Argenta Bank- en Verzekeringsgroep nv*

Pillar 3 disclosures

Capital adequacy & risk report

2023

argenta.be

* BVg conso CRR - scope

ARGENTA

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1. Introduction

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

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

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

- Part eight of CRR (Disclosure by institutions – better known as Pillar 3 disclosures, see section 1.3 for detailed index) (EBA/ITS/2020/04);
- Disclosure of transitional provisions for mitigating the impact of IFRS 9 (EBA/GL/2018/01), including guidelines to amend EBA/GL/2018/01 to ensure compliance with the CRR 'quick fix' (EBA/GL/2020/12);
- Disclosure requirements in compliance with CRR 'quick fix' (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 the own funds. Consequently, the full impact of IFRS 9 on equity, capital and leverage ratios had been reflected from 1 January 2018.

In 2020, regulators and governments enabled credit institutions to make renewed use of the IFRS 9 transitional measures in order to limit the impact of the crisis on the expected credit losses, and to adopt these into equity in a phased manner. The Argenta Group has received official approval from the ECB to apply these measures from 30 June 2020. From 2023 onwards, Argenta will use only the 'new' dynamic component.

The new dynamic component relating to the transitional period from 31 December 2019 to the reporting period (in this case 31 December 2023) amounts to EUR 1,835,763 and will be added to the Common Equity Tier 1 capital in an amount of EUR 688,411, leading to an increase in the Common Equity Tier 1 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, the Company has opted to publish the relevant tables and templates in a separate Excel appendix to these Pillar 3 disclosures.

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, chapter 5 'Risk Management' of the IFRS annual reports.

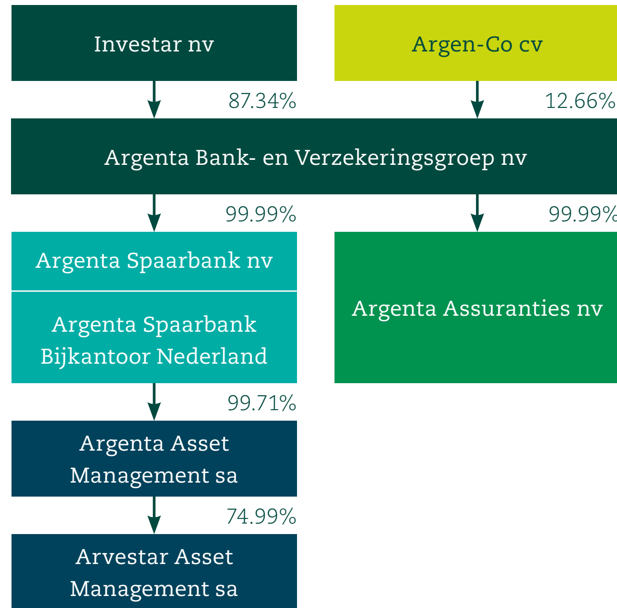
1.1. Argenta Bank- en Verzekeringsgroep - Profile

The Company is registered in Belgium under Belgian law. Its legal form is that of a public limited liability company *(naamloze vennootschap)*. 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 activities encompass Internal Audit, Compliance, Risk & Validation, Non-Financial Risk Management & Supervisory Office, Legal Affairs, Organisation & Talent and Secretariat-General. These activities are organised 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 mainly focuses on attracting funds in the retail market and the institutional market in a variety of forms, offering payment transactions and reinvesting the collected funds in loans and securities. In addition, units are offered in Argenta funds managed by AAM, Argenta pension funds and Argenta DP funds managed by Arvestar.

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' legislations, 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).

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 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. Exposures related to securitisation positions. Argenta Spaarbank carried out securitisation operations in 2017, 2017, 2018 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 Company 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	31/12/2022	31/12/2023
Available own funds				
1	Common Equity Tier 1 (CET1) capital		2,566,787,180	2,860,248,081
2	Tier 1 capital		2,566,787,180	2,860,248,081
3	Total capital		2,569,056,921	2,860,248,081
Risk-weighted exposure amount				
4	Total risk-weighted exposure amount		11,689,433,055	12,765,911,166
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	16%	21.96%	22.41%
6	Tier 1 capital ratio (%)		21.96%	22.41%
7	Total capital ratio (%)	18%	21.98%	22.41%
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 macro-prudential or systemic risk identified at the level of a Member State (%)		0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)		0.03%	0.44%
EU 9a	Systemic risk buffer (%)		0.81%	1.07%
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 (%)		4.10%	4.76%
EU 11a	Overall capital requirements (%)		13.60%	14.27%
12	CET1 available after meeting the total SREP own funds requirements (%)		12.48%	12.91%
Leverage ratio				
13	Leverage ratio total exposure measure		54,890,939,225	55,276,694,104
14	Leverage ratio (%)	4%	4.68%	5.17%
Liquidity Coverage Ratio (LCR) (based on average of last 12 months)				
15	Total high-quality liquid assets (HQLA) (weighted value - average)		7,437,330,044	7,214,455,389
EU 16a	Cash outflows - total weighted value		4,288,996,450	3,829,814,845
EU 16b	Cash inflows - total weighted value		326,176,046	348,372,686
16	Total net cash outflows (adjusted value)		3,962,820,404	3,481,442,158
17	Liquidity coverage ratio (%)	125%	181.82%	199.66%
Net Stable Funding Ratio (NSFR)				
18	Total available stable funding		47,761,132,504	48,072,411,858
19	Total required stable funding		33,455,632,738	34,150,070,260
20	NSFR ratio (%)	120%	142.76%	140.77%

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 and the total capital ratio would be 22.40% and the leverage ratio 5.17%.

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. Tables **LIQ1** and **LIQ2** for the disclosure of the liquidity coverage ratio and net stable funding ratio are included in the Annex.

The above table includes the internally established Risk Appetite Framework (RAF) standards that Company management has set for the ratios in question. These standards 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	References 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)	Part 'Governance' (Activities and Sustainability Report 2023) and Chapter 18. Remuneration policy, diversity and integrity
	435.2 (e) information flow on risks to management entitities	Reference is made to the governance memorandum on the website (www.argenta.be –general – about Argenta)
436	Application framework	1.2. Application framework
437	Own funds	3. Own funds
	437 (f) capital ratios based on the CRR guidelines	All disclosed capital ratios are based on the CRR principles
438	Own funds requirements and risk-weighted exposure amounts	4. Capital requirements and 17. Capital and liquidity management
439	Exposure to counterparty credit risk	5. Exposure to credit risk
440	Countercyclical capital buffers	4.1. Capital requirements
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 and dilution risk	5. Exposure to credit risk and 8. Credit risk adjustments
443	Encumbered and 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 management	12. Exposure to operational risk and other non-financial risks
447	Key metrics	1.3. Applied approach and key figures Pillar 1
448	Exposure to interest rate risk on positions not held 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

CRR article	Pillar 3 disclosure requirements	References in the annual reports and/or the Pillar 3 report
451a	Liquidity requirements	17. Capital and liquidity management
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 growth. The Argenta Group recognises this and considers risk management as one of its core activities.

The risk management framework is managed dynamically and therefore adapted and updated 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, branch managers, investors, supervisory authorities and rating agencies, as well as directors, management and employees.

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

The executive committees of the Company, Aspa and Aras are integrated, with a number of members in common: the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO). The Chief Officer (CO) Retail, the Chief Officer (CO) Affluent & Business and the 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 control 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:
  - The Group Supervisory Committee is complementary to the Audit Committee and the Risk Committee. The Audit Committee and the Risk Committee handle the full scope of the Group, the Group Supervisory Committee confines itself to elements of possible conflicts of interest.
  - In view of the focus on conflicts of interest, the Group Supervisory Committee is responsible for the supervision of:
    - Dividend allocation amongst the Group entities, including capital adequacy;
    - Intragroup transactions (including the credit transfers);
    - Intragroup service agreements and their follow-up;
    - Possible conflicts of interest regarding the activities of the different legal Argenta 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;
- Establishes the limits against which the impact of ICAAP and ILAAP scenarios are evaluated;
- Is further developed in the operational policies that include a broad set of operational limits/flashing lights;
- Initiates actions in the event of differing measurements.

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

In addition, a pro-active (in preparation for the new business plan) and a budgeted RAF (for evaluating the current 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 limits, operational flashing lights and early warning indicators. This results in the daily embedding of risk awareness in first line management and in better and more efficient risk management processes.

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' (to be found 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 'Integrated Risk Management' policy applies in an overarching manner.

The Company's risk mapping makes a distinction here between, among other things, financial risks and non-financial risks. The 8 financial risk types are subdivided into the categories/risks below: market risk, credit risk, liquidity risk, business risk, capital risk, underwriting risk (for insurance only), model risk and climate & sustainability risk. The 12 non-financial risk types are subdivided into the following categories/risks: sourcing risk, human resources risk, information security & cyber risk, legal & regulatory risk, fraud risk, data management risk, strategic & change risk, business continuity risk, brand & sustainability risk, IT risk, process risk and compliance risk.

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 2023 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.

The risk management function has prepared for the Board of Directors' Risk Committee an internal control annual report for 2023, an activity report with action plan for 2024 and an RAF report for 2023. These documents came 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 2023 and within the legal requirements imposed on the risk management function.

A specific area for attention in 2023 was also pointed out which concerns both financial risks (with a focus, as hot spot risks, on climate risk, business risk and credit risk) and non-financial risks (with a focus on information security & cyber risk, data management risk, strategic & change risk and sourcing risk).

The climate action plan relating to climate & sustainability risk was further developed.

In 2024, the points for attention for financial risks will be business risk, market risk and climate & sustainability risk, and for non-financial risks they will be information security & cyber risk, data management risk, sourcing risk, strategic & change risk and brand & sustainability 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 equity with CRR scope equity. Table 4 reconciles the IFRS accounting equity and the prudential Tier 1 core capital.

