Argenta Spaarbank

2012

IFRS ANNUAL STATEMENTS

Financial statements for the 2012 financial year of Argenta Spaarbank nv, covering the period from 1 January 2012 to 31 December 2012, prepared in accordance with the International Financial Reporting Standards (IFRS).

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

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THE STATUTORY AUDITOR'S REPORT

Report of the statutory auditor to the general meeting of shareholders concerning the consolidated financial statements for the year closed on 31 December 2012

To the shareholders,
In accordance with provisions of law and the articles of association, we present to you this report, in the capacity of statutory auditor, a mandate entrusted to us. This report contains our opinion about the consolidated financial statements as well as the required additional reports and disclosures.

Unqualified audit opinion on the consolidated financial statements
We have conducted the audit of the consolidated financial statements of Argenta Spaarbank nv (hereafter the Company) and its subsidiaries (jointly the Bank Pool), prepared in accordance with the International Financial Reporting Standards (IFRS) as approved in the European Union and with the provisions of administrative law applicable in Belgium.

These consolidated financial statements consist of the consolidated balance sheet as of 31 December 2012, the consolidated income statement, the consolidated statement of realised and unrealised result, the consolidated statement of changes in equity, the consolidated cash flow statement, a summary of the most significant accounting policies used and notes. The consolidated balance sheet total amounts to EUR 34,145,266,556 and the consolidated profit (share of the group) for the financial year amounts to EUR 82,317,207.

The preparation of the consolidated financial statements is the responsibility of the Company's Supervisory Board. This responsibility includes the design, implementation and maintenance of an internal control concerning the preparation and the fair presentation of the consolidated financial statements in order to avoid material misstatements as result of fraud or of errors; the selection and application of suitable accounting policies; and the making of accounting estimates which are reasonable under the given circumstances.

It is our responsibility to express an opinion about these financial statements on the basis of our audit. We conducted our audit in accordance with the statutory provisions and audit standards applicable in Belgium, as enacted by the Belgian Institute of Auditors. These auditing standards require that our audit is planned and completed in such way that a reasonable degree of assurance is obtained that the consolidated financial statements do not contain any material misstatements.

In accordance with these auditing standards, we have carried out audit procedures to obtain auditing information about amounts and notes incorporated in the consolidated financial statements. The selection of these audit procedures is dependent on our assessment that includes an risk estimation that the consolidated financial statements contain material misstatements as result of fraud or of errors. When making our risk accounting estimate, we take into account the Group's existing internal control on the preparation and the fair presentation of the consolidated financial statements in order to determine the appropriate activities under the circumstances, but not to give an opinion about the effectiveness of the internal control of the company. We have also assessed the soundness of the accounting policies, the reasonability of the accounting estimates made by the Company, and the presentation of the consolidated financial statements as a whole. Finally, we have obtained the required clarifications and information for our audit procedures from the Company's Supervisory Board and the people responsible from the Company. In our opinion, the audit information we obtained, forms a reasonable basis for the publication of our opinion.

In our opinion, and based on the reports of the other auditors, the consolidated financial statements give a true and fair view of the Group's financial position as of 31 December 2012 and of the result and cash flows for the year then ended in accordance with the International Financial Reporting Standards as approved in the European Union and the provisions of administrative law applicable in Belgium.

Additional statements
The preparation and the contents of the consolidated annual report are the responsibility of the Company's Supervisory Board.

Our responsibility is to include in our report the following additional statements that are not of such a nature that would modify the scope of our report concerning the consolidated financial statements:

- The consolidated annual report contains the information required by law and is in accordance with the consolidated financial statements. We cannot, however, provide any opinion on the description of the main risks and uncertainties with which the Group is confronted, or on its position, its foreseeable trend, or the considerable influence of specific facts on its future development. We can, however, confirm that the information provided does not show any clear contradictions with the information that we have access to as part of our mandate.

Antwerp, 27 March 2013

The statutory auditor

DELOITTE Bedrijfsrevisoren
BV o.v.v.e. CVBA
Represented by Jurgen Kesselaers

CONSOLIDATED BALANCE SHEET
(prior to profit appropriation)

Assets	Notes	31/12/2011	31/12/2012
Cash and cash balances with central banks	11	32,579,251	30,996,752
Financial assets held for trading	12	214,480,884	140,798,681
Available-for-sale financial assets	13	14,.207,095,790	11,535,523,315
Loans and receivables	14	18,817,450,016	20,763,569,767
• Loans to and receivables from credit institutions		790,825,276	938,853,932
• Loans to and receivables from other clients		18,.026,624,740	19,824,715.835
Financial assets held to maturity	13	0	760,586,543
Derivatives, hedge accounting	15	0	0
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	15	380,807,554	417,888,657
Property, plant and equipment	16	35,001,122	34,653,431
• Buildings, land, equipment		34,584,696	34,440,746
• Investment properties		416,426	212,685
Goodwill and other intangible assets	17	29,607,916	36,156,043
• Other intangible assets		29,607,916	36,156,043
Tax assets	18	73,324,142	0
Other assets	19	231,337,055	425,093,367
Total assets		**34,021,683,730**	**34,145,266,556**

Liabilities, equity and minority interest	Notes		
Deposits from central banks	11	200,050,000	1,209,113,889
Financial liabilities held for trading	12	215,737,789	127,512,147
Financial liabilities measured at amortised cost	20	31,952,390,948	30,540,697,123
• Deposits from credit institutions		1,894,988,426	49,739,370
• Deposits from other than credit institutions		21,899,423,659	25,162,921,509
• Debt certificates, including bonds		7,554,948,688	4,803,091,259
• Subordinated liabilities		603,030,175	524,944,985
Derivatives, hedge accounting	15	549,769,673	609,695,754
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	15	0	0
Provisions	21	8,119,190	9,013,878
Tax liabilities	18	2,347,104	114,428,812
Other liabilities	22	183,526,470	239,641,044
Total liabilities		**33,111,941,174**	**32,850,102,647**
Equity attributable to the shareholders	3	909,649,134	1,295,084,649
Equity attributable to the minority interests	4	93,422	79,260
Total equity and minority interest		**909,742,556**	**1,295,163,909**
Total liabilities, equity and minority interest		**34,021,683,730**	**34,145,266,556**

CONSOLIDATED INCOME STATEMENT

	Notes	31/12/2011	31/12/2012
Financial and operational income and expenses		**213,980,638**	**273,961,093**
Net interest income	25	306,601,933	356,664,708
• Interest income		1,227,251,974	1,216,439,676
• Interest expenses		-920,650,041	-859,774,968
Dividends	26	67,750	26,705
Net income from commissions and fees	27	-64,697,607	-81,934,934
• Income from commissions and fees		62,802,448	61,444,268
• Expenses related to commissions and fees		-127,500,055	-143,379,202
Realised gains and losses on financial assets and liabilities not measured at fair value in the income statement	28	45,050,757	37,887,178
Gains and losses on financial assets and liabilities held for trading	29	-88,022,692	-53,972,344
Gains and losses from hedge accounting	30	2,471,706	299,878
Gains and losses on derecognition of assets other than held for sale	31	46,766	-10,628
Other net operating income	32	12,462,025	15,000,530
Administration expenses	33	**-127,351,164**	**-137,043,442**
• Employee expenses		-24,306,021	-28,979,879
• General and administrative expenses		-103,045,143	-108,063,563
Depreciation		**-12,001,966**	**-14,360,961**
• Property, plant and equipment	16	-3,469,298	-3,467,988
• Investment properties	16	-17,776	-9,326
• Intangible assets	17	-8,514,892	-10,883,647
Provisions	21	**1,192,437**	**-894,687**
Impairments	34	**-8,002,894**	**-9,307,018**
• Available-for-sale financial assets		-3,578,926	-703,123
• Loans and receivables		-4,423,968	-8,603,895
Total profit before taxes		**67,817,051**	**112,354,985**
Income tax expenses	35	2,415,916	-30,035,385
Net profit or loss		**70,232,967**	**82,319,600**
Net profit or loss attributable to shareholders	4	70,225,611	82,317,207
Net profit or loss attributable to minority interests	4	7,356	2,393
Per share data	3		
Basic earnings per share		415.60	487.16
Diluted earnings per share		415.60	487.16

CONSOLIDATED TOTAL PROFIT OR LOSS

Other elements of the total result	Note	31/12/2011	31/12/2012
Net profit or loss		**70,232,967**	**82,319,600**
• Revaluation at fair value		-104,358,864	341,849,296
- Available-for-sale financial assets	3	-149,029,084	517,680,757
- Deferred taxes		44,670,220	-175,831,461
• Cash flow hedge		-3,379,586	-4,622,473
- Fair value hedged item	24	-5,119,814	-5,549,602
- Deferred taxes		1,740,225	927,129
Total other comprehensive income		**-107,738,453**	**337,226,823**
Total profit or loss		**-37,505,486**	**419,546,423**
• Attributable to minority interests		6,588	2,045
• Attributable to shareholders		-37,512,074	419,544,378

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-in capital	Revaluation reserve on available-for-sale financial assets	Cash flow hedge	Reserves	Income from the current year	Shareholders' equity	Minority interest	Total
Equity 31 December 2010	**421,255,000**	**-21,642,099**	**0**	**475,588,505**	**81,959,802**	**957,161,208**	**86,834**	**957,248,042**
• Profit (loss)	0	0	0	0	70,225,611	70,225,611	7,356	70,232,967
• Declared dividends	0	0	0	-10,000,000	0	-10,000,000	0	-10,000,000
• Change in revaluation reserve for available-for-sale financial assets								
• Change in fair values	0	-149,027,984	0	0	0	-149,027,984	-1,100	-149,029,084
• Change in taxes	0	44,669,888	0	0	0	44,669,888	332	44,670,220
• Cash flow hedge	0	0	-3,379,589	0	0	-3,379,589	0	-3,379,589
• Transfer to retained earnings	0	0	0	81,959,802	-81,959,802	0	0	0
Equity 31 December 2011	**421,255,000**	**-126,000,194**	**-3,379,589**	**547,548,306**	**70,225,611**	**909,649,134**	**93,422**	**909,742,556**
• Capital increase	37,850,400	0	0	0	0	37,850,400	0	37,850,400
• Profit (loss)	0	0	0	0	82,317,207	82,317,207	2,393	82,319,600
• Declared dividends	0	0	0	-71,951,500	0	-71,951,500	0	-71,951,500
• Change in revaluation reserve for available-for-sale financial assets								
• Change in fair values	0	517,681,254	0	0	0	517,681,254	-497	517,680,757
• Change in taxes	0	-175,831,610	0	0	0	-175,831,610	149	-175,831,461
• Cash flow hedge	0	0	-4,622,473	0	0	-4,622,473	0	-4,622,473
• Transfer to retained earnings	0	0	0	70,225,611	-70,225,611	0	0	0
• Other movements	0	0	0	-7,763	0	-7,763	-16,207	-23,970
Equity 31 December 2012	**459,105,400**	**215,849,450**	**-8,002,062**	**545,814,654**	**82,317,207**	**1,295,084,649**	**79,260**	**1,295,163,909**

Further information on the individual items of the above statement can be found in Notes 3 (Equity attributable to the shareholders) and 4 (Minority interests).

CONSOLIDATED CASH FLOW STATEMENT

	31/12/2011	31/12/2012
Cash and cash equivalents at the start of the period	**346,072,260**	**358,240,234**
Operating activities		
Net profit attributable to shareholders	70,225,611	82,317,207
Payable and deferred tax expenses, recognised in the income statement	-2,415,916	30,035,385
Minority interests recognised in the group's income statement	7,356	2,393
Amortisation	12,001,966	14,360,961
Net provisions (reversals)	-1,192,437	894,687
Net income (loss) on the sale of investments	46,766	10,628
Net income (loss) on the sale of cash flow hedge	-3,379,589	-4,622,473
Net unrealised gains on available-for-sale investments	-104,358,864	341,849,644
Other adjustments	8,002,894	9,307,671
Cash flows from operating profits before changes in operating assets and liabilities		
Changes in operating assets (except cash and cash equivalents)		
Changes in loans and receivables	-330,568,206	-2,121,356,374
Changes in available-for-sale assets	-247,713,923	2,670,869,352
Changes in financial assets held for trading	8,278,552	73,682,203
Derivatives, hedge accounting	-24,862,998	-37,081,103
Changes in other assets	-159,071,536	-120,432,170
Changes in operating liabilities (except cash and cash equivalents)		
Changes in deposits from central banks	200,050,000	1,009,063,889
Changes in deposits from credit institutions	-92,466,053	-1,845,249,056
Changes in deposits from other than credit institutions	1,078,294,192	3,263,497,850
Changes in debt certificates (including savings certificates)	-505,358,595	-2,751,857,429
Changes in financial liabilities held for trading	-48,038,807	-88,225,642
Changes in derivatives, hedge accounting	184,245,699	59,926,081
Changes in other liabilities	3,634,371	138,160,897
Changes in working capital, net	66,422,696	-509,588,045
Cash flow from operational activities	45,266,951	-35,456,912
(Paid) Refunded income taxes	0	
Net cash flow from operating activities	**45,266,951**	**-35,456,912**
Investing activities		
(Cash payments to acquire property, plant and equipment)	-5,384,841	-3,396,723
Cash proceeds from disposal of property, plant and equipment	974,318	256,472
(Cash payments to acquire intangible assets)	-15,849,380	-17,431,774
Cash proceeds from disposal of intangible assets	390	0
Changes concerning consolidated companies	0	-23,970
Net cash flow from investing activities	**-20,259,513**	**-20,595,995**

	31/12/2011	31/12/2012
Financing activities		
(Paid dividends)	-10,000,000	-71,951,500
Cash proceeds from the issue of subordinated liabilities	175,935,712	94,068,799
(Cash repayments of subordinated liabilities)	-178,775,176	-172,153,989
Cash proceeds from a capital raise	0	37,850,400
Net cash flow from financing activities	**-12,839,464**	**-112,186,290**
Cash and cash equivalents at the end of the period	**358,240,234**	**190,025,007**
Components of cash and cash equivalents:		
Cash in hand	14,171,873	13,580,394
Cash balances at agents	17,664,209	17,415,864
Cash balances with central banks	743,169	494
Loans and receivables	325,660,983	159,028,255
Total cash and cash equivalents at the end of the period	**358,240,234**	**190,025,007**
Kasstromen uit de bedrijfsactiviteiten:		
Received interest income	1,227,251,974	1,216,439,676
Dividends received	67,750	26,705
Paid interest expenses	-894,016,310	-838,370,535
Cash flow from financing activities:		
Interest paid	-26,633,731	-21,404,433

