Argenta Bank- en Verzekeringsgroep nv*

Pillar 3 disclosures

Capital adequacy & risk report

2022

argenta.be

* BVg conso CRR-scope

ARGENTA

Table of contents

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);
- Disclosure of transitional arrangements 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 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);
- Disclosure of interest rate risks for positions not held in the trading book (EBA/ITS/2021/07);
- Disclosure of ESG risks in accordance with article 449a CRR regulations (EBA/ITS/2022/01).

Argenta Group had initially decided not to use the transitional arrangements to limit the impact of the introduction of IFRS 9 on own funds. Consequently, 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 order to limit the impact of the crisis on the expected credit losses, and to recognise those into equity 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 offsetting the deficit against the expected losses according to the IRB (internal rating based) approach) comes to EUR 450,568 and will be added to the Common Equity Tier 1 capital in the amount of EUR 84,482. 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 will be added to the Common Equity Tier 1 capital in the amount of EUR 225,660. The new dynamic component relating to the transitional period from 31 December 2019 to the reporting period (in this case 31 December 2022) amounts to EUR 1,563,587 and will be added to the Common Equity Tier 1 capital in an amount of EUR 879,517. The total addition for Common Equity Tier 1 capital therefore amounts to EUR 1,189,659 (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 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.

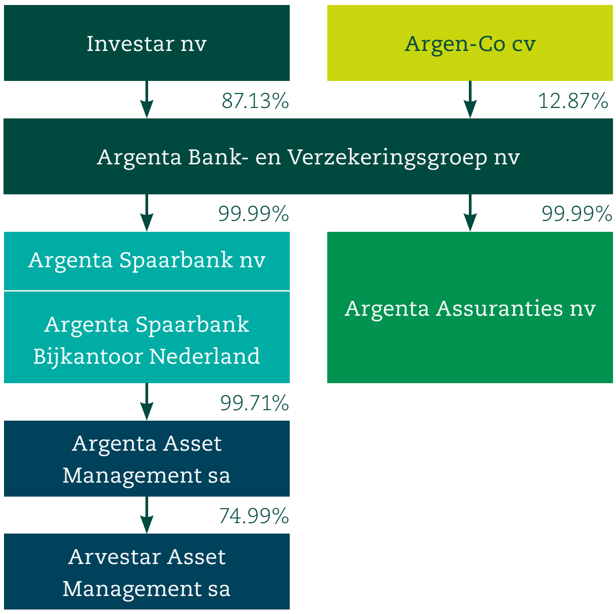
1.1. Argenta Bank- en Verzekeringsgroep - Profile

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. The company received approval from the ECB in 2022 to obtain the status of a mixed financial holding company, pursuant to article 212/1 of the Banking Act.

The Company consolidates and is responsible for the joint management 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, forms the Bank Pool. The Bank Pool, the insurer Aras and BVg 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 which has made a public call for savings. Aspa's core activities consist of attracting funds in the retail market in the form of savings and current and to a limited extent term deposits, attracting funds in the institutional market in the form of bonds, offering payment transactions via current accounts and reinvesting the collected funds in mortgage and personal loans, securities and lending to local governments, public-private partnerships and real estate developers and operators. In addition, 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 legislation and the insurer Aras to the Solvency legislation. Given the dissimilarities between these two sets of 'capital' legislation, CRR consolidation is required for reporting at the consolidated BVg level. This is a consolidation excluding the insurance company (i.e. a consolidation of the Bank Pool with BVg on an unconsolidated basis).

An important element at the BVg CRR consolidation 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, as additional exposure, needs to be weighted at 370%.

In 2021, Argenta also received a derogation, allowing it to continue to apply the historical cost method (instead of the equity method) for the measurement 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 equity regulations must, under the applicable legislative framework, make certain defined disclosures about its risk and equity 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.eu).

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).

The IFRS consolidation scope and the CRR consolidation scope (scope according to the CRR guidelines) differ at the Company. The differences between the accounting and regulatory scope of consolidation 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 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 fund managers and administrative agents 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 the historical cost method in the CRR consolidation scope.

Aspa also has a 20% non-consolidated participation in Jofico cv, a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost, which 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 therefore has no subsidiaries that are not included in the CRR consolidation scope.

1.3. Applied approach and key figures Pillar 1

Guidelines exist for calculating the Pillar 1 capital which 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	31/12/2021	31/12/2022
Available own funds				
1	Common Equity Tier 1 capital (CET1)		2,497,211,416	2,566,787,180
2	Tier 1 capital (T1)		2,497,211,416	2,566,787,180
3	Total capital		2,497,211,416	2,569,056,921
Risk-weighted exposure amount				
4	Total risk-weighted exposure amount		11,578,513,602	11,689,433,055
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	16%	21.57%	21.96%
6	Tier 1 capital ratio (%)		21.57%	21.96%
7	Total capital ratio (%)	18%	21.57%	21.98%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)		2.50%	2.50%
EU 8a	Conservation buffer due to a macro-prudential or systemic risk identified at the level of a Member State (%)		0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)		0.01%	0.03%
EU 9a	Systemic risk buffer (%)		0.00%	0.81%
10	Global Systemically Important Institution buffer (%)		0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)		0.75%	0.75%
11	Combined buffer requirement (%)		3.26%	4.10%
EU 11a	Overall capital requirement (%)		13.01%	13.60%
12	CET1 available after meeting the total SREP own funds requirements (%)		12.84%	12.48%
Leverage ratio				
13	Leverage ratio total exposure measure		47,763,868,083	54,890,939,225
14	Leverage ratio (%)	4%	5.23%	4.68%
Liquidity Coverage Ratio (LCR) (based on average for last 12 months)				
15	Total high-quality liquid assets (HQLA) (weighted value - average)		6,079,679,989	7,437,330,044
EU 16a	Cash outflows - total weighted value		3,977,960,419	4,288,996,450
EU 16b	Cash inflows - total weighted value		255,150,385	326,176,046
16	Total net cash outflows (adjusted value)		3,722,810,034	3,962,820,404
17	Liquidity coverage ratio (LCR) (%)	125%	158.76%	181.82%
Net Stable Funding Ratio (NSFR)				
18	Total available stable funding		44,449,264,715	47,761,132,504
19	Total required stable funding		30,523,335,443	33,455,632,738
20	Net stable funding ratio (NSFR) (%)	120%	145.62%	142.76%

As previously mentioned, the Argenta Group has used the IFRS 9 transitional measures since 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 would be 21.95%, the total capital ratio 21.97% and the leverage ratio 4.67%.

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 17. Capital and liquidity management. Templates **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 the level of subsidiary Aspa.

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: Overview CRR articles and their references in the annual reports

CRR article	Pillar 3 disclosure requirements	Reference in the annual reports and/or the Pillar 3 report
435	Risk management objectives and policies	Part 5. Risk management in the IFRS annual reports
	Statement on adequacy of risk management arrangements	2. Risk management
	Governance, directors' mandates, remuneration policy et al. (Art. 435 2)	Section 'Governance' (Activities and Sustainability Report 2022) and Chapter 18. Remuneration policy, diversity and integrity
	435.2 (e) information flow on risks to management entities	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 17. Capital and liquidity management
439	Exposure to counterparty credit risk	5. Exposure to credit risk
440	Capital buffers	4. Capital requirements and 17. 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 and other non-financial risks
447	Exposures to equities not included in the trading book	13. Exposure to equity risk
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
449a	Environmental, social and governance risks (ESG risks)	19. Sustainability
450	Remuneration policy	18. Remuneration policy, diversity and integrity
451	Leverage	16. 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 internal Governance Memorandum.

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 for both 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 operation.

In summary, the specialised committees have the following responsibilities:

- Audit Committee::
  - The Audit Committee supports the Board of Directors in fulfilling its duty of oversight of the financial reporting process, the internal system, the audit process and the process for monitoring compliance with legislation and regulations.
- Risk Committee:
  - The Risk Committee assists the Board of Directors in monitoring the implementation of the risk strategy by the Executive Committee. In accordance with the Governance Memorandum this includes determining the nature, scope, form and frequency of the information on the risks that the Board of Directors wishes to receive.
- Remuneration Committee and Appointments Committee
  - For the tasks and responsibilities of these two committees, we refer to Chapter 18. Remuneration policy, diversity and integrity.
- 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 using 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 Internal Capital Adequacy Assessment Process (ICAAP) and the Internal 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 which 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 2022, 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 (https://www.argenta.be/content/dam/argenta/over-argenta/governancemorandum.pdf).

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

The chapter on '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 '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 & sustainability, model and underwriting risks (the latter within the Insurance Pool) etc.) 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 framework 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 2022 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 2022, the risk management function prepared for the Board of Directors' Risk Committee an Internal Control annual report, an activity report with action plan for 2023 and RAF reporting. These documents come to the conclusion that, with respect to the financial risks, the financial result was achieved within Argenta's appetite with respect to financial risk for 2022 and within the legal requirements imposed on the risk management function.

They also point to a specific area for attention in 2022 concerning both financial risks (with a focus, as hot spot risks, on climate risk, business risk and market risk) and non-financial risks (with a focus on information security, fraud and IT risk).

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

In 2023, the points for attention for financial will continue to be climate risk, in addition to business risk and credit risk.

In 2023, the points for attention for non-financial risks will focus on information security & cyber risk, data management risk, sourcing risk and strategic & change 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 own funds

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 own funds with CRR scope own funds. Table 4 reconciles the IFRS accounting equity and the prudential Tier 1 core capital.

