disclosure by institutions – better known as Pillar 3 disclosures, see section 1.3 for detailed index) (EBA/ITS/2020/04);
- EBA guidelines for Pillar 3 disclosures (EBA/GL/2016/11);
- Disclosure of the leverage ratio (EBA/ITS/2014/04/ rev1);
- Disclosure of own funds requirements (EBA/ITS/2013/01);
- Disclosure of encumbered and unencumbered assets (EBA/RTS/2017/03 and EBA/GL/2014/03);
- Disclosure of remuneration policy (EBA/GL/2015/22);
- Disclosure of countercyclical capital buffer (EBA/RTS/2014/07);
- Disclosure of liquidity coverage ratio (LCR) (EBA/GL/2017/01);
- Disclosure of transitional provisions for mitigating the impact of IFRS 9 (EBA/GL/2018/01), including guidelines to amend EBA/GL/2018/01 to ensure compliance with the CRR "quick fix" in response to the COVID-19 pandemic (EBA/GL/2020/12);
- Disclosure of non-performing and forborne exposures (EBA/GL/2018/10);
- Disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07);
- Disclosure requirements in compliance with CRR "quick fix" in response to the COVID-19 pandemic (EBA/GL/2020/11).

Argenta Group had initially decided not to use the transitional arrangements to limit the impact of the introduction of IFRS 9 on own funds. In this way the full impact of IFRS 9 on own funds, capital and leverage ratios has been reflected from 1 January 2018.

Owing to the crisis caused by the COVID-19 pandemic, regulators and governments have enabled credit institutions to make renewed use in 2020 of the IFRS 9 transitional measures in respect of the impact of the crisis on the expected credit losses, and to take these into own funds in a phased manner. The Argenta Group has received official approval from the ECB to apply these measures from 30 June 2020. Argenta uses the static component and the 'old' and 'new' dynamic component. The static component relates to the transitional measures for the increase in expected credit losses at the time of the introduction of IFRS 9 (1 January 2018). This increase (after setting off the shortfall against the expected losses according to the IRB (internal rating based) approach) amounts to EUR 450,568 and is added to the Common Equity Tier 1 capital in an amount of EUR 168,963. The old dynamic component relating to the transitional measures for the period 1 January 2018 to 31 December 2019 amounts to EUR 1,203,522 and has been added to the Common Equity Tier 1 capital in an amount of EUR 451,321. The new dynamic component concerns the transition period from 31 December 2019 to the reporting period (in this case 31 December 2021) and amounts to EUR 0. The total addition for Common Equity Tier 1 capital therefore amounts to EUR 620,284 (included under risk-weighted assets) with a consequent increase in the Common Equity Tier 1 capital ratio of 0.01%.

Only relevant fields and fields with values are shown in these disclosures, as well as in the tables appended to this report. Taking into account the fact that the European Banking Authority encourages the financial institutions to publish the tables and templates in an editable format, Argenta Group has opted to publish the relevant tables and templates in a separate Excel appendix to these Pillar 3 disclosures.

These Pillar 3 disclosures consist solely of disclosures concerning BVg consolidated in accordance with the CRR scope.

The information in these Pillar 3 disclosures is consistent with, and partially overlaps, that given in the IFRS annual reports (BVg and its subsidiary Argenta Spaarbank). Consequently, these disclosures should be viewed in conjunction with, inter alia, the 'Risk Management' chapter of the IFRS annual reports.

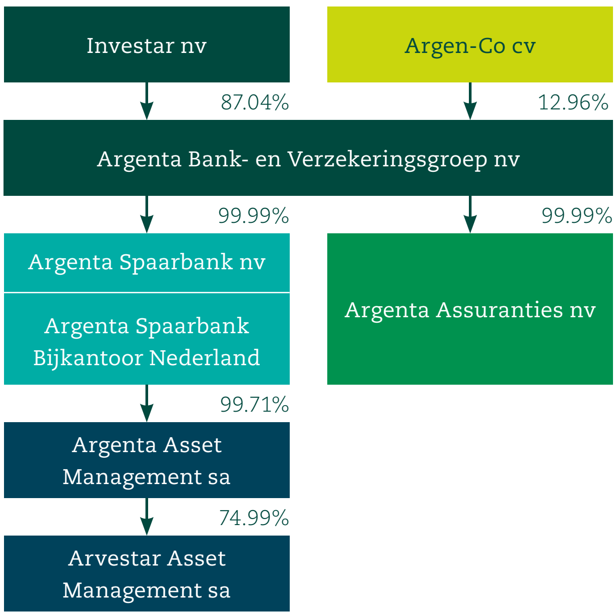
1.1. Argenta Bank- en Verzekeringsgroep - Profile

The Company is registered in Belgium under Belgian law. Its legal form is that of a public limited liability company. The Company has been established for an unlimited duration, The Company's registered office is at Belgiëlei 49- 53, 2018 Antwerp.

The Company 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. On 6 September 2021, the Company filed an application with the ECB for approval as a mixed financial holding company, pursuant to Article 212/1 of the Banking Act. This application received ECB approval on 2 March 2022.

The Company consolidates and is responsible for the joint control of the subsidiaries Argenta Spaarbank (Aspa) and Argenta Assuranties (Aras). Aspa, together with its branch office in the Netherlands and the management subsidiaries Argenta Asset Management (AAM) and Arvestar Asset Management (Arvestar), forms the Bank Pool. The Bank Pool, insurer Aras and the Company are collectively referred to as the Argenta Group.

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



The Company is the holding company of the Argenta Group. Its operations consist of Internal Audit, Compliance, Risk & Validation, Legal Affairs, Organisation & Talent and Non-Financial Risks & Supervisory Office. These activities are organised and managed centrally for all Argenta Group companies.

Aspa has the status of a Belgian credit institution, with the legal form of a public limited company that has made a public call for savings. Aspa's core activities consist of attracting funds in the retail market in the form of savings accounts and current accounts and to a limited extent term accounts, attracting funds in the institutional market in the form of bonds, offering means of payment 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, it offers units in Argenta funds and in other undertakings for collective investment (UCIs).

The Company and Aspa are subject to the CRR and CRD legislations and the insurer Aras to the Solvency legislation. Given the dissimilarities between these two sets of 'capital' legislation, a so-called CRR consolidation is required for reporting at the consolidated BVg level. This is a consolidation without the insurer (i.e. a consolidation of the Bank Pool with BVg on an unconsolidated basis).

An important element at BVg CRR scope level is the application of the Danish Compromise (DC). This is a methodology which – subject to approval by the regulator – can be applied by mixed financial holding companies.

Under this method, the value of the insurance participation does not have to be deducted from own funds. The participation value needs to be weighted - as additional exposure - at 370%.

On 31 March 2021, Argenta also received a derogation, allowing it to continue to apply the historical cost method (instead of the equity method) for the valuation of the insurance participation in the CRR consolidation.

As a financial conglomerate with significant banking and insurance activities, the Company must, in addition to CRR and CRD legislation, also comply with the FICOD regulations (Financial Conglomerate Directive, directive 2002/87/EC). This directive imposes on the Company additional reporting requirements regarding capital adequacy with respect to the consolidated position.

1.2. Application framework

Any financial institution subject to the own funds regulations must, under the applicable legislative framework, make certain defined disclosures about its risk and own funds position.

The present document publishes the required disclosures on the Company's consolidated financial position. The document is published in full each year on the Argenta Group website (www.argenta.be).

The disclosures in the present document relate to the Company and its subsidiaries. The consolidation scope is defined according to the International Financial Reporting Standards (IFRS).

At the Company, the IFRS consolidation scope and the CRR consolidation scope (scope according to the CRR guidelines) differ. The differences between the accounting and regulatory consolidation scope can be extracted from tables **LI1** and **LI2** (in the Excel appendix) and are explained mainly by the fact that the subsidiary Aras is not included in the CRR consolidation scope. A detailed reconciliation between the accounting equity according to the CRR scope compared to the IFRS scope is included in table 3 (see section 3.1).

For an overview of the entities included in the consolidation, we refer to table **LI3** in the appendix.

The Luxembourg company AAM and the Belgian company Arvestar act as funds managers and administrative agent of Argenta funds. As such they have the status of fund manager.

Although there is no capital link with the Company, the SPV Green Apple entities are consolidated in accordance with the IFRS consolidation principles for structured undertakings. In this way, the loans transferred return onto the balance sheet of the Bank Pool.

Further information on these Green Apple SPVs can be found in Chapter 15. Exposure to securitisation positions. Argenta Spaarbank carried out securitisation operations in 2017, 2018, 2019 and 2021.

The Argenta Group has a 27.46% share in European Investment Company (EPICo), a Benelux infrastructure fund. A significant portion of these shares are held by Aras. EPICo is valued using the equity method in the IFRS consolidation scope and as an equity instrument in the CRR consolidation scope.

Aspa also has a 20% participation in Jofico cv, a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost that is responsible for jointly managing the ATMs of these institutions. Jofico is valued according to the equity method.

There are, outside the legal restrictions, no other existing or expected material, practical or legal obstructions which hinder a transfer of equity or repayment of obligations between the Company and its subsidiary companies.

The Company has therefore no subsidiaries that are not included in the consolidation scope.

1.3. Applied approach and key figures Pillar 1

Guidelines exist for calculating the Pillar 1 capital that a (credit) institution is required by the regulators to maintain for, *inter alia,* credit, market, settlement and operational risks. These requirements can be calculated using different approaches.

The Argenta Group applies the internal rating approach for determining exposures to credit risk on ‘retail covered by real estate’, and on financial institutions and corporations. From 2018 onwards, following ECB approval, the standardised approach has been applied to the CBHK retail credit portfolio. For all other exposures to credit risk and other risks, it applies the standardised approach, with the exception of securitisations, which are treated using the SEC-ERBA method.

Table **KM1**, also included in the appendix, gives an overview of the relevant figures and ratios for the Company at year-end.

Table 1: Key metrics

		RAF standard	31/12/2020	31/12/2021
Available capital				
1	Common Equity Tier 1 (CET1)		2,459,158,880	2,497,211,416
2	Tier 1 capital (T1)		2,459,158,880	2,497,211,416
3	Total capital		2,688,058,402	2,497,211,416
Risk-weighted items				
4	Total risk-weighted assets (RWA)		10,382,396,823	11,578,513,602
Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	15%	23.69%	21.57%
6	Tier 1 capital ratio (%)		23.69%	21.57%
7	Total capital ratio (%)	17%	25.89%	21.57%
Additional CET1 buffer requirements as a percentage of RWA				
8	Capital conservation buffer requirements (%)		2.50%	2.50%
9	Countercyclical capital buffer requirement (%)		0.01%	0.01%
10	O-SII (Other Systemically Important Institution) capital buffer requirements (%)		0.75%	0.75%
11	Total CET1 specific buffer requirements (%)		3.26%	3.26%
12	% CET1 available to meet buffers after meeting minimum capital requirements (after 4.5% basic requirement)		19.19%	17.07%
Leverage ratio				
13	Baseline total exposure figure for calculating the leverage ratio		46,668,879,413	47,763,868,083
14	Leverage ratio (%) (row 2 / row 13)	4%	5.27%	5.23%
Liquidity Coverage Ratio (LCR)				
15	Total high-quality liquid assets (HQLA)		5,883,643,926	6,260,245,233
16	Total net cash outflow		3,666,221,755	3,611,885,001
17	LCR ratio (%)	125%	160.48%	167.42%
Net Stable Funding Ratio (NSFR)				
18	Total available stable funding		41,324,128,924	44,449,264,175
19	Total required stable funding		30,594,661,540	30,523,335,443
20	NSFR ratio (%)	120%	135.07%	145.62%

As mentioned earlier, the Argenta Group has used the IFRS 9 transitional measures from 30 June 2020. Table **IFRS9**, added in the appendix, gives the impact on leverage and capital ratios if these temporary measures had not been applied. This impact is, however, very limited for the Company. The Tier 1 (core) capital ratio and the total capital ratio and the leverage ratio would be 21.56% and 5.23% respectively.

The Bank Pool's liquidity risk appetite is also monitored on the basis of the LCR and NSFR ratios provided in the overview above. The LCR compares the liquidity buffer against a predefined outflow of financial liabilities over a 30-day period. The NSFR compares available liquidity against the liquidity required over a period of at least one year. A detailed description of the liquidity risk can be found in Chapter 18. Capital and liquidity management. Tables **LIQ1** and **LIQ2** for the disclosure of the liquidity coverage ratio and net stable funding ratio are included in the annex.

The above table includes the internally established Risk Appetite Framework (RAF) standards that Company management has set for the ratios in question. The targets for leverage and liquidity ratios are set at subsidiary Aspa level.

1.4. Detailed index with Pillar 3 references

The Pillar 3 disclosures are described in part eight of the CRR. The table below gives an insight into the disclosure requirements and indicates where the information can be found in the (IFRS) annual reports and/or Pillar 3 disclosures.

Table 2: CRR-related articles and their location in the annual reports

CRR article	Pillar 3 disclosure requirements	Location in the annual reports and/or the Pillar 3 report
435	Risk management objectives and policies	Part 5. Risk management (IFRS annual reports)
	Statement on adequacy of risk management arrangements	2. Risk management
	Governance, directors' mandates, remuneration policy el. al. (Art. 435 2)	Part 7. Corporate Governance (BVg Integrated Activities and Sustainability Report 2021) and Chapter 16. Remuneration policy, diversity and integrity
	435.2 (e) data flow risks to management entitities	Reference is made to the governance memorandum on the website (www.argenta.be –general – about Argenta)
436	Application framework	1.2. Application framework
437	Equity	3. Equity
	437 (f) capital ratios based on the CRR guidelines	All disclosed capital ratios are based on the CRR principles
438	Capital requirements	4. Capital requirements and 18. Capital and liquidity management
439	Exposure to counterparty credit risk	5. Exposure to credit risk
440	Capital buffers	4. Capital requirements and 18. Capital and liquidity management
441	Indicators of global systemic importance	Not listed because the Argenta Group is not considered as an institution with global systemic importance (see chapter 4.1)
442	Credit risk adjustments	5.2 Disclosure on Basel exposure categories and 8. Credit risk adjustments
443	Unencumbered assets	9. Encumbered and unencumbered assets
444	Use of ECAIs	10. Use of ratings from external credit assessment institutions (ECAI)
445	Exposure to market risk	11. Exposure to market risk
446	Operational risk	12. Exposure to operational risk and other non-financial risks
447	Exposures to equities not included in the trading book	13. Exposure to equity
448	Exposure to interest rate risk on positions not included in the trading book	14. Exposure to interest rate risk
449	Exposure to securitisation positions	15. Exposures related to securitisation positions
450	Remuneration policy	16. Remuneration policy, diversity and integrity
451	Leverage	17. Leverage
452	Use of the IRB approach to credit risk	7. Use of the IRB method
453	Application of credit risk mitigation techniques	5.3 Credit risk mitigation
454	Use of the Advanced Measurement Approaches to operational risk	12. Exposure to operational risk and other non-financial risks
455	Use of Internal Market Risk Models	11. Exposure to market risk

2. Risk management

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

The risk management framework is being updated and adapted in response to new regulations, daily experience and changes in the Argenta Group's activities. Demonstrating that adequate risk management procedures are in place is a key condition for acquiring and retaining the trust of all stakeholders: customers, investors, branch managers, supervisory authorities and rating agencies, as well as directors, management and employees.

The strategy and long-term policy of all entities within the Argenta Group are determined by the Executive Committee and the Board of the Company. The two main subsidiaries, Aspa and Aras, are responsible for operational management within their own areas of competence as established in the Memorandum of Internal Governance.

The executive committees of the Company, Aspa and Aras are integrated, with a number of members in common: the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO). The Chief Operating Officer (COO), Chief Commercial Officer (CCO) and Chief Information Officer (CIO) work jointly for Aspa and Aras, but not for BVg.

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

In order to strengthen the effectiveness of the supervision and control of the activities, operation and the risk profile of the Argenta Group by the Board of Directors, five specialised committees have been set up within the Board of Directors, namely:

- Audit Committee (at Aspa and Aras level);
- Risk Committee (at Aspa and Aras level);
- Remuneration Committee (at BVg level);
- Appointments Committee (at BVg level):
- Group Supervisory Committee (at BVg level).

For each committee, the Board of Directors has established a charter, setting out in detail its roles and tasks, composition and function.

In summary, the specialised committees have the following responsibilities:

- Audit Committee:
  - Supervision of the financial reporting process, the internal audit (including the internal control and risk management systems) and the statutory audit of the (consolidated) annual accounts (including follow-up of recommendations and questions received from the statutory auditor);
  - Assessment and monitoring of the independence of the statutory auditor, more specifically with respect to providing additional services to Argenta Group or to a person with which it has a close relationship;
  - Assessment and monitoring of the compliance function.
- Risk Committee:
  - Monitoring the independence, professionalism and experience of employees within the risk management function (governance);
  - Monitoring the identification of material business risks and the adequacy of the methods used by the risk management function to mitigate these risks;
  - Advising the Board on setting tolerance limits for identified business risks, reflecting an acceptable level of risk for the implementation of the activities;
  - Monitoring that risk management continues to achieve the required level of tolerance in changing operating conditions;

- Monitoring that the commercialisation and pricing of products offered to customers is in line with the established business model and the business risk strategy;
- Determining the nature, scope, form and frequency of the desired information in relation to risks;
- Monitoring the adequacy of the remuneration system, with reference to risk management, own funds requirements, liquidity position and the probability and spread over time of the profit.

- Remuneration Committee and Appointments Committee:
  - For the tasks and responsibilities of these two committees, we refer to Chapter 16. Remuneration policy, diversity and integrity.
- The Group Supervisory Committee has a specific advisory role at group level to ensure 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.

The Company has formalised the risk appetite in the overarching Integrated Risk Management policy. Specific 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.