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

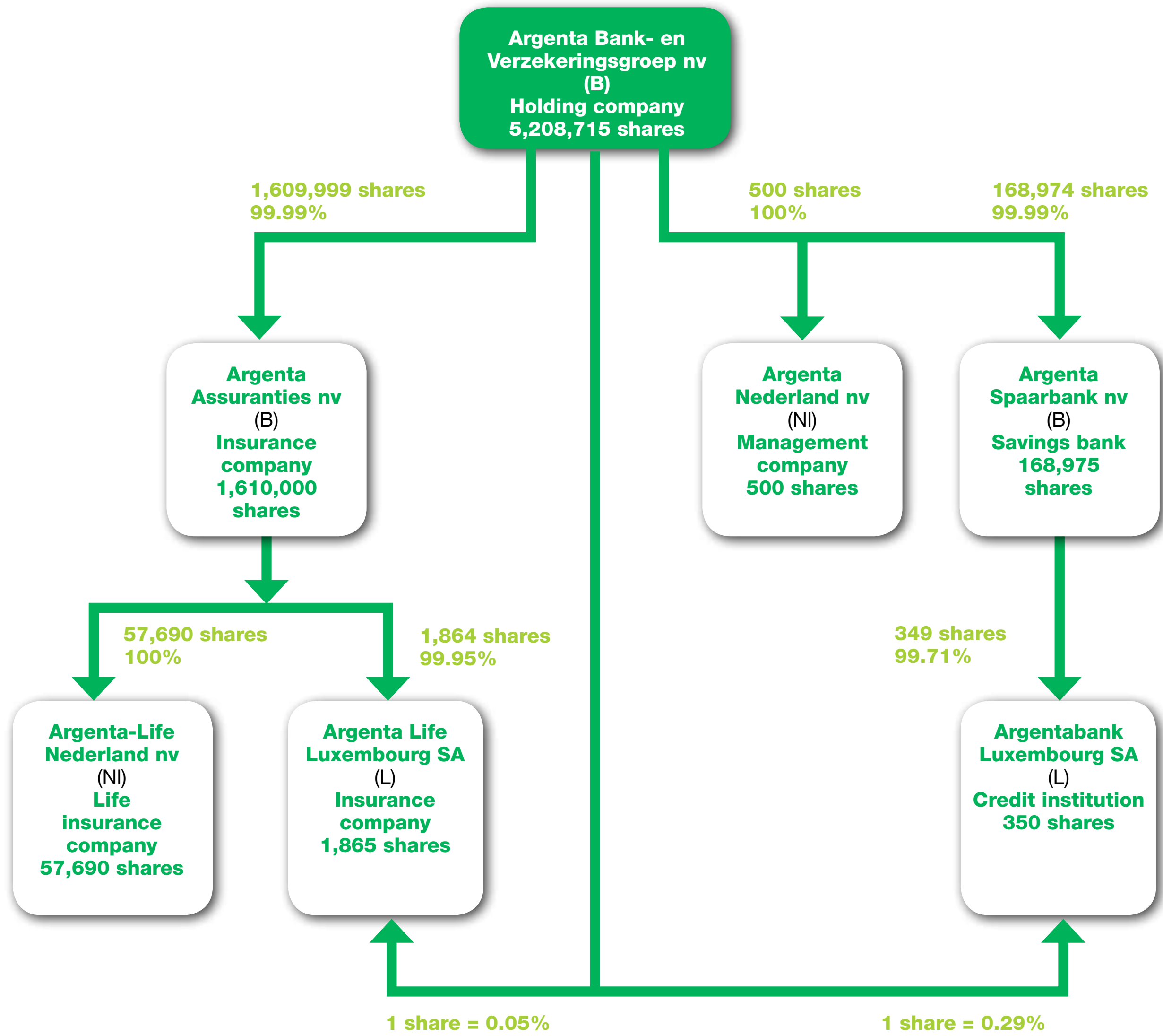
Components of cash and cash equivalents

The cash in hand, cash balances at authorised agents, and cash balances with central banks can be found under the balance sheet item ‘cash and cash balances with central banks’ (see note 13). The amount of ‘loans and receivables’ can be found under the balance sheet item ‘loans to and receivables from credit institutions’ (see note 14.1). This concerns term deposit accounts with other financial institutions and the associated pro rata interest amounts.

Cash flows from operating and financing activities

Further information can be found in note 25 on interest amounts received and paid, and note 26 on dividends received.

NOTES



1. General information

Argenta Spaarbank nv (hereinafter **the Company**) is registered in Belgium under Belgian law. Its legal form is that of a public limited liability company that has made a public appeal to the savings system (statutory Belgian credit institution). The company has been established for an unlimited term.

The Company's registered office is at Belgiëlei 49-53, 2018 Antwerp.

The Company has the status of a Belgian credit institution. The Company's core activities are attracting retail savings funds, offering mortgages to retail clients and providing payment services. In addition, the Company offers units of the Argenta Pension Saving Fund, units of Argenta-Fund sicav, as well as units of other local and foreign undertakings for collective investment and structured notes of third parties.

Argenta Bank- en Verzekeringsgroep nv (hereafter referred to as **BVg**) is the holding company of the Argenta Group. Its operations consist of cross-cutting risk management functions (Internal Audit, Compliance, Risk & Validation) and Human Resources, Distribution (sales and support), Inspection and Mediation, which are organized at group level.

BVg has the statute of a mixed financial holding in accordance with article 49-49 bis, 5 of the Law of 22 March 1993 *regarding the legal status and the supervision of credit institutions.*

BVg consolidates and is responsible for the joint management of the insurance activities of its subsidiary Argenta Assuranties nv (hereafter referred to as **Aras**) which has the statute of a Belgian insurance company, and the banking activities of the Company.

Since 21 December 2007, Argenta Nederland nv (hereafter referred to as **Arne**), a Dutch SPV for issuing bond notes, has also been included in the consolidation on this level.

The subsidiaries of BVg, viz. the Company and Argenta Assuranties nv, have in turn several subsidiaries. Argenta Assuranties nv and its subsidiaries are hereafter referred to as **the Insurance Pool**. The Company and its subsidiaries are hereafter referred to as **the Bank Pool**. Argenta Nederland bv has no subsidiaries. The Insurance Pool, the Bank Pool, BVg and Argenta Nederland bv are hereafter jointly referred to as the Argenta Group.

In September 2007 and December 2008, securitisation transactions were performed by which Dutch mortgage loans with a government mortgage guarantee (NHG - *Nationale Hypotheek Garantie*) were sold to an SPV (Special Purpose Vehicle) called Green Apple (hereafter **SPV Green Apple**).

Despite the absence of any capital link with the Company, management decided that the SPV needs to be consolidated, as result of which the transferred loans continue to be recognised on the balance sheet of the Bank Pool.

The average number of people employed by the companies consolidated in the Bank Pool during the 2012 financial year was 450.04 (385.97 in 2011). This breaks down into an average 429.54 administrative staff (367.47 in 2011) and 20.5 managerial staff (18.5 in 2011). These staffing give a rather distorted picture, given the existence of a cost-sharing arrangement at group level. The number of staff shown include only those actually on the payroll of the relevant companies.

A breakdown of staff costs for the financial year can be found in Note 33.

Entities included in the IFRS consolidation

	participating interest relationship	31/12/2011	31/12/2012
Argenta Spaarbank nv	-	consolidating entity	consolidating entity
Argentabank Luxemburg SA (ABL)	99.71 %	full consolidation	full consolidation
Green Apple bv (SPV)	0 %	full consolidation	full consolidation

2. Accounting policies

On 19 July 2002, the European Parliament and the Council issued Regulation (EC) No. 1606/2002/EC. This Regulation requires that all consolidated financial statements published by companies listed on regulated markets in the European Union concerning financial years starting on or after 1 January 2005 be prepared in accordance with the International Financial Reporting Standards (**IFRS**) as determined by the *International Accounting Standards Board* (**IASB**).

These standards and interpretations consist of (a) *International Financial Reporting Standards*, (b) *International Accounting Standards* and (c) Interpretations issued by the *International Financial Reporting Interpretations Committee* (IFRIC) or the former *Standing Interpretations Committee* (**SIC**).

These standards are subject to approval by the Council based on the recommendations of the EU Accounting Regulatory Committee (**ARC**).

Moreover, on the basis of the aforementioned Regulation No. 1606/2002, EU member states can permit or require companies, other than listed undertakings, to prepare their consolidated financial statements in accordance with the IFRS standards approved by the Council. The Belgian Royal Decree of 5 December 2004, amending the Royal Decree of 23 September on the consolidated financial statements of credit institutions (hereinafter referred to as the **Royal Decree of 5 December 2004**), introduced the requirement for credit institutions to prepare their consolidated financial statements in accordance with IFRS with effect from 1 January 2006.

General

In accordance with the stipulations of the Royal Decree of 5 December 2004, the Company's consolidated financial statements are prepared in accordance with the IFRS standards - including the *International Accounting Standards* **(IAS)** and interpretations - as of 31 December 2012, as accepted by the European Union.

Accounting principles that are not mentioned specifically in these financial statements correspond with IFRS as accepted by the European Union.

Estimates and assumptions

The preparation of financial statements on the basis of IFRS requires a number of accounting estimates. Furthermore, management was asked for its assessment during the process of applying these accounting principles. Actual results may differ from these accounting estimates and assumptions.

Accounting estimates are made principally in the following areas:

- accounting estimate of the recoverable amount of impairments
- assessment of the fair value of unlisted financial instruments
- assessment of the expected useful life of tangible and intangible assets
- accounting estimate of the existing liabilities resulting from past events in the recognition of provisions.

Assumptions are made principally in the following areas:

- classification of financial instruments;
- existence of active markets for financial instruments
- existence of loss events and impairment triggers
- existence of obligations resulting from past events (provisions)
- existence of control over companies.

Management has also decided that the Green Apple SPV needs to be consolidated and that consequently the transferred loans should remain on the group's balance sheet.

2.1. Changes in accounting policies

The accounting policies used for preparing these 2012 consolidated financial statements are consistent with the policies applied as of 31 December 2011.

The following Standards and Interpretations applied in the 2012 financial year:

- Amendment to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* (applicable for annual periods beginning on or after 01 July 2011)

The application of this new standard had no material impact on the Company's results and equity or on the presentation of the financial statements.

Standards and Interpretations published but not yet applicable to the financial period beginning on 1 January 2012:

- IFRS 9 *Financial Instruments and subsequent amendments* (normally applicable for annual periods beginning on or after 1 January 2015)
- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 27 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 01 January 2014)
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 *First-Time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 01 January 2013)
- Amendment to IFRS 1 *First-Time Adoption of IFRS – Government Loans* (applicable for annual periods beginning on or after January 2013)
- Amendment to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosures - Transitional provisions* (normally applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IFRS 27 *Consolidated Financial Statements and Disclosures - Investment Undertakings* (normally applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual periods beginning on or after 1 January 2013)

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

IFRS 9 imposes, inter alia, new classification and measuring requirements for financial instruments. No decision has yet been made regarding the date of implementation of this standard at the Company. It should also be noted not all the above amendments have as yet been approved by the European Union.

2.2. Accounting policies – accounting rules

Consolidation principles

The consolidated financial statements include those of the Company and its subsidiaries (hereinafter: **Subsidiaries**). Subsidiaries are those companies in which the Company, directly or indirectly, has the power to govern the entity's

financial and operational policies in order to obtain benefits from these activities (hereinafter referred to as **Control**).

Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date on which that control ceases.

The Subsidiaries are consolidated using the full consolidation method.

This method implies the Subsidiary's shares held by the Company being replaced in the Company's balance sheet by this Subsidiary's assets and liabilities.

Intercompany transactions, balances and results on transactions between Argenta Group companies are eliminated.

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

These minority interests are measured at the fair value of the net asset on the date of acquisition. Subsequent to the date of acquisition, minority interests comprise the amount calculated at the date of acquisition and the minority share in the changes in equity since the date of acquisition.

Before proceeding with the consolidation of the individual financial statements, the rules applying to the measurement of the assets and liabilities components were harmonized on the basis of the accounting rules applicable to the Company.

Because all companies included in the Company's consolidated financial statements close their financial yearw on 31 December of each calendar year, this date is also taken as the year-end closing date for the consolidation.

Operating segments

Operating segments are identified on the basis of existing reporting structures. This segmentation matches the internal reporting and the segmentation applied in the past.

Foreign currency

The consolidated financial statements are stated in euro, which is the functional currency of all Argenta Group entities. Foreign currency transactions are stated at the exchange rate applicable on the date of the transaction.

On the balance sheet date, outstanding balances in foreign currencies are translated at the year-end closing exchange rates for monetary items.

Non-monetary items that are carried at historical cost are translated using the historical exchange rate that applied at the date of the transaction.

Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values were determined.

Transaction date and settlement date accounting

Financial assets and liabilities are recognised on the balance sheet at the time the Company becomes a party to the contractual provisions of the instruments.

Purchases and sales of financial assets settled by cash transactions according to standard market conventions are taken into the Company's balance sheet on the settlement date.

Netting

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

Assets are recognised after deduction of accumulated impairment losses, if applicable.

Financial assets and liabilities

All financial assets and liabilities – including derivatives – are recognised according to the IFRS classification system. Each classification is subject to its own specific measurement rules.

The following classifications exist for financial assets: (a) loans and receivables, (b) held-to-maturity assets, (c) financial assets designated at fair value through profit or loss, and (d) available-for-sale assets.

(a) Loans and receivables: all non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method, with the regular amortisation recognised in the income statement.

Where necessary, impairment losses are charged.

(b) Held-to-maturity assets: all non-derivative financial assets with fixed maturities and fixed or determinable payments that the Company fully intends and is able to hold to maturity.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method, with the regular amortisation recognised in the income statement.

Where necessary, impairment losses are charged.

(c) Financial assets designated at fair value through profit or loss include:

- financial assets held for trading, including derivative instruments that are not designated as effective hedging instruments;
- financial assets that are designated on acquisition or first-time adoption of IFRS as held at fair value through profit or loss.

These are measured on acquisition at fair value, excluding transaction costs, and subsequently at fair value, with all changes in value recognised in the income statement.

All derivatives with a positive fair value are considered by the Company as assets held for trading unless designated as effective hedging instruments.

(d) Available-for-sale financial assets: all non-derivative financial assets that are not classified as (a) loans and receivables, (b) held-to-maturity assets, or (c) financial assets designated at fair value through profit or loss.

These assets are measured at fair value, with all fair value fluctuations being recognised on a separate line in equity until the assets are sold or until they are recognized as impaired. In this case, the cumulative fair value changes are transferred from equity to profit or loss for the financial year.

For the investments in instruments other than equity instruments, the difference between the acquisition price and the redemption value based on the effective interest method is taken into the income statement pro rata temporis over the securities' residual term to maturity as a component of the interest income from these securities.

The fluctuations in the fair value of these securities, which are recognised on a separate line in equity, are measured by calculating the changes between (a) their acquisition price plus or minus the portion of the above-mentioned difference that is taken into the income statement and (b) the fair value.

The following classification exists for financial liabilities: (a) financial liabilities designated at fair value through profit or loss and (b) other financial liabilities.

This IFRS classification determines the measurement and recognition in the income statement as follows:

(a) financial liabilities designated at fair value through profit or loss include:

- financial liabilities held for trading, including derivative instruments that are not designated as effective hedging instruments;
- financial liabilities that are designated at acquisition or first-time adoption of IFRS as held at fair value through profit or loss.

These are measured on acquisition at fair value, excluding transaction costs, and subsequently at fair value, with all changes in value recognised in the income statement.

All derivatives with a negative fair value are considered by the Company as liabilities held for trading, unless designated as effective hedging instruments.

(b) Other financial liabilities: these are all other non-derivative financial liabilities that do not fall under the previous category.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method, with the regular amortisation recognised in the income statement.

Cash and cash equivalents

'Cash and cash equivalents', as used in the cash flow statement, include cash in hand, freely available balances at central banks and other non-derivative financial assets with a maturity of less than or equal to three months from the date of acquisition.

Tangible assets

Property, plant and equipment

All property, plant and equipment is recognised at cost, which is the value at acquisition, including directly attributable acquisition costs, less accumulated depreciation and any impairments.

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

When property, plant or equipment is sold, the realised gains or losses are recognised immediately in the income statement.

Investment property

Investment properties are those properties held to earn rental income or for capital appreciation or for both. The accounting rules outlined for property, plant and equipment apply also the investment property (application of the cost price model).

Specific accounting rules

Land and buildings for own use and investment property
The purchase price and purchase costs of land are not depreciated, regardless of whether the site has been developed or not.
Upon purchase of a developed site, the values of the land and of the building are calculated, and the transaction costs divided on a pro rata basis between the land and the building.

The building is depreciated over its estimated useful life, i.e. at a rate of 3 % per annum on a monthly basis.

For the registered office and adjoining buildings, the Company has opted to use the value reassessed according to previously applied Belgian accounting principles. This was determined, prior to the IFRS transition date as the deemed cost on the date of the revaluation, given that this was globally comparable with the fair value.

The purchase price and purchase costs of renovations are depreciated at 10 % per annum on a monthly basis.

The purchase price and purchase costs of interior finishings of rented buildings are depreciated over the term of the rental contract.

IT equipment

The purchase price and purchase costs of hardware are depreciated at 33.33 % per annum on a monthly basis.

Other equipment (including vehicles)

The purchase price and purchase costs of furnishings and equipment are depreciated at 10 % per annum on a monthly basis.

The purchase price and purchase costs of vehicles are depreciated at 25 % per annum on a monthly basis.

Goodwill and intangible assets

Goodwill

Goodwill is defined as the portion of the cost of the acquisition of a business combination that exceeds the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, and is calculated as of the date of acquisition.