Table 3: Reconciliation of equity for IFRS scope versus CRR scope

Components	CRR scope	IFRS scope	Difference
Paid-in capital	717,884,700	717,884,700	0
Share premium	447,749,558	447,749,558	0
Fair value changes of equity instruments	-4,744,378	14,327,711	-19,072,089
Fair value changes of debt securities	-63,559,618	-126,708,466	63,148,848
Actuarial gains or losses on defined benefit pension plans	-1,811,987	-1,865,340	53,353
Reserves (including retained earnings)	1,486,651,670	1,940,542,993	-453,891,323
Profit of the current year	233,841,119	238,226,931	-4,385,812
Total equity attributable to shareholders	2,816,011,065	3,230,158,088	-414,147,023
Non-controlling interests	286,925	287,313	-388
Total equity and non-controlling interests	**2,816,297,990**	**3,230,445,401**	**-414,147,411**

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

Tabel 4: Reconciliation of accounting equity and Tier 1 equity

Components	31/12/2021	31/12/2022
Paid-in capital	704,898,900	717,884,700
Share premium	409,263,542	447,749,558
Fair value changes of debt securities	40,046,755	-63,559,618
Actuarial gains or losses on defined benefit pension plans	376,593	-1,811,987
Fair value changes of equity instruments	1,249,212	-4,744,378
Reserves (including retained earnings)	1,421,095,723	1,486,651,670
Profit of the current year	251,105,298	233,841,119
Interim dividend	-82,352,149	0
Total equity attributable to shareholders	2,745,683,874	2,816,011,065
Non-controlling interests	287,829	286,925
Total equity and non-controlling interest - CRR scope	**2,745,971,703**	**2,816,297,990**
Adjustments		
(-) Inapplicable part of interim or year-end results	-185,549,348	-85,163,747
Interim dividend	82,352,149	0
Non-controlling interests	-287,829	-286,925
Common Equity Tier 1 before the application of prudential filters	**2,642,486,675**	**2,730,847,318**
Fully paid-in capital instruments	704,898,900	717,884,700
Share premium	409,263,542	447,749,558
Retained earnings	1,486,651,673	1,635,329,042
Cumulative unrealised results	41,672,560	-70,115,982
Common Equity Tier 1 before the application of prudential filters	**2,642,486,675**	**2,730,847,318**
Prudential filters		
Profits and losses (at fair value) deriving from institution's own credit risk in respect of derivative instruments	-6,888,789	-23,244,364
(-) Value adjustments due to requirements for prudential valuation	-4,010,891	-3,808,082
(-) Other intangible assets and goodwill	-113,894,758	-109,307,299
(-) For IRB, negative difference between credit risk adjustments and expected loss items	-16,278,355	0
(-) Deferred tax assets based on future profitability excluding those arising from temporary differences	-1,136,210	-21,633,241
Transitional measures for IFRS 9 (expected credit losses)	620,284	1,189,659
Deduction relating to provisions for non-performing exposures	-3,686,540	-7,256,811
Common Equity Tier 1	**2,497,211,416**	**2,566,787,180**

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 Common Equity Tier 1 capital. The following filters apply to the Company:

- 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 23,244,364 at end 2022;
- 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 3,808,082 at end 2022);
  This 'prudent valuation' adjustment is calculated based on the financial instruments which are carried on the balance sheet at market values and which can impact the result and/or equity. 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 2022, the net impact amounted to EUR 109,307,299. As of December 2022, the net carrying value after latent tax of software (EUR 21,100,810 at the end of 2022) is no longer fully deducted from prudential equity, but is partially risk-weighted at 100% (EUR 15,462,823) (pursuant to EU regulation 2020/2176);
- in the IRB application: negative difference between exposure adjustments and expected losses. As of 31 December 2022, impairments recorded in accordance with IFRS standards exceeded the calculated expected credit losses. As of end 2022, the shortfall between the impairments and the expected losses (EL) therefore amounted to EUR 0. The surplus of EUR 2,269,741 qualifies as Tier 2 capital;
- deferred tax assets that rely on future profitability (excluding those arising from temporary differences). At end 2022, this deduction of deferred tax assets amounted to EUR 21,633,241;
- owing to the crisis caused by the COVID-19 pandemic, regulators and governments have enabled credit institutions to make renewed use of the transitional measures in respect of the impact of the crisis on expected credit losses to take these into equity in a phased manner. The amount of this IFRS 9 transitional measure was EUR 1,189,659 as of 31 December 2022;
- 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 7,256,811. The Pillar 1 deduction for prudential provisions (loans granted after 26 April 2019) is EUR 0.

3.2. Composition of prudential own funds and capital ratios

Template **CC1**, appended to this report, shows the detailed composition of own funds 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 regulatory own funds instruments', see template **CCA** in the appendix).

It provides further disclosure with respect to the 'capital instruments and the related premium accounts' mentioned in line 1 of the CC1 template 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 2020. In 2021, Aspa 2 issued EUR 500 million of covered bonds. The coverage is in the form of Belgian mortgages. In 2022, Aspa issued another 2 senior non-preferred bonds, one of EUR 600 million and one of EUR 500 million, and 2 EUR 500 million covered bonds backed by Belgian mortgages. The prospectuses and investor presentations of these issues can be found on the www.argenta.eu website (under the heading 'debt issuance').

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 take the form of MREL subordinated instruments. The final MREL requirement in 2024 (01/01/2024) will be 7.69% of the total risk exposure for the calculation of the leverage ratio, entirely in the form of subordinated instruments.

The MREL ratio as of the end of 2022 comes to 9.10% of the total risk exposure for the calculation of the leverage ratio, and 8.18% 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), 6% for the total Tier 1 ratio and 8% for the total capital ratio (these are the Pillar 1 requirements). Furthermore, a number of additional buffers were introduced. The CRD provides for four additional capital buffers including a capital conservation buffer (CCB).

This buffer can be up to 2.50%. The CCB was 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%. The Belgian regulator has set the rate at 0% until now, but this requirement is subject to quarterly review. From 25 May 2023 onwards, the Dutch regulator is to activate a countercyclical capital buffer of 1%. Templates **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 0.03% at 31 December 2022.

Since 1 May 2022, the Belgian regulator has imposed a sectoral systemic risk buffer on all Belgian financial institutions for those Belgian mortgage loans under the IRB approach. This buffer is calculated by multiplying the risk-weighted assets of these exposures by 9% and comes to 0.81%. This buffer supersedes the macroprudential add-ons of 5% on EAD and of 33% on RWA. The introduction of the systemic risk buffer therefore no longer leads to an increase in the risk-weighted assets since this is included in the ratio of the overall capital requirement (OCR).

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

The 4 buffers must be met with CET1 capital (the strongest form of capital).

The Argenta Group institutions are not designated as globally system-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 & 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. The 2021 SREP decision is applicable from 1 March 2022. The P2R (Pillar 2 requirement) fell by 1.75% for 2022 to 1.50% (to be fulfilled with a minimum of 56.25% in CET1 and 75% in T1 with the remaining requirement in T2) and was confirmed at 1.50% for 2023. Based on the SREP process, a total capital requirement of 9.44% was obtained (to be fulfilled with CET1 capital). 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 of 1.50%. In addition, a countercyclical capital buffer of 0.03% and a systemic risk buffer of 0.81% also apply. Since the Company has no additional Tier 1 (AT1) and no Tier 2 (T2) outstanding, the CET1 requirement is de facto 13.60%, being the Total Capital Ratio (TCR) (9.44% + 1.5% AT1 + 2.0% T2 + the remaining P2R).

The Company amply met all these requirements in 2022 with a CET1 of 21.96% and TCR of 21.98%.

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 risk, CVA (counterparty) risk, market risk and operational risks).

Template **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 due to (a) the increase in the portfolio of mortgage loans, (b) the increasing share of mortgage lending without NHG guarantee ('*Nationale Hypotheek Garantie*') in the Netherlands, (c) more investments in bonds of institutions and corporates and (d) the introduction of the new IRB model for the non-retail portfolio in the last quarter of 2022, with the implementation of a margin of conservatism framework which is leading to higher PD values in the better rating classes. These increases are partly offset by the decline in the Dutch mortgage pipeline and the elimination of the macroprudential add-ons for Belgian mortgage loans under the IRB approach.

4.3. Capital ratios

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

Table 5: Capital requirements and capital ratios at year end

	31/12/2021	31/12/2022
Total qualifying capital	2,497,211,416	2,569,056,921
Total CET1 capital	2,497,211,416	2,566,787,180
Risk-weighted items	11,578,513,602	11,689,433,055
CET1 capital ratio	21.57%	21.96%
Tier 1 capital ratio	21.57%	21.96%
Total capital ratio (TCR)	21.57%	21.98%

The Common Equity Tier 1 ratio (CET 1) is an important ratio. This calculation uses the core Tier 1 capital instead of total own funds. The RAF standard for the CET1 ratio is 16% and for the TCR 18%.

With total regulated qualifying capital at 31 December and throughout 2022 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 11,578,513,602 at end 2021 to EUR 11,689,433,055 at end 2021. As a result, the total capital requirement has risen from EUR 926,281,088 to EUR 935,154,644.

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

	31/12/2021		31/12/2022	
	RWA	Capital requirement	RWA	Capital requirement
Credit risk - STA				
Central governments or central banks	22,447,337	1,795,787	22,302,017	1,784,161
Regional and local governments	58,048,225	4,643,858	75,644,068	6,051,525
Public sector entities	23,215,469	1,857,238	24,775,012	1,982,001
Corporates	113,405,686	9,072,455	115,901,143	9,272,091
Retail	254,546,674	20,363,734	297,349,726	23,787,978
Covered by real estate	85,241,878	6,819,350	83,174,829	6,653,986
Exposures in default	6,057,355	484,588	4,655,648	372,452
Equity	31,875,530	2,550,042	22,011,282	1,760,903
Other items	322,549,054	25,803,924	370,715,544	29,657,244
Total credit risk - STA	**917,387,208**	**73,390,977**	**1,016,529,270**	**81,322,342**
Credit risk - IRB				
Institutions	459,189,501	36,735,160	717,636,697	57,410,936
Corporates	1,759,059,360	140,724,749	2,200,820,104	176,065,608
Covered by real estate	5,283,856,574	422,708,526	5,723,106,729	457,848,538
Equity	652,848,373	52,227,870	652,848,373	52,227,870
Total credit risk - IRB	**8,154,953,807**	**652,396,305**	**9,294,411,904**	**743,552,952**
Securitisation positions SEC-ERBA	119,994,972	9,599,598	91,340,643	7,307,251
Total credit risk	**9,192,335,987**	**735,386,879**	**10,402,281,816**	**832,182,545**
Add-on for Belgian mortgage loans	1,204,472,262	96,357,781	0	0
Market risk	0	0	0	0
CVA risk	17,408,275	1,392,662	41,457,344	3,316,588
Operational risk	1,164,297,078	93,143,766	1,245,693,895	99,655,512
Total capital requirement	**11,578,513,602**	**926,281,088**	**11,689,433,055**	**935,154,644**

The risk-weighted volume for credit risk (excluding the add-ons) was EUR 9,192,335,987 as of 31 December 2021, evolving to EUR 10,402,281,816 as of 31 December 2022. This resulted in a capital requirement of EUR 832,182,545 compared to EUR 735,386,879 as of 31 December 2021.

The total capital requirement for all risks (i.e. including the requirements for CVA risk and operational risk) amounted to EUR 935,154,644.