All significant risks to which the Company is exposed are included in the risk mapping and tested against the risk appetite by means of risk appetite statements and risk profiles (which together form the Risk Appetite Framework (RAF)).

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 the risk monitoring and the escalation framework;
- Translates the risk appetite into measurable criteria and objectives (indicators);
- Provides senior management and Board Members/the Risk Committee with a practical tool for communicating, measuring and monitoring risk targets;
- Is embedded in the multi-year business cycle; and
- Is further developed in the operational policies that include a broad set of operational limits/flashing lights.

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

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

A direct link exists between the RAF risk indicators and, on the one hand, the International Capital Adequacy Assessment Process (ICAAP) and the International Liquidity Adequacy Assessment Process (ILAAP) for the Bank Pool and Own Risk & Solvency Assessment (ORSA) for the Insurance Pool and, on the other hand, policy documents that translate these indicators into operational risk limits.

This results in the daily embedding of risk awareness in first line management and in better and more efficient risk management processes. In 2021, the Argenta Group continued to build on its prudent and transparent risk management with the aforementioned RAF, policies, procedures and working instructions (including the roll-out of the end-to-end integrated risk management universe by composing L3 procedures and L4 working instructions).

The way in which the information on the risks is reported to the competent management bodies is described in detail in the Governance Memorandum. The most recent version of this document (only available in Dutch) is available on the Argenta website (see www.argenta.be, then under the heading ‘algemeen’, click on ‘over Argenta’ and then on ‘Governance memorandum’) in the section ‘Het bestuur’.

Declaration of the adequacy of risk management (pursuant to Article 435 CRR)

The Chapter ‘Risk Management’ (included in the IFRS annual reports published on the Argenta website www.argenta.be gives a detailed description of the risks at Argenta Group and of the risk management framework (risk management objectives and policy).

The Company’s risk management policy and attendant organisational structuring are designed to ensure that the known risks are always properly identified, analysed, measured, monitored and managed. The policy line ‘Integrated Risk Management’ applies in an overarching manner.

The Company’s risk mapping makes here a distinction between, among other things, financial risks (market, credit, business, liquidity, capital, climate, model and underwriting risks (the latter within the Insurance Pool), …) and non-financial risks (compliance, information security & cyber, fraud, IT, business continuity, data management, sourcing, human resources, process, legal (& regulatory), strategic & change, brand & sustainability risks).

The risk management and control systems are based on a risk identification process via the risk mapping, with measurement via the aforementioned RAF, in combination with prevention and control measures. This provides a reasonable degree of certainty that the financial reporting does not contain material misstatements and that the internal risk management and control systems worked well during the 2021 financial year.

However, the internal risk management framework and control systems cannot offer absolute certainty. Inherently, cost/benefit considerations are always taken into account when accepting risks and taking management measures. The Executive Committee is continuously striving to further improve and optimise the Company’s risk management.

For 2021, the risk management function prepared for the Board of Directors’ Risk Committee an internal control annual report, an activity report with action plan and RAF reporting. These documents come to the conclusion that, with respect to the financial risks, the financial result was achieved within Argenta’s risk appetite for financial risks for 2021 and within the legal requirements imposed on the risk management function. They also point to the need to be attentive to both financial risks (with a focus, as hot spot risks, on market risk, business risk and climate risk) and to non-financial risks (with a focus on information security and cyber, fraud and IT risk).

Within the financial risks, in 2021 increased attention was paid to (i) market risk, (ii) climate risk and (iii) credit risk. In 2021, new risk profiles were added with model risk (RAF limit) and climate risk (RAF metrics).

For climate risk, the climate action plan will be further developed, taking into account the self-assessment and regulator feedback.

For 2022, the focus for financial risks will this time mainly be on climate risk, in addition to market risk and business risk.

As required in Article 435 of the CRR, we declare that we have, in our view, taken the risk management measures that are necessary and appropriate for the Company’s profile and strategy.

For the Executive Committee.

Geert Ameloot (CFO)
Gert Wauters (CRO)

3. Equity

3.1. Accounting equity and calculation of prudential equity

Equity as reported in the consolidated annual report of the Company is determined on the basis of the IFRS standards. Table 3 below reconciles IFRS scope equity with CRR scope equity. Table 4 reconciles the IFRS accounting equity and the prudential Tier 1 core capital.

Table 3: Reconciliation of equity between IFRS scope and CRR scope

Components	CRR scope	IFRS scope	Difference
Paid-in capital	704,898,900	704,898,900	0
Share premium	409,263,542	409,263,542	0
Fair value changes of equity instruments	1,249,212	72,634,990	-71,385,778
Revaluation reserve for available-for-sale financial assets	40,046,755	65,316,238	-25,269,483
Revaluation pension arrangement	376,593	573,038	-196,445
Reserves (including retained earnings)	1,421,095,723	1,857,912,604	-436,816,881
Profit from the current year	251,105,298	268,001,360	-16,896,062
Interim dividend	-82,352,149	-82,352,149	0
Total equity attributable to shareholders	2,745,683,874	3,296,248,523	-550,564,649
Non-controlling interests	287,829	288,304	-475
Total equity and non-controlling interest	**2,745,971,703**	**3,296,536,827**	**-550,565,124**

The difference between the CRR scope and IFRS scope is mainly explained by the elimination of the items related to the subsidiary Aras.

Table 4: Reconciliation of accounting equity versus Tier 1 equity

Components	31/12/2020	31/12/2021
Paid-in capital	687,413,600	704,898,900
Share premium	356,795,403	409,263,542
Revaluation reserve for available-for-sale financial assets	57,472,435	40,046,755
Revaluation pension arrangement	-185,446	376,593
Fair value changes of equity instruments	32,712	1,249,212
Reserves (including retained earnings)	1,366,297,067	1,421,095,723
Profit from the current year	133,869,493	251,105,298
Cash flow hedging	-1,301,563	0
Interim dividend	0	-82,352,149
Total equity attributable to shareholders	2,600,393,701	2,745,683,874
Non-controlling interests	214,382	287,829
Total equity and non-controlling interest - CRR scope	**2,600,608,083**	**2,745,971,703**
Adjustments		
(-) Inapplicable part of interim or year-end results	-20,622,408	-185,549,348
Interim dividend	0	82,352,149
Non-controlling interests	-214,382	-287,829
Tier 1 core capital before application of prudential filters	**2,579,771,293**	**2,642,486,675**
Fully paid-in capital instruments	687,413,600	704,898,900
Share premium	356,795,403	409,263,542
Retained earnings	1,479,544,152	1,486,651,673
Cumulative unrealised results	56,018,138	41,672,560
Tier 1 core capital before application of prudential filters	**2,579,771,293**	**2,642,486,675**
Prudential filters		
Reserve for cash flow hedges	1,301,563	0
Profits and losses (at fair value) deriving from institution's own credit risk in respect of derivative instruments	-4,211,656	-6,888,789
(-) Value adjustments due to requirements for prudential valuation	-3,884,828	-4,010,891
(-) Other intangible assets and goodwill	-113,257,910	-113,894,758
(-) For IRB, negative difference between credit risk adjustments and expected loss items	0	-16,278,355
(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-3,377,249	-1,136,210
Transitional measures IFRS 9 (expected credit losses)	2,817,667	620,284
Deduction relating to prudential provisions for non-performing exposures	0	-3,686,540
Tier 1 core capital	**2,459,158,880**	**2,497,211,416**

It has been opted - given their non-material nature - not to include the non-controlling interests as prudential equity at Company level.

Note on prudential filters

The CRR specifies a number of prudential filters which lead to an adjustment of Tier 1 core capital. The following filters apply to the Company:

- cash flow hedge reserve: the IRFS standards provide for the effective portion of the changes in the fair value of a cash flow hedging instrument to be included in own funds. However, in accordance with the CRR, this amount may not be included in determining the prudential equity. At the end of 2021, the cash flow hedge has matured, and no further amount has been recognised in equity;
- gains and losses measured at fair value arising from the institution's own exposure in connection with derivative liabilities: deducted here is the positive impact of own exposure in calculating the market values of derivative instruments. This amounted to EUR 6,888,789 at end-2021;
- value adjustments as a result of the requirements for prudential valuation: this is a specific CRR requirement in the context of a prudent valuation of financial instruments measured at fair value in the IFRS balance sheet (this valuation adjustment amounted to EUR 4,010,891 at end-2021);
  This 'prudent valuation' adjustment is calculated based on the financial instruments that are carried on the balance sheet at market values and which can impact the result and/or own funds. This adjustment (of 0.1%) is calculated and deducted from the qualifying own funds;
- other intangible assets (including goodwill): the deduction of the other intangible assets less deferred tax liabilities as provided for in the CRR regulations. As of end 2021, the net impact amounted to EUR 113,894,758. As of December 2021, the net carrying value (after deferred taxes) of software (EUR 24,382,525 at end-2021) is no longer fully deducted from prudential own funds, but is partially risk-weighted at 100% (EUR 17,115,755) (pursuant to EU regulation 2020/2176);
- in the IRB application: negative difference between credit risk adjustments and expected losses. As of 31 December 2021, impairments recorded in accordance with IFRS standards were less than the calculated expected credit losses. At the end of 2021, the shortfall between the impairments and the expected losses (EL) amounted to EUR 16,278,355. In line with with prudential guidelines, this amount is deducted from the Tier 1 core capital;
- deferred tax assets that rely on future profitability (excluding those arising from temporary differences). At end-2021, these deferred tax assets amounted to EUR 1,136,210;
- owing to the crisis caused by the COVID-19 pandemic, regulators and governments enabled credit institutions to make renewed use in 2021 of the transitional measures in respect of the impact of the crisis on expected credit losses, and to take these into own funds in a phased manner. The amount of this IFRS 9 transitional measure was EUR 620,284;
- the deduction of prudential provisions for non-performing exposures arising from loans granted before 26 April 2019 (not subject to the Pillar 1 treatment). The ECB has communicated the expectation of this additional deduction through SREP letters to banks. This deduction amounts to EUR 3,686,540. The Pillar 1 deduction for prudential provisions (loans granted after 26 April 2019) is EUR 0.

3.2. Composition of prudential equity and capital ratios

Table **CC1**, appended to this report, shows the detailed composition of equity and the relevant capital ratios.

3.3. Main features of capital instruments

The main features of the capital instruments issued by the Company are described in the appendix. This description has been included in the standard format of the relevant table ("main features of capital instruments", see template **CCA** in the appendix).

This provides further disclosure with respect to the 'capital instruments and the related premium reserves' mentioned in line 1 of the **CC1** table appended to this report.

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

Under the EMTN programme, Aspa issued a EUR 500 million senior preferred bond in 2019, and two additional EUR 500 million senior non-preferred bonds in the course of 2020. This added a new source of financing in addition to Argenta's retail financing model. In 2021, Aspa issued two EUR 500 million of covered bonds. The coverage takes the form of Belgian mortgages. The prospectuses and investor presentations of these issues can be found on the website www.argenta.eu (under the heading "debt issuance"). In February 2022, Aspa issued a EUR 600 million senior non-preferred bond and a EUR 500 million covered bond backed by Belgian mortgages.

The transactions under the EMTN programme contribute to the regulatory bail-in requirements (MREL - Minimum Requirement on own funds and Eligible Liabilities) and enhance the A- rating at Standard & Poor's. For the MREL, Aspa is considered the 'single point of entry' and, based on an SRB decision, an interim MREL requirement for 2022 (01/01/2022) of 7.16% applies to the total risk exposure for calculating the leverage ratio, 6.41% of which must fulfilled with MREL subordinated instruments. The final MREL requirement in 2024 (01/01/2024) is 7.98% of the total risk exposure for the calculation of the leverage ratio, entirely in the form of subordinated instruments.

The MREL ratio at the end of 2021 amounts to 8.09% of the total risk exposure for the calculation of the leverage ratio, and 7.03% without the senior preferred notes.

4. Capital requirements

4.1. Capital requirements

A minimum solvency ratio is required of 4.5% of the Common Equity Tier 1 (CET1), of 6% for the total Tier 1 ratio, and of 8% for the total capital ratio (these are the Pillar 1 requirements). Additionally, a number of additional buffers were introduced. The CRD provides for three additional capital buffers including a capital conservation buffer (CCB).

This buffer can be up to 2.50%. The CCB has been introduced in a phased manner, and has amounted to 2.50% since 2019.

The Company may also be required to set up a countercyclical capital buffer, effectively an additional Tier 1 core capital requirement. This buffer is designed to protect the Company against risks arising from the financial cycle and can rise to 2.5%. Both the Belgian and the Dutch regulators have set the rate at 0% until now, but it is subject to quarterly review. Tables **CCyB1** and **CCyB2** appended to this report provide further details on the institution-specific countercyclical capital buffer. Based on these tables, the institution-specific countercyclical capital buffer amounts to 0.01% at 31 December 2021.

The Belgian regulator has designated the Argenta Group as O-SII or 'other systemically important institution'. As a result the Company is subject to an additional Tier 1 core capital requirement (O-SII buffer) of 0.75%.

The 3 buffers must be met with CET1 capital (the strongest form of capital).

The Argenta Group institutions are not designated as global systemically important institutions (G-SIIs). Consequently, no disclosures need to be made of indicators of global systemic relevance (CRR Article 441).

In the SREP (Supervisory Review and Evaluation Process) framework, the competent supervisory authority can require higher minimum ratios (Pillar 2 requirements) because, for example, not all risks are fully reflected in the Pillar 1 calculations. In light of the Covid-19 pandemic, the 2020 capital decision included in the annual global SREP review was maintained by the ECB at 2019 levels. The new SREP decision from 2021 is applicable from 1 March 2022. In this way the P2R in 2021 remained at 1.75% (to be fulfilled with a minimum of 56.25% in CET1 and 75% in T1 with the remaining requirement in T2). Based on the SREP process, a CET1 requirement of 8.74% was obtained. This consisted of a basic requirement of 4.5%, the CCB of 2.50%, an O-SII buffer of 0.75% and 56.25% of the P2R (pillar 2 requirement) of 1.75%. A countercyclical capital buffer of 0.01% also applies. Since the Company has no additional Tier 1 (AT1) and no Tier 2 (T2) outstanding, the CET1 requirement is de facto 13.01%, being the Total Capital Ratio (TCR) (8.74% + 1.5% AT1 + 2.0% T2 + the remaining P2R). In the 2021 SREP decision, the P2R drops to 1.50%.

The Company amply met all these requirements in 2021 with a CET1 (IRB) and TCR (IRB) of 21.57%.

4.2. Minimum capital requirements per risk-weighted category

In this chapter the Company's risk-weighted items and capital requirements are set out, based on the risks specified in Pillar 1 which are currently applicable (i.e. the credit, CVA (counterparty), market and operational risks).

Table **OV1**, included in the appendix, contains an overview of the risk-weighted assets and minimum capital requirements at the end of the year.

The totals in line 29 of table OV1 therefore form the basis for the more detailed disclosures.

The increase in risk-weighted items is mainly the result of (a) the increase in the mortgage loan portfolio, (b) increasing share of mortgage loans without NHG guarantee (Nationale Hypotheek Garantie) in the Netherlands, (c) increase in the mortgage pipeline and (d) more investments in corporate bonds. These increases were partly offset by the decrease at institutions as a result of the lower level of collateral posted for derivatives transactions (increase in fair value).

4.3. Capital ratios

The table below shows the Company's various capital ratios.

Table 5: Capital requirements and capital ratios at year-end

	31/12/2020	31/12/2021
Total qualifying capital	2,688,058,402	2,497,211,416
Total CET1 capital	2,459,158,880	2,497,211,416
Risk-weighted assets	10,382,396,823	11,578,513,602
CET1 capital ratio	23.69%	21.57%
Tier 1 capital ratio	23.69%	21.57%
Total capital ratio (TCR)	25.89%	21.57%

The Common Equity Tier 1 capital ratio (CET 1) is an important ratio. This calculation uses the core Tier 1 capital instead of total capital. The RAF standard for the CET1 ratio is 15% and for the TCR 17%.

With total regulated qualifying capital at 31 December and throughout 2021 exceeding the applicable prudential and internal requirements, the Company fully and amply complied with all capital requirements.

4.4. Risk weighted items

The capital requirements for credit risk are calculated as follows:

Risk weighted assets (RWA) * 8%
where RWA = (Exposure At Default - EAD) * weighting percentages

The total RWA have risen from EUR 10,382,396,823 at end-2020 to EUR 11,578,513,602 at end-2021. In this way the total capital requirement has risen from EUR 830,591,746 to EUR 926,281,088.

Table 6: Total risk-weighted assets and capital requirements per category

	31/12/2020		31/12/2021	
	RWA	Capital requirement	RWA	Capital requirement
Credit risk - STA				
Central governments or central banks	99,144,433	7,931,555	22,447,337	1,795,787
Regional and local governments	93,138,384	7,451,071	58,048,225	4,643,858
Public entities	15,982,875	1,278,630	23,215,469	1,857,238
Institutions	2,578,114	206,249	0	0
Corporates	112,233,857	8,978,709	113,405,686	9,072,455
Retail clients	222,727,427	17,818,194	254,546,674	20,363,734
Covered by real estate	443,146,624	35,451,730	85,241,878	6,819,350
Exposures in default	8,651,079	692,086	6,057,355	484,588
Equity	30,065,697	2,405,256	31,875,530	2,550,042
Other items	352,850,483	28,228,039	322,549,054	25,803,924
Total credit risk STA	**1,380,518,973**	**110,441,518**	**917,387,208**	**73,390,977**
Credit risk - IRB				
Institutions	713,296,931	57,063,754	459,189,501	36,735,160
Corporates	1,550,391,150	124,031,292	1,759,059,360	140,724,749
Covered by real estate	3,851,202,931	308,096,234	5,283,856,574	422,708,526
Equity	652,848,373	52,227,870	652,848,373	52,227,870
Total credit risk IRB	**6,767,739,385**	**541,419,151**	**8,154,953,807**	**652,396,305**
Securitisation positions SEC-ERBA	129,390,833	10,351,267	119,994,972	9,599,598
Total credit risk	**8,277,649,191**	**662,211,935**	**9,192,335,987**	**735,386,879**
Add-on for Belgian mortgage loans	959,219,733	76,737,579	1,204,472,262	96,357,781
Market risk	0	0	0	0
CVA risk	49,602,336	3,968,187	17,408,275	1,392,662
Operational risk	1,095,925,564	87,674,045	1,164,297,078	93,143,766
Total capital requirement	**10,382,396,823**	**830,591,746**	**11,578,513,602**	**926,281,088**

The risk-weighted volume for credit risk (excluding the add-ons) calculated by the IRB/STA method was EUR 8,277,649,191 as of 31 December 2020, evolving to EUR 9,192,335,987 as of 31 December 2021. This resulted in a capital requirement of EUR 735,386,879 compared to EUR 662,211,935 as of 31 December 2020.