It is recognised as a non-current intangible asset and is carried at cost less any impairment. Goodwill is not amortised, but is tested at least once a year for impairment.

With the first-time application of IFRS, the Company opted not to apply IFRS 3 'Business Combinations' retroactively to business combinations that existed before the date of transition to IFRS.

Intangible assets

An intangible asset is an identifiable non-monetary asset with no physical form. It is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

If the capitalisation criteria are met, acquired software is recognised at cost under intangible assets. The acquisition price and acquisition cost are amortised according to the straight-line method from the moment that the software is available for use.

No internally generated intangible assets are capitalised.

Specific accounting rules

The purchase price and purchase costs of acquired software are amortised at 20 % per annum on a monthly basis.

Other intangible assets are amortised at 10 % per year.

Recognition of impairment losses

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

The carrying amount of an impaired asset is reduced to its estimated recoverable amount, and the amount of the change in the current reporting period is recognised in the income statement.

If, in a subsequent period, the amount of the impairment on assets other than goodwill or available-for-sale equity instruments is reduced owing to an event occurring after the write-down, the amount of the reduction is recognised in the income statement.

Financial assets

An impairment loss shall be recorded on an individual basis on any asset (or group of financial assets), if (1) there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset, and (2) that the loss event or events have an impact on the estimated future cash flows from the financial asset which can be reliably estimated.

Depending on the type of financial asset, the recoverable amount can be estimated as follows:

- the fair value using an observable market price;
- the present value of expected future cash flows discounted at the financial asset's original effective interest rate, or
- based on the fair value of the collateral obtained.

Impairments to available-for-sale equity instruments cannot be reversed through the income statement in subsequent periods.

Besides the impairments that are determined on an individual basis, collective – portfolio-based – impairments are created in the form of IBNR (incurred but not reported) provisions.

An IBNR impairment on loans is justified for receivables for which no impairments have been recognised on an individual basis.

This collective evaluation of impairments includes the application of a 'loss confirmation period' with regards to the probability of non-payment. The 'loss confirmation period' is a concept that takes into account the fact that a certain gap exists between the time that indicators for impairments occur and the time that these are included in the entity's credit risk systems.

In this way the application of the 'loss confirmation period' ensures that impairments that have already occurred but have not been identified as such, are sufficiently included in the impairments effected.

The IBNR is calculated and created for all credit portfolios for which credit risk models were developed in Basel II. Based on the probability of default (hereafter PD) and the LGD (loss given default) the portfolios are divided into risk categories. For each risk category, an assessment is made of the likelihood of a credit in this class going into default within the next three months. To limit the impact of seasonal fluctuations, a long term PD is used.

Other assets

For non-financial assets, the recoverable amount is measured as the higher of the fair value less cost to sell and the value in use.

Fair value less cost to sell is the amount obtainable from the sale of an asset in an at arm's-length transaction between knowledgeable, willing parties, after deduction of selling costs.

Value in use is the discounted value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

Goodwill

Goodwill is tested at least once a year for impairment. An impairment loss is recognised if the carrying amount of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment on goodwill cannot be reversed.

Specific rules of 'available-for-sale financial assets'

Where a fall in the fair value of an available-for-sale financial asset has been recognised directly in equity, and there are objective indications that the asset has suffered impairment, the accumulated loss that has been directly booked to equity is recognised in the income statement, even though the financial asset has not been removed from the balance sheet.

The amount of the accumulated loss that is transferred from equity to the income statement is equal to the difference between the acquisition price (after deducting any redemptions on the principal amount and amortisation) and the current fair value, less any write-down losses on the asset previously recognised in the income statement.

- *Investments in equity instruments*

A significant or long-term fall in the real value of an investment in an equity instrument below the cost price constitutes an objective indication for impairment.

This situation will be assessed individually in each case, but in the absence of additional assessment elements, Company considers an unbroken period of 24 months as long-term, and a fall of at least 30 % as significant.

Impairments recognised in the income statement on investments in equity instruments classified as available-for-sale cannot be reversed via the income statement.

- *Investments in non-equity instruments*

Impairments are applied in cases of sustained capital loss or loss of value attributable to the financial difficulties of the debtor.

Where the fair value of an available-for-sale debt certificate increases in a subsequent period, and the increase can be objectively related to an event that occurred after the impairment was recognised in the income statement, the impairment must be reversed, with the amount of the reversal recognised in the income statement.

Derivatives

Derivatives are financial instruments such as swaps, forward contracts and options. Such financial instruments have values that change in response to changes in underlying variables, require little or no net initial investment, and are settled at a future date. They are classified as held-for-trading derivatives, unless designated as effective hedging instruments.

The Company applies hedge accounting (effective hedging instruments) if all the required conditions have been met (according to the requirements of hedging transactions of IAS 39 as approved by the EU).

Those conditions are as follows:
- the hedge relationship must be formally documented on the inception of the hedge;
- the expectation that the hedge will be effective; the ability to measure reliably the effectiveness of the hedge; and
- continuous measurement during the reporting period in which the hedge can be considered to be effective.

For **fair value hedges**, the derivatives hedging the risks are measured at fair value, the hedged positions are adapted for changes in the fair value of the hedged item, with all these fluctuations in fair value recognised in the income statement. The pro-rataed interest of interest rate swaps is included in the interest income or expense of the hedged positions. Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold.

In this case, the revaluation gain or loss on the hedged position (for fixed-income financial instruments) will be taken to profit or loss of the financial year until final maturity based on the effective interest rate at the time of disposal of the hedged position.

Fair value hedges of **the interest rate risk of a portfolio** are applied by the Company in order to hedge the interest rate risk of a portfolio of loans by means of interest rate swaps. The interest rate swaps are measured at fair value, with fluctuations in the fair value recognised in the income statement. The changes in the fair value of the hedged amount are presented as a separate asset line on the balance sheet.

In case of hedge ineffectiveness, the cumulative fluctuation in the hedged amount is amortised through profit or loss over the remaining lifetime of the hedged assets, or else immediately removed from the balance sheet if the ineffectiveness is due to the derecognition of the corresponding loans.

For **cash flow hedges**, the derivatives hedging the risks are measured at fair value, with the fluctuations in fair value attributable to the effective part of the hedge being recognised in a separate equity item. The pro-rataed interest of interest rate swaps is included in the interest income or expenses of the hedged positions. The ineffective portion of the hedge is recognised in income for the financial year. Hedge accounting is discontinued once the hedge accounting criteria are no longer met. In this case, the derivatives are treated as held-for-trading derivatives and measured accordingly.

Held-for-trading derivatives are recognised on the balance sheet at fair value on the transaction date. Subsequently, they are measured at fair value, with fluctuations in the fair value changes being recognised as profit or loss for the financial year.

Held-for-trading derivatives with a positive fair value are recorded on the asset side of the balance sheet, and those with a negative fair value on the liabilities side.

Embedded derivatives

Financial assets or liabilities can include derivatives embedded in a contract. Such contracts are referred to as ‘hybrid instruments’.

If the host contract of the hybrid financial instrument (1) is not carried at fair value with changes in value taken through profit or loss, and (2) the characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative should be separated from the host contract and measured at fair value as a separate derivative.
Fair value changes are recognised in the income statement. The host contract is accounted for and measured by applying the rules of the relevant category of the financial instrument.

If the host contract of the hybrid financial instrument (1) is carried at fair value through profit or loss, or (2) if the characteristics and risks of the embedded derivative are closely related to those of the host contract, the embedded derivative is not separated from the host contract and the hybrid instrument is measured at fair value as a single derivative.

Fair value of financial instruments

The fair value of a financial instrument, which is any contract that leads to both a financial asset for one entity and a financial liability or equity instrument for another entity, is the amount for which the asset could be exchanged, or the liability settled, between knowledgeable, willing parties in an at-arm’s-length transaction.

The Company uses the following hierarchy of tests to determine the fair value of financial instruments: first, the quoted price in an active market and then using valuation techniques.

The fair value of a financial instrument is measured on the basis of quoted prices in active markets. Where there is no active market available for the financial instrument, the fair value is measured using valuation techniques.

These valuation techniques make maximum possible use of market inputs, but are affected by the assumptions used, such as risk spreads and accounting estimates of future cash flows.

The fair value of the loans and receivables in particular are obtained using the discounted value technique, in which the future cash flows are discounted at the swap curve, plus a spread, which is systematically re-examined.

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

On initial recognition, the fair value of a financial instrument is the transaction price, unless the fair value is evidenced by recent market transactions in the same instrument, or is based on a valuation technique, the variable elements of which consist only of data from observable markets.

Lease contracts

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

Repurchase agreements

Securities subject to a repurchase agreement (repo) remain on the balance sheet. The liability arising from the obligation to repurchase the asset is recognised in amounts payable to banks or to clients, depending on the counterparty.

Securitisation

Securitisations can take the form of a sale of the assets involved to a special purpose vehicle (**SPV**), or a transfer of the credit risk by means of credit derivatives. An SPV issues tranches of securities to fund the purchase of the assets.

The financial assets involved in a securitisation are no longer (fully or partially) accounted for in the financial statements whenever the Company transfers virtually all the risks and income from the assets (or parts thereof).

Employee benefits

Pension obligations

The Company only has pension obligations based on defined contribution schemes.

The Company's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

Employee entitlements

Employee entitlements to annual leave and long-service leave are accounted for in the year on which these days are based.

Provisions

Provisions are recognised on the balance sheet if (1) an obligation exists on the balance sheet date that is based on a past event, and (2) it is probable that an outflow of funds will be required to settle the obligation, and (3) if the amount of the obligation can be estimated reliably.

The amount of the provision is the best possible accounting estimate on the balance sheet date of the outflow of funds that will be required to settle the existing obligation, taking into account the probability of the event occurring and its possible result.

Income taxes

Income taxes on the result of the financial year include both the current and deferred taxes. These taxes are calculated in accordance with the tax laws that apply in each country in which the Company operates.

Current taxes consist of those that are payable on the taxable income of the year, on the basis of the applicable tax rates on the balance sheet date, as well as each revision of the taxes payable or refundable for previous years.

Deferred taxes are calculated for all taxable temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the financial statements.

These taxes are measured using the tax rates expected to be in effect at the time of the realisation of the assets or settlement of the liabilities to which they relate.

Deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable profit will be available from which the temporary differences can be deducted.

Deferred tax assets and liabilities are compensated and presented netted solely and exclusively if they are taxes levied by the same tax authorities on the same taxable entity.

Equity attributable to the shareholders

Share capital

No shares have been repurchased by the Company.

Compound financial instruments

Components of compound financial instruments (liability and equity portions), are recognised in their respective classifications on the balance sheet.

Other equity components

Other elements recognised in shareholders' equity include those related to the available-for-sale assets.

3. Equity attributable to the shareholders

The Company is the consolidating company and 99.99 % of its shares are owned by BVg (the holding company of the Argenta Group).

The IFRS equity attributable to the shareholders as of 31 December 2012 is EUR 1,295,084,649, compared with EUR 909,649,134 as of 31 December 2011. The increase in equity is the combined result of several factors.

There is an increase in equity from the addition of the profit for the year (EUR 82,317,207), an increase of EUR 341 849 644 as a result of changes in the fair value of “available-for sale-financial assets”, an increase of EUR 37,850,400 through a capital increase, a decrease from the declaring of dividends (EUR 71,951,500) and the inclusion of a cash flow hedge (with a negative impact on equity in 2012 of EUR 4,622,473).

These elements are further described in the text below.

Paid-in capital

The fully paid-in capital, represented by 168,975 no par shares, is EUR 459,105,400 (EUR 421,255,000 as of 31 December 2011).

The increase is the result of a capital increase of EUR 37,850,400 that took place on 18 December 2012. This capital increase took place without issuing new shares and was subscribed by the existing shareholders (after receiving a dividend from the Company on 12 December).

There were no capital increases in 2011.

Revaluation surplus on available-for-sale assets

Available-for-sale (**AFS**) financial assets are measured at fair value, with all fluctuations in fair value recognised on a separate line in equity until the assets are sold or until an impairment occurs.

These changes in fair value are found under ‘revaluation reserve for available-for-sale financial assets’.

This reserve evolved from EUR -126,000,194 as of 31 December 2011 to EUR 215 849 450 as of 31 December 2012. The increase in the market values of financial instruments is primarily the result of the decrease in the interest payable by European governments.

Reconciliation of revaluation reserve	31/12/2011	31/12/2012
Unrealised capital gains and losses on fixed-income securities	-88,327,954	433,685,971
of which used in micro hedges	-79,199,204	-87,832,873
Total latent taxes on fixed income securities	56,953,888	-117,550,787
Unrealised capital gains and losses on non-fixed income securities	106,315	503,066
Minority interests’ share in unrealised capital gains and losses on (non-) fixed income securities	-590	-241
Unrealised capital loss on reclassified assets	-23,530,752	-19,626,854
Latent taxes on reclassified assets	7,998,103	6,671,168
Total revaluation reserve	-126,000,194	215,849,450
Other breakdown of revaluation reserve		
Revaluation reserve, available for sale financial assets	-110,467,545	228,805,136
Frozen revaluation reserve, reclassified assets (loans and receivables)	-15,532,649	-12,955,686

Note 14 contains further information on the "unrealized capital loss on reclassification of assets' line included in the above table and the frozen AFS reserve, and Note 15 on the processing of the specified *micro hedges*.

Cash flow hedging

The Company has concluded an interest rate swap in the context of hedge accounting, which is treated a cash flow hedge. In this market value of the swap (net of tax) is shown in a separate line in equity. This cash flow hedge is described in greater detail in Note 24 (Derivatives).

Reserves

The reserves position (EUR 545,814,654 as of 31 December 2012) includes the statutory reserves of the Bank Pool's parent company - i.e. the Company - which on an unconsolidated basis has reserves available for distribution of EUR 452,700,323 and statutory reserves of EUR 30,738,253 as of 31 December 2012.

The decrease of the available reserves from EUR 509,707,220 as of 31 December 2011 to EUR 452,700,323 is due to the payment of a dividend of EUR 57,451,500 out of available reserves (see description below of proposed dividend for the 2012 financial year) and an addition of EUR 444,603 (transfer of revaluation gains to distributable reserves).

Profit from the current year

The consolidated result (excluding minority interests) for the year ending on 31 December 2012 amounted to EUR 82,317,207 (compared with a consolidated result of EUR 70,225,611 for the year ending on 31 December 2011).

Profit per share

On the basis of 168,975 shares, the earnings per share amounted to EUR 487.16 for the year ending on 31 December 2012 (EUR 82,317,207 divided by 168,975 shares).

On the basis of 168,975 shares, the earnings per share amounted to EUR 415.60 for the year ending on 31 December 2011 (EUR 70,225,611 divided by 168,975 shares).

Dividend proposal for the 2012 financial year

On 12 December 2012, an interim dividend of EUR 57,451,500 was paid (EUR 340 per share).

Subsequently on 18 December, a capital increase of EUR 37,850,400 in the Company took place, subscribed by the two shareholders.

The Company's Supervisory Board will submit a proposal to the general meeting of shareholders not to distribute any further dividend in respect of the 2012 financial year.

Given the capital increase, there was a net cash outflow of EUR 19,601,100 (or EUR 116 per share).

In 2012, a dividend of EUR 14.50 million (EUR 85.81 per share) was paid via the appropriation of the 2011 profit.

4. Minority interests

The Company's minority interests relate to the shares of its subsidiary, Argenta Bank Luxembourg SA (hereinafter referred to as ABL), not held by the Company.

These shares are held directly by the coordinating holding company of the Argenta Group (BVg).

The minority interests also include the entire capital (EUR 18,000) of the Green Apple SPV. Even though there is no capital link with the Company, this company is nonetheless consolidated on the basis of the IFRS rules (SIC 12).

In 2012 there was a profit attributable to the minority interests of EUR 2,393 compared with EUR 7,356 in 2011.

The revaluation gain on available-for-sale assets attributable to the minority interests amounted to EUR 241 at the end of 2012 compared with 590 at the end of 2011.