5. Exposure to credit risk

5.1. Composition of credit risk

Templates 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 own funds 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 off-balance sheet items at year-end

Related COREP tables	CCF percentages	Exposure 31/12/2021	Exposure 31/12/2022
Table C07 (STD)	0%	587,927,950	602,946,200
	20%	13,240,676	7,551,508
	50%	26,514,676	17,736,389
	Sub-total STD approach	627,683,301	628,234,097
Table C08 (IRB)	75%	70,000,000	70,000,000
	100%	3,470,329,123	2,589,961,009
	Sub-total IRB approach	3,540,329,123	2,659,961,009
Total		**4,168,012,424**	**3,288,195,106**
Total risk-weighted volume		**781,366,643**	**565,408,121**

The unconditionally cancellable credit card commitments (EUR 587,927,950 as of end 2021 and EUR 602,946,200 as of end 2022) 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.

Exposures covered by immovable property 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 real estate’ (STA and IRB approaches summed together). The most important geographical markets in which the Company operates here are Belgium and the Netherlands.

Table 8: Geographical distribution of 'exposures covered by real estate'

Country	31/12/2021	31/12/2022
BE	17,975,788,380	18,888,314,494
NL	20,043,655,222	20,679,122,223
Other	52,524,099	66,530,139
Total	**38,071,967,701**	**39,633,966,856**

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 private individuals.

5.3. Credit risk mitigation

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

In the case of mortgage loans granted by the Company, a guarantee is established on a property for this purpose. In Belgium, this is done via a mortgage registration or via a combination of a mortgage registration and a mortgage mandate. In the Netherlands, only a mortgage registration is possible. In the assessment of a loan, in addition to the borrower's repayment capacity, the value of the property is always taken into account. This requires a valuation to be performed.

The policy 'valuation of collateral - retail', with the related procedures, which applies to all entities, was approved by the Board of Directors on 26 January 2021.

The value of the property at the origination of the loans is in principle equal to the lower of the transaction value and the estimated market value.

The transaction value is the agreed purchase price of a property excluding taxes, registration fees and notary fees, possibly plus renovation costs including VAT. For a new residential building it is the price of construction including VAT or the land price excluding taxes, registration fees, notary fees plus the construction cost including VAT.

The estimated market value is the value established by a qualified, independent external appraiser/valuer (cf. Infra) as described in EBA/GL/2020/06 applicable from 30 June 2021 (with a tolerance period granted by the NBB up to 01/01/2022).

When a property is to be a guarantee for a loan for the first time, the market value is estimated by an internal or external qualified valuer by means of a remote valuation supported by an advanced statistical model or an estimate based on an on-site survey.

Additional details on the valuation of real estate 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 private individuals and the credit risk is influenced by the use of the property as collateral. This development is therefore being systematically tracked and periodic revaluations are carried out on the basis of indexation, statistical models or revaluations during the period of the loans. The Company's credit risk is concentrated in mortgage loans for residential purposes in Belgium and the Netherlands. This makes the company dependent on developments in these property markets.

The loan to value (LTV) parameter is, alongside repayment capacity, an important indicator for assessing the initial risk of new loans and later for estimating the remaining risk.

Up to 2014, 100% bullet loans were granted in the Netherlands, with the total capital having to be repaid in full only on the final maturity date. This capital can of course be built up during the period of the loan by means of savings accounts, life insurance policies or investment accounts. Due to legislative changes in 2013, the focus (due to fiscal incentives) shifted from 100% bullet loans to loans with monthly capital repayments, with a maximum share of 50% of the value of the property as a bullet loan. As a result, the loan-to-value (LTV) also fell, for a constant property value, during the period of the loan in the Netherlands.

In addition, over 40% of Argenta's Dutch mortgage portfolio is covered by National Mortgage Guarantees (NHG). The NHG is provided by the 'Home Ownership Guarantee Fund' (*Waarborgfonds Eigen Woningen – 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 over a maximum of 30 years 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 (processed by the substitution approach). Credit protections considered eligible for the determination of the LGD parameter, such as the NHG guarantee, are therefore not included in this table.

'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

	Exposure	Unfunded credit protection -guarantees	Funded credit protection -collateral	Total inflow	Adjusted exposure
Central governments or central banks	4,705,648,149	0	0	59,489,522	4,765,137,670
Regional and local governments	736,258,105	0	0	58,673,630	794,931,735
Public sector entities	149,171,551	-25,296,489	0	0	123,875,061
International organisations	99,163,334	0	0	0	99,163,334
Institutions	34,982,191	-34,982,191	0	0	0
Corporates	228,321,190	-57,884,472	0	0	170,436,719
Retail	1,006,720,411	0	0	0	1,006,720,411
Covered by real estate	168,806,985	0	0	0	168,806,985
Exposures in default	4,587,609	0	0	0	4,587,609
Equity	22,011,282	0	0	0	22,011,282
Other items	477,859,433	0	0	0	477,859,433
Total exposures (STA)	**7,633,530,238**	**-118,163,152**	**0**	**118,163,152**	**7,633,530,238**
Institutions	3,252,794,764	0	0	0	3,252,794,764
Corporates	5,344,783,040	0	0	0	5,344,783,040
Covered by real estate	39,465,159,871	0	0	0	39,465,159,871
Equity	176,445,506	0	0	0	176,445,506
Total exposures (IRB)	**48,239,183,182**	**0**	**0**	**0**	**48,239,183,182**
Securitisation positions (SEC-ERBA)	636,428,645	0	0	0	636,428,645
Total exposures	**56,509,142,065**	**-118,163,152**	**0**	**118,163,152**	**56,509,142,065**

The total of the amounts under ‘unfunded credit protection - guarantees’ and ‘funded credit protection - collateral’ (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.

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 34,982,191 of credit protection in the ‘institutions’ category, the EUR 25,296,489 of credit protection in the ‘public sector entities’ category, and the EUR 57,884,472 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	34,994,094	34,982,191
Total unfunded credit protection - guarantees in the institutions category			**34,982,191**

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

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	1	25,302,625	25,296,489
Total unfunded credit protection - guarantees in the public entities category			**25,296,489**

Table 12: Government guarantees in the 'corporates' category

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	8	33,404,599	33,377,141
Austrian government	4	24,511,584	24,507,331
Total unfunded credit protection - guarantees in the corporates category			**57,884,472**

Template CR7 'IRB effect on the risk-weighted assets of credit derivatives' is not 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 limits define the maximum credit risk position per type of investment and counterparty level (these are detailed in the internal 'Financial policy' (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 possible only 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' - approved by the Board of Directors on 28 June 2022 - 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 'Credit risk policy retail' - approved by the Board of Directors on 27 September 2022 - 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.

Metrics relating to climate risk and sustainability risk were incorporated within the RAF limits framework in both policies in 2022.

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 on the basis 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. A 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. In the event of a downgrade of the Argenta Spaarbank S&P rating by 1 notch, no additional collateral is required. The impact on collateral of a downgrade of the rating by 2 or 3 notches is an increase of 10%, while for a downgrade of 4 or 5 notches 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 policy retail'.

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 calculate the exposure for CVA risk to which a capital requirement is applied.

As of 31 December 2022, a risk-weighted exposure of EUR 41,457,344 was obtained, on which a capital requirement of EUR 3,316,588 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 23,244,364, and was deducted from the qualifying capital.

5.8. Derivatives

At the end of 2022, 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 standardised approach to counterparty credit risk ('SA-CCR') to calculate capital requirements for its derivatives. The exposure here is equal to the sum of the following elements:

- the replacement value based on the market value, the net variation margin, the margin threshold and the minimum margin exchange amount of the transactions; and
- 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 13,192,483 and the potential future exposure was EUR 52,127,161. The applicable 'alpha' factor is 1.4. We refer to template **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. Template **CCR8**, appended to the report, shows the exposures to ABN Amro Clearing Bank and JP Morgan (which act as clearing members vis-a-vis 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 by category'.

For the Dutch loans, the regulator has requested that a comparison be made systematically between the calculation of the equity capital requirements under the standardised approach (STA) and under the internal rating based ((IRB) approach for Dutch credit exposures. The higher of the two values at portfolio level is applied. At the end of 2022, the amount calculated by the STA method was higher than the one calculated by the IRB method. An additional EUR 3,333,465,165 of RWA was therefore included in the IRB category 'secured by real estate'.

Since June 2022, an additional lower limit applies to loans which are not covered by an NHG guarantee (because of the reciprocation of a DNB measure by the NBB). However, this lower limit is systematically lower than the calculation according to the standardised approach.

7. Use of the IRB method

The Company applies the IRB method for exposures to retail (mortgages) and to non-retail, consisting of corporates, institutions, real estate counterparties and covered bonds. 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 31/12/2022
Internal ratings-based approach (IRB)	**8,154,953,807**	**9,294,411,904**
IRB approach where neither self-estimated LGD parameters nor conversion factors are used	2,218,248,860	2,918,456,802
Institutions	*459,189,501*	*717,636,697*
Corporates	*1,759,059,360*	*2,200,820,104*
IRB approach using own LGD calculations and/or own conversion factors	5,283,856,574	5,723,106,729
Retail - covered by real estate	*5,283,856,574*	*5,723,106,729*
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 approach and those using the IRB method. In the event that the results of the standardised approach 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 retail and non-retail (mortgages) 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 non-retail models were approved by the ECB and implemented in November 2022.

The redeveloped retail models are audited internally and externally and can only be applied after approval by the ECB. In 2022, internal model inspections were carried out by the ECB for both Belgium and the Netherlands, the final results of which will be announced in 2023.

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 EAD (Exposure at default) models were 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 re-investment 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 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, covered bonds and real estate counterparties, an internal rating system has been implemented to assess and evaluate the PD parameter. 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 policy - 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 have to make active use of the PD, LGD and EAD models in their processes and procedures.

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, real estate counterparties, 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 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 flights, 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 Lending department within Operations (BE and NL respectively) is responsible for first line control as well as for the operational aspects of managing defaulted loans.

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 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 sub-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. 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.
The CCF component is monitored on an annual basis.

As of 2021, the model risk profile has been 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 exposures to retail customers

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

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 range (11 PD ranges 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, as well as planned developments, is discussed at the Model Overview Committee (GRC-Moco).

7.3.2. Internal credit risk models for exposures 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 financial institution, corporate and real estate counterparty is assigned an internal rating, in accordance with the (F)IRB framework which has been authorised 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 debtor.

Internal ratings are always based on two pillars: In addition to using statistics-based expert judgement models, fundamental risk analyses are performed for each debtor 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. Exposures by the IRB method

In the A-IRB (advanced) approach, models have been developed for PD and LGD. In the F-IRB (foundation) approach, a model has been developed for PD only.