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

Components	CRR scope	IFRS scope	Difference
Paid-up capital	729,814,600	729,814,600	0
Share premium	485,044,811	485,044,811	0
Fair value changes of equity instruments measured at fair value through other comprehensive income	-4,143,172	15,942,078	-20,085,250
Fair value changes of debt securities measured at fair value through other comprehensive income	-25,325,964	-65,964,498	40,638,534
Actuarial gains or losses on defined benefit pension plans	-5,930,778	-6,204,873	274,095
Reserve for (re)insurances	0	267,250,682	-267,250,682
Reserves (including retained earnings)	1,615,394,470	1,946,236,665	-330,842,195
Profit from the current year	281,310,543	309,845,524	-28,534,981
Interim dividends	-24,083,882	-24,083,882	0
Total equity attributable to shareholders	3,052,080,629	3,657,881,107	-605,800,479
Non-controlling interests	306,446	306,949	-503
Total equity and non-controlling interest	**3,052,387,075**	**3,658,188,057**	**-605,800,982**

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

Table 4: Reconciliation of accounting equity versus Tier 1 equity

Components	31/12/2022	31/12/2023
Paid-up capital	717,884,700	729,814,600
Share premium	447,749,558	485,044,811
Fair value changes of debt instruments measured at fair value through other comprehensive income	-63,559,618	-25,325,964
Actuarial gains or losses on defined benefit pension plans	-1,811,987	-5,930,778
Fair value changes of equity instruments measured at fair value through other comprehensive income	-4,744,378	-4,143,172
Reserves (including retained earnings)	1,486,651,670	1,615,394,470
Profit of the current year	233,841,119	281,310,543
Interim dividend	0	-24,083,882
Total equity attributable to shareholders	2,816,011,065	3,052,080,629
Non-controlling interests	286,925	306,446
Total equity and non-controlling interest - CRR scope	**2,816,297,990**	**3,052,387,075**

Components	31/12/2022	31/12/2023
Adjustments		
(-) Inapplicable part of interim or year-end results	-85,163,747	-38,141,683
Non-controlling interests	-286,925	-306,446
Common Equity Tier 1 before the application of prudential filters	**2,730,847,318**	**3,013,938,945**
Fully paid-up capital instruments	717,884,700	729,814,600
Share premium	447,749,558	485,044,811
Retained earnings	1,635,329,042	1,834,479,448
Cumulative unrealised results	-70,115,982	-35,399,914
Common Equity Tier 1 before the application of prudential filters	**2,730,847,318**	**3,013,938,945**
Prudential filters		
Profits and losses (at fair value) deriving from institution's own credit risk in respect of derivative instruments	-23,244,364	-28,065,732
(-) Value adjustments due to requirements for prudential valuation	-3,808,082	-3,135,498
(-) Other intangible assets and goodwill	-109,307,299	-107,758,400
(-) For IRB, negative difference between credit risk adjustments and expected loss items	0	-1,733,336
(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-21,633,241	-4,931,055
Transitional measures for IFRS 9 (expected credit losses)	1,189,659	688,411
Deduction relating to prudential provisions for non-performing exposures	-7,256,811	-8,326,561
Insufficient coverage for non-performing exposures	0	-428,694
Common Equity Tier 1	**2,566,787,180**	**2,860,248,081**

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. 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 28,065,732 at end 2023);
- 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 3,135,498 at end 2023).
  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 2023, the net impact amounted to EUR 107,758,400. The net carrying value after latent tax of software (EUR 16,404,753 at the end of 2023) is no longer fully deducted from prudential equity, but is partially deducted and partially risk-weighted at 100% (EUR 10,316,005) (pursuant to EU regulation 2020/2176);
- in the IRB application: negative difference between exposure adjustments and expected losses. As of 31 December 2023, impairments recorded in accordance with IFRS standards were less than the calculated expected credit losses. As of end 2023, the shortfall between the impairments and the expected losses (EL) therefore amounted to EUR 1,733,336;
- deferred tax assets that rely on future profitability (excluding those arising from temporary differences). At end 2023, this deduction of deferred tax assets amounted to EUR 4,931,055;

- the transitional measures relating to the impact of the COVID-19 pandemic on the expected credit losses in order to adopt them into equity in a phased manner. The amount of this IFRS 9 transitional measure was EUR 688,411 as of 31 December 2023;
- 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 8,326,561. The Pillar 1 deduction for prudential provisions (loans granted after 26 April 2019) is EUR 428,694.

3.2. Composition of prudential equity and capital ratios

Table **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 capital instruments', see template **CCA** in the appendix).

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

The Company pursues 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 4 senior non-referred bonds to a total amount of EUR 2,100 million in 2020 and 2022. The prospectuses and investor presentations of both issues can be found on the www.argenta.eu website (under the heading 'debt issuance').

These transactions under the EMTN programme contribute to the regulatory bail-in requirements (MREL - Minimum Requirement on own funds and Eligible Liabilities) and enhance Aspa's 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 from 1 January 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, and of 19.04% of the Total Risk Exposure Amount (TREA risk-weighted), 19.04% of which is a subordinate target level of 19.04% of TREA. The final MREL requirement in 2024 (01/01/2024) will be 7.78% of the total risk exposure for the calculation of the leverage ratio, and 19.47% of TREA, to be entirely in the form of subordinated instruments.

The MREL ratio as of the end of 2023 came to 8.66% of the total risk exposure for the calculation of the leverage ratio and 39.47% of TREA, entirely in the form of subordinated instruments.

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 has announced that a rate of 0.50% will be imposed from 1 April 2024 onwards. This buffer is to be increased to 1% from 1 October 2024. The Dutch regulator has set the rate at 1% since 25 May 2023, and this will be increased to 2% on 31 May 2024. Tables **CCyB1** and **CCyB2** appended to this report provide further details on the institution-specific countercyclical capital buffer. The institution-specific countercyclical capital buffer was 0.44% on 31 December 2023.

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 came to 1.07% on 31 December 2023. From 1 April 2024 onwards, this systemic risk buffer for Belgium will be reduced from 9% to 6%.

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 P2R (Pillar 2 requirement) in 2023 came to 1.50% (to be fulfilled with a minimum of 56.25% in CET1 and 75% in T1 with the remaining requirement in T2). Based on the SREP process, a total capital requirement of 10.11% 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 0.44% and a systemic risk buffer of 1.07% also apply. Since the Company has no additional Tier 1 (AT1) and no Tier 2 (T2) outstanding, the CET1 requirement is de facto 14.27%, being the Total Capital Ratio (TCR) (10.11% + 1.5% AT1 + 2.0% T2 + the remaining P2R).

The Company amply met all requirements in 2023 with a CET1 and TCR of 22.41%.

4.2. Minimum capital requirements per risk-weighted category

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

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

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

The increase in risk-weighted items compared to 31 December 2022 mainly results from:
(a) the increase in the portfolio of Belgian mortgage loans due to:

- Implementation of the new IRB model on 31 August 2023 (impact of EUR 445 million of additional RWA compared to 30 June 2023);
- Implementation of new MOCs (margin of conservatism) on the basis of IMI requirement on 30 November 2023 (impact of EUR 48 million of RWA);
- Elimination of the seasonal effect on PD values on year-end figures because of the new model;

(b) the increase in the portfolio of Dutch mortgage loans due to:

- An increase in the share of non-NHG files in the portfolio, although the trend is falling compared to previous years;
- The calculation of the capital requirements of the IRB portfolio is still floored at the amount of the standardised approach;
- The new IRB model may be applied from the reporting status on 31 March 2024 (expected positive impact on risk-weighted assets is EUR -1.8 billion)

(c) the increase in the investment portfolio (institutions and corporations) due to:
- The increase in the risk weightings of non-retail counterparties (impact of EUR 121 million of RWA)
- An update of the PD methodology on the basis of IMI requirement, leading to higher PD values (impact of EUR 59 million of RWA).

4.3. Capital ratios

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

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

	31/12/2022	31/12/2023
Total qualifying capital	2,569,056,921	2,860,248,081
Total CET1 capital	2,566,787,180	2,860,248,081
Risk-weighted assets	11,689,433,055	12,765,911,166
CET1 capital ratio	21.96%	22.41%
Tier 1 capital ratio	21.96%	22.41%
Total capital ratio (TCR)	21.98%	22.41%

The Common Equity Tier 1 ratio (CET1) is an important ratio. This calculation uses the core Tier 1 equity 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 2023 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 11,689,433,055 at end 2022 to EUR 12,765,911,166 at end 2023. As a result, the total capital requirement has risen from EUR 935,154,644 to EUR 1,021,272,893.