The total capital requirement for all risks (i.e. including the requirement for CVA, the 5% add-on on EAD and 33% add-on on RWA for Belgian mortgage loans and the operational risks requirement) amounted to EUR 926,281,088.

5. Exposure to credit risk

5.1. Composition of credit risk

Tables LI1 and LI2, included in the appendix, provide an overview of the differences in consolidation scope, as well as the definition and classification of the exposures. Additional information is included on items to be deducted from capital and factors that cause a difference in exposure value between the accounting and regulatory frameworks.

The off-balance sheet items include guarantees given – sureties, credit commitments and unused portions of credit lines. The CRR uses Credit Conversion Factors (CCF) to capture the capital requirement for credit risk.

This has the effect of reducing the exposure from that shown on the balance sheet. Credit commitments and unused portions of credit lines are the parts of loans not yet used. The conversion factor can be 0%, 20%, 50%, 75% or 100% (depending among other things on the approach and product type).

Table 7: Overview of off-balance sheet items at year-end

Related COREP tables	CCF percentages	Exposure 31/12/2020	Exposure 31/12/2021
Table C07 (STD)	0%	635,294,900	587,927,950
	20%	607,516,776	13,240,676
	50%	20,003,933	26,514,676
	100%	1,462,611,952	0
	Subtotal STD approach	2,725,427,560	627,683,301
Table C08 (IRB)	20%	0	70,000,000
	100%	963,554,115	3,470,329,123
	Subtotal IRB approach	963,554,115	3,540,329,123
Total		**3,688,981,675**	**4,168,012,424**
Total weighted risk volume		**385,008,315**	**781,366,643**

The 'unconditionally cancellable credit card commitments' (EUR 635,294,900 as of 31/12/2020 and EUR 587,927,950 as of 31/12/2021) are included in the total exposure but carry a 0% credit risk weighting.

5.2. Additional information on the Basel exposure categories

In some standard templates the securitisation positions are recognised separately. However, in the chapter on credit risk, the securitisation positions are included, as they are also processed in this way in the prudential reporting.

Real estate-covered exposures are mainly processed by the IRB approach (with, since 2021, also the credit pipeline and the bridging loans), with a limited position (including the CBHK portfolio) processed by the STA approach.

The following table gives a separate global geographic overview for the Basel category 'exposures covered by immovable property' (STA and IRB approaches summed together). The most important geographical markets in which the Company is active are Belgium and the Netherlands.

Table 8: Geographical distribution of the 'exposures covered by immovable property'

Country	31/12/2020	31/12/2021
BE	16,123,890,795	17,975,788,380
NL	18,867,033,687	20,043,655,222
Other	43,706,745	52,524,099
Total	**35,034,631,226**	**38,071,967,701**

The table above is based on the borrower's geographic location, with an 'other' category for borrowers having (or having transferred) their legal residence 'outside Belgium or the Netherlands'. In accordance with the Company's mission, these exposures relate almost exclusively to lending to families and individuals.

5.3. Credit risk mitigation

Credit risk mitigation (CRM) is a technique used by an institution for limiting the credit risk linked to one or more exposures that the institution holds.

The main guarantee for the mortgage loans granted by the Company is the property for which the loans are given and on which a mortgage registration or a mortgage mandate can be taken. For mortgage loans in Belgium, a combination of mortgage registration and mortgage mandate can usually be taken. The use of mortgage mandates is, however, not possible for loans granted in the Netherlands. In the assessment of a loan, next to the borrower's repayment capacity, the collateral value is always taken into account. This requires a valuation to be performed at the time of the mortgage registration/mortgage mandate.

The policy 'valuation of security - retail', with related procedures, was approved by the Board of Directors on 26 January 2021.

The value of the property at the initiation of the loans is equal to the lower of the transaction value and the estimated market value or the mortgage value.

The transaction value is the agreed purchase price of the property plus, where applicable, costs of renovation, or the costs of new construction, including VAT, but excluding all additional purchase costs such as notary fees and registration fees.

The estimated market value is the value assessed by an internal or external appraiser (cf. infra). As described in the EBA/GL/2020/06 applicable from 30 June 2021 (tolerance period until 01/01/2022), at the time of initiation of the loan or when a real estate item enters Argenta's credit portfolio for the first time, the market value will in principle be assessed by an internal or external appraiser on the basis of a full visit. By way of deviation from the above and where applicable, the value can also be assessed on the basis of a remote valuation (desktop estimation) performed by an internal or external valuer and supported by advanced statistical models (AVM). From 01/01/2022 the valuation will never be carried out with a statistical model as the only means for testing the valuation.

Additional details on the valuation of immovable property are included in the IFRS valuation rules and in Chapter 5 of the Company's IFRS annual report.

The evolution of real estate prices has an impact on lending to individuals and also influences the credit risk through the use of immovable property as collateral. The evolution of property values is therefore systematically monitored, with periodical revaluations. The Company has here a concentration in lending to private individuals in Belgium and the Netherlands, more particularly in the form of retail mortgage lending. This makes the company dependent on developments in the housing market.

The loan to value (LTV) parameter is, alongside repayment capacity, an important indicator for assessing the initial risk of new loans (ratio of the loan amount to the initially estimated property value) and later for estimating the remaining risk. The shift in focus from bullet loans to monthly capital repayments in the Netherlands following the legislative changes in 2013 has produced a positive evolution of the loan/collateral value relationship over the duration of the loans. With a bullet loan (part), the total amount is repaid in full on the final maturity date. Over the duration of the loan this capital is built up through life insurance or investment accounts.

In addition, almost half of Argenta's Dutch mortgage portfolio is covered by Dutch Mortgage Guarantees (NHG). The NHG is provided by the 'Waarborgfonds Eigen Woningen' (Home Ownership Guarantee Fund – WEW) foundation. This is the name of the guarantee which a borrower can obtain for a loan for purchasing or renovating a home. The WEW guarantees the repayment of the mortgage amount to the lender.

The goal of the WEW is to promote home ownership. It is responsible for the policy and the implementation of the NHG. Every year it set rules for granting NHG guarantees. These 'conditions and standards' must be approved by the Minister of The Interior and Kingdom Relations. Administration of the NHG guarantees is undertaken by the credit institutions. Credit files are analysed and reviewed whenever a loss claim is submitted. The WEW supports the credit institutions in administering the NHG guarantees and manages the NHG guarantee fund.

The WEW is a private institution which has agreements with the government and the municipalities. In this way the WEW is able to meet its payment obligations at all times. As a result, the Dutch Central Bank (DNB) considers the NHG as a government guarantee. Consequently, NHG-covered loans generally require less capital from the funds provider. This advantage for lenders is 'returned' to consumers in the form of lower mortgage interest on NHG-backed loans.

This unfunded (NHG) guarantee can be found in the STA category 'secured by real estate'. Account is taken in all calculations of the decrease of this NHG guarantee in line with the annuities, as well as the 10% deductible applicable to any loss on NHG loans from 2014 onwards (this decrease is included in the LGD parameter).

The table below shows the exposures before and after the movements resulting from unfunded and funded credit protections.

'Unfunded credit protection' is a credit risk mitigation technique whereby the credit risk relating to an institution's exposure is limited by means of a third-party guarantee to pay a certain amount in the event of borrower default or other specified events.

'Funded credit protection' is a credit risk mitigation technique whereby the credit risk relating to an institution's exposure is limited by means of a right that the institution has acquired. In the event of counterparty default or other specified 'credit events' associated with the counterparty, certain assets or items can be liquidated or taken over, or ownership of assets or items can be acquired or retained, or else the exposure can be reduced or replaced by the difference between the exposure itself and a claim on the institution.

Table 9: Overview of exposures per category

	Risk exposure	Unfunded credit protection	Funded credit protection	Total inflow	Adjusted exposure
Central governments or central banks	4,580,811,903	0	0	34,974,471	4,615,786,374
Regional goverment or local authorities	478,292,370	0	0	55,908,319	534,200,689
Public sector entities	149,951,275	-30,225,927	0	0	119,725,347
Institutions	34,974,471	-34,974,471	0	0	0
Corporates	191,258,967	-25,682,392	0	0	165,576,575
Retail	930,546,920	0	0	0	930,546,920
Covered by real estate	183,202,707	0	0	0	183,202,707
Exposures in default	5,909,428	0	0	0	5,909,428
Equity	31,875,530	0	0	0	31,875,530
Other items	906,733,583	0	0	0	906,733,583
Total exposures (STA)	**7,493,557,152**	**-90,882,790**	**0**	**90,882,790**	**7,493,557,152**
Institutions	2,005,589,107	0	0	0	2,005,589,107
Corporates	4,543,786,868	0	0	0	4,543,786,868
Covered by real estate	37,888,764,994	0	0	0	37,888,764,994
Equity	176,445,506	0	0	0	176,445,506
Total exposures (IRB)	**44,614,586,474**	**0**	**0**	**0**	**44,614,586,474**
Securitisation positions (SEC-ERBA)	742,212,757	0	0	0	742,212,757
Total exposures	**52,850,356,383**	**-90,882,790**	**0**	**90,882,790**	**52,850,356,383**

The total of the amounts under ‘unfunded credit protection’ and ‘funded credit protection’ (i.e. the outflow) match the total of the ‘total inflow’ column.

One form of credit protection is also the accumulated savings amounts for some mortgage types in the Netherlands. These savings amounts are taken into account when determining the exposures.

The unfunded credit protection at the Company can be divided into two groups. This reflects a shift in exposure resulting from government guarantees and guarantees by financial institutions or other companies.

The following tables break down the EUR 34,974,471 of credit protection in the ‘institutions’ category, the EUR 30,225,927 of credit protection in the ‘public sector entities’ category, and the EUR 25,682,392 of credit protection in the ‘corporates’ category.

Table 10: Government guarantees in the ‘institutions’ category

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	1	34,978,609	34,974,471
Total unfunded credit protection - Guarantees in the 'institutions' category			**34,974,471**

Table 11: Government guarantees in the 'public sector entities' category

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	2	30,228,126	30,225,927
Total unfunded credit protection - Guarantees in the 'public sector entities' category			**30,225,927**

Table 12: Government guarantees in the 'corporates' category

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	6	25,691,144	25,682,392
Total unfunded credit protection - guarantees in the 'corporates' category			**25,682,392**

Template **CR7** 'Effect on the risk-weighted assets of credit derivatives used as CRM techniques' has not been included in the appendix, as no credit derivatives are used in the Company.

5.4. Counterparty risk

The RAF, approved by the Board of Directors, establishes the desired credit risk profile in the form of measurable indicators. Credit limits are part of this. These define the maximum credit risk position per type of investment and counterparty level (these are detailed in the internal financial policy line (included in Chapter 6 'Credit risk limits')) for non-retail. This position depends on the creditworthiness of the counterparty and is expressed as a percentage of the CET1 at consolidated level of Aspa. As a general rule, deviations from this framework for individual transactions are only possible with an approval of the Board of Directors.

In this way, the assumptions and limits regarding non-retail counterparties are set out in the 'Credit Risk Limits' section of the internal financial policy.

This sets limits (for investments) per asset category, but also with respect to concentration risk by counterparty. These limits are monitored systematically and reported internally. The financial policy is also updated periodically, with the involvement of all internal departments and managements concerned.

The basic assumptions and limits with regard to retail counterparties are listed in the internal acceptance and authorisation frameworks for credit risk for Belgium and the Netherlands respectively. The internal policy line 'Credit risk policy retail', just like the National Bank through its prudential expectations with regard to new mortgage loans in Belgium, imposes limits on the composition of the portfolio and production of mortgages based on repayment capacity and lending collateral for Belgium and the Netherlands respectively.

Counterparty risk derivatives

Argenta Group's derivatives portfolio is limited and serves exclusively for ALM management. The portfolio consists primarily of standard ('plain vanilla') instruments. All derivatives are covered by CSAs (Credit Support Annexes). However, an exposure could arise when market conditions change in between collateral calls.

Argenta Group capitalises this residual risk in pillar 2 ICAAP by means of a stress scenario. This scenario is based on the method used by Argenta Group to calculate the CVA and DVA for the fair value measurement of the derivative portfolio under IFRS. The scenario also takes into account the possible concentration in counterparties.

First, the possible exposure ('Expected Exposure') is calculated per individual transaction, based on fluctuations in market value resulting from a 1 basis point change in the interest rate ('basis point value' - 'BPV'), and volatility. Second, the exposure per transaction is summed per counterparty. Finally, this scenario simulates the impact of the liquidation of the largest counterparty, with full loss of additional receivables (LGD of 100%).

5.5. Collateral

Collateral received

Personal guarantees or collateral are always required when granting mortgage loans. The lower a borrower's creditworthiness, the more the collateral/guarantee he will be required to provide. Under the foreclosure policy, it may occasionally occur that certain collateral is acquired and recognised on the balance sheet. We refer to section 5.3. 'Credit risk mitigation' for more information regarding this collateral.

Collateral given

The Company also grants collateral on its own assets as part of its activities and operations.

A well-developed collateral management system exists for derivatives concluded by the Company. An CSA of the International Swaps and Derivatives Association (ISDA) is concluded with each counterparty. These CSAs are concluded primarily to limit the counterparty risk. Changes in the market value of the derivatives lead to the exchange of collateral (securities or cash). Chapter 9 'Encumbered and unencumbered assets' provides more information on the effectively granted collateral.

There are no explicit rating triggers (except the standard ones included in the basic contracts) provided for in the current contracts concluded with derivatives counterparties. For a downgrade of the Argenta Spaarbank S&P rating by 1 notch (BBB+) no additional collateral is required. The impact on collateral of a downgrade of the rating by 2 or 3 notches (BBB or BBB-) is an increase of 10%, while for a downgrade of 4 or 5 notches (BB+ or BB), a mandatory increase of 20% applies to the buffer on the initial margin.

5.6. Wrong-way risk

General wrong-way risk is risk that arises when the likelihood of counterparties default correlates positively with general market risk factors. The general policy on credit risk and concentration risk is set out in the internal financial policy and the internal "Credit Risk Management Retail" policy.

By means of this policy, the Company seeks to limit these risks, with the impact of possible positive correlation with general market risk factors being limited by a general spread of risk over, for example, several asset categories and several counterparties.

5.7. Capital requirement for CVA risk

Since the introduction of the CRR, a capital requirement is also applicable for the CVA (Credit Valuation Adjustment) risk. Compared with, for example, the credit risk of an ordinary bond, derivatives have two specific characteristics in terms of counterparty risk:

- The expected risk is uncertain in terms of size; future cash flows are dependent on future market movements of underlying securities (e.g. interest);
- A derivative may have, at one time, a positive value and at a later time, a negative value. In this way the derivative changes from asset to liability.

These characteristics make it difficult to determine the potential risk. The adjustment to the fair value resulting from the application of credit risk to the counterparty is called Credit Valuation Adjustment (CVA). The CVA has the effect of calculating a price on the counterparty risk in a transaction.

For prudential reasons, a separate calculation is made to obtain the exposure for CVA risk to which a capital requirement is applied.

As of 31 December 2021, a risk-weighted exposure of EUR 17,408,275 was obtained, on which a capital requirement of EUR 1,392,662 was calculated. This amount can be found in table **OV1** appended to this report, which lists the risk-weighted items by risk type.

The opposite of the CVA measures the own credit risk. This is called the Debit Valuation Adjustment (DVA). The DVA calculated according to the IFRS standards amounted to EUR 6,888,789 and was deducted from the qualifying own funds.

5.8. Add-ons for Belgian mortgage loans

The Belgian regulator has decided, for macroprudential reasons, to impose a 5% add-on to the RWA on all Belgian financial institutions for Belgian mortgage loans under the IRB approach, along with an additional 33% factor on the calculated RWA under IRB.

The RWA amounts to EUR 1,204,472,262, on which a capital requirement of EUR 96,357,781 was calculated. This additional capital requirement was included in the calculation as of 31 December 2021.

5.9. Derivatives

At the end of 2021, the Company had on its balance sheet only derivative instruments (in the form of caps, swaptions and swaps) concluded in the context of interest rate risk management or of securitisation transactions. It has no credit derivatives. The Company uses the 'standard approach for counterparty credit risk' ("SA-CCR") for calculating capital requirements for its derivatives. The exposure here is equal to the sum of the following elements:

a) the replacement cost based on the market value, the net variation margin, the margin threshold and the minimum margin exchange amount of the transactions; and
b) the potential future exposure, based on the (adjusted) notional principal (or underlying value), the term of the transaction and the applicable legal factor.

Until further notice, no netting is applied in calculating the capital requirements for derivative instruments. Each transaction is recorded as an individual netting set.

The replacement cost amounted to EUR 2,683,418 and the potential future exposure was EUR 98,626,956. The applicable 'alpha' factor is 1.4. We refer to **CCR1** for an overview of exposures to counterparty risk.