In the RWA calculation of the mortgage loans, however, account is taken of the required LGD floor of 10%, which is applied as a multiplier at portfolio level. 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	Netherlands	Total
Total provisions recognised	21,666,164	15,452,098	37,118,262
EL effective LGD	21,351,845	12,867,696	34,219,541
> non-defaults	6,394,015	9,156,081	15,550,096
> defaults	14,957,830	3,711,615	18,669,445
EL LGD floor	23,189,148	14,443,720	37,632,867
> non-defaults	8,231,318	9,156,081	17,387,399
> defaults	14,957,830	5,287,639	20,245,468

The EUR 18,669,445 are the individual provisions recognised on the default group (100% PD) in the 'covered by real estate' category.

As of 31 December 2022 the total EL (with the effective LGD) for both defaults and non-defaults amounted to EUR 34,219,541. Applying the LGD floor of 10% results in an EL of EUR 37,632,867. 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 1,576,024 at the end of 2022.

For the individual mortgage loans processed by the IRB approach, a total of EUR 37,118,262 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 as per 31/12/2022.

The most significant exposure category 'secured by real estate' is processed according to the A-IRB approach. The average PD (including defaults) for this category was 0.78% and the average LGD was 10.56% (including the regulatory 10% floor). The RWA reported in CR6 excludes the regulatory standardised floor for Dutch mortgage loans. If this floor is taken into account, a total amount of EUR 5,723 million is obtained for the risk-weighted assets, leading to a density of the risk-weighted assets of 14.49%.

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 the attached table CR6 (see above for information).

Table 15: Overview of LGD and PD per geographical location

Country	Original gross exposures on balance sheet	Off-balance sheet exposure pre CCF	Average CCF	EAD after CRMM and post-CCF	Average PD	Average LGD	Average maturity	RWA	Density of risk-weighted assets	Expected loss items	Value adjust-ments and provisions
Total European Union	**37,342,557,547**	**2,139,637,838**	**100%**	**39,482,195,385**	**0.78%**	**10.56%**	**7,214**	**2,388,625,782**	**6.05%**	**37,623,907**	
BE	17,946,950,308	794,364,404	100%	18,741,314,712	0.92%	10.00%	6,343	1,046,193,125	5.58%	22,589,711	
DE	4,692,504	294,000	100%	4,986,504	1.38%	9.16%	6,329	245,509	4.92%	887	
ES	2,420,666	70,000	100%	2,490,666	24.20%	9.68%	3,529	74,165	2.98%	266,702	
FR	15,449,971	2,065,729	100%	17,515,701	1.25%	9.69%	6,044	1,158,100	6.61%	8,204	
IE	586,054	0	100%	586,054	0.03%	9.66%	6,920	5,863	1.00%	17	
LU	8,003,167	268,529	100%	8,271,696	0.35%	10.21%	6,417	486,789	5.88%	2,781	
NL	19,353,910,999	1,340,608,289	100%	20,694,519,288	0.65%	11.07%	8,006	1,339,817,507	6.47%	14,751,240	
SE	601,578	233,000	100%	834,578	0.47%	8.42%	4,160	56,965	6.83%	370	
Other EU countries	9,942,300	1,733,887	100%	11,676,187	0.33%	9.78%	4,997	587,759	5.03%	3,996	
GB	**4,662,524**	**317,386**	**100%**	**4,979,910**	**0.46%**	**9.51%**	**5,993**	**205,324**	**4.12%**	**2,235**	
Total North America	**3,917,810**	**950,000**	**100%**	**4,867,810**	**0.27%**	**10.92%**	**4,931**	**260,435**	**5.35%**	**1,518**	
CA	657,020	950,000	100%	1,607,020	0.57%	11.66%	3,620	167,896	10.45%	1,102	
US	3,260,790	0	100%	3,260,790	0.12%	10.56%	5,577	92,539	2.84%	416	
Other countries	**10,179,243**	**55,785**	**100%**	**10,235,028**	**0.68%**	**9.85%**	**4,555**	**550,024**	**5.37%**	**5,209**	
Total	**37,361,317,125**	**2,140,961,009**	**100%**	**39,502,278,134**	**0.78%**	**10.56%**	**7,213**	**2,389,641,565**	**6.05%**	**37,632,869**	**-37,118,263**

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 the mortgage sub-portfolio by LGD class

Sub-portfolio	LGD range	Arithmetic average LGD per debtor	Number of obligors		Average annual LGD in the past	
			End of previous year	End of year	2021	2022
Belgium	1	n.a.	83,958	82,493	7.42%	7.42%
Belgium	2	n.a.	58,137	58,608	7.69%	7.69%
Belgium	3	n.a.				
Belgium	4	n.a.	1,180	1,186	16.53%	16.53%
Belgium	5	n.a.	38,465	41,346	4.55%	4.55%
Belgium	6	n.a.	54,192	56,287	9.40%	9.40%
The Netherlands	1	n.a.	30,095	45,825	4.91%	4.91%
The Netherlands	2	n.a.	42,518	32,596	5.96%	5.96%
The Netherlands	3	n.a.	22,894	14,330	6.88%	6.88%
The Netherlands	4	n.a.	49,530	60,005	8.25%	8.25%
The Netherlands	5	n.a.	22,106	25,368	13.96%	13.96%
The Netherlands	6	n.a.	31,266	26,437	24.74%	24.74%
The Netherlands	7	n.a.	66	46	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 ranges (ranges 1 and 4), mainly due to rising house prices in the first half of 2022.

Backtesting the probability of default (PD)

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

The table below reproduces template CR9 to make the trends discussed more clearly visible.

Table 17: Backtesting the PD of mortgage portfolios

PD range	Number of obligors at the end of the previous year	Of which number of obligors defaulted during the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g
0.00 to <0.15	164,662	56	0.03%	0.06%	0.06%	0.12%
0.00 to <0.10	*128,620*	*31*	*0.02%*	*0.05%*	*0.05%*	*0.10%*
0.10 to <0.15	*36,042*	*25*	*0.07%*	*0.11%*	*0.11%*	*0.25%*
0.15 to <0.25	122,069	89	0.07%	0.16%	0.16%	0.16%
0.25 to <0.50	60,246	63	0.10%	0.30%	0.30%	0.30%
0.50 to <0.75	63,014	127	0.20%	0.59%	0.59%	0.54%
0.75 to <2.50	17,695	202	1.14%	1.05%	1.03%	1.24%
0.75 to <1.75	*17,695*	*202*	*1.14%*	*1.05%*	*1.03%*	*1.24%*
1.75 to <2.5						
2.50 to <10.00	4,696	271	5.77%	5.26%	5.19%	5.14%
2.5 to <5	*2,653*	*107*	*4.03%*	*3.60%*	*3.60%*	*3.16%*
5 to <10	*2,043*	*164*	*8.03%*	*7.32%*	*7.24%*	*7.50%*
10.00 to <100.00	2,025	154	7.60%	19.71%	19.99%	14.34%
10 to <20	*1,459*	*86*	*5.89%*	*15.75%*	*15.75%*	*9.98%*
20 to <30	*149*	*27*	*18.12%*	*21.46%*	*21.46%*	*19.78%*
30 to <100	*417*	*41*	*9.83%*	*34.49%*	*34.32%*	*21.71%*
100.00 (Default)	2,150	2,150	100.00%	100.00%	100.00%	100.00%

The PD range was determined on the basis of the regulatory PD values from the IRB modelling. The following columns show the number of loans as at 31/12/2021 and the number of these loans going into default during 2022. The arithmetic average PD figures as of 31 December 2021, given in column f, are the unweighted average regulatory PD values which provide an estimate of the probability of default in 2022.

The observed average default rate is the number of new defaults compared to the starting position. The historical default rate is based on the observed default rates of the last five years.

The observed default rate is lower than the historical average for both the highest and the lowest PD ranges. We note the reverse only for the range 2.5 to 10. We see the same when we compare the regulatory PD with the observed PD, whereby the observed default rate is higher than the regulatory PD also for the range 0.75 to 2.5.

Overview of flows of risk-weighted assets

Template **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.

In Q4 2022, the RWA rose by EUR 651.9 million. This global increase is explained by the rise of EUR 541.2 million in the non-retail portfolio (F-IRB) and the rise of EUR 110.6 million related to mortgage portfolios (A-IRB).

The increase in the investment portfolio can be explained by an increase in the size of the portfolio and, in addition, by the implementation of the new non-retail IRB model.

The RWA of the mortgage portfolios has increased because of the quality of the assets (EUR +129.7 million), primarily expressed in a higher average probability of default. Moreover, we also identify a limited decrease in the scope (EUR -19 million), despite the fact that the total EAD is in fact increasing. This is due to the fact that the inflow has more favourable risk parameters than the outflow.

Breakdown into pools/ grades

The 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 by pool/grade

Pool/grade	PD%	Corporates 2021	Institutions 2021	Pool/grade	PD%	Corporates 2022	Institutions 2022
1	0.03%	0	148,401,342	1			
2				2	0.05%	0	151,915,811
3	0.03%	1,053,946	3,595,220	3			
5				5	0.06%	35,660,028	95,281,159
6	0.03%	129,663,112	97,936,654	6			
7				7	0.07%	332,130,345	514,443,784
8	0.04%	97,765,869	178,663,020	8			
9				9	0.08%	880,457,507	724,769,472
10	0.06%	277,183,820	403,210,413	10			
11				11	0.08%	156,516,527	142,251,583
13	0.08%	865,216,922	703,854,002	13	0.10%	559,170,594	913,594,608
16	0.11%	558,303,122	320,203,368	16	0.13%	728,941,081	382,993,311
19	0.15%	1,068,266,183	68,467,936	19	0.16%	1,118,191,622	243,317,816
22	0.21%	1,121,458,790	67,378,036	22	0.22%	1,158,595,357	82,065,154
25	0.29%	395,208,146	14,093,820	25	0.31%	341,319,704	3,007,450
29	0.40%	6,105,041	0	29	0.43%	15,403,915	0
40	1.21%	25,501,973	0	40	1.11%	5,006,356	0
48				48	4.30%	20,180,741	0
Total		**4,545,726,924**	**2,005,803,810**	**Total**		**5,351,573,776**	**3,253,640,147**
RWA		**1,759,059,360**	**459,189,501**	**RWA**		**2,200,820,104**	**717,636,697**
Capital requirement		**140,724,749**	**36,735,160**	**Capital requirement**		**176,065,608**	**57,410,936**

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 at 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 in unlikely are recorded at individual debtor level. Here the Company makes a distinction between:
- Indicators that immediately give rise to a recording of default;
- Indicators that give rise to a manual assessment by a credit manager with a possible recording as a default.