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

	31/12/2022		31/12/2023	
	RWA	Capital requirement	RWA	Capital requirement
Credit risk - STA				
Central governments or central banks	22,302,017	1,784,161	35,418,724	2,833,498
Regional and local governments	75,644,068	6,051,525	68,366,095	5,469,288
Public sector entities	24,775,012	1,982,001	27,050,404	2,164,032
Corporates	115,901,143	9,272,091	110,663,785	8,853,103
Retail	297,349,726	23,787,978	342,830,927	27,426,474

	31/12/2022		31/12/2023	
	RWA	Capital requirement	RWA	Capital requirement
Covered by real estate	83,174,829	6,653,986	86,683,184	6,934,655
Exposures in default	4,655,648	372,452	4,125,388	330,031
Equity	22,011,282	1,760,903	20,771,019	1,661,682
Other items	370,715,544	29,657,244	329,025,011	26,322,001
Total credit risk STA	**1,016,529,270**	**81,322,342**	**1,024,934,536**	**81,994,763**
Credit risk - IRB				
Institutions	717,636,697	57,410,936	744,414,187	59,553,135
Corporates	2,200,820,104	176,065,608	2,409,136,979	192,730,958
Covered by real estate	5,723,106,729	457,848,538	2,959,868,014	236,789,441
Equity	652,848,373	52,227,870	652,848,373	52,227,870
Total credit risk IRB	**9,294,411,904**	**743,552,952**	**6,766,267,554**	**541,301,404**
Securitisation positions SEC-ERBA	91,340,643	7,307,251	72,780,661	5,822,453
Standardised floor for Dutch mortgages [1]	0	0	3,514,856,181	281,188,494
Total credit risk	**10,402,281,816**	**832,182,545**	**11,378,838,932**	**910,307,115**
Market risk	0	0	0	0
CVA risk	41,457,344	3,316,588	31,507,011	2,520,561
Operational risk	1,245,693,895	99,655,512	1,355,565,223	108,445,218
Total capital requirement	**11,689,433,055**	**935,154,644**	**12,765,911,166**	**1,021,272,893**

The risk-weighted volume for credit risk was EUR 10,402,281,816 as of 31 December 2022, evolving to EUR 11,378,838,932 as of 31 December 2023. This resulted in a capital requirement of EUR 910,307,115 compared to EUR 832,182,545 as of 31 December 2022.

The total capital requirement for all risks (i.e. including the requirements for CVA and operational risks) amounted to EUR 1,021,272,893.

We refer to Chapter 6. Use of the standardised approach for further details of the regulatory standardised floor for Dutch mortgage loans.

1 As of the end of 2022, this floor was included under IRB 'retail covered by real estate' in the amount of EUR 3,333,465,165.

5. Exposure to credit risk

5.1. Composition of credit risk

Tables LI1 and LI2, included in the appendix, provide an overview of the differences in consolidation scope, as well as the definition and classification of the exposures. Additional information is included on items to be deducted from 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 of off-balance sheet items at year-end

Related COREP tables	CCF percentages	Exposure 31/12/2022	Exposure 31/12/2023
Table C07 (STD)	0%	602,946,200	801,066,201
	20%	7,551,508	7,660,125
	50%	17,736,389	12,937,783
	Subtotal STD approach	*628,234,097*	*821,664,108*
Table C08 (IRB)	75%	70,000,000	50,000,000
	100%	2,589,961,009	2,007,775,479
	Subtotal IRB approach	*2,659,961,009*	*2,057,775,479*
Total		**3,288,195,106**	**2,879,439,587**
Total risk-weighted volume		**565,408,121**	**481,694,297**

The unconditionally cancellable credit card commitments (EUR 602,946,200 as of end 2022 and EUR 801,066,201 as of end 2023) are included in the total exposure but carry a 0% conversion factor.

5.2. Additional information on the Basel exposure categories

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

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

The following table gives a separate global geographic overview for the Basel category ‘exposures covered by 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 the 'exposures covered by immovable property'

Country	31/12/2022	31/12/2023
BE	18,888,314,494	18,760,923,921
NL	20,679,122,223	21,554,690,512
Other	66,530,139	69,456,517
Total	**39,633,966,856**	**40,385,070,949**

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 of the institution's exposures.

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

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 build 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 determined by a qualified independent external appraiser/valuer (cf. infra), as described in the EBA/GL/2020/06.

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 partly 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 LTV also fell, for a constant property value, during the period of the loan in the Netherlands. In respect to the follow-up of bullet loans, both the requirements of the AFM concerning client outreach and those of the ECB concerning the action plan resulting from the operational act have been followed up further.

In addition, over 40% of Argenta's Dutch mortgage portfolio is covered by National Mortgage Guarantees (NHG). The NHG is provided by the 'Waarborgfonds Eigen Woningen' (Home Ownership Guarantee Fund – WEW) foundation. This is the name of the guarantee which a borrower can obtain for a loan for purchasing or renovating a home. The WEW guarantees the repayment of the mortgage amount to the lender.

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

The WEW is a private institution which has agreements with the government and the municipalities. This means that 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 Legal Affairs department confirms that the different CRM techniques, for both the Belgian and the Dutch mortgage portfolio, are legally effective and enforceable.

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 by category

	Risk exposure	Unfunded credit protection - guarantees	Funded credit protection - collateral	Total inflow	Adjusted exposure
Central governments or central banks	3,726,954,720	0	0	59,523,885	3,786,478,604
Regional goverment or local authorities	757,325,149	0	0	58,163,214	815,488,363
Public sector entities	161,244,494	-25,992,472	0	0	135,252,022
International organisations	99,359,141	0	0	0	99,359,141
Institutions	34,994,478	-34,994,478	0	0	0
Corporates	218,631,388	-56,700,149	0	0	161,931,239
Retail	1,262,657,113	0	0	0	1,262,657,113
Covered by real estate	164,736,053	0	0	0	164,736,053
Exposures in default	4,116,076	0	0	0	4,116,076
Equity	20,771,019	0	0	0	20,771,019
Other items	475,290,999	0	0	0	475,290,999
Total exposures (STA)	**6,926,080,630**	**-117,687,099**	**0**	**117,687,099**	**6,926,080,630**
Institutions	3,462,430,570	0	0	0	3,462,430,570
Corporates	5,397,857,428	0	0	0	5,397,857,428
Covered by real estate	40,220,334,896	0	0	0	40,220,334,896
Equity	176,445,506	0	0	0	176,445,506
Total exposures (IRB)	**49,257,068,400**	**0**	**0**	**0**	**49,257,068,400**
Securitisation positions (SEC-ERBA)	507,598,614	0	0	0	507,598,614
Total exposures	**56,690,747,644**	**-117,687,099**	**0**	**117,687,099**	**56,690,747,644**

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

One form of credit protection is also the accumulated savings amounts for some mortgage types in the Netherlands.

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 34,994,478 of credit protection in the ‘institutions’ category, the EUR 25,992,472 of credit protection in the ‘public sector entities’ category, and the EUR 56,700,149 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	35,009,539	34,994,478
Total unfunded credit protection - Guarantees in the 'institutions' category			**34,994,478**

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

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	1	26,003,313	25,992,472
Total unfunded credit protection - guarantees in 'public sector entities' category			**25,992,472**

Table 12: Government guarantees in the 'corporates' category

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	8	32,200,027	32,170,743
Austrian government	4	24,534,882	24,529,407
Total unfunded credit protection - guarantees in 'corporates' category			**56,700,149**

The CR7 template '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 credit 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.

The assumptions and limits regarding non-retail counterparties are therefore set out in the 'Credit Risk Limits' section of the internal financial policy.

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

The basic assumptions and limits with regard to retail counterparties are listed in the internal acceptance and authorisation frameworks for credit risk for Belgium and the Netherlands respectively. The internal policy 'Retail credit risk policy', 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 and sustainability risk have been incorporated into the RAF limits framework in both policies. When the limits framework was updated in 2023, the average EPCs (energy performance certificates) of the mortgage portfolios were incorporated as RAF limits (transition risk) and the monitoring of flood risk (physical risk) was initiated within these same mortgage portfolios as an RAF flashing light. For the non-retail investment portfolio, the carbon transition score and the E (environmental) score apply as the RAF limit or RAF flashing light.

Counterparty credit risk derivatives

Argenta Group's derivatives portfolio is limited and serves exclusively for ALM management. This portfolio consists primarily of standard contracts: plain vanilla interest rate swaps, swaptions and caps. All derivative counterparties are covered by an ISDA Credit Support Annex (CSA). Claims on counterparties may arise as a result of fluctuations in the derivatives' market values. However, these are taken care of by the daily collateral management ('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. 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 Management retail' policy.

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

5.7. Capital requirement for CVA risk

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

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

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

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

As of 31 December 2023, a risk-weighted exposure of EUR 31,507,011 was obtained, on which a capital requirement of EUR 2,520,561 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 28,065,732, and was deducted from the qualifying capital.

5.8. Derivatives

At the end of 2023, 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 (hedge accounting) or of securitisation transactions. It has no credit derivatives. The Company uses the standard approach to counterparty credit risk ('SA-CCR') to calculate the risk exposures of its derivatives. The exposure here is equal to the sum of the following elements:

a) 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
b) the potential future exposure, based on the (adjusted) notional principal (or underlying value), the term of the transaction and the applicable legal factor.

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

The replacement cost for derivative instruments without central clearing amounted to EUR 12,030,240 and the potential future exposure was EUR 38,184,042. The applicable 'alpha' factor is 1.4. We refer to table **CCR1** for an overview of exposures to counterparty risk.

The Company uses a central clearing institution (CCP) for a large part of its derivative instruments. Table **CCR8**, appended to the report, shows the 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 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 2023, the amount calculated by the STA method was higher than that calculated by the IRB method. EUR 3,514,856,181 of RWA was therefore added which from 2023 onwards is no longer included in the IRB category 'secured by real estate', but as a separate risk exposure at the request of the regulator.

7. Use of the IRB approach

The Company applies the IRB method for exposures to retail (mortgages) and to non-retail, that is to corporates (including real estate counterparties), institutions, 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 31/12/2022	RWA 31/12/2023
Internal ratings-based approach (IRB)	**9,294,411,904**	**6,766,267,554**
IRB approach where neither self-estimated LGD parameters nor conversion factors are used	2,918,456,802	3,153,551,166
Institutions	*717,636,697*	*744,414,187*
Corporates	*2,200,820,104*	*2,409,136,979*
IRB approach using own LGD calculations and/or own conversion factors	5,723,106,729	2,959,868,014
Retail - covered by real estate (excluding STA floor since 2023)	*5,723,106,729*	*2,959,868,014*
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 internal rating models for non-retail and 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 IRB models for the mortgage loan portfolio in Belgium was accepted in August 2023, subject to the application of a factor of 1.05 to the internal LGD values for performing credits.