5. Risk management

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

The risk management framework is constantly being updated and adapted to reflect new regulations, daily experiences and changes in Argenta's activities. Demonstrating that adequate risk management procedures are in place is a key prerequisite for gaining and retaining the confidence of all stakeholders: customers, investors, branch managers, regulators and rating agencies, but also directors, management and employees.

The strategy and long-term policy of all entities within the Argenta Group is determined by the Executive Committee and Board of BVg. The two main subsidiaries, the Company and its sister entity Argenta Assuranties nv, are responsible for operational management within their powers as laid down in the Memorandum of Internal Governance.

Risk management at the Company

The Executive Committees of the Company, Argenta Assuranties nv and BVg were integrated in 2010, with a number of members in common: the CEO (Chief Executive Officer), CFO (Chief Financial Officer) and CRO (Chief Risk Officer).

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 independent agents.

The Argenta Group continued to develop its conservative and transparent risk management in 2012. In this regard, risk management and risk appetite were further clarified as follows:

- translation of the risk appetite into concrete limits, with a clear link to the business plan, periodic monitoring and reporting;
- coupled with these limits, monitoring the consistent reduction of positions that could present potential risks owing to the continuing crisis;
- new or revised policies, with strengthened and consistent input from Risk in each of the core activities;
- further expansion of ICAAP (Internal Capital Adequacy Assessment Policy - see note 6) for the Company;
- deployment plan for the IRB (internal rating based) models for banks & corporates, which was submitted to and approved by the NBB (National Bank of Belgium);
- further integration of the Validation Unit within the Risk and Validation Department (without no loss of autonomy).
- the more extensive external (financial) audits and stress tests that were an opportunity for the external testing of internal risk management and control;
- active role in the risk committees, that is the Asset and Liability Committee (hereinafter ALCO) and the Group Risk Committee (GRC) and through the signalling function to the Executive Committee and the Supervisory Board.

The importance of rigorous risk management, now and in the future, is substantiated by the following risk governance tools:

- The RAF (Risk Appetite Framework) is a transparent risk indicator system, in which the daily risk management for each risk category is monitored based on three indicators (a green, yellow and red flashing light).
- The Company's conservative risk appetite is monitored using five risk categories: capital adequacy, asset quality, income and value stability, liquidity and concentration;
- Argenta Group's risk management also benefits from considerable cross-over between banking and insurance risk expertise.

Governance

Besides the independent Internal Audit and Compliance control functions, group risk management is organised at the level of the Argenta Group. In the Company-Wide Risk Management Charter, Risk Management is defined as the second line function that controls general risk management within Argenta.
The Risk Management Function supervises and controls the first line on risk management and provides supporting risk advice. The risk management function is performed by the Risk Management and Validation Department and is under the hierarchical responsibility and supervision of the CRO.

First-line risk management is organised and handled autonomously within each entity, and hence comes under the auspices of the various group companies' management bodies.

In 2012, further significant efforts were made to define and distinguish roles and responsibilities in these specialist fields. The Risk & Validation Department:

- undertakes the independent second-line control;
- has as its basic principle: "identify, report, monitor and mitigate" for all material risk factors (including interest rate and business risk), which are then integrated into the ICAAP;
- in this way it has a 'radar' function of pro-active identification of not yet identified risks;
- helps control (economic) capital management;
- plays an important policy definition and validation role in risk modelling;
- undertakes the necessary formal risk checks, and in its overall capacity plays an active role in, among others, the Group Risk Committee and ALCO;
- advises the Executive Committees and Boards of Directors in an independent manner on the risk management process within Argenta.

The monthly umbrella Group Risk Committee (GRC) has an alternating agenda consisting of (for the Bank Pool) one month ICAAP topics, and the following month credit risk subjects and after that operational risk.

Along with second-line risk control, validation of the risk models is an essential core activity of financial institutions. Basel II requires financial institutions to have the risk models they develop confirmed by an independent validator.

The activities of the Validation unit included in 2012:

- Validation of the review and recalibration of the credit risk models of the mortgage portfolios of Argenta Spaarbank, CBHK and the Netherlands;
- Validation of the update of the Argenta Spaarbank PD model;
- Validation of the new PD and LGD model for the Netherlands;
- Validation of the review, the recalibration and stress testing of the investment portfolio (more particularly of exposure to financial institutions, corporations and covered bonds).

In addition, models were developed, in the context of the F-IRB (Foundation - Internal Rating Based system) for the credit risk of the Company's investment portfolio. This relates more specifically to the exposure to financial institutions and to corporations. In 2010, an internal measurement system was implemented for this, which was subsequently validated. As of 30 June 2012, (conditional) approval was obtained from the NBB to use the (F)-IRB method for financial institutions, corporations and covered bonds.

The Company's risk profile

This annual report discusses the activities of the Bank Pool and, in compliance with the provisions of Article 119.5 of the Belgian Companies Code, a summary is provided below of the objectives and the policy concerning the management of the banking risks.

The Company's policy and the organisational structure with regard to risk management are designed in order for the known risks to always be properly identified, analysed, measured, monitored and managed.

Due to its activities, the Company is exposed to various risks. The Company's risk management distinguishes, inter alia, between the following risk categories: financial risk (primarily interest rate risk), liquidity risk, credit risk (including concentration and sovereign risk), operational risk and other risks.

These risks are managed in a uniform way across the Argenta Group, using the Risk Appetite Framework (RAF), the policies and the established procedures.

5.1. Financial risk

The financial risk (market risk) is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Within this market risk we distinguish, among others, three types of risk: interest rate risk, currency risk and other price risks.

Interest rate risk

The interest rate risk is the main market risk to which the Bank Pool's banking activities are exposed. It involves the financial risk resulting from the impact of a change in interest rates on the interest margin and on the fair value of interest-bearing instruments.

The structural interest rate risk of the balance is monitored through various risk management tools including duration gaps and net interest income -based risk benchmarks. The norm is based on the maximum acceptable loss in the event of a 1 % (100 basis points) change in interest rates.

The business of the Argenta Group and the Company is focused mainly on uncomplicated investments, such as government bonds, bank and non-bank bonds and mortgage loans, which means that market risk can be more easily managed.

The Company has implemented and applied risk management methods to reduce and control the market risks to which it is exposed. Exposure to such risks is permanently monitored and controlled using externally developed software programs. In this way, all material sources of interest rate risk are identified.

When assessing the interest rate risk, reporting is undertaken from both an income perspective (earnings at risk, net interest income) and from an economic value perspective (assessment in terms of the value of equity).

In its risk management procedures, the Company pays much attention to having a consistent internal structure, enabling it to perform these activities judiciously, objectively and efficiently and to provide the various competent management bodies with timely, comprehensive reports.

This is embodied first and foremost in the Asset and Liability Committee (ALCO), a management body that directly supervises the active interest rate risk positioning, with specific responsibilities for monitoring the day-to-day management of the financial positions and reporting to the Executive Committee. ALCO's permanent remit is to optimise net interest income (and its sensitivity) and to maintain the market-value sensitivity of equity within set limits. In addition, reports containing the data in question are submitted to the Supervisory Boards of the Argenta Group every month.

Sensitivity analysis – interest rate risk in the banking book

The following analysis of the assets and income sensitivity shows the impact of a parallel interest rate shock on the net interest income and on the other components of equity.

Since the Company has until now only a banking book, these figures reflect the entire Bank Pool. The calculation method has been adjusted slightly in order to calculate also the comparative figures by this method.

Income sensitivity	delta 2011	delta in %	delta 2012	delta in %
Interest rate increase by 100 basis points	40,843,847	15.13 %	27,098,558	7.11 %
Interest rate decrease by 100 basis points	-18,378,018	-6.81 %	19,804,113	5.20 %

Economic value	delta 2011	delta in %	delta 2012	delta in %
Interest rate increase by 100 basis points	-97,225,783	-4.00 %	-80,587,402	-2.67 %
Interest rate decrease by 100 basis points	-70,167,901	-2.89 %	-14,684,444	-0.49 %

A 100 basis point increase in interest rates would cause net interest income to rise by EUR 27.09 million (+7.11 %). A 100 basis point fall in interest rates would cause the same item to rise by EUR 19.80 million (+5.20 %).

A 100 basis point increase in interest rates would have a negative impact of EUR 80.58 million (-2.67 %) on the economic value of the banking book. A 100 basis point decrease in interest rates would have a negative impact of EUR 14.68 million (-0.49 %).

The economic value of the other equity components is calculated here, for the purposes of internal monitoring, on the basis of discounting contractual cash flows at the IRS flat curve.

The outstanding positions in the calculations are always held constant as of 31 December (static balance sheet).

Risk reduction strategies

In order to keep market sensitivity within the risk appetite guidelines approved by the Company's Supervisory Board and not to exceed the National Bank of Belgium's (NBB) flashing light levels, additional interest rate caps were purchased and interest rate swaps concluded in 2012. This exogenous hedge serves to supplement the permanent aim of a maximal endogenous management of the balance sheet.

For endogenous hedging, the whole range of adjustments to on-balance-sheet products is available, varying from price changes, new products and adjustment of product characteristics. Endogenous actions can have a significant impact, but which manifests itself only relatively slowly and systematically.

The size of the exogenous hedge is determined from an assets and liabilities perspective. Firstly, the repricing-sensitive amounts on the liabilities side (less the amount of assets sensitive to repricing) must be able to follow rising interest rates.

With a capped interest rate hedge, price-setting for savings accounts can partially keep step with a potential future interest rate increase, whereas without a hedge this would be difficult to do because of the less frequent repricing of assets.

On the other hand, it is important to be able to convert long-term fixed-rate assets into floating when interest rates are rising. With interest rate hedging, budgeted long-term fixed-rate mortgage production can be made floating in the event of a future rise in interest rates. This provides protection in terms of both income and value.

IFRS applies strict rules to the accounting treatment of hedging, and not every economic hedge that is used to hedge the interest rate risk is regarded as a hedge under IFRS, which can result in a degree of volatility in the IFRS result.

Further information on the fair value hedges applied for covering the interest rate risk of a portfolio and on the other hedges can be found in Notes 12, 15 and 24.

Risk focuses on setting a framework for the financial risks, and more especially the interest rate risk, in order to provide an adequate level of income and value stability.

Currency risk

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in the exchange rate.

The Bank Pool operates only in the Benelux countries and does not make investments in currencies other than the euro, as a result of which it is not exposed to any currency risk.

Other price risks

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices caused by factors other than interest rate risk or currency risk.

This is regardless of whether these changes are caused by factors that apply specifically to the individual financial instrument or the issuer or by factors that affect all similar financial instruments traded on the market.

Equities risk

The Bank Pool does not invest in individual equities. The limited number of equity funds (in the legal form of beveks/sicavs - open-ended investment companies) on the books at financial year end came historically into the balance sheet when the Company issued new sub-funds in existing equity funds.

The equity funds heading is limited. No purchases were made in 2011 and 2012. A gradual sell-down of the existing positions was initiated in 2012. The positions at the end of 2011 and 2012 can be found in Note 13.

5.2. Liquidity risk

The liquidity risk is the risk of the Company not being able to honour its financial commitments at a reasonable cost on the due date. It needs therefore to be able to satisfy the liquidity requirements of deposit or other contract holders, without suffering unacceptable losses as a result of freeing up assets that exist to meet the financial obligations in normal and difficult circumstances.

Since the outbreak of the liquidity and credit crisis, liquidity management has been central to global bank management and bank supervision. The integration of specific liquidity standards within the new capital regulations endorses the importance of robust liquidity management in the banking sector. The Bank Pool therefore takes liquidity policy very seriously.

In order to measure, monitor, check and report on the liquidity risk, the Argenta Group has a specially adapted management information system (MIS), including a contingency plan in order to be able to adequately manage its liquidity in both normal and exceptional circumstances.

The liquidity risk is monitored using also two risk indicators, the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio). The LCR sets the liquidity buffer here against a defined outflow of financial liabilities over a 1 month period. The NSFR sets the available liquidity in the light of the required liquidity over a period of one year. The RAF sets a minimum limit of 100%, but a ratio of at least 120% is sought so that the Company still has a comfortable liquidity situation.

Furthermore it was stipulated that (as part of liquidity management) at least 66 % of the investment portfolio should be comprised of ECB-eligible bonds.

The daily liquidity management, the definition of early warning indicators (EWIs) and the organisation of stress tests are described in a Liquidity Contingency Plan (LCP).

Every day, reports on funding are distributed amongst a broad target audience. In addition, discussion of the liquidity indicators is a fixed item on the agenda of the fortnightly ALCO meeting. In other words, senior management is continuously involved in the liquidity management.

The Company's liquidity model can be summarized as follows:

- a sizeable base of customer deposits (see liquidity sources below, with customer deposits and retail savings certificates purchased by retail customers);
- total funding independence from the interbank market: the Company does not have to go onto the interbank market for funding
- a low loan to deposit ratio, which reflects the fact that, to a large extent, the amount of loans made is lower than the total amounts of customer deposits;
- securities portfolios that are liquid and readily convertible into cash (can be used as collateral with the European Central Bank (ECB) or sold - see supplementary note).

From the summary of funding sources it can be deduced that the Company also from time to time holds deposits from credit institutions. This takes the form of funding by means of repo/LTRO (long-term refinancing) transactions entered into either for liquidity management purposes, or to take advantage of investment opportunities on the financial market. Further information on possible repurchase/LTRO transactions can be found in Notes 11 and 20.1.

Liquidity sources

Funding policy is directed at obtaining funding from individual customers through the issue of current and savings accounts and term deposits and securities. Customer deposits constitute the most important primary source of funding of the Bank Pool's banking activities.

These deposits can be considered as both sources of liquidity and sources of liquidity risk. Amounts held in 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 account holders' confidence in the Company's solvency, profitability and risk management.

The group's financing structure is managed in such a way that a substantial diversification is maintained and that the level of dependency on capital market funding remains very limited.

The table below shows the financing mix of the Bank Pool.

Sources of funding	2011	2012
Deposits from central banks	0.60 %	3.68 %
Deposits from credit institutions	5.72 %	0.15 %
Retail customer deposits	66.14 %	76.60 %
Bank savings certificates sold to retail customers	17.43 %	9.71 %
Bonds sold to retail customers	0.89 %	0.64 %
Bonds sold to institutional customers	4.50 %	4.27 %
Subordinated instruments sold to retail customers	1.52 %	1.38 %
Subordinated debt instruments sold to institutional customers	0.30 %	0.22 %
Other liabilities	2.90 %	3.35 %
Total liabilities	100.00 %	100.00 %
Total liabilities in EUR	33,111,941,174	32,850,102,647

The decline in volumes of retail savings certificates subscribed in 2012 is due mainly due to the historically low interest rates, leading private customers to prefer other savings and investment instruments.

Maturity analysis

Notes 13 and 14 give further details of the residual maturity of the available-for-sale financial assets and loans and receivables.

The table below shows a maturity analysis for the financial liabilities held for trading, the financial liabilities measured at amortised cost, derivatives used for hedging purposes and 'other liabilities'.

2011 financial year	< 3 months	< 12 months	2-5 years	> 5 years
Deposits from central banks	0	50,000	200,000,000	0
Financial liabilities held for trading	4,301,646	12,904,938	2,469,333	0
Financial liabilities measured at amortised cost	21,787,926,186	4,487,290,380	5,505,971,191	171,203,191
• Deposits from credit institutions	0	1,894,988,426	0	0
• Retail funding - deposits with no fixed term	20,332,790,266	0	0	0
• Retail funding - deposits with fixed maturity	96,342,348	337,786,400	1,088,245,225	44,259,420
• Retail funding – savings certificates	1,317,073,478	2,144,681,292	2,282,924,616	26,212,334
• Debt certificates - bonds	0	9,608,834	1,774,448,134	0
• Subordinated loans	41,720,094	100,225,428	360,353,216	100,731,437
Derivatives for hedging purposes	28,235,305	84,705,914	336,281,871	129,768,167
Other liabilities	183,526,470	2,347,104	8,119,190	0
Total	22,003,989,607	4,587,298,336	6,052,841,585	300,971,358

2012 financial year	< 3 months	< 12 months	2-5 years	> 5 years
Deposits from central banks	9,113,889	200,000,000	1,000,000,000	0
Financial liabilities held for trading	286,540	859,621	1,075,590	0
Financial liabilities measured at amortised cost	24,415,643,133	903,906,517	4,934,271,018	286,876,455
• Deposits from credit institutions	49,739,370	0	0	0
• Retail funding - deposits with no fixed term	23,358,379,267	0	0	0
• Retail funding - deposits with fixed maturity	190,670,508	198,910,148	1,318,690,247	96,271,340
• Retail funding - saving bonds	810,955,300	496,172,352	1,723,143,536	160,227,324
• Debt certificates - bonds	0	148,823,417	1,463,769,330	0
• Subordinated loans	5,898,688	60,000,600	428,667,905	30,377,792
Derivatives for hedging purposes	35,447,354	106,342,062	410,643,432	143,603,435
Other liabilities	239,641,044	114,428,812	9,013,878	0
Total	24,700,131,960	1,325,537,013	6,355,003,918	430,479,890

The interest results of the swaps posted under the category 'financial liabilities held for trading', and 'derivatives for hedging purposes' are included in the totals.