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

When a significant portion (more than 20%) of the debtor's total outstanding debt is considered in default, the Company considers it unlikely that the debtor's other obligations will be fully discharged and the entire amount of all claims on this debtor 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 and approved on 3 November 2022, subject to the application of an additional add-on factor of 1.0478.

For retail, the application files are as follows: the models for Belgian mortgages were submitted in December 2021, while the model applications for Dutch mortgages will be submitted in April 2022. In anticipation of the approval of these models, the Argenta Group has to apply an additional DoD (Definition of Default) add-on to the IRB portfolio in the transition period for the adjustment of the models, of 1.06 for Belgian mortgages and 1.01 for Dutch mortgages. 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 clients' and 'secured by real estate' exposure categories. The positions listed below are classified in 'exposures in default' in the own capital calculation. Geographically these credits 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 2021	Past due exposure 2022
BE	78,492,063	95,138,259
NL	79,539,457	59,537,602
Other	794,681	812,377
Total past due exposures	**158,826,201**	**155,488,238**

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

	01/01/2022	Increase due to origination and acquisition	Decrease due to derecognition	Changes due to the change in credit risk (net)	Changes due to modifications without derecognition	Decrease in allowances due to write-offs	Other changes	31/12/2022
Stage 1	**-4,813,038**	**-3,110,045**	**997,570**	**-3,879,893**	**3**		**-887,203**	**-11,692,606**
Fixed-income securities	-2,076,157	-1,415,143	125,066	-3,105,816	0		0	-6,472,050
Loans and advances	-2,736,881	-1,694,902	872,504	-774,077	3		-887,203	-5,220,556
Stage 2	**-6,744,042**	**-1,822,515**	**2,293,373**	**-8,066,637**	**-136,711**		**-1,802,988**	**-16,279,521**
Fixed-income securities	-176,981	0	128,645	-1,572,784	0		0	-1,621,120
Loans and advances	-6,567,062	-1,822,515	2,164,728	-6,493,853	-136,711		-1,802,988	-14,658,401
Stage 3	**-24,610,131**	**0**	**2,696,326**	**-7,363,801**	**0**	**4,145,961**	**0**	**-25,131,645**
Fixed-income securities	0	0	0	0	0	0	0	0
Loans and advances	-24,610,131	0	2,696,326	-7,363,801	0	4,145,961	0	-25,131,645
Total	**-36,167,211**	**-4,932,560**	**5,987,269**	**-19,310,331**	**-136,708**	**4,145,961**	**-2,690,192**	**-53,103,772**
Total provision on commitments financial guarantees given	**-969,798**	**-2,036,068**	**1,920,424**	**-189,192**	**-120**	**0**	**-63,443**	**-1,338,198**
Stage 1	-923,286	-1,966,602	1,819,248	349,013	-12		-54,031	-775,670
Stage 2	-46,513	-69,465	101,176	-538,205	-109		-9,413	-562,528
Stage 3	0	0	0	0	0	0	0	0

At 31/12/2021 the stage 3 provisions amounted to EUR 24,610,131 and the stages 1 and 2 provisions (including the provision for off-balance sheet commitments) amounted to EUR 11,557,079. At 31/12/2022 the stage 3 provisions amounted to EUR 25,131,645 and the stages 1 and 2 provisions to EUR 27,972,127.

A description of the fluctuations in the impairments is included in Chapter 42 'Impairments' of the BVg IFRS annual report.

The Company has a gross NPL ratio of less than 5%, i.e. 0.42% as of 31 December 2022. Consequently, the Company is not required to disclose the templates CR2-A, CQ2, CQ6 and CQ8 on credit quality. Template CQ7 does not apply to the Company as no collateral has been obtained through taking possession and execution processes. The other templates 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

	31/12/2021 nominal value	31/12/2021 market value	31/12/2022 nominal value	31/12/2022 market value	average 2022 nominal value	average 2022 market value
Securities collateral						
Collateral for derivatives (caps and swaps)	338,466,000	367,615,765	449,000,000	433,488,478	347,187,500	355,243,267
Collateral for Bank Card Company	50,800,000	52,968,689	67,450,000	61,507,945	59,233,333	57,732,607
Collateral for TLTRO	261,130,000	269,542,109	0	0	270,930,000	264,255,640
Collateral for covered bonds	3,000,000	3,195,025	26,000,000	23,854,174	11,083,333	10,612,733
Collateral for Target2 platform	50,000,000	50,086,450	50,000,000	49,110,542	50,000,000	47,928,769
Collateral for credit line NBB obtained	250,963,000	255,091,614	312,193,000	279,506,643	269,318,000	259,281,719
Total collateral given	**954,359,000**	**998,499,651**	**904,643,000**	**847,467,781**	**1,007,752,166**	**995,054,734**
Loans and advances collateral						
Collateral for covered bonds	1,238,209,581		2,435,553,147		1,995,075,083	
Cash collateral						
Cash paid (derivatives)		375,244,974		56,522,000		80,993,122
Cash received (derivatives)		45,011,000		1,955,801,057		1,061,820,278
Net cash (derivatives)		**330,233,974**		**-1,899,279,057**		**-980,827,156**

At end 2022 a nominal EUR 449.0 million of assets were encumbered in the context of derivatives, a nominal EUR 67.5 million in connection with the use of credit cards by the Company's clients and EUR 26.0 million for covered bond issues.

In the context of the collateral management, EUR 56.5 million in cash was paid in respect of derivatives and another million EUR 1,955.8 received. This involves the exchange of collateral (in cash – variation margin) to hedge the credit risk (as a result of the fair value) on derivatives.

The total collateral also includes the EUR 449 million of initial margin collateral at the CCP (Central Clearing Party). On 31 December 2022, the amount of the shortfall in collateral received amounted to EUR 51,570,801, for which margin calls were received on 2 January 2023 for EUR 69,886,299.

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. In 2022, the subsidiary Aspa repaid the ECB's TLTRO operations early.
- Any eventual collateral at the NBB in connection with Aspa's credit line with the NBB and the payment platform. The Company has a EUR 259 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 over-collateralisation, as the assets in the pools concerned are higher than the actual issue.

As of 31/12/2022, there are loans that are securitised, but at consolidated level are included back in the balance sheet. In 2021 and 2022, subsidiary Aspa also issued covered bonds for a total amount of EUR 2,000 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. Template **AE1** appended to this report provides an overview of the encumbered and unencumbered assets and template **AE2** provides an overview of collateral received.

Template **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 126%, which is mainly explained by over-collateralisation on derivatives and debt securities issued.

The 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 three rating agencies (external credit assessment institutions - ECAI) in determining the weighting percentages. These agencies are included in the list of external credit assessment institutions published by EBA as laid down in Article 135 (2) of the CRR regulations.

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 risk weight (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 and the RAF set limits for the minimum ratings which 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 31/12/2021	Exposure 31/12/2022
Central governments or central banks	4,580,811,903	4,705,648,149
Regional and local governments	478,292,370	736,258,105
Public sector entities	149,951,275	149,171,551
Corporates	191,258,967	228,321,190

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

11. Exposure to market risk

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.

The Company does not make specific 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.

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

12. Exposure to operational risk and other non-financial risks

The Company applies the standardised approach 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 broker services (retail and small groupings), retail bank (retail and small groupings) and, finally, 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 99,655,512 of capital at 31 December 2022.

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 a maturity score 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 2022 to (i) information security and cyber risk, (ii) IT risk and (iii) fraud risk:

(i) The first line further implemented and maintained the security maturity roadmap, the aim is for it to cover the most significant information security and cyber risks. The second line updated the policy on information security and cyber risk management in line with Argenta's capability model (approved by the Board of Directors on 29 March 2022). Both initiatives served to bring maturity closer to the desired target level;

(ii) The modernisation of the IT infrastructure continued in 2022, and in order to eliminate structural causes the IT problem management process was secured further;

(iii) In order to manage fraud risk better, an anti-fraud action plan was drawn up to improve maturity in the areas of governance, prevention, detection and reaction.

For 2023, the focus for non-financial risks will be on information security & cyber, data management, sourcing and strategic & change risk.

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 (financial and/or reputational damage) as a direct or indirect consequence of inadequate or failed internal processes, people or systems, or external events.

13. Exposure to equity risk

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 61,325. This position contains shares of a small number of entities which, under Belgian bank accounting rules, are considered to be financial fixed assets and have already been held by the Company for a long time.

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

In 2022, no gains or losses were 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 also been processed in this category.

Table 23: Overview of shares according to STA approach

	Carrying value	Market value	Unrealised gain/loss	Realised gain/loss value
Strategic participations	61,325	61,325	0	0
Participations in associated companies	90,000	46,878	-43,122	0
Investments	17,081,817	12,410,365	-4,671,453	0
Listed	12,550,716	7,879,263	-4,671,453	0
Private equity	0	0	0	0
Other	4,531,102	4,531,102	0	0
Subordinated loans	10,260,872	9,469,680	-791,191	0
Total	**27,494,014**	**21,988,247**	**-5,505,766**	**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

As already explained, at BVg level the participation in the insurance pool is 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 (non-deducted participations in insurance companies), 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 also be found in chapter 5 of the IFRS annual report.

IRRBB is defined as the exposure of an institution's profitability and equity to 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 do not form part of the banking book. The Company's interest-bearing assets belong exclusively to the banking book.

The interest rate risk under different shocks to the interest rate curve is measured, reported and managed both from an income (net interest income) and an economic value point of view.

The economic value of the banking book which serves as a buffer for interest rate risk is the algebraic total of the expected cash flows, excluding the commercial margins, of the interest-bearing components of the banking book over their interest-bearing terms, discounted at prevailing market interest rates.

The income perspective focuses on the volatility of the net interest income, the difference between interest income and interest expenses. 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 principle, a retail bank's interest rate risk is determined to a great extent by the mismatch between the average interest duration of all interest-bearing assets (mainly mortgages) and liabilities (mainly savings accounts). In addition to the interest maturity of the capital, the timing of intermediate coupons is also taken into account for the interest duration. The greater the mismatch, the greater the interest rate sensitivity.