The Company uses a central clearing institution (CCP) for a large part of its derivative instruments. Table **CCR8**, appended to the report, shows the exposure to ABN Amro Clearing Bank (which acts as a clearing member towards LCH Clearnet and with which the Company has concluded indirect clearing arrangements).

6. Use of the standardised approach

The Company uses the standardised approach for determining the credit risk for several categories. These categories are explained in Table 6 “Total risk-weighted assets and capital requirements per category”.

For the roll-out of the model for the Dutch loans, the regulator has requested that a comparison be made systematically, for the Dutch credit exposures, between the calculation of the capital requirement under the standardised approach (STA) and under the ‘internal rating based’ (IRB) approach.

The higher of the two calculations should be taken as the requirement. At the end of 2021, the amount calculated by the STA method was higher than the one calculated by the IRB method. An additional EUR 2,830,527,131 of RWA was therefore included in the IRB category ‘secured by real estate’.

7. Use of the IRB method

The Company applies the IRB method for exposures to retail (mortgages) and non-retail (including institutions and covered bonds, corporates and real estate counterparties). At the same time, the participation value of the insurer (for an amount of EUR 176 million) is weighted under the IRB method at 370%, corresponding to a RWA of EUR 652.8 million.

Table 13: Exposures applying IRB approach at year-end

	RWA 31/12/2021	RWA 31/12/2020
Internal ratings-based approach (IRB)	**6,767,739,385**	**8,154,953,807**
IRB approach where neither self-estimated LGD parameters nor conversion factors are used	2,263,688,081	2,218,248,860
Institutions	*713,296,931*	*459,189,501*
Corporates	*1,550,391,150*	*1,759,059,360*
IRB approach using own LGD calculations and/or own conversion factors	3,851,202,931	5,283,856,574
Retail - covered by real estate	*3,851,202,931*	*5,283,856,574*
Participation value insurer (equity)	652,848,373	652,848,373

7.1. Credit risk - IRB approval

The (A)IRB method is used for the mortgage portfolios, with some non-material exceptions. For the CBHK portfolio, specific approval has been obtained from the ECB to apply the standardised approach as from 30 June 2018.

The (F)IRB approach is used for the corporates (including real estate counterparties), (financial) institutions and covered bonds portfolios.

The existing IRB model for the Dutch mortgage loans portfolio was accepted, with the requirement that a comparison be made systematically between the calculations using the standardised method and those using the IRB method. In the event that the results of the standardised method calculations are higher than those obtained using the IRB method, then the former form the basis for reporting and apply as the ultimate requirement.

The existing IRB model for the mortgage loan portfolio in Belgium was accepted, subject to the application of a factor of 1.15 to the internal LGD values as from 2020. Given the application of the 10% LGD floor at portfolio level, this had no effect on the volume of the risk-weighted assets.

The internal rating models for non-retail and retail (mortgages) are being/have been redeveloped to bring them into line with two-step approach to 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.

7.2. Internal rating systems

7.2.1. Structure of the internal rating systems

The Company calculates its exposures to retail customers (mortgage loans), to corporates, institutions (with the exception of exposures to insurance companies and investment companies) and covered bonds by the IRB method.

Internal rating systems have been developed to estimate the credit risk of the mortgage portfolios. In these systems models were further developed to assess and evaluate the Probability of Default (PD) and Loss Given Default (LGD) parameters.

The PD model assigns a score to each loan file. This scoring is based on variables with associated modalities relating to both product and borrower features. Based on these scores, risk categories are created. A long-term PD is allocated to each risk category. This is the historic average default percentage, corrected for forward-looking elements or model uncertainty.

The link between the rating and the PD is determined during the calibration process (as part of the model development) and is reviewed and adjusted during the annual review.

LGD models have been developed for estimating the size of the loss. This LGD pooling is also based on several variables. An average LGD percentage is assigned to each LGD pool. In this way, each outstanding loan in the portfolio is allocated to a specific LGD pool and is assigned the average LGD rate for that pool.

This estimate takes into account aspects such as property values and the NHG guarantee (as credit risk mitigation elements). The historical averages are corrected to reflect any economic downturn.

The EAD is the amount owed to the Company by the customer at the time of default. This includes the outstanding capital at the time of default, the past due capital repayments and interest (from the past due date to the date of default), late payment interest and the reinvestment fee.

No models have been developed for calculating a CCF (Credit Conversion Factor) for unused credit lines and offers in the pipeline and a CCF factor of 100% is being applied until further notice. CCF models estimate the proportion of off-balance sheet liabilities to be recognised as soon as a customer goes in default.

For exposures to corporates, institutions and covered bonds, an internal rating system is applied to assess and evaluate the PD parameter. An application was submitted in January 2020, and approved in January 2021, to use a separate internal model specifically for real estate counterparties. The rating model assigns a score or rating to each counterparty based on qualitative and quantitative variables. The link between the rating and the PD is redetermined during a calibration process, and reviewed annually based on historical figures. For LGD, the regulatory loss percentages are used as IRB input.

7.2.2. Embedding and implementation of the IRB approach in the organisation

The embedding of the IRB approach in the context of the Basel credit risk has been implemented by integrating it into the internal policies, the credit acceptance process, decision-making, risk management, investment policy and internal capital allocation. The credit risk models used by the Company play an essential role in this process.

The implementation and embedding in the operational credit departments is followed up on the basis of the use test. This aspect involves, among other things, the implementation of the models in the operational business and risk management environment (credit application and the Basel scoring, measurement and calculation software).

The Credit Risk Management Support (CRMS) sub-department of the Credit & Insurance Risk Management Support (CIRMS) department monitors the performance of the models for the mortgage portfolios, gathering the necessary monitoring information and reporting on it internally. The responsibilities of this department are described in the internal policy ‘Credit risk management - retail’.

The operational credit sub-departments are responsible for granting and managing loans in accordance with the prevailing internal authorisation and acceptance frameworks and the approval and management procedures applicable to each product and/or jurisdiction. They operate in a fully Basel-compliant manner, actively using the PD, LGD and EAD models in their processes and procedures and devoting the necessary time and attention to the effective embedding of all relevant Basel standards and rules (risk-based acceptance).

The Credit Risk Analysis (CRA) sub-department of the Financial Management department provides an analogous monitoring process for the performance of the models for exposures to corporates, institutions and covered bonds.

The Treasury & Investment Management (TIM) department takes this into account in its non-retail investment decisions, since the outcomes of the internal models also play their role in the Investment Consultation and Rating Consultation, given that the investment framework has been built around them.

This process, together with the underlying tasks and responsibilities, is also included in the 'model management' and 'model monitoring' procedures. These procedures aim to verify that the internal credit risk models indicate correctly the risk levels of the credits to which they relate, via:

- analysis of the model and of the environment in which it operates;
- the level of coverage;
- verification of the performance of the model by testing the model outcomes against limits and flashing lights; and
- analysis of the effective implementation and application of the model (usage) and the role it plays in the decision-making process and in risk management (use test).

7.2.3. Organisation of the IRB process

The Credit Risk Control Loans sub-department within Operations (BE and NL respecively) is responsible, beside the operational aspects of managing defaulted loans, for first line control.

The Credit & Insurance Risk Management Support department is responsible for developing the models for retail lending. For the models of exposures to corporates, institutions and covered bonds, this model-developing function is performed by the CRA sub-department of the Financial Management department.

Within the governance framework for managing credit risk models and the project systems designed for this purpose, the Risk & Validation sub-department has a specific second line role in the (further) development of the internal models. This consists, for the Risk sub-department, of critical evaluation of and independent risk checks on the prepared reports and, for the Validation department, of running through the validation cycle.

7.2.4. Control mechanisms for the IRB model process

The validation process of the models is undertaken by the internal validator (validation cell) within the Risk & Validation department who reports hierarchically to the CRO. The validator (validation unit) is independent here of both the business and the developers/modellers. The Risk & Validation department organises (ad hoc) the Validation Committee.

The validator's task is clearly and concretely defined in a Model Risk Management Framework (MRMF). The way in which Argenta deals with the risk inherent in models and the operational use of these models in decision-making is anchored in this MRMF, which controls the governance of models as well as the concrete measures for the management of models.

Conceptual validation is intended to determine whether the proposed model fits with Argenta Group's vision of risk policy (risk assessment, risk mitigants, controls), whether the model is methodologically correct and consistent with the policy, and finally, whether the design is compliant with the regulations.

After approval, the models are implemented in the operational systems. Implementation validation is intended to investigate whether the model as implemented is the same as the one initially developed and approved. Implementation validation relates both to the organisational and to the technical implementation in the Company's own IT environment, with particular attention to the 'use test' aspects.

Once the model is in use, it is important to know whether it is still working satisfactorily (backtesting). The monitoring of the performance of the risk model includes comparing the model predictions with the actual outcomes, as well as tracking the distribution of the underlying risk drivers. The Company determines, by means of internal standards, whether the differences between model predictions and actual performance are acceptable.

The Risk & Validation department reports quarterly on the performance of the models to the GRC-Moco (model overview committee) and carries out an extensive review on an annual basis. The conclusions from this can lead to a recalibration or an adjustment of the model.

In 2021, the ‘model risk’ risk profile was added to the RAF.

In addition to the procedures for managing the model and monitoring the model, a working instruction ‘IRB Credit Risk Model Changes’ is in place, with appropriate governance.

Internal audit

Over the past years, Internal Audit has conducted audits on a continuous basis in respect of Basel Pillar 1 credit risk. The Internal Audit department is responsible for determining whether a bank wishing to qualify for the advanced approach to credit risk under Basel meets all the minimum requirements. For this, the department draws on the services of independent in-house and external experts as well as using the results of the Validation sub-department, once the validation activities have been audited.

Stress tests

Besides implementing and reporting on the back testing of the internal measurement systems used to determine PD, LGD and EAD, the Risk & Validation department carries out stress tests. Stress testing consists of measuring the effects of serious but plausible economic conditions on the institution’s own portfolio. The results of the stress tests provide insight into the effect of possible unfavourable economic developments on the Company’s risk profile.

These stress tests are part of a company-wide stress testing programme, which is submitted annually to the Risk Committee of the Board of Directors.

7.3. Developed models

7.3.1. Internal credit risk models for exposure to retail customers

The Company has developed two global models for mortgage loans (residential mortgages). The first PD and LGD model was designed for the portfolio of mortgage loans initiated by the Company’s own branch network.

A second PD and LGD model was developed for the mortgage loans granted in the Netherlands. For managing and administering the mortgage portfolio in the Netherlands, the Company uses an external service provider (Quion).

An important distinguishing feature in calculating the LGD of the Dutch mortgage loan portfolio is the NHG. The NHG means that the WEW guarantees the mortgage loan. The borrower pays a single premium for this (see the more detailed explanation in Chapter 5.3).

Pooling - allocation to risk categories

The individual exposures are each assigned to a PD class (11 PD categories for Belgian loans, and 9 for the Dutch sub-portfolio). Defaulted loans are classified into the default category. Each category or pool contains credits with a similar risk profile for the respective portfolio. The best risks are those in category 1, the worst in the lowest category (the default category). The intention, in determining the number of risk categories, was to divide loans into a maximum number of risk categories that are significantly different from each other.

The results of these models and all relevant analyses are discussed on the Credit Risk Committee Retail (Kreco) for retail portfolios. The performance of the models, along with planned developments, are discussed at the Model Review Committee (GRC-Moco).

7.3.2. Internal credit risk models for exposure in the investment portfolio

As part of an appropriate and prudent risk management, all banking and corporate counterparties were subjected to primary analysis over a one-year time span. This also fits with the governance narrative linked to Argenta's (F)IRB status.

These analyses are all subject to a systematic risk check as part of an annually recurring process. Before inclusion in the portfolio, every bank and corporate is assigned an internal rating, in accordance with the (F)IRB framework that has been ratified and implemented at Argenta Group, and which is reviewed at least annually. The results of these rating reviews are discussed in the monthly Rating Consultation, and finally in the Alco (Asset & Liability Committee) for the non-retail portfolio. All model-technical matters are discussed in the Model Overview Committee (GRC-Moco).

The underlying rating models for the non-retail portfolio were developed by S&P with around twenty variables taken into account for each obligor.

Internal ratings are always based on two pillars. In addition to using statistics-based expert judgement models, fundamental risk analyses are performed for each obligor and subjected to independent second line controls. The calibration of the PD values associated with the internal ratings is undertaken on the basis of historical data.

7.4. Overview of exposures by the IRB method

Table **CCR4**, appended to this report, provides an overview of the exposure, average PD, average LGD, RWA and average risk weighting as at 31 December 2021 (of the institutions and corporates categories).

In the IRBA (advanced) approach, models have been developed for PD and LGD. In the IRBF (foundation) approach, a model has been developed for PD only.

In the RWA calculation of the mortgage loans, the required LGD floor of 10% is taken into account, and applied as a multiplicator at portfolio level. For the off-balance sheet items (consisting of unused credit lines and binding offers - the 'pipeline') a standard CCF of 100% is used. The PD percentages include the defaults (for the definition see Chapter 8.1).

The following table shows the calculated expected loss (hereinafter EL) per mortgage sub-portfolio - processed according to the IRB approach – taking into account the effective LGD and the applied 10% LGD floor.

Table 14: Overview of EL and provisions per mortgage sub-portfolio

	Belgium	The Netherlands	Total
Total provisions recognised	17,984,647	8,994,841	26,979,488
EL effective LGD	22,046,272	15,796,469	37,842,741
> non-defaults	5,672,232	10,972,277	16,644,509
> defaults	16,374,040	4,824,192	21,198,232
EL LGD floor	23,671,222	18,103,023	41,774,246
> non-defaults	7,297,183	10,972,277	18,269,460
> defaults	16,374,040	7,130,746	23,504,786

The EUR 21,198,232 are the individual provisions recognised on the default group (100% PD) in the "covered by real estate" category.

As of 31 December 2021, the total EL (with the effective LGD) for both defaults and non-defaults amounted to EUR 37,842,741. Applying the LGD floor of 10% resulted in an EL of EUR 41,774,246. This amount also includes the additional floor on the expected losses for the Dutch mortgage portfolio if the coverage ratio of the defaulted loans is lower than the minimum percentage. This additional floor amounts to EUR 2,306,554 at the end of 2021.

For the individual mortgage loans processed by the IRB approach, a total of EUR 26,979,488 of provisions were recognised. These contain both the individual stage 3 provisions and the stages 1 and 2 provisions.

The attached table **CR6** gives an overview of the exposures per PD scale for the categories that are weighted according to the IRB method in respect of their situation at 31/12/2021.

The most significant exposure category "secured by real estate" is processed according to the IRB(A) method. The average PD (including defaults) for the exposure category 'covered by immovable property - non-SMEs' was 0.82% and the average LGD was 10.82% (including the regulatory 10% floor). The reported RWA in table CR6 excludes the regulatory add-ons (standardised floor for Dutch and add-ons (5% EAD plus 33% RWA) for Belgian mortgage loans). If these add-ons are taken into account, a total amount of EUR 6,488 million is obtained for the risk-weighted assets, resulting in a density of the risk-weighted assets of 17.11%.

In the table below, a geographical overview (according to the counterparty's location) of PD and LGD is included for the "covered by real estate" exposure category. The table below is composed in the same way as table CR6 appended to this report, i.e. without the applicable regulatory add-ons (see above for explanation).

Table 15: Overview LGD and PD per geographical location

Country	Original on-balance-sheet gross exposures	Off-balance-sheet exposures gross CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
European Union (Total)	**34,770,931,303**	**3,124,553,488**	**100%**	**37,895,484,791**	**0.82%**	**237,997**	**10.80%**	**7,009**	**2,452,382,813**	**6.47%**	**41,764,384**	
BE	16,709,081,375	1,101,808,956	100%	17,810,890,331	0.82%	138,011	10.00%	6,246	922,714,717	5.18%	23,179,576	
DE	3,193,096	2,500	100%	3,195,596	1.94%	28	9.64%	6,080	153,144	4.79%	5,921	
ES	2,299,379	0	100%	2,299,379	25.98%	24	9.45%	3,836	112,724	4.90%	258,107	
FR	10,571,307	1,400,670	100%	11,971,977	1.69%	99	9.57%	5,688	944,232	7.89%	20,564	
IE	7,670	0	100%	7,670	0.03%	1	5.85%	334	47	0.61%	0	
LU	6,710,381	27,510	100%	6,737,891	0.15%	45	9.67%	6,128	215,676	3.20%	942	
NL	18,032,200,961	2,020,199,892	100%	20,052,400,853	0.82%	99,736	11.55%	7,689	1,527,872,643	7.62%	18,296,872	
SE	955,258	5,000	100%	960,258	0.39%	7	7.71%	5,200	47,725	4.97%	304	
Other EU countries	5,911,875	1,108,960	100%	7,020,835	0.29%	46	10.18%	5,231	321,905	4.58%	2,097	
GB	**4,704,157**	**240,000**	**100%**	**4,944,157**	**0.19%**	**32**	**10.38%**	**6,139**	**196,505**	**3.97%**	**1,057**	
North America (Total)	**3,959,103**	**9,816**	**100%**	**3,968,919**	**0.10%**	**32**	**10.46%**	**5,732**	**99,549**	**2.51%**	**431**	
CA	213,916	0	100%	213,916	0.06%	4	10.21%	6,086	3,998	1.87%	13	
US	3,745,188	9,816	100%	3,755,004	0.10%	28	10.47%	5,712	95,551	2.54%	417	
Other countries	**11,286,615**	**60,000**	**100%**	**11,346,615**	**0.76%**	**93**	**9.71%**	**4,795**	**650,576**	**5.73%**	**8,374**	
Total	**34,790,881,178**	**3,124,863,304**	**100%**	**37,915,744,482**	**0.82%**	**238,154**	**10.82%**	**7,008**	**2,453,329,443**	**6.47%**	**41,774,247**	**26,979,488**

Evolution of Loss Given Default (LGD)

The table below shows the evolution of the mortgage portfolio across the various LGD categories.