The IRB models for the mortgage loan portfolio in the Netherlands are audited internally and externally and can only be applied after approval by the ECB. The final decision was received in January 2024, as a result of which the models will be applied from the reporting date of 31 March 2024. This will lead to an estimated drop in the risk-weighted assets of around EUR 1.8 billion (including taking into account the DNB floor - see below) in view of the fact that the Dutch portfolio will no longer require that a comparison be made systematically between the calculations using the standardised approach and those using the IRB method.

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 at present systematically lower than the calculation according to the standardised approach, but is expected to become relevant from 31 March 2024 onwards.

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, Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD) and Expected Loss Best Estimate (ELBE) are assessed and evaluated using models.

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 model uncertainty and data and model deficiencies.

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

LGD models have been developed for estimating the size of the loss. For the Belgian portfolio, every home loan is assigned a specific percentage as an LGD. This is received after an evaluation and a calibration step.

For the Dutch portfolio, every home loan is assigned to an LDG pool. 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 early repayment penalty.

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 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, has also been included in the 'model management' 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 Residential department (BE and NL respectively) is responsible for first line control as well as for the operational aspects of managing defaulted loans.

The CRMS sub-department within 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 development and management 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 runs the GRC-Moco (model overview 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 CRMS and CRA departments report on the performance of the models to the GRC-Moco and carry out an extensive review on an annual basis. The conclusions from this can lead to a recalibration or an adjustment of the model.
In addition, the Risk & Validation department conducts an independent review of the models.
As of 2021, the model risk profile has been added to the RAF.
In addition to the 'model management' procedure, an 'IRB Credit Risk Model Changes' working instruction 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 Internal Audit department draws on the services of independent in-house and external experts as well as on 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 risk category (11 PD categories for on-balance sheet Belgian loans, 6 PD categories for off-balance sheet Belgian loans and 9 PD classes in the Dutch loan 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 is to break them down into a maximum number of risk categories that are significantly different from each other.

The results of these models are discussed with the first-line departments and included in the GRC-FR (financial risk) The performance of the models, as well as planned developments, is discussed at the Model Review 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 authorised and implemented at Argenta Group. This rating 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 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 Section 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 expected losses and provisions per mortgage sub-portfolio

	Belgium	The Netherlands	Total
Total provisions recognised	23,232,935	13,419,165	36,652,100
Expected losses	32,422,255	14,856,391	47,278,646
> non-defaults	11,793,806	9,754,913	21,548,720
> defaults	20,628,448	5,101,478	25,729,926

As of 31 December 2023 the total EL (expected losses) for both defaults and non-defaults amounted to EUR 47,278,646. 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 1,713,179 at the end of 2023.

For the individual mortgage loans processed by the IRB approach, a total of EUR 36,652,100 of provisions were recognised. These contain both the individual stage 3 provisions and the stages 1 and 2 provisions.

The attached table **CR6** gives an overview of the exposures per PD scale for the categories that are weighted according to the IRB method in respect of their status at 31/12/2023.

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 13.56% (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 6,475 million is obtained for the risk-weighted assets, leading to a density of the risk-weighted assets of 16.08%.

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 LGD and PD per geographical location

Country	Original on-balance-sheet gross exposures	Off-balance-sheet exposures gross CCF	Average CCF	EAD after CRM and post CCF	Average PD	Average LGD	Average maturity	RWA	Density of risk-weighted assets	Expected losses	Value adjust-ments and provisions
European Union (Total)	**38,792,072,490**	**1,444,375,128**	**100%**	**40,236,447,618**	**0.78%**	**13.55%**	**7,261**	**2,958,168,616**	**7.35%**	**47,248,726**	
BE	18,285,389,625	334,191,046	100%	18,619,580,671	0.95%	15.48%	6,367	1,503,909,561	8.08%	31,916,880	
DE	5,203,420	474,000	100%	5,677,420	0.22%	15.82%	5,840	385,676	6.79%	2,084	
ES	1,931,421	0	100%	1,931,421	0.17%	14.80%	5,052	106,825	5.53%	500	
FR	18,075,867	825,828	100%	18,901,694	2.01%	16.54%	6,467	1,973,870	10.44%	70,163	
IE	682,600	0	100%	682,600	0.08%	15.86%	7,176	23,608	3.46%	90	
LU	8,854,328	98,605	100%	8,952,932	0.27%	16.94%	6,849	613,894	6.86%	3,782	
NL	20,459,673,139	1,108,517,646	100%	21,568,190,785	0.63%	11.89%	8,035	1,450,446,258	6.72%	15,250,687	
SE	553,823	0	100%	553,823	0.09%	12.41%	4,940	15,253	2.75%	59	
Other EU countries	11,708,269	268,004	100%	11,976,273	0.26%	14.38%	5,483	693,669	5.79%	4,481	
GB	**4,145,338**	**149,384**	**100%**	**4,294,722**	**0.35%**	**14.05%**	**5,754**	**253,801**	**5.91%**	**2,014**	
North America (Total)	**5,808,730**	**95,499**	**100%**	**5,904,229**	**0.16%**	**13.73%**	**5,552**	**274,663**	**4.65%**	**1,311**	
CA	1,672,383	95,499	100%	1,767,883	0.10%	11.87%	5,810	50,708	2.87%	215	
US	4,136,346	0	100%	4,136,346	0.18%	14.52%	5,442	223,955	5.41%	1,096	
Other countries	**10,184,960**	**155,468**	**100%**	**10,340,428**	**2.06%**	**13.40%**	**4,622**	**1,170,934**	**11.32%**	**26,594**	
Total	**38,812,211,518**	**1,444,775,479**	**100%**	**40,256,986,996**	**0.78%**	**13.55%**	**7,260**	**2,959,868,014**	**7.35%**	**47,278,646**	**-36,652,100**

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-portfolios by LGD scale

Sub-portfolio	LGD scale	Arithmetic average LGD per debtor	Number of obligors		Average annual LGD in the past	
			End of previous year	End of current year	2022	2023
Belgium	01.]0,5]	n.a.	41,346	0		4.55%
Belgium	02.]5,10]	n.a.	197,388	11,627		9.26%
Belgium	03.]10,15]	n.a.	0	134,723		12.74%
Belgium	04.]15,20]	n.a.	1,186	71,440		16.93%
Belgium	05.]20,25]	n.a.	0	16,959		21.81%
Belgium	06.]25,30]	n.a.	0	2,279		26.67%
Belgium	07.]30,40]	n.a.	0	313		31.37%
Belgium	08.]40,50]	n.a.	0	58		49.39%
Belgium	14.]100,inf[	n.a.	0	296		105.71%
The Netherlands	1	n.a.	45,825	36,179	4.91%	4.91%
The Netherlands	2	n.a.	32,596	34,694	5.96%	5.96%
The Netherlands	3	n.a.	14,330	24,604	6.88%	6.88%
The Netherlands	4	n.a.	60,005	54,973	8.25%	8.25%
The Netherlands	5	n.a.	25,368	26,084	13.96%	13.96%
The Netherlands	6	n.a.	26,437	33,131	24.74%	24.74%
The Netherlands	7	n.a.	46	47	29.09%	29.09%

For the Belgian loan portfolio (including the application of a factor of 1.05 to the internal LGD values), a major shift across the intervals is evident. This is due to the implementation of the newly approved IRB model.

For the Dutch loan portfolio, we see a shift towards the worse LGD categories (categories 3 and 6).

Backtesting the probability of default (PD)

Table **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 only take a closer look at the mortgage portfolio below.

CR9 has been incorporated into the table below to make the trends discussed more clearly visible.

Table 17: Backtesting of PD of mortgage portfolios

PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		Of which number of obligors which defaulted during the year				
a	b	c	d	e	f	g
0.00 to <0.15	160,643	32	0.02%	0.10%	0.06%	0.12%
0.00 to <0.10	*126,783*	*9*	*0.01%*	*0.08%*	*0.05%*	*0.10%*
0.10 to <0.15	*33,860*	*23*	*0.07%*	*0.13%*	*0.11%*	*0.25%*
0.15 to <0.25	142,446	71	0.05%	0.17%	0.16%	0.14%
0.25 to <0.50	65,720	71	0.11%	0.33%	0.30%	0.26%
0.50 to <0.75	50,282	111	0.22%	0.60%	0.58%	0.44%
0.75 to <2.50	18,564	181	0.98%	1.43%	1.08%	1.24%
0.75 to <1.75	*18,564*	*181*	*0.98%*	*0.98%*	*1.08%*	*1.24%*
1.75 to <2.5						
2.50 to <10.00	5,069	278	5.48%	5.86%	5.22%	5.50%
2.5 to <5	*2,910*	*116*	*3.99%*	*4.79%*	*3.60%*	*3.64%*
5 to <10	*2,159*	*162*	*7.50%*	*6.97%*	*7.41%*	*7.75%*
10.00 to <100.00	1,803	142	7.88%	22.71%	19.63%	13.04%
10 to <20	*1,338*	*94*	*7.03%*	*15.14%*	*15.75%*	*9.56%*
20 to <30	*130*	*13*	*10.00%*	*21.46%*	*21.46%*	*18.05%*
30 to <100	*335*	*35*	*10.45%*	*34.09%*	*34.43%*	*18.94%*
100.00 (Default)	2,136	2,136	100.00%	100.00%	100.00%	100.00%

The PD range was determined on the basis of the regulatory PD values from the IRB models which applied on 31 December 2022. The following columns show the number of loans as at 31/12/2022 (b) and the number of these loans going into default during 2023 (c). The perceived average default rate (d) is the number of new defaults compared to the starting position. Columns (e) and (f) respectively show the exposure to weighted regulatory PD values as at the end of 2023 and the unweighted regulatory PD values as at 31 December 2022.