Within ALM, interest-bearing assets, liabilities and off-balance sheet positions (including exogenous interest rate hedging transactions via interest rate derivatives) are all modelled in accordance with their maturity and re-pricing behaviour. Here, behavioural models capture the prepayment risks on mortgages and the maturity and re-pricing behaviour of products with no contractual interest rate maturity date (cf. infra). All material sources of interest rate risk are thus considered, in compliance with the prevailing EBA IRRBB guidelines.

Apart from interest rate risk, the risk impact of non-modelled behaviour on products without contractual interest rate maturity dates and other types of potential business risk is monitored or, if necessary, capitalised in ICAAP.

Alco or the GRC-Moco can decide to adjust a methodology or behavioural model as a result of market or regulatory developments. In this case, the Executive Committee will be given appropriate explanations.

To monitor economic value, ALM uses the spot swap versus 3M Euribor at reporting date as the reference curve for the risk-free interest rate curve. No additional discount margins are applied to this discounting curve, nor are the commercial margins included in the cash flows discounted. In this way, the interest rate risk is measured cleanly and the most effective hedging measures can be taken.

The interest rate risk is analysed within ALM under a defined and sufficiently broad range of interest rate shocks. For income analyses, a flat-balance hypothesis (i.e. unchanged balance sheet size and balance sheet mix) is always applied. This is a conservative standard method which is also in line with market practice. The robustness of the business model is also monitored under a defined range of interest rate scenarios in the business plan process.

Alco's mandate has included a monthly Hedging Consultation since 2022, to carry out exogenous hedging decisions and track developments in the management of the hedging portfolio. This Hedging Consultation reports to Alco on a monthly basis.

The interest rate risk of activities not belonging to the trading portfolio is included in template **IRRBB1** (appended to this report). Qualitative disclosures on this risk are also included in template **IRRBBA**.

Approach as to the behaviour of deposits with no contractual maturity

For internal risk monitoring and also for prudential reporting, the maturity and re-pricing behaviour of savings and current accounts is modelled using internally developed replicating models. The models in question are econometric models which replicate a risk-optimum reinvestment strategy on this portfolio on the basis of historical and/or expected behaviour of the deposits.

The replicating model is simpler in design for Belgian current accounts than for Belgian and Dutch savings accounts, given that its object is a volume-sensitive portfolio rather than a price-sensitive portfolio. In order to reflect the risk of this portfolio in the measurements, an explicit distinction is made here between ‘core’ and ‘non-core’ volumes.

These replicating models are subject to the governance in accordance with the internal Model Risk Management Framework and are periodically backtested to monitor their performance.

Approach to option risks

Within interest rate risk management, the Company distinguishes three optional risks which are included in the balance sheet positions.

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

- For mortgages in Belgium, an internally developed interest rate-driven prepayment model is applied which is mainly influenced by an interest rate incentive for the customer.
- For mortgages in the Netherlands, the expected prepayments are forecast on the basis of a statistical model which is kept in line with the observed actual prepayments. A project was launched in 2022 to enable a switch to interest rate-driven prepayment in 2023 for this model as well.

These prepayment models are subject to the governance in accordance with the internal Model Risk Management Framework and are periodically backtested to monitor their performance.

With the second option, Belgian mortgage rates are automatically capped/floored by a contractual maximum increase or reduction when interest rates are revised. The impact on results and equity are also captured here in the measurement of the interest rate risk.

Finally, with the third option, savings rates are floored by the statutory minimum interest rate. The impact of this on earnings and capital is applied separately in the measurement of the interest rate risk.

Approach to pipeline risk

In the period between the acceptance of a mortgage loan and execution of the notarial deeds of sale, market interest rate fluctuations can change the interest rate at which the mortgage loan is eventually completed. If interest rates rise, the customer can still benefit from the lower rate which was in place when the mortgage loan was applied for, but if market interest rates fall, the customer has the option to go back to a lower rate.

In this period, in which loans have been granted for which the rate is not yet finally established, an exposure to pipeline risk therefore exists. The interest rate risk in the credit pipeline which will very probably end up on the balance sheet is captured in the interest rate risk from the economic value point of view.

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. Exposures related to securitisation positions

15.1. Own securitisations

In 2017, 2018, 2019 and 2021, securitisation transactions were carried out, 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 returned into the Aspa statement of profit or loss. 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 480,300,000. An initial notional EUR 1.2 billion (Green Apple 2017-I-NHG), an initial notional EUR 1 billion (Green Apple 2018-I-NHG), an initial notional EUR 0.8 billion (Green Apple 2018-I-NHG) and an initial notional EUR 0.65 billion (Green Apple 2021-I) of notes were placed with institutional investors.

The Green Apple SPVs - which carried out the securitisation transactions - are fully consolidated under the IFRS standards, so that the underlying Dutch mortgage loans return 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 of 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:
2,574,927,313	2,562,527,892	12,399,422	12,399,422	287,071	28,803	130,725	127,543

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 287,071 in 2022, of which EUR 28,803 for stage 1, EUR 130,725 for stage 2 and finally EUR 127,543 for stage 3 loans.

Role as originator in securitisation transactions

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

In the case of the Aspa-initiated securitisation transaction, 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 transactions 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, so that the underlying Dutch mortgage loans returned onto the consolidating entity's balance sheet. At the consolidated level, the capital calculations on the mortgage loans are retained (since the credits 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 the maturity 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 the securitisation positions purchased as investments. This geographical distribution is based (as for the entire portfolio) on the issuer's country code.

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

Type	Country	Exposure 2021	Exposure 2022
MBS	ES	9,734,229	6,977,539
MBS	FR	3,558,802	456,477
MBS	IE	3,198,938	0
MBS	NL	489,745,458	379,861,663
ABS	BE	40,975,249	37,511,830
ABS	DE	41,661,228	23,794,068
ABS	FR	46,491,054	40,481,114
ABS	IE	25,388,282	62,076,036
ABS	LU	63,183,397	74,182,983
ABS	NL	18,301,476	11,155,596
Total securitisation positions		**742,238,113**	**636,497,306**

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 equity requirement by the SEC-ERBA method.

The ratings given by the involved credit assessment institutions to the transactions are used for the weightings and the calculation of the capital requirements rating, after the second best rating is determined.

Table 26: Overview of EADs and capital requirements of securitisation positions

Second best rating		ABS	MBS	Total
AAA	EAD	249,201,627	379,133,412	628,335,038
	Capital requirement	3,614,122	3,478,284	7,092,406
AA+	EAD		6,977,539	6,977,539
	Capital requirement		167,458	167,458
A+	EAD		1,184,728	1,184,728
	Capital requirement		47,388	47,388
Total EAD		**249,201,627**	**387,295,679**	**636,497,306**
Total capital requirement		**3,614,122**	**3,693,130**	**7,307,251**

The portfolio of securitisation positions has fallen from an exposure of EUR 742,238,113 as of 31 December 2021 to EUR 636,497,306 as of 31 December 2022.

Applying the weighting percentages and the 8% requirement, a capital requirement of EUR 7,307,251 (compared with EUR 9,599,598 at 31/12/2021) 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, consequently no single securitisation position is weighted at 1,250%) and does not have to deduct amounts from its eligible capital (Article 444 (e) CRR). Nor are any credit risk mitigations applied for these exposures in the calculation of own funds.

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).

An 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 re-securitisation or synthetic securitisation in its portfolio. These elements have been included in the table below.

Table 27: Overview of key data securitisation positions

Overview of securitisation positions	Trading portfolio	Investment portfolio
Total securitisation portfolio	0	636,497,306
Of which exposure type (Mortgage Backed Securities - MBS)	0	387,295,679
Of which exposure type (Asset-Backed Securities - ABS)	0	249,201,627
Traditional securitisations	0	636,497,306
Synthetic securitisations	0	0
Re-securitisation positions	0	0
Details of Green Apple 2017 SPV		
Outstanding amount of the issued notes at end 2022	0	436,106,835
Outstanding amount of the purchased B and C notes at end 2022	0	156,000,000
Securitised loans in October 2017	0	1,353,431,381
Details of Green Apple 2018 SPV		
Outstanding amount of the issued notes at end 2022	0	447,078,009
Outstanding amount of the purchased B and C notes at end 2022	0	117,300,000
Securitised loans in July 2018	0	1,117,243,343
Details of Green Apple 2019 SPV		
Outstanding amount of the issued notes at end 2022	0	470,269,629
Outstanding amount of the purchased B and C notes at end 2022	0	112,400,000
Securitised loans in July 2019	0	935,793,960
Details of Green Apple 2021 SPV		
Outstanding amount of the issued notes at end 2022	0	565,507,867
Outstanding amount of the purchased B and C notes at end 2022	0	94,600,000
Securitised loans in July 2021	0	743,220,838
Assets already assigned for securitisation	0	0
Capital requirement of purchased securitisation positions	0	7,307,251
Subtracted 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. 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 of 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.

Template **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 31/12/2022 is EUR 54,890,939,225 (compared to EUR 47,763,868,083 as of 31/12/2021). The corresponding leverage ratio is 4.68% (compared to 5.23% at the end of 2021).

The Company's leverage ratio has fallen compared to the previous year. At the end of the previous year, the Argenta Group was making use of the temporary exclusion of certain exposures to central banks from the baseline of the total exposure in the context of the COVID-19 pandemic. Since the reporting date of 30 June 2022, this temporary exclusion is no longer granted. If this measure had not been applied and the monetary reserve at the ECB not deducted from the total baseline, the leverage ratio would have been 4.91% as of 31 December 2021.

Taking this effect into account, the leverage ratio has fallen slightly compared to 2021. This decrease in the ratio is mainly the consequence of the increase of the on-balance sheet exposures due to the reinvestment of funds received from the growth of savings and debt securities issuance (mainly EMTN, covered bonds and green bonds). This increase is greater in relative terms than the growth in own funds, as a result of which an overall decrease in the leverage ratio is to be observed.

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 template **LR1** appended to this report.

Based on a Tier 1 capital of EUR 2,566,787,180, a leverage ratio of 4.68% was obtained.

17. 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 directing 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 ICAAP policy has been approved by the Board of Directors. 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.

Implementing the business plan, with sufficient capital at all times the attendant need to ensure available sufficient capital is available at all times to pursue the planned growth, is a key focus 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 pursues a policy of self-financing and therefore applies 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 Equity and Eligible Liabilities) and ALAC (Additional Loss-Absorbing Capacity) obligations (or minimum requirements) are also actively monitored with (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 used to ensure:

- the proper identification and measuring of the risks to which it is exposed;
- the maintenance of adequate 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 component parts are satisfied with an adequate degree of certainty.