Table 16: Evolution of mortgage sub-portfolio per LGD scale

Exposure class	LGD scale	Arithmetic average LGD per obligor	Number of obligors		Average annual LGD in the past	
			End of previous year	End of current year	2020	2021
Belgium	1	n.a.	82,974	83,958	7.42%	7.42%
Belgium	2	n.a.	56,299	58,137	7.69%	7.69%
Belgium	3	n.a.	-	-	-	-
Belgium	4	n.a.	1,148	1,180	16.53%	16.53%
Belgium	5	n.a.	32,471	38,465	4.55%	4.55%
Belgium	6	n.a.	41,104	54,192	9.40%	9.40%
The Netherlands	1	n.a.	16,199	30,095	4.91%	4.91%
The Netherlands	2	n.a.	30,721	42,518	5.96%	5.96%
The Netherlands	3	n.a.	54,737	22,894	6.88%	6.88%
The Netherlands	4	n.a.	38,508	49,530	8.25%	8.25%
The Netherlands	5	n.a.	16,202	22,106	13.96%	13.96%
The Netherlands	6	n.a.	21,859	31,266	24.74%	24.74%
The Netherlands	7	n.a.	39	66	29.09%	29.09%

For the Belgian loan portfolio (including the application of a factor of 1.15 to the internal LGD values) the distribution over the various categories remains almost constant. There is a slight increase in categories 5 and 6, being the loans with mortgage mandates.

For the Dutch loan portfolio, we see a shift towards the better LGD categories (classes 1 and 4), mainly due to rising house prices in 2021.

Backtesting the probability of default (PD)

Table **CR9** (appended to this report) shows the results of PD backtesting for the different IRB portfolios (both investment and mortgage portfolios). In the absence of exposures in default in the investment portfolio, we take a closer look at the mortgage portfolio below.

Table 17 provides insight into the evolution of the probability of default per mortgage sub-portfolio (Belgium and the Netherlands).

Table 17: Backtesting of PD at the level of mortgage portfolio (model)

Exposure class	PD range (a)	External rating equivalent	Weighted average PD (b)	Arithmetic average PD by obligors (c)	Number of obligors		Defaulted obligors in the year (f)	Of which new obligors (g)	Average historical annual default rate (h)
					End of previous year (d)	End of current year (e)			
Belgium	1	n.a.	0.18%	0.14%	49,799	60,715	72	0	0.04%
Belgium	2	n.a.	0.41%	0.43%	63,176	67,905	270	0	0.10%
Belgium	3	n.a.	0.54%	0.58%	34,367	36,042	199	0	0.16%
Belgium	4	n.a.	0.71%	0.78%	22,914	23,497	178	0	0.25%
Belgium	5	n.a.	0.77%	0.88%	13,787	13,500	121	0	0.40%
Belgium	6	n.a.	1.25%	0.89%	11,127	11,375	99	0	0.46%
Belgium	7	n.a.	1.59%	1.58%	8,102	13,792	128	0	0.92%
Belgium	8	n.a.	1.87%	1.61%	4,920	3,903	79	0	1.10%
Belgium	9	n.a.	4.29%	3.63%	3,468	2,653	126	0	2.63%
Belgium	10	n.a.	5.99%	4.82%	1,576	1,091	76	0	5.65%
Belgium	11	n.a.	8.92%	7.76%	760	1,459	158	99	9.84%
Netherlands	1	n.a.	0.02%	0.04%	84,083	98,572	31	0	0.12%
Netherlands	2	n.a.	0.07%	0.09%	45,334	46,746	40	0	0.31%
Netherlands	3	n.a.	0.22%	0.21%	34,045	29,216	71	0	0.43%
Netherlands	4	n.a.	0.34%	0.28%	13,039	22,423	36	0	0.85%
Netherlands	5	n.a.	8.46%	7.66%	901	727	69	0	7.15%
Netherlands	6	n.a.	11.32%	11.22%	312	225	35	0	11.11%
Netherlands	7	n.a.	16.14%	17.86%	224	149	40	0	20.58%
Netherlands	8	n.a.	19.29%	21.99%	291	188	64	0	26.12%
Netherlands	9	n.a.	18.48%	19.44%	36	229	8	1	20.40%

Column a shows the various PD ranges used in the IRB modelling. Columns b and c contain the average observed PD figures as of 31 December 2021, weighted on the basis of exposure or unweighted respectively.

Subsequently, columns d and e indicate the number of obligors on 31 December 2020 and on 31 December 2021 respectively. Column f gives an overview of all new defaults during the past year, while column g only shows the defaults for customers newly acquired during the past year (all defaults placed in worst rating). Finally, column h shows the historical average PD (last 5 years).

In Belgium in particular, we note that the observed default rates per PD class are higher than the average default rates. The main explanation for this difference is that a number of loans were placed in default in the second quarter of 2021 due to an overly strict interpretation of the definition of forbearance. These files were rectified and removed from default in October 2021. The PDs per category were also recalibrated upwards in the course of 2021.

Overview of flows of risk-weighted assets

Table **CR8** appended to this report shows the evolution of the risk-weighted assets of the IRB portfolios (both A-IRB and F-IRB) For the Dutch mortgage portfolio, this table excludes the add-ons in the event that the IRB method results in a lower RWA than the one calculated according to the standardised method.

This is an overview of the evolution as a result of full and partial capital repayments, changes in PD and/or LGD categories (including defaults), changes as a result of the annual calibration of the PD and LGD values and new production.

Compared with September 2021, RWA has risen by EUR 56.7 million. This global increase is mainly explained by an increase of EUR 66.8 million related to mortgage portfolios (A-IRB).

The increase in RWA of the mortgage portfolios is driven by the growth of the Dutch and Belgian mortgage portfolios. This increase is limited by the improved asset quality resulting from the migration to the better PD and/or LGD classes. The (limited) decrease in the RWA in the ‘other’ section relates to the impact of the LGD floor of 10%, which has been applied at portfolio level since 31 March 2021 (previously based on individual exposures).

Breakdown into pools/ grades

IThe table below breaks down the exposures to institutions (including covered bonds) and corporates by pool/grade with the corresponding PD%.

Table 18: Breakdown of corporates/institutions exposures per pool/grade

Pool/grade	PD %	Corporates 2020	Institutions 2020	Pool/Grade	PD %	Corporates 2021	Institutions 2021
1				1	0.03%	0	148,401,342
2	0.03%	0	134,317,830	2			
3				3	0.03%	1,053,946	3,595,220
4	0.03%	970,452	0	4			
6	0.03%	130,423,528	118,574,474	6	0.03%	129,663,112	97,936,654
8	0.04%	90,315,793	159,270,498	8	0.04%	97,765,869	178,663,020
10				10	0.06%	277,183,820	403,210,413
11	0.05%	220,969,157	498,782,202	11			
13	0.08%	323,577,232	1,481,979,749	13	0.08%	865,216,922	703,854,002
16	0.11%	422,915,893	453,825,750	16	0.11%	558,303,122	320,203,368
19				19	0.15%	1,068,266,183	68,467,936
20	0.15%	929,381,180	76,983,859	20			
22	0.22%	1,039,709,665	49,385,004	22	0.21%	1,121,458,790	67,378,036
25				25	0.29%	395,208,146	14,093,820
26	0.31%	419,701,194	0	26			
29				29	0.40%	6,105,041	0
30	0.44%	45,717,896	0	30			
37	0.81%	63,894,759	0	37			
40				40	1.21%	25,501,973	0
Total		**3,687,576,750**	**2,973,119,366**	**Total**		**4,545,726,924**	**2,005,803,810**
RWA		**1,550,391,150**	**713,296,931**	**RWA**		**1,759,059,360**	**459,189,501**
Capital requirement		**124,031,292**	**57,063,754**	**Capital requirement**		**140,724,749**	**36,735,160**

8. Credit risk adjustments

For a more detailed explanation of credit risk (management) and the valuation rules in force, we refer to Chapter 5.3. ‘Credit risk’ and Chapter 2. ‘Accounting policies - valuation rules - impairments’, in the Company’s IFRS annual report (available on www.argenta.be and www.argenta.eu).

8.1. Definition of ‘past due’ and ‘in default’

A loan is considered ‘past due’ in the prudential reporting if at least one of the following criteria is met:

- The receivable is more than 90 consecutive days past due, taking into account the materiality thresholds included in CRR;
- 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 obligor 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 recording of default in the cases provided for in the CRR regulation.

When a significant portion (more than 20%) of the obligor’s total outstanding debt is considered in default, the Company considers it unlikely that the obligor’s other obligations will be fully discharged and the entire amount of all claims on this obligor are also classified as in default.

If the criteria for recognising the claim as in default no longer apply, the claim can be remediated if no new default criteria are established during the probation period.

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

Loans that are considered to be in default are consequently reviewed (taking into account also the collateral received) to verify whether impairment losses need to be recognised.

For the change of its prudential definition of default, the Company has decided to use the two-step approach proposed by the ECB. Under this approach, in step one, permission was requested of the supervisor, via an application file to change the definition of default. ECB approval was obtained on 15 January 2020. Following approval, 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 modified models for non-retail were submitted on 30 June 2021, for retail the model application files for Belgian mortgages were submitted in December 2021, while the model applications for Dutch mortgages will be submitted in the second quarter of 2022. In anticipation of this approval, the Argenta Group must apply an additional DoD (Definition of Default) add-on to the IRB portfolio in the transition period for the adjustment of the models. For the investment portfolio there is an additional add-on of 1.01, for the Belgian mortgage portfolio of 1.06 and for the Dutch mortgage portfolio of 1.01. These add-ons are included in the amount of credit risk under the IRB approach.

8.2. Disclosures on the credit quality of the exposures

Past due positions occur only in the 'retail' and 'secured by real estate' exposure categories. The positions listed below are classified in 'exposures in default' in the internal own funds calculation. Geographically these loans are located almost entirely in the core countries of Belgium and the Netherlands.

Table 19: Geographical breakdown of past due (IRB) risk exposures at year-end

Country	Past due exposure 2020	Past due exposure 2021
BE	64,916,445	78,492,063
NL	93,903,076	79,539,457
Other	773,582	794,681
Total past due exposures	**159,593,103**	**158,826,201**

These are all the exposures for which the IRB method is applied.

An overview of the impairments recorded in the balance sheet is provided below. Further explanation can be found in Chapter 5.3 of the BVg IFRS annual report.

Table 20: Overview of recorded impairments

	01/01/2021	Increase due to origination and acquisition	Decrease due to derecognition	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in allowances due to write-offs	Other changes	31/12/2021
Stage 1	**-11,347,234**	**-2,114,987**	**1,169,291**	**8,993,591**	**1,836**		**-1,515,535**	**-4,813,038**
Fixed-income securities	-7,517,441	-691,063	377,139	6,486,251	0		-731,044	-2,076,157
Loans and advances	-3,829,793	-1,423,925	792,152	2,507,340	1,836		-784,491	-2,736,881
Stage 2	**-14,710,335**	**-365,361**	**1,925,359**	**10,306,610**	**-56,011**		**-3,844,304**	**-6,744,042**
Fixed-income securities	-466,352	0	0	108,548	0		180,823	-176,981
Loans and advances	-14,243,983	-365,361	1,925,359	10,198,062	-56,011		-4,025,127	-6,567,062
Stage 3	**-20,092,002**	**0**	**1,804,521**	**-10,456,466**	**0**	**4,133,816**	**0**	**-24,610,131**
Fixed-income 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	0	-24,610,131
Total	**-46,149,571**	**-2,480,348**	**4,899,170**	**8,843,736**	**-54,175**	**4,133,816**	**-5,359,838**	**-36,167,211**
Total provisions on commitments and financial guarantees given	**-940,940**	**-2,252,437**	**1,937,775**	**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	-90,373	0	83,986	-14,962	10		-25,175	-46,513
Stage 3	0	0	0	0	0	0	0	0

At 31/12/2020 the stage 3 provisions amounted to EUR 20,092,002 and the stages 1 and 2 provisions (including the provision for off-balance sheet commitments) amounted to EUR 26,057,571. At 31/12/2021 the stage 3 provisions amounted to EUR 24,610,131 and the stages 1 and 2 provisions together to EUR 11,557,079.

Overall, the value adjustments have a net positive impact on the statement of profit or loss, partly due to the adjustment of the macroeconomic economic indicators as also used in the internal budgeting process.

The Company has a gross NPL ratio of less than 5%, i.e. 0.46% as of 31 December 2021. Consequently, the Company is not required to disclose the tables CR2-A, CQ2, CQ6 and CQ8 included in the guidelines on non-performing and forborne exposures (cf. EBA/GL/2018/10). Table CQ7 does not apply to the Company as no collateral has been obtained through taking possession and execution processes. The other tables can be found in the separate Excel appendix.

9. Encumbered and unencumbered assets

Financial institutions are required, on a continuous basis, to disclose information on encumbered and unencumbered assets for the previous twelve months, based on median values of at least quarterly data.

Table 21: Overview of encumbered assets

	31/12/2020 nominal value	31/12/2020 market value	31/12/2021 nominal value	31/12/2021 market value	average 2021 nominal value	average 2021 market 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 repo transactions	0	0	0	0	0	0
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
Colleteral for Target2 platform	50,000,000	51,272,927	50,000,000	50,086,450	50,000,000	50,191,494
Colateral for obtained credit line NBB	250,903,000	257,290,624	250,963,000	255,091,614	250,953,000	256,657,773
Total given collateral	**897,774,000**	**942,049,343**	**954,359,000**	**998,499,651**	**932,081,863**	**982,151,903**
Loans and advances Collateral						
Collateral for covered bond	0		1,238,209,581		766,692,444	
Cash collateral						
Cash paid (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 end-2021 a nominal EUR 338.5 million of assets were encumbered in the context of derivatives and a nominal EUR 50.8 million in connection with the use of credit cards by the Company's clients. In addition, a nominal EUR 261.1 million was encumbered in the context of the participation the ECB's TLTRO-III operation. In the context of collateral management, EUR 375.2 million in cash was paid in respect of derivatives and another EUR 45 million received.

The fair value of the derivatives portfolio increased during 2021, as a result of which part of the paid-out collateral has flowed back to Aspa in the form of securities and cash compared to 2020. The total collateral also includes the EUR 168 million of initial margin collateral at the CCP (Central Clearing Party). On 31 December 2021, the amount of overpaid collateral amounted to EUR 3,344,820, for which margin calls were received on 4 January 2022 in an amount of EUR 3,608,153.

The underlying mortgage receivables for the own securitisation are encumbered within the SPV structure. More information is included in Chapter 15.1 'Own securitisations'.

In summary, the sources of encumbrance are:

- Collateral in the context of collateral management of derivatives (with subsidiary Aspa concluding derivatives solely for managing its own interest rate risk). A well-developed collateral management system exists for derivatives concluded by the Company. A Credit Support Annex (CSA) of the International Swaps and Derivatives Association (ISDA) is concluded with each counterparty. These CSAs are concluded primarily to limit the counterparty risk. Changes in the market value of the derivatives lead to the exchange of collateral (securities or cash).
- Collateral for periodic repurchase agreements. The global framework for using repos has been elaborated but it is not an active part of the funding policy.
- Collateral for the company Bank Card Company (BCC) in connection with the issuance and payment flows of payment cards. The amount of collateral given is stable and is periodically reviewed.
- Collateral in the context of participation in the TLTRO-III programme. The amount of collateral given has increased in a limited amount with the participation in a new operation in 2021.
- Any eventual collateral at the NBB under Aspa's credit line with it. The Company has a EUR 250 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.
- Encumbrance resulting from the securitisation of mortgage receivables in the SPV structure and as a result of the pledging of mortgage receivables for the covered bonds issued. The securitisations issued are characterised by overcollateralisation, as the assets in the pools concerned are higher than the actual issue.

As of 31/12/2021, there are loans that are securitised, but at consolidated level are included back in the balance sheet. At the same time, subsidiary Aspa also issued two covered bonds (Belgian '*pandbrieven*') each in an amount of EUR 500 million.

Apart from the collateral mentioned above, no other assets of the Company were encumbered. The remaining assets on the balance sheet can therefore be considered as unencumbered. Table **AE1** appended to this report provides an overview of the encumbered and unencumbered assets and table **AE2** provides an overview of collateral received.

Table **AE3** appended to this report shows the link between encumbered assets, collateral received and related liabilities. The ratio between (i) the related assets and collateral received and own debt securities issued and (ii) the related liabilities, contingent liabilities and securities lent on the other hand is 124%, which is mainly explained by overcollateralisation on derivatives and debt securities issued.

These derivatives are concluded in the framework of the Company's management of its own interest rate risk. The related derivatives and collateral given and received are reported systematically to Alco.

As a result, inter alia, of the European Market Infrastructure Regulation (EMIR), collateral management has evolved in recent years. EMIR is intended to make trading in Over-the-Counter (OTC) derivatives more transparent and safer.

EMIR contains rules for the settlement of derivatives by a central counterparty (CCP), a licensing requirement for these CCPs, and requirements as to the collateral and transferability of positions, including where the OTC derivatives contracts are not settled through a CCP.

The coming into force of EMIR has brought with it mandatory central settlement and the reporting of OTC transactions to Trade Repositories. In addition, all new transactions are settled through a central counterparty. Whereas in the past, it was essentially securities that were given as collateral, with the operation of the CCP more cash is being exchanged.

10. Use of ratings from external credit assessment institutions (ECAI)

The Company uses the ratings of the following three rating agencies (External Credit Assessment Institutions - ECAI) in determining the weighting percentages: Standard & Poor's (S&P), Moody's and Fitch.