The average historical annual default rate (g) is based on the observed default rate for the last five years. The observed default rate (d) is always lower than the historical average (g), with the exception of the range 2.5 to 5.

Overview of flows of risk-weighted assets

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

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

In Q4 2023, the RWA rose by EUR 218.3 million. This global increase is explained by the rise of EUR 138.4 million in the non-retail portfolio (F-IRB) and the rise of EUR 79.9 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 (+EUR 117.9 million) and the quality of the assets (+EUR 20.5 million).

The RWA of the mortgage portfolios has increased because of model updates in the LGD parameter (+EUR 46.1 million) and the quality of the assets (+EUR 31.8 million). In addition, the volume of the assets has led to an increase of EUR 1.9 million.

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 per pool/grade.

Pool/grade	PD %	Corporates 2022	Institutions 2022	Pool/grade	PD %	Corporates 2023	Institutions 2023
1				1	0.05%	0	142,774,175
2	0.05%	0	151,915,811	2			
3				3	0.06%	58,220,901	97,159,596
4				4	0.06%	211,922,787	111,461,617
5	0.06%	35,660,028	95,281,159	5	0.07%	386,690,580	688,416,234
7	0.07%	332,130,345	514,443,784	7	0.08%	831,591,510	1,018,079,639
9	0.08%	880,457,507	724,769,472	9	0.10%	563,938,265	730,046,857
11	0.08%	156,516,527	142,251,583	11	0.14%	762,414,782	445,771,666
13	0.10%	559,170,594	913,594,608	13	0.18%	860,639,960	146,209,106
16	0.13%	728,941,081	382,993,311	16	0.24%	1,220,703,509	83,463,135
19	0.16%	1,118,191,622	243,317,816	19	0.32%	440,696,162	0
21				21	0.46%	12,773,290	0
22	0.22%	1,158,595,357	82,065,154	22			
25	0.31%	341,319,704	3,007,450	25			
29	0.43%	15,403,915	0	29			
31				31	1.19%	5,006,339	0
38				38	4.56%	20,177,130	0
40	1.11%	5,006,356	0	40			
46				46	9.08%	15,403,915	0
48	4.30%	20,180,741	0	48			
50				50	18.05%	36,887,347	0
Total		**5,351,573,776**	**3,253,640,147**	**Total**		**5,427,066,478**	**3,463,382,027**
RWA		**2,200,820,104**	**717,636,697**	**RWA**		**2,409,136,979**	**744,414,187**
Capital requirement		**176,065,608**	**57,410,936**	**Capital requirement**		**192,730,958**	**59,553,135**

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.eu and www.argenta.eu).

8.1. Definition of 'past due' and 'in default'

A credit 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 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 were submitted in April 2022.

The models for the Belgian mortgage portfolio were approved in August 2023, subject to the application of an additional add-on factor of 1.05 on the LGD parameter of loans which are not in default. The IRB models for the mortgage loan portfolio in the Netherlands have been audited internally and externally and can only be applied after approval by the ECB. The final decision was received in January 2024, as a result of which the models will be applied from the reporting date of 31 March 2024.

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 2022	Past due exposure 2023
BE	95,138,259	110,499,459
NL	59,537,602	57,534,172
Other	812,377	401,172
Total past due exposures	**155,488,238**	**168,434,803**

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

	01/01/2023	Increase due to origination and acquisition	Decrease due to derecognition	Changes due to change in credit risk (net)	Changes due to modifications without derecognition	Decrease in allowances due to write-offs	Other changes	31/12/2023
Stage 1	**-11,692,606**	**-2,565,054**	**2,149,734**	**-1,321,758**	**45**		**-196,842**	**-13,626,483**
Fixed-income securities	-6,472,050	-677,719	236,575	-652,583	0		-1	-7,565,778
Loans and advances	-5,220,556	-1,887,335	1,913,158	-669,176	45		-196,842	-6,060,705
Stage 2	**-16,279,521**	**-5,171,669**	**6,862,413**	**-7,514,730**	**-61,936**		**-532,641**	**-22,698,084**
Fixed-income securities	-1,621,120	0	0	-8,913,933	0		0	-10,535,053
Loans and advances	-14,658,401	-5,171,669	6,862,413	1,399,203	-61,936		-532,641	-12,163,032
Stage 3	**-25,131,645**	**0**	**5,412,479**	**-11,208,249**	**0**	**4,446,588**	**0**	**-26,480,827**
Fixed-income securities	0	0	0	0	0	0	0	0
Loans and advances	-25,131,645	0	5,412,479	-11,208,249	0	4,446,588	0	-26,480,827
Total	**-53,103,772**	**-7,736,723**	**14,424,625**	**-20,044,738**	**-61,891**	**4,446,588**	**-729,483**	**-62,805,394**
Total provisions on commitments and financial guarantees given	**-1,338,198**	**-2,145,200**	**2,327,532**	**158,140**	**805**	**0**	**-39,519**	**-1,036,440**
Stage 1	-775,670	-2,000,496	1,885,313	230,612	0		-42,825	-703,066
Stage 2	-562,528	-144,704	442,219	-72,472	805		3,307	-333,374
Stage 3	0	0	0	0	0	0	0	0

At 31/12/2022 the stage 3 provisions amounted to EUR 25,131,645 and the stages 1 and 2 provisions (including the provision for off-balance sheet commitments) amounted to EUR 27,972,127. At 31/12/2023 the stage 3 provisions amounted to EUR 26,480,827 and the stages 1 and 2 provisions to EUR 36,324,567.

A description of the fluctuations in the impairments is included in Chapter 40 'Impairment losses' of the BVg IFRS annual report.

The Company has a gross NPL ratio of less than 5%, i.e. 0.44% as of 31 December 2023. Consequently, the Company is not required to disclose the tables CR2-A, CQ2, CQ6 and CQ8 on credit quality. Table CQ7 does not apply to the Company as no collateral has been obtained through taking possession and execution processes. The other tables can be found in the separate Excel appendix.

9. Encumbered and unencumbered assets

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

Table 21: Overview of encumbered assets

	31/12/2022 nominal value	31/12/2022 market value	31/12/2023 nominal value	31/12/2023 market value	average 2023 nominal value	average 2023 market value
Securities Collateral						
Collateral for derivatives (caps and swaps)	449,000,000	433,488,478	563,000,000	550,719,387	523,583,333	507,390,578
Collateral for Bank Card Company	67,450,000	61,507,945	70,450,000	67,326,169	70,200,000	65,891,776
Collateral for covered bond	26,000,000	23,854,174	45,000,000	46,085,039	37,083,333	35,932,899
Colleteral for Target2 platform	50,000,000	49,110,542	50,000,000	51,900,875	50,000,000	50,291,271
Colateral for obtained credit line NBB	312,193,000	279,506,643	314,193,000	292,333,234	312,859,667	283,728,128
Total collateral given	**904,643,000**	**847,467,781**	**1,042,643,000**	**1,008,364,703**	**993,726,333**	**943,234,653**
Collateral for derivatives (caps en swaps)	0	0	0	0	-193,667	-170,190
Total collateral received	**0**	**0**	**0**	**0**	**-193,667**	**-170,190**
Loans and advances Collateral						
Collateral for covered bonds	2,435,553,147		3,055,863,811		2,897,313,462	
Cash collateral						
Cash paid (derivatives)		56,522,000		126,423,820		60,777,217
Cash received (derivatives)		1,955,801,057		1,232,349,994		1,878,329,125
Net cash (derivatives)		**-1,899,279,057**		**-1,105,926,174**		**-1,817,551,908**

At end 2023 a nominal EUR 563.0 million of assets were encumbered in the context of derivatives, a nominal EUR 70.5 million in connection with the use of credit cards by the Company's clients and EUR 3.1 billion for the covered bond issues.

In the context of the collateral management, EUR 126.4 million in cash was paid in respect of derivatives and another million EUR 1,232.3 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 563 million of initial margin collateral at the CCP (Central Clearing Party). On 31 December 2023, the amount of the shortfall in collateral received amounted to EUR 84,945,711, for which margin calls were received on 2 January 2024 for EUR 84,253,803.

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.
- 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 314.2 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 31/12/2023, there are loans that are securitised, but at consolidated level are included back in the balance sheet. In 2021, 2022 and 2023, subsidiary Aspa also issued covered bonds (Belgian *pandbrieven*) for a total amount of EUR 2,500 million.

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

Table **AE3** appended to this report shows the link between encumbered assets, collateral received and related liabilities. The ratio between (i) the related assets and collateral received and own debt securities issued and (ii) the related liabilities, contingent liabilities and securities lent on the other hand is 132%, which is mainly explained by overcollateralisation 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 the 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 RWA 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 31/12/2022	Exposure 31/12/2023
Central governments or central banks	4,705,648,149	3,726,954,720
Regional and local governments	736,258,105	757,325,149
Public sector entities	149,171,551	161,244,494
Corporates	228,321,190	218,631,388

As explained in the 'Risk Management' section of the IFRS annual report (credit risk section), 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 does not maintain a trading book or 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 equity 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 108,445,218 of capital at 31 December 2023.

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.