The fixed and variable rates as of 31 December 2012 are used in calculating this interest for the respective fixed and variable parts of the interest rate swaps concerned.

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

The 'debt certificates - bonds' category still contains as of 31 December 2012, after partial redemption, a notional EUR 1,397,934,330 of notes. These are securities issued by the SPV Green Apple to finance the purchase of Dutch mortgage loans initially granted by the Company.

The 'subordinated loans' category still contains as of 31 December 2012 a nominal EUR 70 million of the Tier 1 loan issued by the Company in 2006 in a nominal amount of EUR 100 million. In the table above, this loan is included in the > 5 years time bracket.

Reporting to the supervisory authority

The significant efforts made in recent years in the area of liquidity management were continued in 2012.

In the context of the existing and new liquidity standards, liquid financial assets and liquidity inflows and outflows are systematically reported to the supervisory authority. The table below shows the Bank Pool's liquid financial assets as reported.

Breakdown of liquid financial assets	31/12/2011	31/12/2012
Cash and cash equivalents with central banks	488,440,375	790,781,935
ECB eligible securities	10,774,870,294	9,077,353,733
Securities that can be liquidated through sale	1,161,371,526	1,187,366,423
Balance sheet total	34,021,683,730	34,145,266,556

The Company easily met all statutory and internal liquidity standards in 2011 and 2012.

5.3. Credit risk

Generally speaking, credit risk arises when a customer or counterparty is no longer able to meet its contractual obligations. This can be the result of the insolvency of a customer or counterparty. This risk arises both with traditional lending and with investment activities (other interest-bearing assets). As regards the latter, widening spreads and rating downgrades are indicators of credit risk.

For the Company there are essentially two sub-areas of importance for credit risk: the market for mortgage lending to individuals on the one hand and the investment portfolio on the other.

Credit risk management

The management of credit risks within the Bank Pool is governed by the credit risk management policies (retail lending) and the "Treasury and ALM Policy" (other interest-bearing assets). The policy guidelines set out the basic principles, rules, instructions and procedures for identifying, measuring, approving and reporting credit risks.

All the Bank Pool's entities and departments have adequate measurement instruments, guidelines and procedures available to manage the credit risk, including a fully independent credit approval process with set limits for creditworthiness and supervisory procedures.

Lending to individuals

The Company has a concentration in lending to private individuals in Belgium and the Netherlands, and more specifically residential mortgage loans to individuals. This makes the Company sensitive to developments in the housing market and to the repayment capacity of individual borrowers in Belgium and the Netherlands.

The Bank Pool generally endeavours to maintain a low risk profile in its lending. This strategic option is confirmed in, among other things, the Company's credit acceptance conditions and procedures, of which the provision of security (mainly mortgage registrations on buildings) is one of the basic conditions, together with the strategic focus on lending to retail customers.

Investment portfolio

A precise rating allocation that has been refined in-house plays a major role in monitoring the quality of Argenta's securities portfolio. Thus the asset quality of the various portfolio components is closely monitored using the average rating concept based on 1) internal ratings and 2) internally agreed rating factors. This involves the calculation of the APR (average portfolio rating), which is calculated on the basis of the internal ratings (or externally derived ones if no internal ones are available) and a PD table depending on rating and maturity.

The management framework is clearly described and detailed in the Treasury and ALM Policy based, among other things, on the following principles:

- A country limit is applied which measures, besides the sovereign risk, the risk of all counterparties/borrowers for each country.
- A separate internal limit is used for repos, derivatives and covered bonds, in addition to the bond limit.
- Counterparty limits are based not only on rating, but also on term.
- ABS and RMBS are permitted only under strict conditions: 5 % retention by the issuer/initiator; permanent monitoring of the underlying risk positions for arrears, default, known underlying assets and clear view of the structure: no RMBS on RMBS/ABS on ABS but direct underlying collateral.

Within this policy framework, attention is also paid to developing and applying the limit framework, in which country concentration and asset quality ratios also play an important role.

Credit risk and the Basel II Capital Accord

The Bank Pool has many years' experience in granting and managing mortgage loans to retail customers, resulting in a history of low loan losses.

Retail customers include private individuals and self-employed professionals having their customary place of residence in Belgium (the Belgian activities) or the Netherlands (the Dutch activities) and that use the Company for their normal non-professional credit needs.

On the basis of this policy option and its above-mentioned long experience, the Bank Pool has therefore opted to perform its mortgage lending under the Basel II Capital Accord, on the basis of internal ratings and to calculate the capital adequacy requirements according to the F-IRB method, subject to exceptions that are not material. This means that a rating is assigned to each loan when granted. To this end, the Company has, where applicable, developed one or more models itself.

A distinction is made between models for PD (probability of default) and LGD (loss given default). For the retail credit portfolios, for which an internal rating based (IRB) system has been selected, both a PD model and an LGD model have been developed.

In the PD model, credit files are divided into various credit rating categories, depending on the risk of default calculated using the model. Credit rating categories are distributed on the basis of variables with associated modalities, which include both product criteria and borrower-related criteria. Each rating category has lower and upper limits for the risk of default and is assigned an average default rate. Files in default are placed in a separate rating category.

The LGD pooling also takes place on the basis of several variables. Each LGD pool is assigned an average LGD rate. In this way, each outstanding loan in the portfolio is placed in a specific LGD pool and that loan is assigned the average LGD rate for the pool.

Every month, the total mortgage loan portfolio is linked to the PD and LGD models in order to calculate the capital requirement for unforeseen losses.

The decision to use this Internal Rating Based method has resulted, among other things, in changes to the operational credit risk management, the authorisation procedure, price setting, internal monitoring and reporting and the responsibilities of the Executive Committees and Supervisory Boards.

As from 30 September 2009, the equity requirement for the retail mortgage portfolios has been calculated using the IRB

method. As a result of the transitional provisions of Basel II, the so-called 80% floor (equity calculated according to Basel I principles) determines the ultimate equity requirements.

More intensive use was made of the rating tool for the investment portfolio during 2012. This is the tool used by Argenta to determine the internal ratings of the counterparties within the Company's securities portfolio. For instance, already in 2011, all borrowers in the Bank Pool's banking and corporate portfolio were assigned an internal rating. In this way, around one hundred counterparties were thoroughly screened internally according to a specific method in accordance with the internal governance procedure. In addition to a thorough first-line analysis, this procedure also includes a second-line risk check and validation of this internal rating. All these proposed ratings were also ratified or decided by a rating committee. This approach is part of the continued deployment of the 'Foundation Internal Rating Based' approach under the Basel framework. In 2012 an internal rating was assigned to the new counterparties within the banks and corporates portfolio, and the Company also proceeded to re-rate (on an annual basis) all previously assigned internal ratings.

In 2012 the Company continued preparing the file for the government (and regional and local authorities), for which Argenta will submit an application dossier to the NBB in late 2013. The intention is, after a use test period during 2014 and with the approval of the NBB, to use F-IRB for the formal reporting of these counterparties from 2015 onwards.

In the meantime the investment portfolio remains the main topic of regular reporting to, and discussion within, ALCO, the Executive Committee and the Supervisory Board.

Impairments

Certain impairments for loan losses can be recognised on an individual basis when a loan is considered as being in default, i.e. that there are objective indications that the Company will not be able to collect all due and payable amounts in accordance with the contractual conditions. The amount of the impairment is the difference between the carrying value and the recoverable amount.

Specifically, a loan is considered as being in default when one of the following events has occurred:
- The Company considers it unlikely that the debtor will be able to fully honour its loan commitments without the Company having to resort to actions such as sale of collateral;
- The debtor is more than 90 days in arrears with meeting a material loan commitment.

Loans deemed to be in default are consequently reviewed (including taking the security received into account), to see whether impairment should be recognised.

Besides the impairments determined on an individual basis, collective - portfolio-based - impairments are also recognised. These collective impairments may be recognised only for 'loans and receivables'.

For the retail mortgage portfolio, this takes the form of an 'incurred but not reported' (IBNR) provision. 'Incurred but not reported' provisions are justified for receivables for which no special impairments have been recognised on an individual basis.

The Company constantly reviews its portfolio for payment arrears. The table below provides summarizes the financial assets in the 'loans to and receivables from other customers' heading on which payment arrears have been ascertained but for which no impairments have been recognised on an individual basis. The figures here relate to the total amount of outstanding loans (total exposure) rather than the total amount of arrears.

These amounts also include loans which are only one or two days in arrears or which are temporarily in arrears due to a possible delayed processing of instalment payments (including by direct debit).

As of 31 December 2011	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	11,303,200	471,133	278,103	49,983
Mortgage loans	3,718,788,028	65,315,464	42,450,667	130,716,951
Long term loans	106,515,952	2,096,191	1,348,403	3,029,881
Demand deposits/advances	17,301,771	750,239	207,845	675,019
Other loan receivables	0	0	0	0
	3,853,908,951	**68,633,027**	**44,285,018**	**134,471,834**

As of 31 December 2012	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	11,046,838	1,335,283	502,496	102,590
Mortgage loans	1,579,722,196	87,603,337	45,297,100	82,991,167
Long term loans	40,334,078	1,284,793	1,955,306	1,087,645
Demand deposits/advances	23,090,776	146,014	232,111	5,082,676
Other loan receivables	0	0	0	0
	1,654,193,888	**90,369,427**	**47,987,013**	**89,264,078**

These loans and receivables were either not yet considered as in default or there were sufficient guarantees that no impairments needed to be recognised on an individual basis.

The tables below summarize the actual amounts in arrears (capital and interest).

The ‘demand deposits/advances’ category consists primarily of overdraft facilities for which the entire amount goes into arrears if the credit line is exceeded.

As of 31 December 2011	<= 90 days	90 days <> 180 days	180 days <> 1 jaar	> 1 year
Consumer loans	1,184,436	32,359	60,194	4,761
Mortgage loans	29,039,322	951,591	562,014	1,574,824
Long term loans	1,098,988	34,057	20,510	39,335
Demand deposits/advances	17,301,771	750,239	207,845	675,019
Other loan receivables	0	0	0	0
	48,624,517	**1,768,246**	**850,563**	**2,293,939**

As of 31 December 2012	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	462,277	65,945	27,460	7,416
Mortgage loans	12,492,606	1,402,465	787,315	1,132,095
Long term loans	424,581	29,079	28,918	14,416
Demand deposits/advances	23,090,777	146,014	232,111	5,082,675
Other loan receivables	0	0	0	0
	36,470,241	**1,643,503**	**1,075,804**	**6,236,602**

There are no arrears in any other categories of financial assets or the sub-categories distinguished within them.

Impairments determined on an individual basis

The following table shows the amounts in the various financial asset categories and sub-categories, on which impairments have been recognised on an individual basis.

As of 31 December 2011	gross carrying value of the impaired assets	impairments assets assessed on an individual basis
Available-for-sale assets		
Other loans	8,622,772	3,578,926
Total available-for- sale assets	8,622,772	3,578,926
Loans and receivables		
Consumer loans	3,084,886	2,929,170
Mortgage loans	103,268,334	27,988,081
Long term loans	1,018,881	795,309
Demand deposits/advances	9,440,971	8,594,814
Other loan receivables	456,535	381,342
Total loans and receivables	**117,269,607**	**40,688,716**

As of 31 December 2012	gross carrying value of the impaired assets	impairments assets assessed on an individual basis
Available-for-sale assets		
Other loans	30,136,049	4,282,049
Total available-for- sale assets	30,136,049	4,282,049
Loans and receivables		
Consumer loans	3,449,065	3,156,257
Mortgage loans	102,988,066	32,140,543
Long term loans	847,459	798,562
Demand deposits/advances	9,145,054	8,370,698
Other loan receivables	457,549	455,864
Total loans and receivables	**116,887,193**	**44,921,924**

As of end 2012, there were EUR 44,921,924 of impairments assessed on an individual basis for the loans and receivables portfolio. An impairment of EUR 4,282,049 was recognised on the portfolio of Cyprus government bonds (in a nominal amount of EUR 30 million), which are recorded under 'available-for-sale assets'.

The following tables show the changes to the individual impairments for the 2011 and 2012 financial years. Further details on the overall earnings impact (including direct write-downs and recoveries) are to be found in Note 34.

As of 31 December 2011	Opening balance 31/12/2010	Increase via P&L	Decrease via P&L	Closing balance 31/12/2011
Available-for-sale assets				
Other loans	0	3,578,926	0	3,578,926
Investment funds	0	0	0	0
Total available-for- sale assets	0	3,578,926	0	3,578,926
Loans and receivables				
Consumer loans	2,903,719	1,045,597	-1,020,146	2,929,170
Mortgage loans	29,595,998	23,865,034	-25,472,951	27,988,081
Long term loans	745,424	465,271	-415,386	795,309
Demand deposits/advances	10,065,762	3,605,754	-5,076,702	8,594,814
Other loan receivables	452,340	237,924	-308,922	381,342
Total loans and receivables	**43,763,243**	**29,219,580**	**-32,294,107**	**40,688,716**

As of 31 December 2012	Opening balance 31/12/2011	Increase via P&L	Decrease via P&L	Closing balance 31/12/2012
Available-for-sale assets				
Other loans	3,578,926	4,282,049	-3,578,926	4,282,049
Investment funds	0	0	0	0
Total available-for- sale assets	3,578,926	4,282,049	-3,578,926	4,282,049
Loans and receivables				
Consumer loans	2,929,170	1,274,507	-1,047,420	3,156,257
Mortgage loans	27,988,081	28,600,610	-24,448,148	32,140,543
Long term loans	795,309	654,327	-651,074	798,562
Demand deposits/advances	8,594,814	2,954,637	-3,178,753	8,370,698
Other loan receivables	381,342	314,643	-240,121	455,864
Total loans and receivables	**40,688,716**	**33,798,724**	**-29,565,516**	**44,921,924**

Impairments determined on a portfolio basis

Collective IBNR impairments are calculated and recognised for all retail loan portfolios for which credit risk models have been developed in Basel II. Portfolios are divided into risk categories based on probability of default (PD). For each risk category, an assessment is made of the likelihood of a credit in this category going into default within the next three months.

The table below gives an overview of the EAD (exposure at default) and the collective impairments (IBRN) recognised at year-end.

Portfolio		31/12/2011		31/12/2012
	EAD	IBNR	EAD	IBNR
Argenta Spaarbank Belgium	5,257,249,989	312,505	6,079,707,836	410,497
Netherlands	8,018,499,065	861,381	9,524,119,711	1,710,520
Green Apple	2,918,156,809	260,021	2,692,278,611	368,329
CBHK	809,459,665	905,348	662,369,940	517,703
Total		**2,339,255**		**3,007,049**

In addition, an impairment is also recognised for collectively assessed financial assets. As of 31 December 2012 this total collective impairment stood at EUR 1,464,914, as against EUR 1.34 million at the end of 2011.

This portfolio-based impairment has been recognised for a limited RMBS portfolio that (owing to the illiquid nature of the securities) is classified under 'loans and receivables'. The portfolio-based impairment recognised here is also based on the PD and LGD parameters.

Collateral

Security in the form of personal guarantees or material collateral is always requested when granting mortgage loans. The lower a borrower's creditworthiness, the more the security required from the customer. Under the foreclosure policy, it may occasionally occur that certain collateral is acquired and recognised on the balance sheet.