In line with CRR Articles 138 and 139, Argenta uses the rating of a specific issue programme or issue facility ('issue rating') to determine the applicable risk weight. Where this specific rating is not available, the issuer's rating will be used for risk weighting. Where neither rating type is available, the relevant exposure is treated as an unrated exposure.

Based on these external ratings of the securities involved, a RW percentage is assigned. In line with the imposed principles, the second best available rating is always used in the calculations. When, for example, just only two ratings are available, it is the second that will be used. This method is also applied for the securitisation positions. The table below provides an overview of all exposure categories for which external ratings are used in the standardised approach. In the event that no external rating is available for a specific position, the risk weights included in the CRR are applied.

The ratings of all listed securities are systematically monitored by the CRA sub-department as part of the tracking of credit risk. The financial policy line and the RAF set limits for the minimum ratings that the various asset categories are required to meet. If the ratings fall below the intended limits, this is systematically reported and, where necessary, a decision is taken whether or not to continue to hold the security.

The Company uses the published standard classifications to obtain the risk-weighted assets on the basis of the ratings of the securities concerned.

For this calculation the ratings of the three rating agencies are used. These ratings are publicly available at the time of issue, and rating changes are always published.

Table 22: Overview of Basel STA categories for which ratings are used at year-end

Exposure (STA)	Exposure 31/12/2020	Exposure 31/12/2021
Central governments or central banks	4,221,142,230	4,580,811,903
Regional and local governments	579,827,345	478,292,370
Public entities	138,618,096	149,951,275
Institutions	87,556,642	0
Corporates	179,055,600	191,258,967

As explained in the 'Risk Management' chapter of the IFRS annual report (credit risk section), the CRA sub-department also determines internal ratings.

11. Exposure to market risk

The Company does not make capital calculations for market risk in the trading book, since the Company has not had, and continues not to have, any ‘trading book’ or to hold any foreign currency instruments.

The derivative transactions shown in the Company’s balance sheet under assets and liabilities held for trading purposes were all concluded in the context of (a) hedging the interest rate risk of the banking book or (b) as part of a securitisation transaction.

In calculating the credit risk, these derivatives are processed using the SA-CCR approach.

12. Exposure to operational and other non-financial risks

The Company applies the standardised method for calculating the required own funds for operational risk.

According to this standardised approach the activities and hence also the operational result must be assigned to several business lines. The capital requirements differ from one business line to another, and are obtained by multiplying the operational result by 12%, 15% or 18%.

At the Company, the operational result is assigned to the business lines i) broker services (retail and small groupings), ii) retail bank (retail and small groupings) and iii) wealth management (all three of which need to be multiplied by a factor of 12%).

Based on the three-year average of the sum of annual capital requirements for operational risk, the Company was required to hold EUR 93,143,766 of capital at 31 December 2021.

This further increase compared to last year is the result of the higher operating result in recent years. The years with lower operating results are being replaced by more recent years with higher operating results.

In the approach to operational risk for ICAAP, an adjustment (supplement) is made if necessary where a maturity score achieved on the internal control is lower than the desired level, and there is also a supplement for stress scenarios.

Within non-financial risk, increased attention was paid in 2021 to (i) cyber risk, (ii) data management risk and (iii) fraud risk:

- (i) Based on the known risks and on the annual re-evaluation of the risk registers, the first line has drawn up a security maturity roadmap, intended to cover the most important cyber and IT risks over a 3-year period. The second line offers 'assurance' regarding Information Risk Management (IRM) based on a dynamic roadmap with a risk-based approach, as framed in the E2E Integrated Risk Management process. Both initiatives are being undertaken to bring maturity further towards the desired target level;
- (ii) Focus on the control measures for the EUCs (end user computing) and further implementation roadmap of the Data & Analytics business value stream;
- (iii) An anti-fraud action plan has been drawn up to better manage the risk of fraud.

For 2022, the points for attention for non-financial risks will focus on information security & cyber, fraud and IT risks (new risk profile added in 2021).

For the other risks we refer to Chapter 5.5 of the BVg IFRS annual report where the non-financial risks (NFR) are described in greater detail.

The overarching definition for non-financial risks is the chance of negative consequences (both financial and/or reputational damage) as a direct or indirect consequence of inadequate or failing internal processes, people or systems, or of external events.

13. Exposure to equities

In addition to a limited number of strategic equity investments, the Bank Pool also holds a limited number of positions in individual shares (from an investment perspective).

The Company's strategic investments amounted to just EUR 62,498. This position contains shares of a small number of entities that, under Belgian bank accounting rules, are considered as financial fixed assets and have already been held by the Company for a long time.

In addition, Company has built up, in recent years, a limited position in shares acquired from an investment perspective and linked, inter alia, to real estate companies.

In 2021, no capital gain was realised on this portfolio.

These shares are all treated using the standardised approach. In addition, a small number of subordinated loans to and participations in associated companies have been processed in this category.

Table 23: Overview of shares according to STA approach

	Carrying value	Market value	Unrealised gain/ loss	Realised gain/ loss
Strategic participations	62,498	62,498	0	0
Participations in affiliated companies	66,852	66,852	0	0
Investments	16,785,390	18,591,016	1,805,625	0
Listed	12,550,716	14,356,341	1,805,625	0
Private equity	0	0	0	0
Other	4,234,674	4,234,674	0	0
Subordinated loans	12,994,362	13,549,122	554,760	0
Total	**29,909,101**	**32,269,487**	**2,360,386**	**0**

Shares that are traded on an active market are accounted for at market value. For the very limited portfolio of strategic shares, the carrying value serves as market value.

Processing the insurance participation at BVg CRR scope level

At BVg level the participation in the insurance pool is - as already explained - treated as an exposure using the Danish Compromise (DC) and weighted under the IRB approach at 370%.

The participation in question is therefore not deducted from equity, see template **INS1** appended to this report for an overview of non-deducted participations in insurance companies.

The participation value amounts to EUR 176,445,506, which is multiplied by 370% in order to obtain a risk-weighted volume of EUR 652,848,373 and a capital requirement of EUR 52,227,870.

14. Exposure to interest rate risk

This chapter gives further information on the assumptions used by the Company in monitoring the interest rate risk in the banking book (IRRBB). A detailed description can be found in Chapter 5 of the IFRS annual report.

Interest rate risk is defined as the current and future exposure of an institution's profitability and equity in the event of adverse market interest rate movements. The 'banking book' consists of all interest-bearing components of the institution's balance sheet not belonging to a trading book.

Non-interest-bearing assets (including non-interest-bearing elements of the institution's required regulatory equity) are not included in the banking book. The Company's interest-bearing assets belong exclusively to the banking book.

The interest rate risk is reported both from an income perspective and from an economic value perspective.

The economic value of the banking book relevant as a buffer for interest rate risk can be defined as the algebraic total of the expected cash flows, other than the commercial margins, of the interest-bearing components of the banking book, discounted at prevailing or assumed future market interest rates over their interest-bearing terms.

The income perspective essentially examines the volatility of the interest result, the difference between interest income and interest expenses. At consolidated level, this figure also takes into account the changes in the market value of interest rate derivatives recognised through the income statement. Since 1 October 2008, hedge accounting has been applied to a portion of the interest rate derivatives when they have a demonstrable interest rate risk-reducing character.

In an interest rate-sensitive company, the interest rate risk is highly dependent on the mismatch between the average interest term of all interest-bearing assets and that of all interest-bearing liabilities (whereby, in addition to the interest maturity of the capital, the timing of intermediate coupons is also taken into account).

The greater the mismatch, the greater the interest rate sensitivity. The interest rate sensitivity is measured and reported in terms of the sensitivities of both economic value and interest result to a change in the interest rate curve under different interest rate shock scenarios.

Within the ALM management systems, all interest-bearing assets, liabilities and off-balance sheet positions are modelled according to their specific repricing and maturity features. All material sources of interest rate risk (viz. gap risk, option risk and basis risk) are considered, in line with the prevailing EBA guidelines on the management of Interest Rate Risk in the Banking Book. In addition to interest rate risk, the impact in the event of other-than-modelled portfolio behaviour of products without contractual interest rate maturity dates is measured, managed and if necessary capitalised in ICAAP.

Alco or the GRC-Moco can decide to adapt a methodology or behavioural model on the basis of regulatory or market developments. In this case, the decision will be explained to the Executive Committee, which will ratify it.

For calculating economic value, the spot swap vs Euribor 3M curve is used at reporting date as a reference curve for the risk-free interest rate curve. No margin is applied to the discounting interest rates, nor are the commercial margins included in the cash flows discounted. In this way, the interest rate risk is measured purely and the most effective and efficient control measures can be taken.

The ALM management system examines the impact of a pre-defined spectrum of interest rate scenarios. For income analyses, a flat-balance hypothesis (i.e. unchanged balance sheet size and balance sheet mix) is applied each time. In the business plan process too, the robustness of the business model is also monitored under the considered range of interest rate scenarios.

In the context of the EBA standard outlier tests, it becomes 'going forward' a challenge to implement the appropriate hedging policy at sufficiently close range and quickly. For this reason, it was decided at the end of 2021 to set up a Hedging Consultation under Alco supervision.

Assumptions concerning the behaviour of deposits with no contractual maturity

For internal risk monitoring and also for ECB prudential reporting, the re-pricing behaviour for savings accounts in Belgium is modelled using an internally developed replicating model. This is an econometric behaviour model from which a risk-optimal reinvestment strategy for these funds is 'replicated' on the basis of the historical and expected re-pricing behaviour and the circulation of these deposits. The replicating model is not only calibrated on historical company data, but also factors in a 'forward look'.

Since the end of 2018, internally developed replicating models have also been used for savings accounts in the Netherlands and current accounts in Belgium. For the Dutch savings accounts this is conceptually the similar model as for the Belgian savings accounts. For Belgian current accounts, the model is simpler, given that its object is rather a volume-sensitive portfolio than a price-sensitive portfolio. In order to reflect the risk profile of this portfolio in the measurements, an explicit distinction is made here between 'core' and 'non-core' volumes, which are modelled on different duration characteristics.

Assumptions with regard to option risk

Within interest rate risk management, the Company distinguishes three options that are included in the modelling of the balance sheet positions.

With the first option, the customer has the option to prepay his mortgage loan. This option is factored into ALM management system as follows:

- For mortgages in Belgium, an internally developed prepayment dynamic model is applied that is driven by a modelled interest rate incentive for the client and the age of the mortgage.
- For mortgages in the Netherlands, the expected prepayments are predicted on the basis of a static model consisting of a short and long-term average and which is based on and kept in line with observations.

Both behavioural models are subject to the internal Model Risk Management Framework and are periodically backtested to monitor their predictive performance.

In the second option, Belgian mortgage rates are automatically capped/floored at interest rate revision dates by means of contractual maximum increase or reduction levels. The impact of this is always captured in the measurement of interest rate risk, in both simulations of both economic value and the interest result.

With the third option, the savings rates are automatically floored because of the statutory minimum interest rate. The impact of this is included in the measurement of the interest rate risk on top of the application of the above-mentioned replicating model.

Treatment of pipeline risk

In the period between the approval of a mortgage loan and execution of the notarial deeds of sale, market interest rate fluctuations can influence the interest rate at which the mortgage loan is eventually completed. In the situation of rising interest rates, the customer is still able to enjoy the lower rate which applied when the mortgage loan was applied for. On the other hand, where market interest rates are moving downwards, the customer can opt for the lower rate applying immediately before signing of the notarial deeds.

In this period, in which loans have been confirmed for which the rate is not yet established, there is an exposure to pipeline risk. The interest rate risk contained in the credit pipeline which will with great probability 'land' on the balance sheet in the short term, is always included in the determination of the interest rate risk from an economic value perspective.

The Company's ALM sub-department reports to Alco on interest rate risk, on a monthly basis at company level and at a quarterly basis at consolidated level.

15. Exposure related to securitisation positions

15.1. Own securitisations

In 2017, 2018, 2019 and 2021, securitisation transactions were carried out, each involving a portfolio of Dutch residential mortgage loans with NHG guarantees via the Green Apple 2017-I-NHG SPV, the Green Apple 2018-I-NHG SPV, the Green Apple 2019-I-NHG SPV and the Green Apple 2021-I SPV respectively.

The SPVs involved have a profit of EUR 2,125 per entity (minimum tax basis). The interest received and paid and the other costs are reflected in the income statement at the level of Aspa. The relevant processing is accounting and tax-neutral.

These are traditional securitisation transactions, undertaken with the objective of attracting new funding (tapping a new funding source) with a view to continuing to offer mortgage loans.

Aspa has itself purchased the B and C notes issued by the SPVs with an outstanding exposure of EUR 483,832,545. A notional EUR 1.2 billion (Green Apple 2017-I-NHG), a notional EUR 1 billion (Green Apple 2018-I-NHG), a notional EUR 0.8 billion (Green Apple 2019-I-NHG) and a notional EUR 0.65 billion (Green Apple 2021-I) of notes were initially placed with institutional investors.

Under IFRS, the Green Apple SPVs - which have carried out the securitisation transactions - are fully consolidated. In this way the underlying Dutch mortgage loans come back onto the consolidated entity's balance sheet.

Both the liquidity risk and interest rate risk of the underlying loans (and consequently the notes held internally) are also managed by the Company in accordance with the standard reporting and governance of the Argenta Group. The interest rate risk remains with the Company due to the presence of a cap structure in the global transaction.

A detailed explanation of the various Green Apple issues and the global structure can be found on the website www.argenta.eu. The features of these issues, prospectus and investor presentation, can be found under the "debt issuance" heading.

The table below contains a summary of the own securitisations for the current period. These securitisations relate to mortgage loans, and are therefore related to the exposure category "secured by real estate".

Table 24: Overview of exposures relating to own securitisations

Total exposure	Performing	Non-performing	Of which: past due	Accumulated impairments	Of which stage 1:	Of which stage 2:	Of which stage 3:
2,949,625,418	2,934,420,681	15,204,737	12,917,435	248,594	16,341	64,577	167,676

The impairments recorded on own securitisations (based on the loans from the four entities that are included as exposure in the calculation of the credit risk requirements) amount to EUR 248,594 in 2021, of which EUR 16,341 for stage 1, EUR 64,577 for stage 2 and finally EUR 167,676 for stage 3 loans.

Role as originator in securitisation transactions

Aspa plays several roles in securitisation operations. As initiator (*originator*) of securitisation operations, the Company (*seller*) sells the loans for securitisation to the issuer.

In the case of the Aspa-initiated securitisation operation, the issuer is an SPV, established under Dutch law, named Green Apple BV. This company buys the loans and issues bonds (notes) to pay for this purchase.

The Green Apple SPVs are administered by Intertrust Services, an independent Dutch company specialising in securitisation operations and trust management.

Aspa is also involved in the transaction through the structure of a front and back cap, whereby the interest rate risk remains at Aspa.

The Company is not involved as a sponsor in other securitisation transactions. However, the Company is also involved in other securitisation operations through its role as an investor (see Chapter 15.2. Portfolio of securitisation positions).

CRR approaches applied

The own securitisation transactions do not envisage a release of capital, and the Company assesses that there is no significant transfer of credit risk. For this reason, a capital requirement is calculated for all securitised loans at Aspa solo level. This replaces the calculation of a capital requirement for the (self-purchased) B and C notes. For this reason a capital requirement is calculated for the underlying loans instead of the issued notes that were purchased by Aspa.

Under IFRS, the Green Apple SPVs have been fully consolidated. In this way the underlying Dutch mortgage loans come back onto the consolidating entity’s balance sheet. At consolidated level, the capital calculations on the mortgage loans are retained (since the loans return onto the balance sheet) and the outstanding self-purchased B and C notes are eliminated in the consolidation.

Accounting policies

The securitisation operations can take the form of a sale of the assets in question to a ‘special purpose vehicle’ (SPV) or the transfer of the credit risk by means of credit derivatives.

An SPV issues tranches of securities to fund the purchase of the assets. The financial assets involved in a securitisation are no longer (fully or partially) accounted for in the financial statements of the issuing institution whenever the company in question transfers virtually all the risks and income from the assets (or parts thereof).

The B and C notes of the Green Apple 2017-I-NHG, Green Apple 2018-I-NHG, Green Apple 2019-I-NHG and Green Apple 2021-I issues are recognised at amortised cost at Aspa solo level, given the intention to retain these securities until call date. At consolidated level, these notes are eliminated and the loans come back onto Aspa’s and the Company’s balance sheets.

At consolidated level, no gains are realised on the sale of the loans. Owing to the DPP (deferred purchase price) method, the interest result from the loans comes into the profit and loss account on an unconsolidated basis.

All securitisation positions that Aspa has acquired are listed. In this way, an external valuation of these effects is obtained. A more detailed explanation of the fair value of financial instruments is given in the Company’s IFRS annual report.

Until now, the Company has only occasionally sold loans in the context of securitisation transactions. These were all securitisation transactions in which the relevant loans subsequently came back onto the Company's balance sheet via consolidation. The loans in question were therefore not included in the trading book. The Company has no trading book. For example, derivative instruments acquired are always entered into for the Company's own account in order to hedge its (interest rate) risks.

Periodically (and immediately after the granting of the loans) loans are also sold by Aspa to its sister entity Aras, independently of the implemented aforementioned securitisations.

15.2. Portfolio of securitisation positions

In addition to the securitisation transactions described above and performed by the Company itself, the Company holds a number of asset-backed securities (ABS) and mortgage-backed securities (MBS) as part of its investment policy.

These securities form part of the Company's investment portfolio (the Company has no trading portfolio), with the risks monitored following the governance for the global investment portfolio.

The Company invests only in the A tranches of securitisation transactions and has no resecuritisation positions in its portfolio. These positions are processed by the SEC-ERBA method under the exposure category 'securitisation positions'.