Within ICAAP, Pillar 2 is capitalised before operational risk by increasing the Pillar 1 amount by the operational loss under a stress scenario. Within non-financial risk, increased attention was paid in 2023 to information security and cyber risk (i), data management risk (ii) , strategic and change risk (iii) and sourcing risk (iv):

- (i) The security maturity roadmap was further implemented and maintained by the first line and, among other measures, Microsoft Defender was rolled out;
- (ii) Measures to support sourcing risk management included a joint tutorial exercise implemented by NFRM, Procurement and Vendor management;
- (iii) In 2023, mainly improvements in the area of risk monitoring were included in the change epics, the Delivery committee was set up and a risk assessment was conducted of the new strategy for the Executive Committee and finally the Risk Committee of the Board of Directors in February 2024;
- (iv) The quality of data under management in the central information provision layer (CIVL) has been improved by measures including specific data journeys to bring more data under control and to have the roles and responsibilities within the managements recorded.

For 2024, the focus for non-financial risks will be on the same risk types, with the further addition of brand & sustainability 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 of 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 2023, 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
Strategic participations	61,325	61,325	0	0
Participations in associated companies	90,000	56,700	-33,300	0
Investments	20,030,942	15,900,496	-4,130,446	0
Listed	*12,550,716*	*7,733,270*	-4,817,446	0
Private equity	0	0	0	0
Other	*7,480,226*	*8,167,226*	687,000	0
Subordinated loans	5,071,434	4,740,447	-330,987	0
Total	**25,253,701**	**20,758,967**	**-4,494,733**	**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 participating interest in question is therefore not deducted from capital (non-deducted participations in insurance undertakings). We refer to the appended **INS1** template 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, and its sensitivity, is the algebraic total of the discounted cash flows of the interest-bearing components of the banking book over their interest duration at current and shocked market rates, excluding the commercial margins thereon.

The income perspective monitors the interest result, the difference between interest income and interest expenses and the sensitivity thereof to interest rate shocks. 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 the majority of the interest rate derivatives when they have a demonstrable interest rate risk-reducing character.

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 (primarily mortgages) and liabilities (primarily savings accounts). The greater the mismatch, the greater the interest rate sensitivity.

Within ALM, all interest-bearing assets, liabilities and off-balance sheet positions (including hedging against interest rate risk via interest rate derivatives) are modelled in accordance with their maturity and re-pricing behaviour. Behavioural models capture the prepayment risks on mortgages and the maturity and re-pricing behaviour of deposits with no contractual interest rate maturity date. All material sources of interest rate risk are considered, in compliance with the prevailing guidelines and legislation.

Apart from interest rate risk, the risks of behaviour differing from the standard modelled behaviour and of possible business risk are monitored or possibly 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.

To monitor economic value, ALM uses the swap versus 3M Euribor 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 kept clearly separate and the most effective hedging measures can be taken.

The interest rate risk is monitored within ALM under a wide range of defined interest rate shocks. For income analyses, a flat-balance hypothesis is applied, under which both the balance sheet size and balance sheet mix) remain unchanged. This method is conservative and in line with market practice. The robustness of the business model is also monitored periodically under the defined range of interest rate shocks.

A monthly Hedging Committee made up of members of ALM, Risk, Treasury Front Office and Treasury Middle Office, takes and implements exogenous hedging decisions within Alco's mandate. This body reports to Alco on a monthly basis.

Alco ensures that the RAF limits set are respected and that the proactive RAF levels are pursued.

The relevant new EBA guidelines [2] and RTS [3] were incorporated into the monitoring framework [4] in the past year.

The interest rate risk of activities not forming part of the trading portfolio is included in the table below (and also in table **IRRBB1** appended to this report). Qualitative notes on this risk are also included in table **IRRBBA**.

Table 24: Overview of interest rate risks of non-trading book activities

		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	-125,928,841	-239,272,713	110,231,730	69,622,203
2	Parallel down	-282,038,108	64,150,784	-97,825,061	-64,720,925
3	Steepener	-240,774,733	-302,838,284		
4	Flattener	155,172,733	214,020,752		
5	Short rates up	170,682,435	164,121,171		
6	Short rates down	-190,231,393	-184,810,291		

Approach to the behaviour of deposits with no contractual maturity

For both internal risk monitoring and 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 behaviour models which plot a risk-neutral theoretical reinvestment strategy for this portfolio.

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

The replicating models are subject to the internal Model Risk Management Governance. They are periodically backtested to monitor their performance.

Approach to option risks

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

With the first option, the customer has the possibility to prepay a mortgage loan. An interest rate-dynamic prepayment model is applied to both the Belgian mortgages and the Dutch mortgages in order to capture the potential prepayment behaviour in the measurements.

These prepayment models are subject to the internal Model Risk Management Governance. They 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 captured in the measurement of the interest rate risk.

Finally, with the third option, savings rates on regulated savings accounts can be floored by the statutory minimum interest rate. The impact of this on results and equity is applied in the measurement of the interest rate risk.

2 EBA/GL/2022/14
3 EBA/RTS/2022/10
4 This led to the introduction of new NII SOT limits for interest rate risk and to a broadening of the monitoring framework for the wider market risk perspective with CSRBB limits

Approach to pipeline risk

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 ultimately concluded. If interest rates are rising, the customer will be entitled to the lower rate which applied when the mortgage loan was applied for. If market rates are falling, the customer will have the opportunity to benefit from a lower rate.

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

The ALM department, which is part of the company's Financial Management department, reports on interest rate risk to the Alco on a monthly basis.

15. Exposures related to securitisation positions

15.1. Own securitisations

In 2017, 2018, 2019 and 2021, securitisation transactions were carried out involving portfolios of Dutch residential mortgage loans with NHG guarantees through 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 2,025 per entity (minimum tax basis). The interest received and paid and the other costs are reflected in the Aspa statement of profit or loss. Their processing is accounting- and tax-neutral.

These are traditional securitisation transactions, undertaken with the objective of attracting new funding 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 2019-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 executed the securitisation transactions - are fully consolidated under the IFRS standards, so that the underlying Dutch mortgage loans return to 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 overall 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 25: 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:
2,307,063,120	2,297,004,761	10,058,359	10,058,359	242,239	31,922	109,786	100,531

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 242,239 in 2023, EUR 31,922 thereof for stage 1, EUR 109,786 for stage 2 and finally EUR 100,531 for stage 3 loans.

Role as initiator in securitisation transactions

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

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

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

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

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

CRR approaches applied

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

Under IFRS, the Green Apple SPVs have been fully consolidated, 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.

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 book), 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 possession. 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 26: Geographic distribution of securitisation exposures at year-end

Type	Country	Exposure 2022	Exposure 2023
MBS	ES	6,977,539	5,424,502
MBS	FR	456,477	0
MBS	NL	379,861,663	268,596,943
ABS	BE	37,511,830	26,061,937
ABS	DE	23,794,068	13,006,907
ABS	FR	40,481,114	55,351,587
ABS	IE	62,076,036	34,962,243
ABS	LU	74,182,983	98,803,210
ABS	NL	11,155,596	5,391,285
Total securitisation positions		**636,497,306**	**507,598,614**

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 capital 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 27: Overview of EADs and capital requirements of securitisation positions

Second best rating		ABS	MBS	Total
AAA	EAD	233,577,168	268,550,964	502,128,132
	Capital requirement	3,519,545	2,155,899	5,675,444
AA+	EAD		4,488,146	4,488,146
	Capital requirement		107,716	107,716
A+	EAD		982,335	982,335
	Capital requirement		39,293	39,293
Total EAD		**233,577,168**	**274,021,445**	**507,598,614**
Total capital requirement		**3,519,545**	**2,302,907**	**5,822,453**

The portfolio of securitisation positions has fallen from an exposure of EUR 636,497,306 as of 31 December 2022 to EUR 507,598,614 as of 31 December 2023.

Applying the weighting percentages and the 8% requirement, a capital requirement of EUR 5,822,453 (compared with EUR 7,307,251 at 31/12/2022) 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 no amounts have to be deducted from its eligible capital (Article 444 CRR (e)). Nor are any credit risk mitigations applied for these exposures in the capital calculations.

15.3. Tracking of securitisation positions

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

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

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

The CRs provide an overview of the performance of both the total portfolio and the individual transactions. The CRs are further calculated in a base case and severe case scenario. A CR greater than 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 28: Overview of key data securitisation positions

Overview securitisation positions	Trading book	Investment portfolio
Total securitisation portfolio	0	507,598,614
Of which exposure type MBS (Mortgage Backed Securities)	0	274,021,445
Of which exposure type ABS (Asset Backed Securities)	0	233,577,168
Traditional securitisations	0	507,598,614
Synthetic securitisations	0	0
Re-securitisation positions	0	0
Details of Green Apple 2017 SPV		
Outstanding amount as per end of 2023 of self-issued notes	0	375,479,158
Outstanding amount of the purchased B and C notes at end 2023	0	156,000,000
Securtised loans in October 2017	0	1,353,431,381
Details of Green Apple 2018 SPV		
Outstanding amount of the issued notes at end 2023	0	378,469,993
Outstanding amount of the purchased B and C notes at end 2023	0	117,300,000
Securtisated loans in June 2018	0	1,117,243,343
Details of Green Apple 2019 SPV		
Outstanding amount of the issued notes at end 2023	0	411,049,312
Outstanding amount of the purchased B and C notes at end 2023	0	112,400,000
Securtisated loans in June 2019	0	935,793,960
Details of Green Apple 2021 SPV		
Outstanding amount of the issued notes at end 2023	0	528,118,792
Outstanding amount of the purchased B and C notes at end 2023	0	94,600,000
Securtisated loans in June 2021	0	743,220,838
Assets already assigned for securitisation	0	0
Capital requirement of purchased securitisation positions	0	5,822,453
Deducted from own funds 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 an orange zone from 3.375% upwards and a green zone from 4% upwards and aims, as a self-imposed target, for a gradual evolution to 5% for Aspa.

The Financial Management department also reports on this ratio and includes it in all internal reports.