In the ICAAP, the Company's 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. For this a minimum limit of 120% is set and the green zone starts from 130%. However, the self-imposed goal is a ratio of 156% (including an additional 20% buffer), so that the Company has at all times a comfortable capital situation.

In 95% value stability scenario, the focus is on the ratio of the economic loss under a 95% scenario to available internal capital. Here a minimum limit of 30% is set 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% and the green zone starts from less than 50%.

In the normative perspective, the impact of a number of internally defined company-wide stress scenarios on the statutory (Pillar 1) capital ratios is calculated. The objective of the normative ICAAP is to investigate capital adequacy under basic and stress scenarios over a 3-year horizon, and while always meeting minimum capital ratios as set by the ECB, taking into account changes in the regulatory framework (e.g. Basel IV). The projected capital ratios are tested using the internal limits from the RAF.

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/ECB stress test. The next ECB stress test exercise is scheduled for 2023. 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 in the event of negative market developments.

In intermediate years, the European banking sector is subjected to themed stress tests, such as the IRRBB stress test in 2017, the Liquidity Stress Test (LiST) in 2019 and the climate risk stress test in 2022.

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 capital and liquidity adequacy of the bank, the robustness of its business model and the adequacy of its risk governance framework. The result of the SREP is communicated to the Argenta Group on an annual basis. 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 present P2R (Pillar 2 Capital requirement) is 1.50%. 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.

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

- a substantial base of customer deposits;
- a spread over the Belgian and Dutch markets;
- diversification towards wholesale funding;
- a liquid investment portfolio.

The funding policy is directed first and foremost at retail customers through the issue of payment accounts 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 is 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, Argenta may, after first obtaining a licence from the regulator, issue Belgian Covered Bonds. Periodically, repos can also be concluded in the context of liquidity management.

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 and Investment Management department.

For measuring, monitoring, checking and reporting on the liquidity risk, the Company has a specially adapted management information system, including a contingency plan, in order to be able to adequately manage its liquidity in both normal and exceptional circumstances. In addition to the extensive regulatory reporting, extensive internal reporting has also been developed. In this way, management and stakeholders are 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 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;
- NSFR (Net Stable Funding Ratio): this ratio compares available liquidity against required liquidity over an at least one-year period:
- AER (Asset Encumbrance Ratio, strict and broad): 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.

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

With respect to the regulatory ratios, the company applies a minimum of 105% (red zone border) for the Liquidity Coverage Ratio (LCR) within the RAF, with a (self-imposed) target ratio of 150% (green zone from 125%). For the NSFR (Net Stable Funding Ratio) the minimum is 105% (red zone border) and with a target of a ratio of 132% (green zone from 120%).

The flashing light threshold and the recovery plan threshold for the AER depend on the category in which the Company is located. This category is determined as a function of the eligible deposits as defined in Article 389 of the Banking Act in relation to the total assets of the institution. In 2022, Aspa was in category 2.
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 purely 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.

18. 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 sees as central to 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 purpose, 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 provisions, 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 committee 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 executive directors and the institution.

In 2022, the Remunerations Committee met six times.

The following non-executive members of the Board of Directors of Argenta Bank- en Verzekeringsgroep are 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 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 then responsible for supervising the implementation of the decision of the general meeting.

Argenta's Board of Directors, in collaboration with the Remuneration Committee, then sets a remuneration policy for all employees (with the exception of the members of the Board of Directors of the whole Group), and supervises its implementation in collaboration with the Remuneration Committee and the independent control functions. This policy takes account of the complexity and structures of the Group to determine, develop and implement a consistent policy for the whole Group that is in accordance with the Group's risk management strategies. The policy is applied to all relevant persons at Group level and at the level of each subsidiary and the branch office in the Netherlands. This policy does not apply to the branch managers or their employees.

Argenta guarantees:
- the overall consistency of the Group's remuneration policy, by ensuring that it satisfies the statutory requirements of companies forming part of the Group and by ensuring the proper application thereof;
- that the remuneration policy is consistent with the business strategy, objectives, values, and long-term interests of the institution, and also includes measures for the avoidance of conflicts of interest
- direct supervision by the Remuneration Committee of the remuneration of senior management employees who perform risk management and compliance functions
- the involvement of the independent control functions:
  - the risk management function ensures that the remuneration policy is in accordance with thorough and effective risk management and promotes sound risk management
  - the compliance function analyses the consequences of the remuneration policy for the compliance of the institution with the legislation and regulations, the internal policy and the risk culture, and reports all compliance risks identified and non-compliance issues to the competent management body; the compliance function formulates an annual opinion via the Risk Committee
  - the internal audit function carries out independent testing of the structure and the implementation of the institution's remuneration policy and its consequences for its risk profile, and assesses how these consequences are managed
- mutual contact and exchange of information among the competent functions at Group level with the subsidiaries and the branch office
- a gender-neutral remuneration policy.

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

The remuneration policy determines which remuneration package applies to which jobs, taking into account the degree of difficulty, responsibility, level of required training or experience and necessary specialisation of a particular job. Argenta expressly pursues a gender-neutral remuneration policy. The employee's function is the sole factor which determines what the pay category is, and the pay category determines and includes the remuneration package of the employee concerned. Employees in the same pay category therefore have a remuneration package which consists of the same components and fundamentals.

The main 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’, with linked to it a company-specific ‘remuneration house’ (with sector-defined minimum pay scales and benchmark-driven Argenta market indicators)
- a company-wide system for pay increases, taking into account the fulfilment of the function and the individual compa-ratio range of the employee compared to the Argenta Market Indicator for the pay category to which his/her function belongs (compa-ratio: the percentage ratio of the gross monthly salary compared to the relevant Argenta Market Indicator)
- 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 limits of the remuneration policy in 2016.

In 2022, an in-depth exercise was conducted in which primarily the positioning of the benchmark was improved for all pay categories, the mobility pay component was updated (lease cars and mobility budget) and the feedback and assessment cycle was implemented in an ongoing climate of feedback and motivation. The cafeteria plan was extended with extra benefits and a flexbudget for specific pay categories. Two collective agreements were concluded for the entire package of updates:
- Collective agreement on the update to the remuneration policy (02/12/2022)
- Collective agreement on teleworking (02/12/2022).

In addition to the standard remuneration (monthly salary), all Argenta staff members receive double holiday pay, a 13th month, hospitalisation insurance, group insurance, disability insurance and meal vouchers. The hospitalisation insurance can be extended to the entire family. For certain functions, company cars or business expense allowances may be granted.

The ‘Argenta remuneration policy for non-directors’, version of 30/03/2021, describes the principles applied by Argenta to achieve sustainable and correct remuneration for the (non-director) employees of Argenta’s companies in Belgium. This policy document is to be amended in 2023 to accommodate the updates carried out on the basis of the 2022 collective agreements.

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

Identified Staff

The remuneration policy must provide for appropriate incentives in order to encourage prudent behaviour in those employees whose professional activities have a material impact on an institution’s risk profile. The remuneration principles are the same as for other functions within the Argenta Group. Their remuneration also consists solely of a fixed amount. By this means, 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 defines which employees qualify as Identified Staff on the basis of quantitative and qualitative criteria - on the basis of the Delegated Regulation (EU) 2021/923 of 25/03/2021 (bank regulations) and the Delegated Regulation 2015/35 of 10 October 2014 Art. 275C (insurance regulations). This proposal will be submitted to the Remuneration Committee for an opinion.

The identification of the ‘Identified Staff’ is updated annually and was approved by the Executive Committee on 10 January 2023, by the ad hoc Remuneration Committee in writing on 21 February 2023 and by the Board of Directors on 28 February 2023.

The Remuneration Committee will submit the proposal with its opinion to the Board of Directors for ratification. The persons concerned will be informed that they qualify as Identified Staff and the regulator will also be informed.

The Board of Directors has ultimate responsibility for the process of appointing employees and the policy for doing so. The competent management body in its supervisory function:

- approves the appointment policy as part of the remuneration policy;
- is involved in the draft of the self-assessment;
- guarantees that the assessment for the appointment of employees was 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;
- continuously supervises the appointment process;
- approves material exemptions from or changes to the established policy and carefully studies and monitors the effect of them;
- approves exclusions of employees in accordance with Article 4, Section 2, of the Delegated Regulation (EU) 2021/923 of 25/03/2021 if the institutions are of the opinion that these employees do not satisfy the qualitative criteria set in the Delegated Regulation (EU) 2021/923 of 25/03/2021 because they do not have a material impact on the institution's risk profile, and oversees this matter;
- regularly tests the established policy and changes it as 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 or the independent control functions.

55 persons were designated as Identified Staff at Argenta Group (CRR scope, excluding the subsidiary Aras) in the year 2022.

The total Argenta salary bill for Identified Staff amounted to EUR 10,652,169 in 2022. The attached template **REM5** provides a breakdown of the remuneration of these Identified Staff by business area.

In 2022, severance pay was awarded to three employees belonging to 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 executive directors' in the Company's IFRS annual report.

Executive directors receive a fixed annual remuneration. They do not receive variable remuneration of any kind. Their annual remuneration thus does not contain elements which could encourage the pursuit of short-term objectives inconsistent with the Argenta Group's long-term objectives.

The annual remuneration meets the provisions of Appendix 2 of the Banking Act on remuneration policy. 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. Furthermore, they benefit from a contractual severance indemnity.

The remuneration of directors below excludes remuneration for work for the subsidiary Aras. The remuneration of the entire Group can be found in the BVg IFRS Annual Report.

In 2022, the base 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 480,480. On top of this came a contribution to the supplementary pension and disability group policies amounting to EUR 126,362 (EUR 82,261 in 2021).

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

In 2022, the total direct remuneration of the executive directors/Executive Committee members of the Argenta Group (excluding that of the CEO) amounted to EUR 1,294,440 (EUR 988,200 in 2021). Contributions to the group supplementary pension and disability policies in respect of the Executive Committee members, excluding the CEO, amounted to EUR 287,952 (EUR 186,670 in 2021).

In 2022, executive directors are contractually entitled to a severance indemnity which, except for withdrawal of the mandate owing to serious misconduct, is equal to 18 months' remuneration. The amount of this indemnity is based on the annual gross remuneration, calculated over the 24 months prior to the decision to terminate the contract, or calculated over the entire period of office if less than 24 months. This compensation gradually decreases from the age of 58.

A severance payment was made in 2022 to the retiring CEO Marc Lauwers, in the amount of EUR 238,070. A non-competition payment was also deposited in his individual pension policy in the amount of EUR 276,301.