All purchased securitisation positions are included in the institution's investment portfolio. The Treasury & Investment Services (TIS – Middle Office) sub-department is responsible for analysing whether a securitisation position can be regarded as an STS (Simple, Transparent & Standardised) securitisation and therefore qualifies for a differentiated capital treatment.

The table below gives a geographical overview of purchased (as investments) securitisation positions. This geographical distribution is based (as for the entire portfolio) on the issuer's country code.

Table 25: Geographic distribution of securitisation exposures at year-end

Type	Country	Exposure 2020	Exposure 2021
MBS	ES	11,735,933	9,734,229
MBS	FR	7,806,870	3,558,802
MBS	GB	6,153,598	0
MBS	IE	5,247,338	3,198,938
MBS	NL	510,069,281	489,745,458
ABS	BE	0	40,975,249
ABS	DE	21,555,677	41,661,228
ABS	FR	18,907,391	46,491,054
ABS	IE	2,836,250	25,388,282
ABS	LU	45,205,291	63,183,397
ABS	NL	9,395,104	18,301,476
ABS	US	973,382	0
Total securitisation positions		**639,886,116**	**742,238,113**

The following table gives an overview of the securitisation positions involved, with their external ratings (indicating the credit quality of the securities), their EAD and the total own funds requirement by the SEC-ERBA method.

The ratings given by the relevant rating agencies to the transactions are used for the weightings and the calculation of capital requirements.

Table 26: EADs and capital requirements of securitisation positions

Rating S&P	Rating MDY	Rating FITCH		ABS	MBS	Total
		AAA	EAD		26,511,410	26,511,410
			Capital requirement		212,083	212,083
	Aaa		EAD	90,365,657	3,558,802	93,924,459
			Capital requirement	1,443,241	56,940	1,500,181
		AAA	EAD	10,378,589	93,046,165	103,424,754
			Capital requirement	165,963	1,455,139	1,621,102
	Aa1	AAA	EAD		4,794,693	4,794,693
			Capital requirement		115,072	115,072
A+	Aaa	B	EAD		1,467,570	1,467,570
			Capital requirement		58,702	58,702
AAA			EAD	31,124,794		31,124,794
			Capital requirement	495,130		495,130
		AAA	EAD	101,385,831	72,535,700	173,921,532
			Capital requirement	1,619,672	580,263	2,199,934
	Aaa		EAD	2,745,815		2,745,815
			Capital requirement	40,947		40,947
		AAA	EAD		299,383,551	299,383,551
			Capital requirement		3,237,902	3,237,902
	Aa1		EAD		3,458,556	3,458,556
			Capital requirement		83,001	83,001
		A+	EAD		1,480,979	1,480,979
			Capital requirement		35,543	35,543
Total EAD				**236,000,686**	**506,237,427**	**742,238,113**
Total capital requirement				**3,764,953**	**5,834,645**	**9,599,598**

The portfolio of securitisation positions has risen from an exposure of EUR 639,886,116 as of 31 December 2020 to EUR 742,238,113 as of 31 December 2021.

Applying the weighting percentages and the 8% requirement, a capital requirement of EUR 9,599,598 (compared with EUR 10,351,267 at 31/12/2020) was obtained for these purchased securitisation positions.

The Company buys only tranches of the highest credit quality (see table above with the indication of ratings – in this way no one securitisation position is weighted at 1,250%) and does not have to deduct amounts from its eligible capital (Article 444 CRR (e)). Nor are any credit risk mitigations applied for these exposures in the capital calculations.

15.3. Tracking of securitisation positions

The Credit Risk Analysis (CRA) sub-department is responsible for tracking the positions of the investment portfolio and the purchased securitisation positions. The purchased positions are monitored systematically. Every three months a comprehensive analysis report is prepared on these positions and is discussed in the Alco. Based on the evolution of the credit risk of the underlying assets of the securitisation positions, proposals are made to set up provisions.

The analysis report provides an overview of the performance of the Structured Credit Portfolio (SCP). The RMBS and ABS transactions are monitored on the basis of Coverage Ratios (CR).

A CR measures the extent to which the existing Credit Enhancement (CE) of an RMBS can cover the Expected Losses (EL) on the underlying pool of loans, in the event of failure or default. The expected losses are determined on the basis of an estimate of the total Probability of Default (PD), and an estimate of the size of the Loss Given Default (LGD). The expected loss relates to the principal that remains unpaid after the sale of the guarantees.

The CRs provide an overview of the performance of both the total portfolio and the individual transactions. The CRs are further calculated in a base case and severe case scenario. A CR > 1 indicates that the available credit enhancement can absorb the expected losses within the transaction and that no losses are expected on the tranche in the portfolio. Given that the great majority of the RMBS portfolio consists of Dutch RMBSs, a benchmark is set for the comparison of performance.

The Company buys only the top tranches of the issued securitisation positions. In this way it has not so far suffered any effective loss on these positions. The total capital requirement for securitisation positions has fallen (partly due to the decline in the portfolio). The Company does not have any resecuritisation or synthetic securitisation in its portfolio. These elements have been included in the table below.

Table 27: Overview of key data securitisation positions

Overview securitisation positions	Trading book	Investment portfolio
Total securitisation portfolio	0	742,238,113
Of which exposure type MBS (Mortgage Backed Securities)	0	506,237,427
Of which exposure type ABS (Asset Backed Securities)	0	236,000,686
Traditional securitisations	0	742,238,113
Synthetic securitisations	0	0
Resecuritisation positions	0	0
Green Apple 2017 SPV		
Outstanding amount as per end of 2021 of self-issued notes	0	571,906,238
Outstanding amount as per end of 2021 of self-purhcased B and C notes	0	156,000,000
Securtised loans in October 2017	0	1,353,431,381
Green Apple 2018 SPV		
Outstanding amount as per end of 2021 of self-issued notes	0	558,831,751
Outstanding amount as per end of 2021 of self-purhcased B and C notes	0	117,300,000
Securtisated loans in June 2018	0	1,117,243,343
Green Apple 2019 SPV		
Outstanding amount as per end of 2021 of self-issued notes	0	571,144,219
Outstanding amount as per end of 2021 of self-purhcased B and C notes	0	112,400,000
Securtisated loans in June 2019	0	935,793,960
Green Apple 2021 SPV		
Outstanding amount as per end of 2021 of self-issued notes	0	646,117,596
Outstanding amount as per end of 2021 of self-purhcased B and C notes	0	98,132,545
Securtisated loans in June 2021	0	743,220,838
Assets already assigned to securitise	0	0
Capital requirement securitisation positions	0	9,599,598
Deducted from equity or 1.250% weighting	0	n.a.

Both at unconsolidated and consolidated levels, the capital requirement is calculated for the underlying loans and not on the self-purchased Green Apple notes.

16. Remuneration policy, diversity and integrity

This section provides disclosures on remuneration policy (both substantive elements and the decision-making process for arriving at this policy). Most of these disclosures are also included in the combined BVg annual report which is published on the www.argenta.be website.

Argenta has 4 charters that describe the basic principles and values that Argenta considers as key for its activities: the 'Suitability of Key Officers' Charter, the 'Diversity' Charter, the 'Integrity' Charter and the 'Sustainability' Charter. By their nature, these charters apply across the Argenta Group.

Remuneration Committee

There is a single Remuneration Committee at Argenta, consisting of certain members of the Board of Directors of Argenta Bank- en Verzekeringsgroep. Based on a waiver granted by the supervisory authority, the Remuneration Committee operates at group level and no separate remuneration committees have been set up within the Boards of Directors of either Argenta Spaarbank or Argenta Assuranties.

The Remuneration Committee advises on the remuneration policy with respect to the members of the Board of Directors, those employees whose professional activities can have a material impact on Argenta (the "identified staff") and all other employees of the Argenta Group.

It monitors the evolution of compensation within the Argenta Group, makes sure that the remuneration policy promotes a solid risk culture, and makes general recommendations to the Board of Directors. For this, it also examines annually whether remuneration in the Argenta Group is in line with the remuneration policy.

The Remuneration Committee assesses annually the remuneration of executive and non-executive directors from the perspective of the remuneration policy adopted by Argenta and the conformity of the remuneration with legal and regulatory terms, including the possibility that the remuneration could be such as to create a conflict of interest between the directors and the institution.

The Committee has established that the remuneration of non-executive directors consists solely of a fixed monthly fee, plus a fixed amount per Board meeting attended. The Committee confirms that this remuneration is consistent with Argenta's remuneration policy, and with the business strategy, objectives, values, and long-term interests of the institution. The remuneration is not such as to create conflicts of interest between the non-executive directors and the institution.

The Committee has further established that the remuneration of the executive directors consists solely of a fixed monthly fee, plus premium contributions into two group insurance schemes, one for creating a supplementary pension capital and one for disability insurance. The basic fixed remuneration reflects primarily the relevant professional experience and organisational responsibilities, as set out in the job description that is part of the Executive Director mandate. There is no variable remuneration depending on performance criteria. The committee has determined that the remuneration of the executive directors is in line with Argenta's remuneration policy, and with the business strategy, objectives, values and long-term interests of the institution. The remuneration is not such as to create conflicts of interest between the non-executive directors and the institution.

In 2021, the Remuneration Committee met three times.

The following non-executive members of the Board of Directors of Argenta Bank- en Verzekeringsgroep sits on the Remuneration Committee:

- Raf Vanderstichele (chairman)
- Bart Van Rompuy
- Carlo Henriksen

The chairman Raf Vanderstichele and Carlo Henriksen are independent members of the Remuneration Committee as stipulated in article 7:87 §1 CCA.

The Chairman, Mr. Raf Vanderstichele was active for many years as an auditor with an international auditing firm and statutory auditor of several Belgian companies, also in the financial sector.

The Remuneration Committee is composed so as to be able to give a sound and independent assessment of remuneration policies and compensation practices and the incentives created by it for risk management, capital requirements and liquidity position.

The Remuneration Committee meetings are also attended by a member of the Risk Committee, in the person of Mr. Marc van Heel, chairman of the Board of Directors.

Remuneration policy of the Argenta Group

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.

The Board of Directors is subsequently responsible for supervising the implementation of the decision of the General Meeting.

Argenta's Board of Directors, in collaboration with the Remuneration Committee, establishes a remuneration policy for all employees (with the exception of the members of the Board of Directors) of the entire group, and oversees its implementation in collaboration with the Remuneration Committee and the independent control functions. This policy takes into account the complexity and structures of the group in order to establish, develop and implement a consistent group-wide policy that aligns with the group's risk management strategies. The policy is applied to all relevant individuals at group level and at each subsidiary and the branch in the Netherlands. This policy does not apply to branch managers or their employees.

Argenta guarantees:

- the overall consistency of the group's remuneration policy, by ensuring that it complies with the legal requirements for companies belonging to the group and by ensuring its correct application
- that the remuneration policy is consistent with the institution's corporate strategy, objectives, values and long-term interests, and also includes measures to avoid conflicts of interest
- the direct supervision by the Remuneration Committee of the remuneration of senior executives who perform risk management and compliance functions
- the involvement of the independent control functions:
  - the risk management function ensures that the remuneration policy is consistent with sound and effective risk management and promotes sound risk management
  - the compliance function analyses the impact of the remuneration policy on the institution's compliance with laws and regulations, internal policies and risk culture, and reports all identified compliance risks and non-compliance issues to the management body; every year the compliance function formulates an opinion via the Risk Committee
  - the internal audit function independently reviews the design and implementation of the institution's remuneration policy and its impacts on its risk profile, and assesses how these impacts are managed
- mutual contact and exchange of information between the competent functions at group level with the subsidiaries and the branch
- a gender-neutral remuneration policy.

The Argenta Group strives to remunerate its employees in line with market conditions. The salaries of Argenta employees, administrative staff, management and senior executives, and members of the Argenta Executive Committee consist solely of a fixed amount. No variable compensation, shares, stock options, entry bonuses or deferred compensation are awarded.

The remuneration policy determines which remuneration packages apply to which functions, depending on the degree of difficulty, responsibility, level of required training/experience and necessary specialisation of a particular function.

The key aspects of this policy are:

- the compensation benchmarks: benchmarks established by the Board of Directors for all function types at Argenta
- an Argenta 'function house', linked to a company-specific 'remuneration house' (with sector-defined minimum pay scales and benchmark-driven, experience-based gross reference salaries)
- a company-wide system for pay increases, taking into account performance evaluation and pay benchmarking
- a cafeteria plan as a means of offering flexibility in the remuneration package.

The Executive Committee, the Remuneration Committee of the Board of Directors and subsequently the Board of Directors itself approved the outlines of an updated salary policy in 2016. Since then, this policy has been converted into concrete practices (the feedback and evaluation cycle, the pay round, the function and remuneration houses, the cafeteria plan, etc.) and internal regulations. These were also translated, at the social consultation level, into

- The company collective labour agreement to introduce a new wage policy (22/12/2016);
- The job classification protocol (07/12/2016).

In 2018, the harmonisation of the Articles of Association was also discussed with the social partners and translated into a company collective labour agreement.

All these evolutions are summarised in the new 'Remuneration policy for Argenta non-directors' submitted for approval to the Board of Directors on 26/03/2019, with an update by the Board of Directors on 30/03/2021 (after seeking the opinion of the Remuneration Committee). This describes the principles that Argenta applies to achieve sustainable and correct remuneration for the employees (non-directors) of Argenta companies.

In addition to the standard remuneration (monthly salary), all Argenta staff members receive double holiday pay, 13th month, hospitalisation insurance, group insurance and meal vouchers. The hospital insurance can be extended to the entire family. Company cars can be allocated for certain positions, or costs specific to the employer. On 1/05/2020, an occupational disability insurance was introduced that provides a supplement, in line with the market, on top of the benefits received from the health insurance company or the ZIV (Sickness and Invalidity Insurance).
A new collective labour agreement was concluded in 2020, which structurally introduces 2 days of teleworking per week from 01/09/2020.

The total wage bill of the Argenta Group is disclosed in the IFRS annual reports (see www.argenta.be).

Identified staff

Remuneration policies need to provide appropriate incentives to encourage prudent behaviour among employees whose professional activities have a material impact on an institution's risk profile. The remuneration principles are the same as for other positions in the Argenta Group. Their remuneration also consists solely of a fixed amount. In this way the remuneration policy ensures that there are no material conflicts of interest for employees in control positions and that no excessive risks are taken.

The Executive Committee determines on the basis of quantitative and qualitative criteria - on the basis of Delegated Regulation (EU) 2021/923 of 25/03/2021 (banking regulations) and Regulation 2015/35 of 10 October 2014 Art. 275c (insurance regulation) - which employees qualify as identified staff. This proposal is submitted for its opinion to the Remuneration Committee.

The Remuneration Committee submits the proposal with its opinion to the Board of Directors for ratification.

The persons in question are informed of their qualification as identified staff members, and the supervisor is also informed.

The Board of Directors has ultimate responsibility for the staff identification process and policies. The management body in its supervisory function:

- approves the identification policy as part of the remuneration policy;
- is involved in the design of the self-assessment;
- ensures that the assessment for the identification of staff is properly carried out in accordance with Directive 2013/36/EU, Delegated Regulation (EU) No. 2021/923 of 25/03/2021 and the EBA guidelines EBA/GL/2021/04;
- monitors the identification process on a continuous basis;
- approves material exemptions from or changes to the established policy and carefully studies and monitors their effect;
- approves exclusions of employees in accordance with Article 4(2) of Delegated Regulation (EU) 2021/923 of 25/03/2021 whenever the institutions consider that these employees do not meet the qualitative criteria established in Delegated Regulation (EU) 2021/923 of 25/03/2021 , as they do not materially affect the risk profile of the institution, and monitors this;
- regularly reviews the adopted policy and changes it where necessary.

The Board of Directors is assisted in this by the Remuneration Committee. The Risk Committee is also involved, without prejudice to the tasks of the Remuneration Committee, as well as the independent control functions.

At Argenta Group, 56 people were designated as Identified Staff during 2021.

In 2021 the total remuneration for Identified Staff amounted to EUR 10,871,199 (EUR 9,989,221 in 2020). Template **REM5** shown in the appendix breaks down the remuneration of these Identified Staff by business area.

In 2021, a severance payment was awarded to an employee who was a member of the Identified Staff. We refer to template **REM3** for further information.

Note on remuneration policy for Executive Committee members

The remuneration of Executive Committee members is set out in Chapter 7 “Remuneration of directors” in the Company’s IFRS annual report.

The executive directors receive a fixed annual remuneration that does 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 remuneration meets the terms of the CBFA (now FSMA) Regulation of 8 February 2011 concerning the remuneration policies of financial institutions, as well as the provisions of the Banking Act. The remuneration is the same for all members of the Executive Committees, with the exception of the chairman.

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

At the end of their mandates, the executive directors receive compensation in accordance with the directors’ agreement for executive directors.

In 2021, the basic salary of Marc Lauwers (CEO of Argenta and chairman of the Executive Committees of Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties) amounted to EUR 649,200, an increase of 0.37% compared with 2020. On top of this came a contribution to the supplementary pension and disability group policies amounting to EUR 117,516 (EUR 116,879 in 2020).

This means that there are no employees at Argenta Group, even in the Executive Committee, who receive more than one million euros. Template REM4 therefore does not apply to Argenta.

In 2021, the total direct remuneration of the executive directors/Executive Committee members of the Argenta Group (excluding that of the CEO), amounted to EUR 1,830,000 (EUR 1,605,900 in 2020). Contributions to the group supplementary pension and disability policies in respect of Executive Committee members, excluding the CEO, amounted to EUR 343,977 (EUR 302,343 in 2020).