For such collateral (here, the properties on which a mortgage or mortgage mandate is registered), new individual estimates are made whenever loans to which the collateral is attached are deemed in default (see the definition of default in the above description of impairments). All material collateral reviewed periodically using a statistical method.

Foreclosure policy

If all other means of obtaining financial settlement for a loan in default have been exhausted, the Company will, when property is available, proceed to a public sale.

In 2012 there were 49 public sales in 2012 (42 in 2011), including sales relating to loans with an NHG guarantee in the Netherlands, but excluding sales at Green Apple, where the sale proceeds did not cover the full amount receivable. The total remaining debt amounted here to EUR 1,734,857 (compared with EUR 2,179,970 in 2011).

In the context of this policy, three properties were acquired in 2011 for EUR 314,130. In 2012 one property was purchased for EUR 53,229. These purchased (and not yet resold) properties are to be found under 'real estate investments'.

As a result of the conservative loan policy and the strict monitoring strategy, loan losses within the Company's various fields of activity were low in recent years.

The European Securities and Markets Authority (ESMA) has requested financial institutions to provide information for financial year 2012 on loan refinancings and maturity extensions. This relates to refinancings and extensions in the context of arrears situations. Until further notice, these are permitted by the Company only a very limited extent, so that the impact is negligible.

Outstanding credit risk

The total credit risk exposure comprises the carrying value of financial assets on the balance sheet (with financial derivatives mentioned separately) and specific off-balance-sheet items (including financial guarantees and loan commitments) as specified in the equity legislation (Basel). Further information on the off-balance-sheet items is given in Note 37.

The following table provides a summary of paid-in and not paid-in credit protection for the Company (which is recognised by the standard method in calculating equity).

Processing of guarantees	not fully paid loan protection	fully paid loan protection	Total inflow 2011	not fully paid loan protection	fully paid loan protection	Total inflow 2012
Central governments or central banks	0	0	8,948,331,437	0	0	8,840,489,431
Regional and local governments	0	0	0	0	0	54,570,602
Institutions	1,650,793,873	0	186,671,897	805,319,684	0	80,207,903
Corporates	231,681,628	0	142,221,879	180,290,976	0	100,711,554
Retail	7,394,749,712	90,087,454	90,087,455	8,154,085,662	134,250,090	134,250,090
Secured by real estate	25,720,696	169,395	25,890,092	33,764,731	230,992	33,995,723
Past due exposures	0	0	0	0	0	63,716,832
Total exposure	**9,302,945,909**	**90,256,849**	**9,393,202,760**	**9,173,461,053**	**134,481,082**	**9,307,942,135**

The not paid-in credit protection consists primarily of government guarantees to (financial) institutions and the national mortgage protection scheme (Nationale Hypotheekgarantie - NHG) for Dutch mortgage loans (included under 'secured by real estate' and 'past due exposures').

Concentration of credit risk

Concentration may relate to various factors:

- concentration of lending to an individual counterparty or a group of inter-related counterparties (single name concentration or counterparty concentration);
- concentration of lending through an uneven distribution among sectors or countries/regions (sector concentration).

The latter may arise due to significant exposure to groups of counterparties where the probability of default is due to common underlying factors.

The credit risk management policy includes limits for concentration risk. These limits are systematically monitored and reported on.

One of these limits relates to the maximum exposure per counterparty in retail lending, and stipulates that this maximum exposure to a single retail counterparty may never exceed EUR 1 million (other than by explicit decision of the Credit Committee and the Executive Committee).

The table below shows the concentrations by type of loan or receivable in the 'loans to and receivables from other customers' category.

	2011	%	2012	%
Consumer loans	170,751,313	0.95 %	171,857,241	0.87 %
Mortgage loans	17,588,986,758	97.57 %	19,383,528,068	97.78 %
Term loans	180,637,879	1.00 %	192,956,193	0.97 %
Demand deposits/advances	16,211,359	0.09 %	18,453,847	0.09 %
Other loan receivables	70,037,431	0.39 %	57,920,486	0.29 %
	18,026,624,740	**100.00 %**	**19,824,715,835**	**100.00 %**

Potential concentration risks resulting from being present on just two mortgage markets (Belgium and the Netherlands) are mitigated by a limitation of the credit risk per individual dossier, as well as a strict monitoring of developments on the Dutch and Belgian mortgage and residential real estate markets.

In addition, the risk is diversified by granting a large number of loans of limited amounts, spread across Belgium and the Netherlands (also regionally). The spreading the credit provision in time (credit facilities are granted every week/month) has the effect of tempering risks, in that loans are granted in both strong and weak economic times.

Finally, securitisation can also be used, not only as a funding and liquidity tool, but also to manage the risk volume of loans and thus the level of concentration. Both of the two securitisation operations implemented involved Dutch mortgage loans.

The basis for the quantitative assessment is the analysis of the composition of the portfolio (balance) by economic sector (governments - public administrations, credit institutions, other loans including corporate bonds, mortgage lending and other retail lending) and countries.

The Company has a diversified investment portfolio, with a concentration of a nominal EUR 5.1 billion in Belgian government paper.

The exposure to the debt of the southern European countries (Italy, Portugal and Spain) and Ireland is systematically decreasing as existing securities arrive at maturity and no new securities by these issuers are purchased. As at 31 December 2012, the exposure to these countries was a nominal EUR 246 million.

Following the further downgrading of the creditworthiness of Cyprus, a provision of EUR 4.28 million was created for the EUR 30 million exposure to this country's government debt as of 31 December 2012. Meanwhile this position was reduced to zero in early 2013.

The Company classifies most of the investment portfolio as 'available-for-sale financial assets'. As of 31 December 2012, the majority of the investment portfolio was made up of bonds from public bodies (52.90 % in 2012, compared with 54.37 % in 2011). 'Credit institutions accounted for 31.84% at 31 December 2012. The category 'other loans' has risen from 13.66% to 15.21%.

		2011		2012
	Carrying values	Percentage distribution	Carrying values	Percentage distribution
Fixed-income securities				
• public institutions	7,725,149,692	54.37 %	6,102,623,028	52.90 %
• credit institutions	4,534,594,354	31.92 %	3,672,803,847	31.84 %
• other loans	1,940,922,484	13.66 %	1,754,079,376	15.21 %
Variable-yield securities				
• investment funds/equities	6,429,260	0.05 %	6,017,064	0.05 %
	14,207,095,790	**100.00 %**	**11,535,523,315**	**100.00 %**

'Held-to-maturity assets' includes three securities amounting to EUR 760,586,543 issued by the Belgian federal and regional authorities.

The Treasury and ALM Policy referred to above establishes which bonds and which ratings may be considered for investment. The ratings of all fixed-income securities are then systematically monitored. If (after purchase) the rating of a bond drops below the set minimum rating requirement, the bonds concerned will be discussed again by ALCO and the Rating Committee (RC).

ALCO, and thereafter the Company's Executive Committee, must then make an explicit judgement on whether or not to keep a position. The positions maintained are also reported to the Supervisory Board.

5.4. Operational risk

Since risks are an inherent part of all operating activities and decisions, all enterprises, including financial institutions, are faced with operational risk.

Operational risks arise as a consequence of either inadequate or faulty internal processes, personnel and systems, or as a result of external events. The impact may consist of financial or reputational loss.

Operational risk policy

The management of operational risks within the Argenta Group is covered by the Operational Risk Management Guideline, which was approved by the Executive Committee and the Supervisory Board at the end of 2010. The guideline establishes the principles, rules, instructions and procedures for identifying, monitoring, assessing and reporting on operational risks. It also defines the lines of reporting by the various subsidiaries, which remain accountable for the management of their own operational risk.

The risk department of the Argenta Group ensures that each subsidiary manages the operational risk in a uniform manner, and that each subsidiary manages every risk that could have an impact on the business or on other subsidiaries within the Argenta Group. The second line responsibility for information security and business continuity (BCM) is also included in the risk department.

All (operational) risks identified by persons having first-line, second-line or third-line responsibility, and all incidents noted are registered in the risk database. The risks are scored by all parties using the same scorecard, thus ensuring that the scoring is uniform. Recommendations made by Audit, Compliance, Risk and Validation in the performance of their second or third line control functions and the resultant actions are monitored via this database and the status of the corrective actions is assessed periodically and reported to the relevant control function.

Bringing all information together this way in a coordinated approach to operational risk enables the Argenta Group to steer management actions more effectively, and clearly complements the focus on qualitative management of the operational risk.

This striving for quality is a core objective of everyone at the Argenta Group and will be reflected in, among other things, an increased maturity of internal control.

Every two years, each division is required to identify and assess its operational risks and where necessary take action to reduce them. With these risk & control self-assessments initiated and supervised by Risk, they represented a large part of the latter's annual workload.

In order to involve the first line more in the management of operational risks, a contact person was appointed in 2012 in each division to act as its spokesperson and expert on operational risk management. These contact persons are a first step in the realization of the recommendations made in the wake of the audit of operational risk management in 2012.

In terms of information security and BCM, work continues on updating the framework and policies.

Operational risk and the Basel II Capital Accord

The Company uses the standard method for calculating the requirements for operational risk.

5.5. Other risks

With not attempt to be exhaustive, this section mentions certain other risks.

5.5.1. Strategic risk

The strategic risk to which the Company is exposed is the risk of the effect on current and future earnings and capital of poor policy or operational decisions, poor implementation of decisions or a lack of responsiveness to changing market conditions (both commercial and financial).

In order to achieve the strategic objectives, as defined in the business strategy, the Company makes resources available (including communication channels, systems, personnel, networks, managerial time and managerial capacities).

The ultimate achievement of the business strategy depends ultimately on the adequacy of the resources made available and the way in which these resources are used and are permanently assessed.

5.5.2. Business Risk

Business risk is the risk that current and future earnings and capital will be affected by changes in business volumes, or by changes in margins and costs, both caused by changing market conditions or the organisation's inability to take advantage of such changes. This risk also includes a poor diversification of earnings or the inability to maintain a reasonable level of profitability.

In order to diversify the business risk to which the Company is exposed, the Argenta Group has made a strategic choice to sell products that generate fee income alongside its traditional activities. Alongside the other lines of insurance, lending, savings and payments, this fourth business line should give rise to greater diversification of earnings. Another important factor in this regard is the attention given to cross-selling, in order to attract as many customers as possible to several business lines concurrently.

As to the profitability of the Bank Pool's products, price setting must incorporate funds transfer pricing in order to determine the earnings contribution of each product.

5.5.3. Reputational risk

Reputational risk is the risk of damage (loss) through a deterioration of the reputation or standing caused by a negative perception of the image of the organisation by its customers, counterparties, shareholders and/or regulatory bodies.

This is a second-order risk; in other words, a risk that results from another risk but which has its own impact. The Company considers this risk as a vertical risk, i.e. a risk that runs through all other risks. By monitoring and managing the other risks, the reputational risk is also managed.

5.5.4. External service providers

The Company is exposed to the risk of termination of large contracts with external service providers. Termination of one of these contracts could result in an interruption to business or delays in important business processes, against which the Company covers itself as far as possible through an appropriate business continuity policy and transitional arrangements in the relevant contracts.

6. Solvency and capital management

6.1. Capital management

The dynamic growth of the financial markets and the increased use of more complex banking products have brought about major changes in the Company's business environment. These challenges require appropriate personnel, processes and systems for the limitation and the targeted control of the Company's risk position.

Apart from describing methods for the calculation of the regulatory capital requirements (quantitative requirements), the Basel II accord puts increased stress on risk management and integrated group-wide management (qualitative requirements). The Company is obliged to implement adequate procedures and systems aimed at guaranteeing its long-term capital adequacy, while taking into account all material risks.

Internationally, these procedures are referred to 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 to match that of the major market players, and in so doing continue to meet the statutory capital requirements.

Implementing the business plan, with the attendant need to ensure that sufficient capital is available to pursue the group's grown plans, is a key factor here.

The Company has always pursued a policy of self-financing. To retain a level of capital that provides sufficient scope for growth and to meet the financial and operational risks, the Company aims to meet the potential capital requirements with (a) retained earnings, (b) capital increases (like the capital increase in 2010) and (c) subordinated (Tier 2) loans.

Additional measures can include shrinking the balance sheet through securitisation of part of the retail loans portfolio.

The table below provides an overview of the useful capital at year-end.

Composition of the regulatory capital	31/12/2011	31/12/2012
Equity sensu stricto	1,064,481,267	1,106,745,985
Total additional components	334,723,528	330,160,818
first part additional components	13,468,652	13,425,585
subordinated loans	321,254,876	316,735,233
Total useful capital	**1,399,204,795**	**1,436,906,803**

In the Basel Pillar 3 disclosures (which can be found in addition to the annual report on the Argenta website) the accounting equity, eligible capital, a reconciliation between them and the regulatory requirements are discussed in greater detail.

In addition to its own management options the Company's financial risk policy also integrates the prudential 'Internal Capital Adequacy Assessment Policy' (ICAAP).

ICAAP and economic capital

The risks to which the Company is exposed require a risk buffer in the form of equity. The ongoing development of its business as a conventional savings bank, and hence as a bank involved in transformation (i.e. converting (transforming) funds deposited short-term into longer-term investments) means that this required equity must be permanently monitored, and supplemented when necessary.

ICAAP incorporates all the bank's procedures and calculations used to ensure:
- the correct identification and measuring of the risks of the group;
- the maintaining of adequate capital in line with the bank's risk profile;
- the use, and continuous development of risk management systems.

This means that in all circumstances (stress scenarios), the equity requirements of the Bank Pool and all its component parts are met with an adequate degree of certainty. This is expressed in the form of the economic capital, in which the various risks are taken into account.

In 2012, Argenta continued to invest in economic capital models, particularly in the capital allocation of economic capital (to entities and products) and prospective capital planning. The allocation should allow further product evaluation by including the economic cost of capital, based on the actual risk. In the prospective capital planning, the business plan is subject to a risk test and various simulations are undertaken to simulate the impact on the business plan and the capital situation, and to arrive at better control.

The calculations according to the Basel II rules (Pillar 1) for capital management are reported to the supervisory authority and used internally, but the so-called 80% floor for the required regulatory capital remains the legal basis even after 2011. In its ICAAP under Pillar 2 Argenta calculates the required economic capital based on Basel II IRB risk parameters. This is lower than the minimum 80 % floor.

In December 2010, the Bank for International Settlements (BIS) published a detailed text on the Basel III rules for bank capital and liquidity, including a time frame. Basel III imposes stricter rules on solvency, liquidity and leverage, which will be implemented gradually. The Basel III rules are not applicable at the end of 2012 but are already part of the RAF.

In addition, all material risk factors are modelled in ICAAP so that the total ICAAP provides a more comprehensive picture of capital requirements.

In 2012 regular consultations were held with the supervisory authority as part of the Supervisory Review and Evaluation Process (SREP).

6.2. Regulations and solvency

As a financial institution, the Company is subject to prudential supervision. In Belgium, the Company is supervised by the NBB. The branch in the Netherlands is subject to the supervision of both the NBB and Dutch central bank **(De Nederlandsche Bank - DNB)**. The banking subsidiary, ABL, in Luxembourg comes under the supervision of the Commission de Surveillance du Secteur Financier **(CSSF)**.

All Bank Pool entities are required to comply with the guidelines of the various supervisory authorities in the countries where they operate. According to these guidelines, financial institutions must maintain minimum equity in relation to the credit commitments on and off the balance sheet.

The credit commitments are weighted according to the risks they involve (risk-weighted commitments). A minimum of 8% of the total risk-weighted commitments applies for total equity.

The total regulated eligible capital rose from EUR 1,399,204,795 at end 2011 to EUR 1,436,906,803 at end 2012. This upward trend is mainly the result of an increase in eligible capital with the addition of the profit for the year amounting to EUR 82,317,207 and the discontinuation of a deduction for 'potential and foreseeable losses and costs. A further decrease of EUR 30 million is due to the buying in of a portion of the Tier 1 loan issued by Argenta, reducing the nominal outstanding amount from EUR 100 to 70 million.

The amount of used (and usable portion of) subordinate loans in supplementary capital decreased slightly from EUR 321,254,876 as of 31 December 2011 to EUR 316,735,233 as of 31 December 2011 due to the continuing sale of subordinated loan certificates.