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

In accordance with the new Article 12/1 of Annex II of the Banking Act, which came into force on 23 July 2022, Argenta opted to include a severance pay arrangement in the contracts of (executive) board members consisting of a combination of a non-compete payment and a payment by analogy with the severance pay for dismissal under an employment contract.

Appointments Committee

There is a single Appointments Committee in operation 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 the two bodies.

The Appointments Committee is composed in such a way as to be able to give a sound and independent opinion on the composition and functioning of the governing and policy bodies of the institutions which make up the Argenta Group, and in particular of the individual and collective expertise of the members, their integrity, reputation, independence of mind and availability.

The Appointments Committee consisted in 2022 of:
- C. Henriksen (chairman),
- M. Van Heel and
- B. Van Rompuy, members.

The chairman, Carlo Henriksen, can boast a long career with a Belgian bank where he was chairman of the Executive Committee from 1998 to 2014. He also held a variety of other mandates, mainly in the financial sector. Meetings are held as often as the chair of the committee considers desirable. In 2022 the committee met six times.

Information on the selection process for the Executive Committee

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 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 established in the internal 'Diversity' charter.

Nonetheless, Argenta Group has target figures, for gender and age only. 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). Five of the 14 Argenta Group directors are female (36%).

New directors are selected primarily on the basis of their specific knowledge, training and experience with a view to strengthening the functioning of the board on 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 DC and/or 'senior management' members are women (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 on 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 candidate comes from 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 subcategories 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 forestalling conflicts of interest or, where this is not reasonably possible, managing the conflicts of interest without harming the interests of customers.

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

- Carlo Henriksen holds external mandates in:
  - Royal Ostend Golf Club, a cooperative company, with its registered office at 8420 De Haan, Koninklijke Baan 2, as chairman
  - Cofena vzw, with its registered office at 2000 Antwerp, Keizerstraat 8, as non-executive director
  - Donorinfo, a non-profit foundation, with its registered office at 1150 Sint-Pieters-Woluwe, Raketlaan 32, 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 non-executive director
  - Warehouses De Pauw CVA, with its registered office at 1861 Meise, Blakebergen 15, listed on a regulated market, as 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
  - Academische Stichting Leuven, a non-profit association, with its registered office at 3001 Heverlee, Willem de Croylaan 6, as non-executive director
  - Rega instituut, a non-profit association, with its registered office at 3000 Leuven, Herestraat 49, 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 (mandate at Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties ends on 11/04/2022) has an external mandate at:
  - 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 non-executive director
  - KULeuven – UZ Leuven, with its registered office at 3000 Leuven, Oude Markt 13, as a director
  - Zorg KU Leuven, a non-profit association, with its registered office at 3000 Leuven, Herestraat 49, as non-executive director
  - Rega instituut, a non-profit association, with its registered office at 3000 Leuven, Herestraat 49, as non-executive director
  - De Warande, a non-profit association, with its registered office at 1000 Brussels, Zinnerstraat 1, as non-executive director
- Marie-Anne Haegeman holds an external mandate at:
  - 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 via BTH Consulting
  - 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.
- Ann Brands holds an external mandate at:
  - 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 captured in the internal 'Integrity' charter. This charter sets out, on the one hand, Argenta Group's own purpose and values, and also on the other hand ethical standards for ensuring the integrity of the banking and insurance sector.

19. Sustainability

19.1. Sustainability at Argenta Group

Sustainability lies at the heart of the organisation at Argenta. It binds together and offers individuality. By consciously embedding it, Argenta is focusing on 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 uphold for many generations to come and which is a fundamental part of what Argenta stands for, what it does and how it does it, and therefore inextricably linked to ethics and integrity.

Argenta's sustainability strategy is built around 4 pillars:

- Close to each other
- Simple and transparent product offering
- Banking and insurance should not cost the earth, focused on a smaller economic footprint
- Positive impact on society: every euro is valuable.

The Sustainability Charter is developing these four pillars further.

The policy is established in 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 co-responsible for the implementation of the policy.

Because sustainability is a topic that concerns every 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 environmental and sustainability (ESG) topics 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 in operation within the Argenta Group which also reports to the Executive Committee.

19.2. Disclosure of ESG risks

Template **ESG1** shows an overview of the credit quality of the exposures to non-financial companies per sector, with an indication of emissions and remaining maturity.

At present, no data is reported regarding CO_2 emissions. Argenta Group has the ambition to reduce the carbon footprint of its lending- and investment activities in line with the Paris-aligned reduction targets and strives to become carbon-neutral by 2050. The calculation of GHG financed emissions is essential to measure our impact and define transition pathways.

A dedicated taskforce has been assigned do develop and implement methodologies to estimate and disclose information on GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty, in tons of CO_2 equivalent) with the objective to report by 30 June 2024 as the first disclosure reference date following the phase out mentioned in the EBA Implementing Technical Standards about ESG disclosures. The taskforce is composed of members of the retail and non-retail business departments, data, finance and risk departments and the sustainability manager. The taskforce is currently focusing on data collection, assessment of the data quality and data processes of both the retail and non-retail business activities.

The methodology will be aligned with the PCAF-standard (Partnership for Carbon Accounting Financials) and will be validated internally by the 3-lines-of-defense approach.

Also for our asset management activities our ambitions are high: we apply strict exclusion criteria to reduce the negative impact of our investments and we aim for positive impact. All Argenta funds are classified under article 8+ or 9, cfr. the Sustainable Finance Disclosure Regulation (SFDR). In 2018, the ecological footprint of the Argenta funds was measured for the first time and reported annually through the Activities- and Sustainability reports. In 2022, the average carbon footprint decreased to 72 ton CO_2 per invested EUR million. Wherever Argenta has access to the reported CO_2 emissions (scopes 1 & 2) of its investee companies, that data is used. The data is provided by an external ESG-data provider. The missing data (scope 3 but also in case data is not available through the external data provider) was supplemented on the basis of the PCAF methodology. In 2023, the taskforce will further improve the methodology and calculation of the financed emissions of its asset management activities.

Energy efficiency of collateral

Template **ESG2** gives an indication of the energy efficiency of the collateral for mortgage loans. The energy-efficiency is expressed both in EPC labels and as EP scores (specifically, consumption in kWh/m²). Rock.estate uses these EPC values as input variables to make estimates remotely during the acceptance process.

If no EPC label is available for the underlying property, an estimate is made on the basis of energy performance, i.e. the estimated consumption in kWh/m².

Estimates (energy label and consumption) are obtained for the Dutch portfolio through Calcasa, an external data provider. For the Belgian mortgage portfolio, an in-house estimate is made on the basis of the characteristics of the property, for example location, purpose, type and year of construction.

For the limited and reducing CBHK retail portfolio, no information is recorded about the energy performance (label and consumption).

Top 20 carbon-intensive companies

Template ESG4 is not appended to the report, in view of the fact that Argenta Group has no exposures to the top 20 of the carbon-intensive companies. The analysis is based on the Carbon Majors Database. The most recent release of this database was in December 2020, with data for the year 2018.

Transition risk

The risk appetite framework (RAF) has been further expanded in respect of climate risk metrics: for the retail portfolio by the average EPC (energy performance certificate) for production and portfolio, and for the non-retail portfolio by the carbon transition score and the environmental score.

Physical risk

Template **ESG5** gives an overview of the exposures which are subject to physical risks as a result of climate change.

For loans collateralized by residential immovable property, the geographical areas in scope are Belgium and the Netherlands. In both countries, flooding risk is identified as the most material acute (pluvial and river flooding) as well as chronic (flooding due to sea level rise) climate-related hazard.

The flood analyses for Belgium and the Netherlands are conducted by mapping the addresses of collaterals to flood hazard maps provided by the competent authorities in each country. It is worth to mention that the thresholds for identifying exposures prone to flooding vary due to inherent differences in the methodologies behind the local flooding maps.

The acute flooding risk in Belgium is assessed by an external party (Rock.estate) based on maps prepared by the regional authorities (Flemish Region: Coordination Committee on Integrated Water Policy (CIW) – Watertoets; Walloon Region: Service Public de Wallonie (SPW); Brussels-Capital Region: Leefmilieu Brussel/Bruxelles Environnement).

For the chronic flood risk in Belgium, collaterals were mapped against the coastal flood map for 2050 provided by the Flanders Environment Agency (VMM). Collaterals flagged as sensitive to chronic flood risk are those located in areas with 1-in-100 years flood events under the climate projection for 2050.

The maps utilized to assess the acute and chronic floodings risks in the Netherlands are provided by the Ministry of Infrastructure and Water Management (LIWO). Collaterals considered prone to acute flood risk are those located in areas with 1-in-30 years flood events whereas chronic flood risk areas are those with 1-in-30 years flood events projected in 2050.

For the non-retail investment portfolio, which mainly consists of debt securities, the acute and chronic climate-related physical risks were identified and assessed using physical climate risk data from our data provider Moody's ESG solutions. Covering more than 72% of our portfolio of non-financial corporations. For the assessment, 6 climate-related hazards were taken into account which are floods, wildfires, hurricanes, seal level rise, heat stress and water stress. Where the exposure prone to chronic climate-related risk is calculated based on sea level rise, heat stress and water stress. The calculation of the exposure towards acute climate-related risk is based on floods, wildfires and hurricanes.

The physical climate risk data of Moody's ESG solutions is based on a detailed analysis where the exposure towards each hazard is evaluated depending on the nature of activities and physical location of a company's facilities. Different risk levels ranging from no risk to red flag risk were identified for each hazard.

To identify the percentage of facilities with a significant exposure towards each hazard, we included risk indicated as having a high potential for negative impact. Subsequently, in order to determine the percentage of the exposure prone to chronic/acute climate-related risk, the maximum percentage of the different hazards related to chronic (sea level rise, heat and water stress) or acute (floods, wildfires and hurricanes) climate-related risk was retained.

The calculation of the exposure is based on the different geographical locations of a company's facilities. At this moment the reported geographies are based only on the country of a company's headquarters.

Alignment metrics

Template ESG3 is not reported at present. Argenta has the ambition to reduce the carbon footprint of its lending- and investment activities in line with the Paris-aligned reduction targets and strives to become carbon-neutral by 2050. The development and implementation of alignment metrics is necessary in order to meet this objective.

A dedicated taskforce has been assigned do develop and implement methodologies to estimate and disclose information on alignment metrics with the objective to report by 30 June 2024 as the first disclosure reference.. More information about this task force can be found in the description of template ESG1.

20. Supplementary disclosure

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

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 meeting 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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