Executive directors are entitled to a severance payment which, except for withdrawal of the mandate due to serious misconduct, is equal to 18 months' remuneration, which if needs can be viewed as variable remuneration. Its amount is based on the annual gross remuneration, calculated over the 24 months prior to the decision to terminate the contract, or calculated over the entire period of the mandate if less than 24 months. This compensation gradually decreases from the age of 58.
In 2021, no severance payments were made to Executive Committee members.

The mandate can be terminated at any time by the director by the giving of six months' prior notice to Argenta 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 months.

Appointments Committee

There is a single Appointments Committee at Argenta, consisting of certain members of the Board of Directors of Argenta Bank- en Verzekeringsgroep. Based on a waiver granted by the supervisory authority, the Remuneration Committee operates at group level and no separate appointment committees have been set up within the Boards of Directors of either Argenta Spaarbank or Argenta Assuranties.

The Appointments Committee is tasked with assisting the Boards of Directors of the Argenta Group companies and advising them on assuming their responsibilities and on taking the necessary decisions with regard to the composition, structure and functioning of the Board and of the Executive Committee.

For this the Committee examines the performance of the Boards of Directors and of the Executive Committees of the Argenta Group companies, as well as the performance of their individual members and prepares the succession plans in both bodies.

The Appointments Committee is constituted so as to be able to give a sound and independent assessment of the composition and functioning of the administrative and management bodies of the component institutions of the Argenta Group, in particular on the individual and collective competence of their members, and on their integrity, reputation, independence of mind and availability.

The Appointments Committee consisted in 2021 of: C. Henriksen (chairman), M. van Heel and B. Van Rompuy, members.

The meetings are held as often as the chair of the committee considers it desirable. In 2021 the committee met three times.

Explanation of the Executive Committee selection process

The selection process for Executive Committee members is as follows: a first selection of candidates takes place in collaboration with external selection offices. After a first selection, the Appointments Committee and the Remuneration Committee assume their role as advisors to the Board of Directors. The Board of Directors appoints a candidate and presents this person to the supervisory authority. The final appointment is made after the supervisor has found the proposed candidate to be “fit and proper”.

Diversity at Argenta Group

As a bank insurer, Argenta strives to be a reflection of society, so that all customers and employees feel at home with Argenta Group.

That is why Argenta Group gives every employee equal opportunities, with the focus on talent regardless of gender, age, disability, belief, philosophy, marital status, birth, wealth, political opinion, trade union membership, language, health status, gender identity and gender expression, physical or genetic characteristics, social, cultural or ethnic origin.

Argenta considers being able to handle diversity or “being different” as an added value that allows new perspectives and interaction with “other” individuals and communities. This has also been enshrined in the internal ‘Diversity’ charter.

Nonetheless, Argenta Group has target figures, only for gender and age. Certain personal details may not be kept (other than with the written consent of the data subject). In this way targeting and reporting with regard to these criteria is not possible.

Boards of Directors

For the Boards, Argenta applies a target female/male ratio of 33% (2025). Six of the 15 Argenta Group directors are female (40%).

New directors are selected in the first place on the basis of their specific knowledge, training and experience with a view to strengthening the functioning of the board in which they sit. When recruiting, however, care will always be taken to ensure that there is at least one candidate of each gender in the last three candidates.

Executive Committee, effective management and Argenta management

For above groups, Argenta applies a target female/male ratio of 33% (2025).

Three of the six Executive Committee and/or "effective leadership" members are female (50%).

New members are selected in the first place on the basis of their specific knowledge, training and experience with a view to strengthening the functioning of the committee in which they sit. When recruiting, care will always be taken to ensure that the last three candidates include at least one candidate of each gender and that at least one of the last three candidates is in the minority age group.

Argenta head office staff

Given of the healthy distribution between male and female employees and the good reflection of society in terms of age, Argenta Group does not apply specific gender or age targets. New employees are selected in the first place on the basis of their specific knowledge, training and experience with a view to strengthening the function that they will occupy at Argenta Group. More information can be found in the respective sub-headings of the Company's social balance sheet and its Activities and Sustainability Report.

External mandates of 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 avoiding 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 Group have exercised external mandates during the past financial year:

- Carlo Henriksen holds an external mandate in:
  - Royal Ostend Golf Club, a cooperative company, with its registered office at 8420 De Haan, Koninklijke Baan 2, as a non-executive director;
- Marie Claire Pletinckx (mandate at Argenta BVg and Argenta Assuranties ended on 30/04/2021) holds an external mandate in:
  - Alpha Insurance, with its registered office at 1040 Brussels, Nerviërslaan 85, not listed on a regulated market, as non-executive director;
- 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 CVA, 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 a limited company, 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;
- Baudouin Thomas holds external mandates in:
  - BTH Consulting BVBA with its registered office at 1150 Sint-Pieters-Woluwe, Alfred Madouxlaan 8, as general manager;
  - Reimagine BV, with its registered office at 1150 Sint-Pieters-Woluwe, Alfred Madouxlaan 8, as executive director;
  - Tender Experts, a private limited company, with its registered office at 1000, Brussels, Oud Korenhuis 3 as non-executive director via BTH Consulting;
- Bart Pattyn holds external mandates in:
  - Bart A. Pattyn Management BVBA, with its registered office at 8620 Nieuwpoort, Diksmuidse Weg 18, as general manager;
  - Invibes Advertising NV, with its registered office at 9000 Ghent, Reigerstraat 8 as advisor via Bart A. Pattyn Management;
  - Vlaamse Maatschappij voor Watervoorziening CV, with its registered office at 1030 Schaerbeek, Vooruitstraat 189, as an advisor via Bart A. Pattyn Management;
- Anne 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.

Integrity at Argenta Group

Argenta Group is aware of the importance of promoting and safeguarding integrity in all areas. This is enshrined in the ‘Integrity’ internal charter. This charter sets out, on the one hand, Argenta Group’s own purpose and focus values, and also on the other hand ethical standards for ensuring the integrity of the banking and insurance sector.

Sustainability at Argenta Group

Sustainability lies at the heart of the organisation at Argenta, both binding together and offering specific identity. By consciously embedding it, Argenta strives for satisfied customers, happy employees and healthy long-term business results. Taking responsibility is an integral part of the long-term vision. A quality that Argenta will carry forward for many generations to come and is a fundamental part of what Argenta stands for, what it does and how it does it, and is thus inextricably linked to ethics and integrity.

Argenta’s sustainability strategy is built around 4 pillars:

- Proximity
- Simple and transparent product offering

- Banking and Insurance should not cost the earth, aiming for a a lower economic footprint
- Positive impact on society: every euro is valuable.

The Sustainability Charter further elaborates on these four pillars.

The policy is established by the Executive Committee and ratified by the Board of Directors. The Executive Committee has appointed the CEO as Chief Sustainability Officer (CSO). His mission is to give sustainability a prominent place at all levels of Argenta. The CSO is assisted by a sustainability manager, who is also responsible for the implementation of the policy.

Because sustainability is a topic that concerns every (sub-)department, a centralised, company-wide approach was chosen as offering the best guarantee of success. The (Group) Sustainability Committee monitors 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. The committee's mission is to systematically make Argenta more sustainable through knowledge management, change management, project management, innovation and, finally, reporting. The (Group) Sustainability Committee is chaired by the CSO and consists of members with specific expertise in climate and sustainability (ESG) themes and risks, in the various business departments (Lending, Insurance, Investment, Banking) as well as in climate risks and other sustainability risks. The (Group) Sustainability Committee meets quarterly.

The (Group) Sustainability Committee reports to the Executive Committee. In addition, an Investment Exclusion Committee is active within Argenta Group, which also reports to the Executive Committee.

17. Leverage

The CRR/CRD regulations require financial institutions to calculate, report and track their leverage ratio.

The leverage ratio is a non-risk based rule to limit leveraged financing. This it does by placing a limit on financial institutions' ability to leverage on their capital base. It is calculated as the ratio (expressed as a percentage) of Tier 1 capital to total on- and off-balance sheet exposures (non-weighted).

Process for tracking and managing the risk of an excessive leverage ratio

The Company tracks closely its leverage financing. In the RAF, the leverage ratio is one of the indicators that are systematically included in the periodic reports to management and to the Board's Risk Committee.

The RAF limits framework provides for a minimum red zone of 3.375%, a green zone from 4% upwards and aims, as a self-imposed target, for a gradual evolution to 5% for Aspa.
The Financial Management department also reports on this ratio and includes it in all internal reports.

Table **LR2** appended to this report gives the leverage ratio of the Company.

Description of the factors impacting the leverage ratio

As shown in the table in the appendix, the total leverage ratio exposure as of 31/12/2021 is EUR 47,763,868,083 (EUR 46,668,879,413 as of 31/12/2020). The corresponding leverage ratio is is 5.23% (compared with 5.27% at the end of 2020).

The Company's leverage ratio has fallen slightly compared with the previous year owing to the increase in the on-balance sheet exposures with the reinvestment of funds received from the growth of savings and the issuance of debt securities (securitisations, EMTN, TLTRO-III and covered bonds). This increase is relatively greater than the increase in equity, which explains an overall decrease in the leverage ratio.

The Argenta Group has opted to make use of the temporary exclusion of certain exposures to central banks from the measurement of the total exposure in the context of the COVID-19 pandemic. If this measure were not applied and the monetary reserve at the ECB not deducted from the aggregate measure, the leverage ratio would be 4.91%.

Reconciliation of total assets in the financial statements and the leverage ratio exposures

The reconciliation between the total assets shown in the annual financial statements and the total exposure for calculating the leverage ratio can be found in table **LR1** appended to this report.

Based on a Tier 1 capital of 2,497,211,416, a leverage ratio of 5.23% was obtained.

18. Capital and liquidity management

Capital management

The dynamic growth of the financial markets and the increasing use of more complex bank products have produced major changes in the Company's business environment. These challenges require appropriate personnel, processes and systems for monitoring the Company's risk position.

In addition to describing methods for calculating the regulatory capital requirements (quantitative requirements), the Basel agreements place increased stress on risk management and integrated group-wide management (qualitative requirements). The Company is obliged to implement adequate processes and systems aimed at guaranteeing its long-term capital adequacy, taking into account all material risks and future changes in regulatory capital requirements.

These processes are known internationally as the Internal Capital Adequacy Assessment Process (ICAAP). The goal of the Argenta Group's risk management is to have the best possible capital structure and risk control, equal to that of the major market players, and with which at the same time it continues to meet the statutory capital requirements.

Executing the business plan, with sufficient capital available at all times to pursue the planned growth, is a key factor here. The business plan becomes in this way an important anchoring point for the various (normative and economic) ICAAP calculations, with the ICAAP results also playing a decisive role in the approval process.

The Company follows a self-financing policy and therefore maintains a prudent and conservative level of dividend payments. To retain a level of capital that provides sufficient room to support growth and meet the financial and operational risks, the Company seeks to satisfy its potential capital requirements with (a) retained earnings, (b) possible capital increases, and (c) subordinated alternative Tier 1 and Tier 2 loans. In addition, decisions may be taken to lighten the balance sheet by selling assets or by securitising part of the retail loan portfolios. In addition to managing the regulatory capital ratios, the capital requirements arising from the MREL (Minimum Requirement for own funds and Eligible Liabilities) and ALAC (Additional Loss-Absorbing Capacity) obligations (or minimum requirements) are also actively monitored, as are (d) senior non-preferred issues, so that the Argenta Group has robust solvency.

The risks to which the Company is exposed require a risk buffer in the form of own funds. The ongoing development of its activities as a conventional savings bank and hence, among other things, as a 'transformation bank' (a bank that converts (transforms) funds deposited short-term into long-term investments), calls for continuous monitoring of the required capital.

ICAAP incorporates all the Company and Bank Pool's procedures and calculations that serve to ensure:

- the proper identification and measuring of risks;
- the maintenance of of adequate internal capital in line with the bank's risk profile;
- the use and further development of risk management systems.

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

In ICAAP, capital adequacy is assessed from an economic perspective and from a normative perspective. In the economic perspective, an internal definition of available or internal capital and required or economic capital is used. All material risk factors are modelled in the ICAAP. In this way the total economic capital provides an accurate picture of the capital requirement. More information on ICAAP can also be found in Chapter 5 'Risk Management' in the IFRS annual reports.

A direct link exists between the ICAAP calculations and a number of RAF indicators with their associated limits and flashing lights. Under the 99.9% scenario, the focus is on the ratio of available internal capital to required economic capital. A minimum limit of 120% is proposed here, with the green zone starting from 130%. Pro-actively Argenta aims for a ratio of 156% (including an additional buffer of 20%), so that the Company always has a comfortable capital situation.

In the 95% value stability scenario, the focus is on the ratio of the economic loss under a 95% scenario to available internal capital. A minimum limit of 30% is proposed here and the green zone starts from less than 25%.

The 80% income stability scenario focuses on the ratio of income loss under an 80% scenario to the expected NIBT (net income before tax) under the base scenario. The minimum limit is 100% with the green zone starting at under 50%.

In a normative perspective, the impact of a number of internally defined company-wide stress scenarios on the statutory (pillar 1) capital ratios is calculated. The aim of the normative ICAAP is to investigate capital adequacy in basic and stress scenarios over a 3-year time horizon, with the internal boundaries aligned with those from the RAF and where minimum capital ratios as set by the ECB must always be respected.

In addition to the internal stress tests, Argenta Group, like all other significant banks under direct ECB supervision, is subjected every two years to the EBA stress test. These stress tests took place in 2014, 2016, 2018 and in 2021. The purpose of the stress test is, on the one hand, to evaluate the shock resistance of the European banking system and, on the one hand, to assess the financial health, risk profile and sustainability of the business model under negative market developments.

In intermediate years, the European banking sector is subjected to thematic stress tests, such as the IRRBB stress test (LiST) in 2019. In 2022, Argenta will participate in the planned climate risk stress test.

The results of the stress tests are one of the factors on the basis of which Argenta's minimum capital requirement and capital guidance are determined, expressed in terms of a Pillar 2 (P2) Requirement and a P2 Guidance.

The probability and impact of the stress tests in relation to the risk appetite is intended to lead to a weighing up of accepted risks and to risk-mitigation measures or the decision to hold more capital. The financial impact resulting from stress tests is defined as the direct negative impact on the core capital.

The calculations according to the Basel rules (Pillar 1) for capital management are reported to the supervisory authority and used in-house.

The Supervisory Review and Evaluation Process (SREP, annual global evaluation) is the control process carried out by the regulator covering the evaluation of the Bank's capital and liquidity adequacy, the robustness of its business model and the adequacy of its risk governance framework. The result of the SREP is communicated annually to the Argenta Group. It consists - in addition to the minimum capital requirements and capital recommendations - of the regulator's assessment of the 4 SREP components on the basis of which Argenta Spaarbank and the Argenta Group (at BVg level-CRR scope) are evaluated. Where appropriate, actions and recommendations are prescribed in order to solve shortcomings.

The current P2R (Pillar 2 Capital Requirement) is 1.50% (to be fulfilled with a minimum of 56.25% in CET-1 and 75% in T1 with the remaining requirement in T2). With regard to liquidity, the SREP decided not to impose additional liquidity buffers.

Liquidity management

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.

Liquidity sources of the Bank Pool

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

- a substantial base of customer deposits;
- a wide presence 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 through payments and savings accounts. Customer deposits constitute the largest and most important primary funding source of the Company's banking activities.

Subsidiary Argenta Spaarbank also goes to the interbank or professional market to fund itself. This it does to diversify its sources of financing (RMBS securitisation) and to meet new legal requirements (MREL) 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*). 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 deposits by retail customers can be considered as both sources of liquidity and sources of liquidity risk. Amounts held in private individuals' current and savings accounts can be withdrawn on demand or at short notice, but nevertheless provide an important contribution to the stability of the long-term funding base. This stability therefore depends on maintaining the account holders' confidence in the Company's solvency, profitability and risk management.

Risk Management in the Bank Pool

Argenta 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 Argenta's 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 Argenta's operations and how its findings are used.

Alco 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). The second-line responsibility lies with the Risk department. Management of the liquidity position falls under the authority of the Treasury & 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 other stakeholders are fully 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 liquidity risk appetite is managed in the Bank Pool's RAF by limits and flashing light levels on the following risk indicators:

- LCR (Liquidity Coverage Ratio): this ratio tests the liquidity buffer against a pre-defined outflow of financial liabilities over a 30 day period;
- The NSFR (Net Stable Funding Ratio): this ratio compares available liquidity against required liquidity over an at least one-year period:
- The AER (Asset Encumbrance Ratio): this ratio compares the amount of unencumbered assets against the volume of protected deposits and;
- Wholesale funding ratios: these ratios track the proportion of institutional funding and refinancing risk within set limits.

With respect to the regulatory ratios, the company applies a minimum of 105% (border of red zone) for the Liquidity Coverage Ratio (LCR) within the RAF, with a (pro-active) target ratio of 137.5% (green zone from 125% upwards). For the NSFR (Net Stable Funding Ratio) the minimum is 105% (border of red zone), with a target ratio of 132% (green zone from 120% upwards).

The LCR and the underlying components can be found in table **LIQ1** appended to this report.

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, Argenta Group also has a portfolio of ECB-eligible securities.

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

Argenta maintains a derivatives portfolio merely 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 liquid buffer. The LCR also takes into account potential collateral outflows due to fluctuations in the valuation of the portfolio and a negative rating evolution of Argenta Spaarbank. The evolution of the collateral is closely monitored.

19. Supplementary disclosure

Disclosures on the governance arrangements are incorporated in the filed annual financial statements and IFRS annual reports, published also on the website www.argenta.be.

The Company did not qualify as globally systemically important bank (G-SII) and therefore does not have to provide disclosures on this.

The above (not externally audited) disclosures are given in the context of Basel Pillar 3 and are published in Dutch and English on the Company website (www.argenta.be), with the intention of fulfilling the disclosure requirements of Part 8 of the CRR.

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. Questions related to the distribution of these reports should be directed to:

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