Once Basel III standards are applicable, these subordinated loans can no longer be used in their entirety in the equity reporting.

The Company calculates its capital ratios in accordance with Basel II, which comprises three pillars. Information on pillar 1 (minimum capital requirements) and pillar 2 (supervisory review process, including details of the interest rate, liquidity and concentration risk) is included in these financial statements.

The Notes on pillar 3 supplement the first two pillars and are intended to provide market operators with an the opportunity to assess the capital adequacy of a financial institution through access to more extensive information. These pillar 3 notes are published separately on the Company's Internet site. They include some of the information contained in these financial statements.

The summary below shows the most important capital requirements, calculated according to the relevant Basel (pillar 1) rules.

Composition of the regulatory equity	31/12/2011	31/12/2012
Total regulatory capital	1,399,204,795	1,436,906,803
Required on the basis of the fixed assets	35,001,122	34,653,431
General solvency coefficient	655,941,223	651,364,460
Application of IRB floor for transition period	80 % rule	80 % rule
Total required after applying Basel I floor	526,227,092	540,507,993
Tier 1 ratio	16.18 %	16.38 %
Cooke ratio	21.27 %	21.27 %

The calculations as of 31 December 2012 take into account the specific Basel II rules for the calculation of weighted risks for which the Company has obtained approval. The Company uses the (F)-IRB method for the retail mortgage portfolios, the MBS portfolio and the 'corporates and institutions' portfolio, and the standard STA method for the other exposure.

As a result of the Basel II rules applicable to the transition from the STA to the IRB method, the eligible capital should be 80% of the required capital, calculated according to Basel I principles. The required capital as of 31 December 2012 is EUR 540,507,993, compared with EUR 526,227,092 as of 31 December 2011.

The Tier 1 ratio of 16.38 % as of 31 December 2012 is obtained by dividing the core Tier 1 capital (EUR 1,106,745,985 as of 31 December 2012) by the weighted risk volume (EUR 6,756,349,913 as of 31 December 2011).

In 2011 and 2012, the total regulatory eligible capital was at all times greater than each of the three above-mentioned requirements, so that the Company complied fully with all capital requirements.

7. Remuneration of directors

The composition of the Supervisory Boards and the remuneration of their members are given below.

7.1. Composition of the Boards

The Boards of Directors of the other companies of the Argenta Group have a similar structure.

They include in each case:

- the members of the Executive Committee of the company concerned **(executive directors)**;
- a number of independent directors;
- a number of directors that represent the family shareholder (together with the independent directors: the n**on-executive directors**).

The number of directors for each Supervisory Board should, preferably, not exceed fifteen. In principle, the directors' mandates are for a period of six years.

The following age limit applies to directors:
- executive directors automatically resign on reaching the age of 65;
- non-executive directors automatically resign on reaching the age of 70.
- directors who reach the age limits may continue to exercise their mandate until a successor is appointed.

The Supervisory Board may permit exceptions to this rule on a case-by-case basis.

The Supervisory Boards are composed in such a way that none of the three groups (the directors representing the family shareholder, independent directors and directors who are members of the Executive Committee) are in the majority. However, non-executive directors are always in the majority in the Supervisory Board.

7.2. Remuneration of the non-executive directors

Remuneration policy

The remuneration of non-executive members of the Supervisory Board of the Company consists exclusively of a fixed remuneration set by the respective general meetings. Effective 1 January 2012, this fixed remuneration is the same for all independent directors and directors representing the family shareholder.

For participation in special committees created under the auspices of the Supervisory Board (the audit committee and the remuneration committee), non-executive directors receive an additional fee per meeting attended. This fee is the same for all members of such a committee. The chairman of this committee receives a higher fee.

The chairman of the Boards of Directors is a director who represents the family shareholder. He has a fixed remuneration which differs from that of the other non-executive directors.

The remuneration of non-executive directors is paid by the umbrella management holding company BVg and apportioned by a Cost Apportionment Agreement among all Argenta Group companies (and therefore also the Company) in which the director has a mandate.

During 2012, the total remuneration of the independent directors totalled EUR 106,000 (EUR 88,723 in 2011 for both committees). Details of the remuneration are given in the table below.

Non-executive directors	Permanent representative	Position	2011	2012
Parus Beheer bvba	Van Keirsbilck J.P.	Director	31,950	35,000
Ter Lande Invest nv	Van Pottelberge W.	Director	29,690	38,500
MC Pletinckx sprl	Pletinckx M.C.	Director	27,083	32,500
		Total	**88,723**	**106,000**

7.3. Remuneration of the executive directors

Remuneration policy

On the advice of the Remuneration Committee, the remuneration package of the executive directors was adjusted in 2012, and the existing regime was replaced by a completely fixed annual remuneration.

This remuneration does not include elements that could encourage the pursuit of short-term goals that are inconsistent with the longer term objectives of the Argenta Group. The compensation meets the provisions of the CBFA Regulation of 8 February 2011 concerning the remuneration policies of financial institutions.

In addition, on the advice of the Remuneration Committee, the premiums for the pension capital and disability group policies will be charged to the Company as from 1 January 2013. For 2012 a transitional regime was applied.

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 (as already mentioned) also benefit from two group policies (pension capital and disability).

The executive directors enjoy a termination fee that, other than for termination for serious offence, is equivalent to 18 months' remuneration. The amount of this remuneration is based on the annual gross remuneration, calculated over the 24 months prior to the decision to terminate the contract, or over the entire period of office if less than 24 months.

Remuneration of the executive directors

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

The remuneration of the members and the chairman of the Executive Committees are therefore set at group level and distributed among the three core companies in accordance with the rules stipulated in the Cost Apportionment Agreement entered into by these companies.

The following report provides information on the remuneration of members of the Executive Committee paid directly by the Company and the Chairman of the Executive Committee (CEO of the Argenta Group).

In 2011, John Heller (CEO of the Argenta Group and Chairman of the Executive Committees of the Company, Argenta Assuranties nv and BVg) received a base salary of EUR 354,225 (EUR 305,809 in 2011). The contribution for, inter alia, John Heller's supplementary pension and disability benefits amounted to EUR 45,659 in 2012 (40,950.35 euro in 2011).

In 2012, the total direct remuneration of the members of the Executive Committee paid by the Company (excluding the Chairman of the Executive Committee) was EUR 1,463,118 (EUR 1,110,245.21 in 2011). The supplementary pension and disability contributions of members of the Executive Committee amounted to EUR 123,217 in 2012 (EUR 97,641.04 in 2011).

No termination bonuses were paid out in either 2011 or 2012.

The summary below shows the composition of the Supervisory Boards of the Bank Pool companies.

SUPERVISORY BOARDS	ASPA	ABL
Chairman:		
J.N. Cerfontaine bvba (1)	■	
J. Heller		■
Members:		
Advaro bvba (2)	■	
G. Ameloot	■	
G. De Haes	■	■
M. De Moor	■	
S. Duchateau.		■
J. Heller	■	
MC Pletinckx bvba (3)	■	
Parus Beheer bvba (4)	■	
Raco nv (5)	■	
Ter Lande Invest nv (6)	■	
D. Van Dessel	■	
K. Van Rompuy	■	
G. Wauters	■	

(1) with J. Cerfontaine as permanent representative
(2) with D. Van Rompuy as permanent representative
(3) with M.C. Pletinckx as permanent representative, sitting as an independent member.
(4) with J.P. Keirsbilck, as permanent representative sitting as an independent member
(5) with B. Van Rompuy as permanent representative
(6) with W. Van Pottelberge as permanent representative, sitting as an independent member

8. Remuneration of the statutory auditor

The audit of the Company's financial position and of the financial statements is assigned to the statutory auditor, Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Mr Jurgen Kesselaers.

The remuneration received by Deloitte (excluding VAT) for 2011 and 2012 breaks down (in accordance with Article 134 of the Belgian Companies Code) into:

- fees for audit assignments: this includes the fees for the auditing of the statutory (unconsolidated) and consolidated financial statements as well as other reports (EUR 291,900 in 2012 and 295,850 in 2011).

- fees for other assignments:

EUR 130,833 in 2012 with respect to IFRS developments, tax-related activities and smaller ad hoc assignments

EUR 196,425 in 2011 with respect to liquidity reporting, IFRS developments, and smaller ad hoc assignments.

9. Related party transactions

The Company regularly conducts transactions with related parties as part of its operations. The transactions relate primarily to loans, deposits and insurance contracts. They are in all cases carried out at arm's length.

The tables below provide a summary of the financial scope of the activities which were conducted with the related parties. The relationships between the parent and its subsidiaries are described in note 1 (general information).

2011 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances			
Demand deposits	0	0	374,292
Instalment loans	0	0	4,604
Consumer loans	0	0	175,125
Mortgage loans	0	0	0
Other receivables	2,987	0	30,614,142
Total assets	2,987	0	31,168,163
Liabilities: financial liabilities measured at amortised cost			
Deposits	23,923,553	342,415	161,809,285
Debt certificates	0	0	104,845,600
Subordinated liabilities	0	0	60,000,000
Other liabilities	798,458	0	2,698,642
Total liabilities	24,722,011	342,415	329,353,527
Guarantees issued by the group	0	0	85,097,826
Guarantees received by the group	300,047,100	0	0

2012 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances			
Demand deposits	0	0	5,800,955
Instalment loans	0	0	39,227
Consumer loans	0	0	163,051
Mortgage loans	0		89,465
Other receivables	2,921	0	31,710,371
Total assets	2,921	0	37,803,069
Liabilities: financial liabilities measured at amortised cost			
Deposits	46,441,000	764,221	166,992,256
Debt certificates	0	6,000	104,081,600
Subordinated liabilities	0	0	60,000,000
Other liabilities	1,255,759	0	2,669,147
Total liabilities	47,696,759	770,221	333,742,995
Guarantees issued by the group	0	0	85,097,826
Guarantees received by the group	200,047,100	0	0

As already explained, the holding company BVg is the Company's parent company. The 'managers in key positions' column includes details of executive and non-executive directors (Note 7) and the close relatives of directors who are natural persons.

Close relatives of a natural person are those who could be expected to be able to exert influence on the natural person (these include the natural person's partner and children residing in his/her household).

'Other related parties' includes details of the Company's sister companies, i.e. the aforementioned Insurance Pool.

2011 income statement	Parent company	Managers in key positions	Other related parties
Expenses			
Interest expenses	417,317	3,788	5,378,767
Fees and commissions	0	0	813,014
Insurance premiums	0	0	67,978
Rendering services	0	0	13,211,299
Other	11,270,655	0	728,607
Total expenses	11,687,972	3,788	20,199,665
Income			
Interest income	174	0	1,122,042
Fees and commissions	0	0	2,287,308
Other	302,359	0	13,675,223
Total income	302,533	0	17,084,573

2012 income statement	Parent company	Managers in key positions	Other related parties
Expenses			
Interest expenses	309,564	6,812	5,185,471
Fees and commissions	0	0	1,220,584
Insurance premiums	0	0	5,464
Rendering services	0	0	11,789,595
Other	10,828,348	0	826,046
Total expenses	11,137,912	6,812	19,027,160
Income			
Interest income	566,517	0	2,991,481
Fees and commissions	0	0	0
Other	11	0	17,164,487
Total income	566,528	0	20,155,968

The Bank Pool received EUR 300,047,100 in guarantees in 2011, including a EUR 300 million guarantee issued by the parent company, BVg, for ABL. As of the end of 2012, guarantees received amounted still to EUR 200,047,100.

The guarantees issued by the group amounted to EUR 85,099,202 in 2011, including a EUR 85,095,000 guarantee by the Company in support of Argenta Nederland BV. At end 2012 the guarantees again amounted to EUR 85,097,826.

No impairments were recognised in balance sheet items concerning related parties in 2011 and 2012. Finally, the remuneration of the executive directors has already been described in note 7.

The table below lists the remuneration of the executive directors.

Remuneration of the executive directors	2011	2012
Severance remuneration	0	0
Salaries and directors' fees	1,329,837	1,463,118
Total	1,329,837	1,463,118

10. Operational segments

The Company is required to provide information on operational segments to enable users of its financial statements to assess the nature and financial consequences of the business activities it performs and the economic environment in which it operates.

An operational segment is a component of the Company that performs business activities that may generate income or expenses, and of which, among other things, the business results or services rendered are assessed separately at regular intervals by management and for which separate financial information is available.

Note 1 (general information) explains the structure of Argenta Spaarbank nv (with a branch office in the Netherlands that is incorporated into the structure of Argenta Spaarbank nv).

The operational segmentation in the IFRS financial statements is based on geographical areas where the Bank Pool is active. This is systematically further reflected in the organization through the existence of Argenta Spaarbank nv in Belgium, a branch office in the Netherlands (part of Argenta Spaarbank nv) and a subsidiary Argenta Bank Luxembourg (ABL) in Luxembourg. The ultimate chief operating decision maker (CODM) is the Executive Committee of the Company.
The Bank Pool delivers services under the heading of "retail banking" which until further notice is treated in the internal reporting as a single operational segment.

Information on geographical regions

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

2011 consolidated balance sheet	Belgium	Netherlands	Luxembourg	Consolidation	31/12/2011
Assets					
Cash and cash balances with central banks	31,832,593	0	746,658	0	32,579,251
Financial assets held for trading	40,586,005	173,894,879	0	0	214,480,884
Available-for-sale financial assets	15,710,495,726	18,312,853	21,381,059	-1,543,093,848	14,207,095,790
Loans and receivables	7,724,824,844	11,096,164,508	310,265,296	-313,804,632	18,817,450,016
Derivatives, hedge accounting	0	0	0	0	0
Fair value changes of the hedged items	156,283,420	224,524,134	0	0	380,807,554
Buildings, land, equipment	33,587,980	842,434	154,282	0	34,584,696
Investment properties	416,426		0		416,426
Goodwill and other intangible assets	27,570,471	1,905,613	131,832	0	29,607,916
Tax assets	73,324,142	0	0	0	73,324,142
Other assets	159,545,878	129,762,178	7,950,011	-65,921,012	231,337,055
Total assets	**23,958,467,485**	**11,645,406,599**	**340,629,138**	**-1,922,819,492**	**34,021,683,730**
Total liabilities, minority interests and equity					
Deposits from central banks	200,050,000	0	0	0	200,050,000
Financial liabilities held for trading	39,076,916	176,660,873	0	0	215,737,789
Financial liabilities measured at amortised cost	29,421,844,497	4,123,620,126	304,793,711	-1,897,867,386	31,952,390,948
Derivatives, hedge accounting	549,769,673	0	0	0	549,769,673
Fair value changes of the hedged items	0	0	0	0	0
Provisions	7,768,735	344,355	6,100	0	8,119,190
Tax liabilities	652,325	563,898	1,130,881	0	2,347,104
Other liabilities	2,428,938,699	-2,223,650,225	3,190,102	-24,952,106	183,526,470
Total liabilities	**32,648,100,845**	**2,077,539,027**	**309,120,794**	**-1,922,819,492**	**33,111,941,174**
Shareholders' equity	705,507,528	175,246,202	28,896,314	0	909,650,044
Minority interests	0	18,000	74,512	0	92,512
Total liabilities, minority interests and equity	**33,353,608,373**	**2,252,803,229**	**338,091,620**	**-1,922,819,492**	**34,021,683,730**