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

Description of the factors impacting the leverage ratio

As shown in the table in the appendix, the total leverage ratio exposure as of 31/12/2023 is EUR 55,276,694,104 (compared to EUR 54,890,939,225 as of 31/12/2022). The corresponding leverage ratio is 5.17% (compared to 4.68% at the end of 2022). At the consolidated level of Argenta Spaarbank, the leverage ratio is 4.38% at the end of 2023.

The leverage ratio has risen compared to 2022 as a result of the increase in own funds (limited pay-out ratio reflecting the policy of the family shareholder, whereby most of the past financial year's profits are retained as reserves). This increase is higher in relative terms than the increase of the on-balance sheet exposures due to the reinvestment of funds received from the growth of savings and debt securities issuance.

Reconciliation between total assets in the annual report and the measure of total exposure for the leverage ratio

The reconciliation between the total assets shown in the annual financial statements and the measure of total exposure for calculating the leverage ratio can be found in the attached table **LR1**.

17. Capital and liquidity management

Capital management

The Company is obliged to implement adequate processes and systems aimed at guaranteeing its long-term capital adequacy, taking into account all material risks and future changes in regulatory capital requirements.

These processes are known internationally as the Internal Capital Adequacy Assessment Process (ICAAP). The goal of the Argenta Group's risk management is to have the best possible capital structure and risk control with which 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% (this includes 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 2025. The purpose of the stress test is on the one hand to evaluate the shock resistance of the European banking system and, on the other 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 climate risk stress test in 2022 and the planned cyber resilience stress test in 2024.

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% in terms of the CET1 requirement. In terms of the leverage ratio requirement, the regulator decided not to impose a P2R. Also, 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.

The financing model and liquidity profile of the Argenta Group is mainly characterised by:
- a substantial base of customer deposits;
- a spread over the Belgian and Dutch markets;
- diversification towards wholesale funding consisting of RMBS, covered bonds, senior bonds including green bonds;
- a liquid securities portfolio.

The financing policy is primarily focused on obtaining funding from individual customers through the issue of payment accounts, savings accounts and term deposits. 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 done to diversify its sources of financing in order to meet new legal requirements or to 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 (Pandbrieven). 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 the business strategy. All this is contained in the Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP Policy, which has been approved by the Board of Directors, provides an overview and description of the key elements of ILAAP and their interaction, and explains how ILAAP is integrated into 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 permanently aware of the evolving situation. Daily financing reports are distributed to a broad target group within the Company.

The daily liquidity management, the definition of additional Early Warning Indicators (EWIs), operational limits or flashing lights, and the organisation of stress tests are included in the Liquidity Framework.

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

- The LCR (Liquidity Coverage Ratio): this ratio tests the liquidity buffer against a pre-defined outflow of financial liabilities over a 30 day period;
- The NSFR (Net Stable Funding Ratio): this ratio compares available liquidity against required liquidity over an at least one-year period;
- The AER (Asset Encumbrance Ratio, strict and broad): this ratio compares the amount of unencumbered assets against the volume of protected deposits;
- Loans/balance ratio: this ratio monitors the illiquid part of the assets within set limits; 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% (borderline orange - red zone) for the Liquidity Coverage Ratio (LCR) within the RAF, with a (self-imposed) target ratio of 200% (green zone from 125%). For the NSFR (Net Stable Funding Ratio) the minimum is 105% (borderline orange - red zone), 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 2023, Aspa was in category 2.

The overview of the AER ratios and legal limits can be found in the overview below:

	Legal limits	31/12/2022	31/12/2023
AER strict (RAF limit)	95%	113.8%	112.2%
AER wide (RAF flashing light)	110%	119.5%	117.3%

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 and other saleable securities.

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

Argenta maintains a derivatives portfolio with a view to hedging the interest rate risk. The value of this portfolio is hedged with collateral. The assets used as collateral are excluded from the LCR 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 3 charters that describe the basic principles and values that Argenta sees as central to its activities: the 'Suitability of Key Officers' Charter including 'Diversity', 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 his or her between the non-executive directors and the institution.

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

In 2023, the Remuneration Committee met three times.

The following non-executive members of the Board of Directors of Argenta Bank- en Verzekeringsgroep are on the Remuneration Committee:
- Baudouin Thomas (Chairman)*
- Bart Van Rompuy
- Caroline Thijssen*

* independent member of the Remuneration Committee as stipulated in article 7:87 §1 CCA

Chairman Baudouin Thomas has many years of experience in digital transformation projects as a partner with Accenture. In addition to his role as a non-executive director with Argenta, he runs his own consultancy which advises FinTech companies and others. He worked for many years in audit with an international audit firm and as an auditor with a number of Belgian companies, including 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.

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.

The Argenta Board of Directors lays down a remuneration policy for all employees of the whole Group and monitors 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 AAM, Arvestar and Argenta Nederland. 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 Argenta AM, Arvestar and Argenta Nederland; and
- 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 the remuneration package of the employee concerned.

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 salary 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); and
- a cafeteria plan as a means of offering flexibility in the salary 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. An in-depth exercise was conducted for this area in 2022. 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' of 27/06/2023 describes the principles applied by Argenta to achieve sustainable and correct remuneration for the (non-director) employees of Argenta's companies in Belgium.

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 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 Regulation 2015/35 of 10 October 2014 Art. 275C (insurance regulations). This proposal will be submitted to the Remuneration Committee for an opinion. 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; and
- 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.

60 persons were designated as Identified Staff at Argenta Group (CRR scope, excluding the subsidiary Aras) in the year 2023.

The total Argenta salary bill for Identified Staff amounted to EUR 12,803,875 in 2023. The attached template **REM5** provides a breakdown of the remuneration of these Identified Staff by business area.

In 2023, 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 the members of the Executive Committee is explained in Chapter 7. 'Remuneration of executive directors' in the Company's IFRS annual report.

The executive directors enjoy a fixed annual remuneration that does not contain any elements that could encourage the pursuit of short-term objectives that are inconsistent with the Argenta Group's long-term objectives.

The fixed annual remuneration complies with the provisions of Annex 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.

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 2023, the basic salary of Peter Devlies (CEO of Argenta and chairman of the Executive Committees of Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties [5]) amounted to EUR 551,880. On top of this came a contribution to the supplementary pension and disability group policies amounting to EUR 120,705 (EUR 126,362 in 2022).

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 2023, the total direct remuneration of the executive directors/Executive Committee members of the Argenta Group (excluding that of the CEO) amounted to EUR 1,422,082 (EUR 1,294,440 in 2022). Contributions to the group supplementary pension and disability policies in respect of the Executive Committee members, excluding the CEO, amounted to EUR 446,297 (EUR 287,952 in 2022). Since 1 June 2023, there have been 6 instead of 5 Executive Committee members excluding the CEO.

In accordance with the recent update of Article 12/1 of Annex II of the Banking Act, which came into force from 23 July 2022, when applying the variable remuneration exemptions contained in the Banking Act the contractual severance indemnity for executive directors will consist of a combination of a non-competition payment and a payment by analogy with the severance pay for administrative staff whereby the total of these payments may not exceed 12 months' gross remuneration of the executive director concerned.

5 Remuneration relating to the subsidiary Argenta Assuranties is not included in this Pillar 3 report.

A contractual severance indemnity was paid in 2023 at the level of the Argenta Group (CRR scope) to the outgoing CCO Inge Ampe in the amount of EUR 374,108.

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 2023 of:

- R. Vanderstichele (Chairman)*,
- M. Van Heel and
- B. Van Rompuy, members.

* independent member of the Appointments Committee as stipulated in article 7:87 §1 CCA

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

Meetings are held as often as the chair of the committee considers desirable. In 2023 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). Six of the sixteen Argenta Group directors (across the different Boards of Directors) are women (37.5%).

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 seven Executive Committee and/or 'senior management' members are women (42.9%).

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.

Directors' external mandates

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 its application), and procedures for identifying and preventing 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:

Name and present position within the institution	Name of the company in which an external mandate is exercised	Registered office	Industry sector	Position
Devlies Peter **Executive Director**	European Savings and Retail Banking Group	Belgium	Market and opinion research	Director appointed by Aspa
	Kompanjon VZW	Belgium	Education	Director
Haegeman Marie-Anne **Non-executive director**	Euroclear bank NV	Belgium	Credit institution	Executive director

Name and present position within the institution	Name of the company in which an external mandate is exercised	Registered office	Industry sector	Position
Henriksen Carlo **Non-executive director**	Cofena VZW	Belgium	Culture	Director
	Koninklijke Golf Club Oostende CV	Belgium	Golf	Chair
Thijssen Caroline **Non-executive director**	CT Impact BV	Belgium	Management company	Director
	VP Capital NV	Belgium	Financial holding company	Director (via CT Impact)
	Etex NV	Belgium	Industrial holding company	Director (via CT Impact)
	Toolbox VZW	Belgium	Other	Director
Thomas Baudouin **Non-executive director**	BTH Consulting BV	Belgium	Management company	Director
	Reimagine CV	Belgium	Digital and AI Consulting	Director (via BTH Consulting)
	Tender Experts BV	Belgium	SAAS software	Director (via BTH Consulting)
van Heel Marc **Chairman of the Board of Directors**	Kerkelijke Instelling Erfgoed Glorieux	The Nether-lands	Charity	Supervisory Board Member
	Calmer Haven BV	The Nether-lands	Management company	Director
Van Hulle Cynthia **Non-executive director**	Warehouses de Pauw NV	Belgium	Real estate	Director
	MIKO NV	Belgium	Food	Director
	Argenta Coöperatieve CV	Belgium	Financial holding company	Director
	Rega Instituut VZW	Belgium	Research	Director
Van Rompuy Bart **Non-executive director**	Investeringsmaatschappij Argenta NV	Belgium	Financial holding company	Director
	Rapportering en coördinatie BV	Belgium	Management company	Director
Vanderstichele Raf **Non-executive director**	Korora BV	Belgium	Management company	Director

Integrity at Argenta Group

Argenta Group is aware of the importance of promoting and safeguarding integrity in all areas. This is captured in the ‘Integrity’ internal 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 3 pillars:

1. Banking and insurance should not cost the earth: Argenta wants to contribute to a climate-neutral society by exercising awareness when dealing with capital flows and business activities.
2. Simple and close by: With a simple product range, we make banking and insurance easy for our customers to access. We focus on social issues such as equality, inclusion, accessibility and security. Argenta wants to be close to its employees and customers, because it is their commitment that makes our organisation strong.
3. Ethics and integrity as our guide: We want to look after our stakeholders in a thoroughly responsible manner by taking our responsibility in every branch of our management. As a financial institution, we can make a difference through the cash flows we manage for our customers. Argenta has chosen to use these funds responsibly and to generate a positive impact for society.

The 'Sustainability 'Charter' is developing these 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 supported in the Marketing & Sustainability department by a sustainability manager, who shares responsibility for implementing the policy and the sustainability plan across the different departments.

Because sustainability is a topic that concerns every department, a centralised, company-wide approach was chosen as offering the best guarantee of success.

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 term.

Argenta Group's aspiration is to reduce the carbon footprint of its lending and investment activities in line with the Paris emissions-reduction targets. It is essential to calculate emissions financed by greenhouse gases (GHG) in order to measure our impact, define transition pathways and track our progress.

A special task force has been set up for the development and implementation of methodologies to assess and disclose information on GHG-financed emissions (scope 1, 2 and 3 emissions of the counterparty, in tonnes of CO_2 equivalent), with the aim of publishing a report by 30 June 2024 as the first reference date for disclosure after the phasing-out period referred to in the EBA's Implementing Technical Standards on the disclosure of ESG information (EBA/ITS/2022/01). The task force consists of members of the operational retail and non-retail departments, Data, Finance, Risk and the Sustainability manager. In 2023, the task force focused on gathering data, assessing the quality of the data and the data processes of both the retail and non-retail activities. We trust our own data as far as possible, supplemented where necessary with PCAF proxies.

The model for the transition paths relating to the mortgage loans is based on the approach developed by the CRREM (Carbon Risk Real Estate Monitor). The CRREM modeling takes the SBTi (Science Based Targets Initiative) into account. SBTi is a global body which enables companies to set ambitious goals for reducing emissions in line with the latest

climate science. It is a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi focuses on accelerating action by companies all over the world to halve their emissions by 2023 and achieve net zero emissions by 2050. As part of the methods for determining the goals, the SBTi offers emission reduction paths for a number of sectors which companies have to use in calculating their scientifically based targets. For buildings, the SBTi has for some years been offering commercial and residential emission reduction routes for buildings throughout the world for emissions during use. With the revision of the SBTi's aspiration to 1.5°C and the need to offer the construction sector more detailed routes which reflect the building design and location, the SBTi entered into a collaboration with the CRREM to provide the sector with one set of 1.5°C-aligned routes for emissions during use. Argenta uses these 1.5°C emission routes, defined by Belgium and the Netherlands, as a benchmark. This produces internal targets. The results of internally defined scenarios are compared with the benchmark. Internal scenarios take account of factors such as the speed of ecological renovation within the portfolio, or the emission factors that translate energy consumption into emissions of greenhouse gases.

Together with the business departments for the Belgian and Dutch credit portfolios, strategic workshops were/are being organised in order to define the level of aspiration, the strategic KPIs and concrete actions based on transition pathways to support our aspiration of being in line with the Paris reduction targets by 2050. The Sustainability Action Plan sets forth our concrete steps towards making a targeted impact. The 2024-2027 Sustainability Action Plan is in preparation and will be submitted to the Board of Directors for validation in the first half of 2024.

We also have high ambitions for the asset management activities: we are applying strict exclusion criteria to limit the negative impact of our investments, and we are striving for a positive impact. Argenta therefore does not invest in companies operating in the extraction of fossil fuels.

All Argenta funds are subject to Articles 8 or 9, see the Sustainable Finance Disclosure Regulation (SFDR). As of 2023, initial measurements have been taken of the Argenta funds' carbon footprints. They will be reported via PAI (Principal Adverse Impact) reports every two years. Wherever Argenta has access to the reported CO2 emissions (scopes 1 and 2) of investee companies, this information is used. The information is delivered by an external ESG data provider. The missing information (scope 3, but also in the event that information is not available through the external data provider) is supplemented on the basis of the PCAF methodology.

As a financial institution, and on the basis of its purpose and strategy, Argenta wants to contribute proactively to using the financial cash flows from both its customers and its own portfolios to help tackle the greatest challenge in the area of the climate and energy transition. To boost this transition, an energy transition framework is being developed on the basis of the principle that companies which are essential in and/or are strong champions of the energy transition are no longer ruled out "de facto" and can therefore form part of the investable universe. And can do so within a clearly defined, transitory and transparent framework.

It will therefore be of great importance in the coming years to monitor investees and the reduction goals they propose as an essential component of monitoring and investigating the impact for favourable developments.

Energy efficiency 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 most-polluting 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 most-polluting (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 mortgage portfolios 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

The risk appetite framework (RAF) was further supplemented at the end of 2023 (NL) - start of 2004 (BE) with physical climate risk metrics: with average percentages of acute flood risk for the retail mortgage portfolios.

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

For loans which are covered by residential and commercial real estate, the geographic areas in question are Belgium and the Netherlands. In both countries, flood risk is considered to be the most significant acute (flooding by watercourses) and chronic (flooding due to a rise in the sea level and changing precipitation patterns) climate-related hazards.

The flood analyses for the mortgage portfolios in Belgium and the Netherlands were performed by external parties on the basis of flood risk maps from the competent authorities in each country. Please note that the threshold values for identifying the exposures that are sensitive to flooding vary due to inherent differences in the methodologies behind the local flood maps.

The acute flood risk in Belgium is assessed by an external party (Rock.estate) on the basis of maps which have been drawn up by the regional authorities (Flemish Region: Vlaams Milieumaatschappij (VMM); Walloon Region: Service Public de Wallonie (SPW; Wallonia Public Service); Brussels Hoofdstedelijk Gewest (Brussels-Capital Region): Leefmilieu Brussel/Bruxelles Environnement (Brussels Environment). Properties that are regarded as sensitive to acute flood risk are positioned in insurance companies' exclusion zones or in areas with a probability of flood of 1 to 10 years in the present climate.

For the chronic flood risk in Belgium, the properties were plotted on the coastal flood map for 2050 of the Vlaamse Milieumaatschappij (VMM; Flanders Environment Agency). Properties that are marked as sensitive to chronic flood risk are located in areas with 1-year to 10-year flood events according to the climate projection for 2050. The chronic flood risk in Brussels and Wallonia cannot be assessed for lack of available data.

The flood analysis for the mortgage portfolio in the Netherlands is being carried out externally, by Calcasa. The maps used to assess acute and chronic flood risk in the Netherlands come from LIWO (Landelijk Informatiesysteem Water en Overstromingen - National Water and Flood Information System). Properties with an acute flood risk are in areas with a probability of flood of 1 to 30 years, while areas with a chronic flood risk are those with an expected probability of flood of 1 to 30 years 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 by means of physical climate risk data from our data provider Moody's ESG Solutions. This relates to more than 72% of our non-financial companies portfolio. Six climate-related risks were taken into account in the assessment: floods, forest fires, hurricanes, rising sea levels, heat and drought. The exposure to chronic climate-related risks is calculated on the basis of rising sea levels, heat and drought. The exposure to acute climate-related risk is calculated on the basis of floods, forest fires and hurricanes.

The data on physical climate risk from Moody's ESG solutions are based on a detailed analysis in which the exposure to each risk was evaluated, irrespective of the nature of the activities and the physical location of a company's facilities. Different risk levels were identified for each risk, varying from no risk to a red flag risk.

To determine the percentage of establishments with a significant exposure to each risk, we recorded the risks which were stated to have a high potential negative impact. To then determine the rate of exposure to chronic/acute climate-related risks, the maximum percentage of the different risks in relation to chronic (rising sea level, heat and drought) or acute (floods, forest fires and hurricanes) climate-related risks was retained. The exposure is calculated on the basis of the different geographic locations of a company's installations. At present, the reported geographic areas are based solely on the country of a company's headquarters.

Green Asset Ratio (GAR)

The **ESG6 to ESG8** templates provide the consolidated EU Taxonomy figures for the CRR scope at the level of Argenta BVg as required by Pillar 3 reporting. It should be noted that the templates only include the turnover-based KPIs for the Climate Change Measurement (CCM) and Climate Change Adaptation (CCA) environmental targets. It is worth stating that adaptation activities under the CCA target are not included in the EU taxonomy reporting. Adaptation activities in templates ESG7 and ESG8 are identified as activities which are aligned with the Taxonomy but are not enabling activities under the CCA target. We refer to the Activities and Sustainability Report 2023 for the full report of the EU Taxonomy and for further details of the underlying methodology and the assumptions applied.

Alignment metrics

Template ESG3 is not reported at present. Argenta's aspiration is to reduce the carbon footprint of its lending and investment activities in accordance with the reduction targets agreed in Paris by 2050. Alignment metrics must be developed and implemented in order to achieve this goal. The concrete steps with which we want to have a targeted impact will be incorporated into the sustainability action plan for 2024-2027, which will be presented to the Board of Directors for validation in the first half of 2024.

A special task force has been charged with developing and implementing methodologies to assess and disclose information by means of an alignment metric, with the aim of issuing a report as a first disclosure reference on 20 June 2024 at the latest. 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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