NOTES

2012 consolidated balance sheet	Belgium	Netherlands	Luxembourg	Consolidation	31/12/2012
Assets					
Cash and cash balances with central banks	30,995,591	0	1,161	0	30,996,752
Financial assets held for trading	12,665,467	128,133,214	0	0	140,798,681
Available-for-sale financial assets	12,899,009,955	15,218,509	11,046,873	-1,389,752,022	11,535,523,315
Loans and receivables	8,485,384,691	12,312,651,716	209,183,593	-243,650,233	20,763,569,767
Derivatives, hedge accounting	0	0	0	0	0
Financial assets held to maturity	760,586,543	0	0	0	760,586,543
Fair value changes of the hedged items	170,498,572	247,390,085	0	0	417,888,657
Buildings, land, equipment	33,575,121	721,910	143,715	0	34,440,746
Investment properties	212,685		0		212,685
Goodwill and other intangible assets	34,126,814	1,951,357	77,872	0	36,156,043
Tax assets	0	0	0	0	0
Other assets	336,143,400	155,609,832	8,471,260	-75,131,125	425,093,367
Total assets	**22,763,198,839**	**12,861,676,623**	**228,924,474**	**-1,708,533,380**	**34,145,266,556**
Total liabilities, minority interests and equity					
Deposits from central banks	1,209,113,889	0	0	0	1,209,113,889
Financial liabilities held for trading	1,781,773	125,730,374	0	0	127,512,147
Financial liabilities measured at amortised cost	27,622,690,925	4,392,295,632	201,383,321	-1,675,672,755	30,540,697,123
Derivatives, hedge accounting	609,695,754	0	0	0	609,695,754
Fair value changes of the hedged items	0	0	0	0	0
Provisions	8,822,139	191,739	0	0	9,013,878
Tax liabilities	113,822,619	0	606,193	0	114,428,812
Other liabilities	2,645,538,772	-2,376,270,197	3,233,094	-32,860,625	239,641,044
Total liabilities	**32,211,465,871**	**2,141,947,548**	**205,222,608**	**-1,708,533,380**	**32,850,102,647**
Shareholders' equity	1,033,853,366	240,128,195	21,103,330	0	1,295,084,891
Minority interests	0	18,000	61,018	0	79,018
Total liabilities, minority interests and equity	**33,245,319,237**	**2,382,093,743**	**226,386,956**	**-1,708,533,380**	**34,145,266,556**

The "eliminations" occur on both the asset and liabilities sides of the balance sheet. These eliminations involve for example securities issued by one group entity (on the liabilities side of the balance sheet of the SPV Green Apple) that are purchased by another entity (found on the asset side of the Company). These items are eliminated in the consolidation, but in order to obtain a clear overview of each segment, both items are again de-netted in the segment presentations.
Alle transacties tussen de segmenten gebeuren "at arm's length". De belangrijkste resultaatgebonden transacties tussen de operationele segmenten bestaan uit:

2011 income statement	Belgium	Netherlands	Luxembourg	Consolidation	31/12/2011
Financial and operating income and expenses	78,705,681	129,511,857	6,067,379	-304,279	213,980,638
Net interest income	114,693,582	189,425,683	2,482,668	0	306,601,933
Dividends	67,750	0	0	0	67,750
Net income from commissions and fees	-56,026,215	-10,124,348	1,757,235	-304,279	-64,697,607
Realised gains and losses on financial assets and liabilities that are not measured at fair value in the income statement	45,297,580	0	-246,823	0	45,050,757
Gains and losses on financial assets and liabilities held for trading	-37,813,175	-50,209,517	0	0	-88,022,692
Gains and losses from hedge accounting	2,471,706	0	0		2,471,706
Gains and losses on derecognition of assets other than held for sale	48,599	0	-1,833	0	46,766
Other net operating income	9,965,854	420,039	2,076,132	0	12,462,025
Administrative expenses	-110,274,785	-13,762,976	-3,617,682	304,279	-127,351,164
Depreciation	-10,814,274	-1,078,352	-109,340	0	-12,001,966
Provisions	-1,463	0	1,193,900	0	1,192,437
Impairments	-4,231,936	-3,770,958	0	0	-8,002,894
Total profit before taxes and minority interests	-46,616,777	110,899,571	3,534,257	0	67,817,051
Tax on profits	31,653,135	-28,279,391	-957,828	0	2,415,916
Total profit after taxes and before minority interests	-14,963,642	82,620,180	2,576,429	0	70,232,967
Minority interests	0	0	-7,356	0	-7,356
Net profit or loss	**-14,963,642**	**82,620,180**	**2,569,073**	**0**	**70,225,611**

2012 income statement	Belgium	Netherlands	Luxembourg	Consolidation	31/12/2012
Financial and operating income and expenses	167,341,395	102,958,560	3,945,527	-284,389	273,961,093
Net interest income	204,991,983	149,721,582	1,951,143	0	356,664,708
Dividends	26,705	0	0	0	26,705
Net income from commissions and fees	-68,819,173	-14,916,910	2,085,538	-284,389	-81,934,934
Realised gains and losses on financial assets and liabilities that are not measured at fair value in the income statement	38,001,264	0	-114,086	0	37,887,178
Gains and losses on financial assets and liabilities held for trading	-22,020,716	-31,951,628	0	0	-53,972,344
Gains and losses from hedge accounting	299,878	0	0	0	299,878
Gains and losses on derecognition of assets other than held for sale	-10,628	0	0	0	-10,628
Other net operating income	14,872,082	105,516	22,932	0	15,000,530
Administrative expenses	-115,911,262	-18,912,764	-2,503,805	284,389	-137,043,442
Depreciation	-13,300,527	-956,740	-103,694	0	-14,360,961
Provisions	-900,787	0	6,100	0	-894,687
Impairments	-2,285,909	-7,021,109	0	0	-9,307,018
Total profit before taxes and minority interests	34,942,910	76,067,947	1,344,128	0	112,354,985
Tax on profits	-10,131,389	-19,397,326	-506,670	0	-30,035,385
Total profit after taxes and before minority interests	24,811,521	56,670,621	837,458	0	82,319,600
Minority interests	0	0	-2,393	0	-2,393
Net profit or loss	**24,811,521**	**56,670,621**	**835,065**	**0**	**82,317,207**

All transactions between segments are at arm's length. The main transactions between the operational segments that affect the results are:

(a) the interest income from the placement of the bonds issued by ABL (Luxembourg) with the Company (Belgium) and

(b) the charging on of a funding cost by the Company (Belgium) to the branch (the Netherlands) for capital made available (to enable loans to be granted in the Netherlands).

Information about products and services

The present IFRS financial statements cover only the Bank Pool, which falls entirely under the heading of retail banking, and is considered as a single operational segment for the purposes of consolidated internal reporting.

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

Information about important clients

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

The Company applies various policies to limit the concentration of the credit risk (and as such, the concentration of income), so this 10 % limit would never be reached under the present guidelines.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. Cash and cash balances and deposits with central banks

Cash and cash balances with central banks

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

	31/12/2011	31/12/2012
Cash	31,836,082	30,996,258
Cash balances with central banks	743,169	494
Total	32,579,251	30,996,752
of which cash and cash equivalents	32,579,251	30,996,752

Deposits from central banks

	31/12/2011	31/12/2012
Deposits from central banks	200,050,000	1,209,113,889
Geographical breakdown - Belgium	200,050,000	1,209,113,889
Breakdown by residual term		
Up to 1 year	0	50,000
Between 1 and 5 years	0	200,000,000
Breakdown by term (to next call date)	0	1,00%
Up to 1 year	50,000	1,209,113,889
Between 1 and 5 years	200,000,000	0
Effective interest rate on portfolio as of 31 Dec.	1,00 %	0.75 %

At the end of 2011, as part of the diversification of its funding, the Company participated in the ECB's LTRO (Long Term Refinancing Operation) in an amount of EUR 200 million. In 2012, an additional funding of 1 billion was taken down.

Meanwhile, on 30 January 2013 the first 200 million was repaid early and at the end of February 2013, the remaining one billion was repaid.

12. Financial assets and liabilities held for trading

The financial assets held for trading are composed as follows:

(Unlisted) financial assets	number	notional	31/12/2011	number	notional	31/12/2012
Interest rate options - caps	12	3,300,000,000	35,197,477	17	4,200,000,000	14,839,368
Swaps	2	1,100,000,000	5,388,528	0	0	0
Swaps securitisation transactions	2	2,995,641,136	173,894,879	2	2,740,472,554	124,204,429
Values based on measurement techniques			214,480,884			139,043,797
Secondary market bonds	0	0	0	7	1,616,000	1,754,884
Total financial assets			214,480,884			140,798,681

The financial liabilities held for trading are composed as follows:

(Unlisted) financial liabilities	number	notional	31/12/2011	number	notional	31/12/2012
Interest rate options - caps	9	3,000,000,000	8,364,224	12	3,500,000,000	1,781,774
Swaps	2	1,100,000,000	30,712,692	0	0	0
Swap securitisation transactions	2	2,995,641,136	176,660,873	2	2,740,472,554	125,730,373
Values based on measurement techniques			215,737,789			127,512,147

Not listed (OTC) - caps

Financial assets held for trading include first of all (because of their positive fair value) the interest rate options (caps). Under financial liabilities come the interest rate options (caps) with negative fair values.

These interest rate options, purchased over-the-counter (OTC) from other financial institutions, are always entered into in the framework of economic hedges, but to which, however, hedge accounting is not applied.

The options involved serve as protection against the interest rate risk and are options with which the seller commits to pay the buyer an interest rate difference in exchange for a premium paid by the buyer.

Not listed (OTC) - swaps

Under this heading come the swaps (on the asset side those with a positive fair value and on the liabilities side those with a negative market value) that, although concluded within the framework of ALM, are not accounted for using hedge accounting principles.

Not listed (OTC) - swaps securitisation transactions

In the context of securitization transactions, four swaps have been concluded (viewed at consolidation level). The difference between the market value of the four swaps is recognized in the income statement.

Secondary market bonds

Since early 2012, the Company has offered not only primary bond issues but also bonds that are already listed and traded on the secondary market.

This limited portfolio is viewed as an investment portfolio and is recognised in IFRS under “Financial assets held for trading”.

13. Available for sale financial assets and held-to-maturity assets

13.1. Available-for-sale financial assets

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

	31/12/2011	31/12/2012
Total	14,207,095,790	11,535,523,315
Of which hedged via micro-hedges	2,043,042,550	895,280,000
Geographical breakdown		
Belgium	6,300,057,547	5,192,619,637
Other EMU countries	5,668,512,202	4,216,224,604
Rest of the world	2,238,526,041	2,126,679,074
Breakdown by interest rate type (fixed or variable)		
Variable	3,162,387,477	2,665,061,967
Fixed	11,038,279,053	8,864,444,284
Undefined	6,429,260	6,017,064
Breakdown by residual term According to maturity date		
Up to 1 year	2,493,029,182	2,675,303,666
Between 1 and 2 years	2,394,693,637	3,993,717,137
Between 2 and 3 years	3,975,436,363	1,806,903,647
Between 3 and 4 years	2,132,566,316	1,465,281,389
Between 4 and 5 years	1,961,116,583	839,773,943
More than 5 years	1,243,824,448	748,526,469
Undefined	6,429,259	6,017,065
By earlier of revision or maturity date		
Up to 1 year	5,022,157,667	4,666,147,409
Between 1 and 2 years	1,856,762,427	2,719,396,836
Between 2 and 3 years	2,716,089,104	1,571,360,981
Between 3 and 4 years	1,862,695,509	1,055,700,105
Between 4 and 5 years	1,567,766,278	820,088,743
More than 5 years	1,175,195,546	696,812,176
Undefined	6,429,259	6,017,065
Impairments	3,578,926	4,282,049
Effective interest rate on portfolio as of 31 Dec.	2.86 %	2.45 %
Used as collateral	2,509,111,154	1,771,078,889

NOTES TO THE CONSOLIDATED BALANCE SHEET

In 2011 a MBS (mortgage backed securities) portfolio was reclassified from "available for sale financial assets" to "loans and receivables". Further details on this reclassification are given in Note 14 (loans and receivables).

The fair value and amortised cost and the related unrealised gains or losses as of 31 December 2011 and 31 December 2012 are:

2011 financial year	Amortised cost price	Pro rata interest	Unrealisedd results	Impairments	Fair values
Fixed-income securities					
• public institutions	7,627,683,332	129,390,707	-31,924,347	0	7,725,149,692
• credit institutions	4,521,809,757	78,276,419	-65,491,822	0	4,534,594,354
• other loans	1,908,028,997	27,384,198	9,088,215	-3,578,926	1,940,922,484
• short-term securities	0	0	0	0	0
Variable-yield securities					
• investment funds / other shares	6,322,945	0	106,315	0	6,429,260
	14,063,845,031	235,051,324	-88,221,639	-3,578,926	14,207,095,790

2012 financial year	Amortised cost price	Pro rata interest	Unrealisedd results	Impairments	Fair values
Fixed-income securities					
• public institutions	5,668,633,884	98,171,787	340,099,406	-4,282,049	6,102,623,028
• credit institutions	3,544,553,115	58,253,327	69,997,405	0	3,672,803,847
• other loans	1,704,946,474	25,543,742	23,589,160	0	1,754,079,376
• short-term securities	0	0	0	0	0
Variable-yield securities					
• investment funds / other shares	5,513,998	0	503,066	0	6,017,064
	10,923,647,471	181,968,856	434,189,037	-4,282,049	11,535,523,315

The fair values used come from the same external sources, i.e. Bloomberg and Euroclear (the Company's main clearing and custody counterparty), and are measured in the same way as in previous years.

Further information on the hierarchy of the external fair values used is given in Note 23.

13.2. Held-to-maturity assets

	31/12/2011	31/12/2012
Total	0	760,586,543
Geographical breakdown		
Belgium	0	760,586,543
Breakdown by fixed/variable interest rate		
variable	0	550,000,000
fixed	0	204,956,950
not defined	0	5,629,593
Breakdown by residual term		
by maturity date		
between 2 and 3 years	0	500,000,000
over 5 years	0	254,956,950
not defined	0	5,629,593
by earlier of interest rate review date or maturity		
up to 1 year	0	550,000,000
over 5 years	0	204,956,950
not defined	0	5,629,593
Total public bodies	0	760,586,543
Impairments	0	0
Effective interest rate of the portfolio at 31/12	0	1.94 %

14. Loans and receivables

14.1. Loans to and receivables from credit institutions

The loans to and receivables from credit institutions are composed as follows:

	31/12/2011	31/12/2012
Total loans to and receivables from credit institutions	790,825,276	938,853,932
Geographical breakdown		
Belgium	601,683,740	753,491,177
Other EMU countries	189,141,536	165,321,985
Rest of the world	0	20,040,770
Breakdown by residual term: up to 3 months	790,825,276	938,853,932
Breakdown by type		
Current accounts	111,848,828	158,992,166
Term deposits	213,812,155	16,036,089
Reserves with central banks	456,604,293	759,785,677
Collateral received from financial institutions	8,560,000	4,040,000
of which cash and cash equivalents	325,660,983	159,028,255
Impairments	0	0
Effective interest rate on portfolio as of 31 Dec.	0.76 %	0.04 %

The central banks of the countries in which the Company operates require financial institutions to hold deposits with them. These deposits have risen from EUR 481,410,883 to EUR 759,785,677.

14.2. Loans to and receivables from other clients

The loans to and receivables from other clients are composed as follows:

	31/12/2011	31/12/2012
Total	18,026,624,740	19,824,715,835
Geographical breakdown		
Belgium	6,754,641,396	7,376,580,558
Other EMU countries	11,271,893,674	12,438,252,468
Rest of the world	89,670	9,882,809
Breakdown by residual term		
Up to 1 year	49,938,415	709,049,843
Between 1 and 5 years	496,249,837	2,020,829,068
> 5 years	17,480,436,488	17,094,836,924
Impairments	44,367,971	44,921,924
Breakdown by loan type		
Consumer loans	170,751,313	171,857,241
Mortgage loans	17,588,986,758	19,383,528,068
Instalment loans	180,637,879	192,956,193
Demand deposits	16,211,359	18,453,847
Other loan receivables – MBS portfolio	70,037,431	57,920,486
Effective interest rate on portfolio as of 31 Dec.	4.24 %	4.12 %

Note on reclassification of an MBS portfolio

In 2011, an MBS portfolio with a carrying value of EUR 72,886,764 was reclassified from 'available-for-sale assets' to 'loans and receivables' (under 'other loan receivables'). The reason for this reclassification lay in the absence of an active market.

The securities were reclassified at their fair value. At the time of the reclassification, after calculation of the potential tax liability, there was a EUR 15,953,789 negative revaluation reserve in equity.

As of 31 December 2012, a negative revaluation reserve amounting to EUR 12,955,686 remained in equity (other elements of the total result), which would have been EUR 13,067,294 if no reclassification had occurred. As of 31 October 2011, there was a negative revaluation reserve, after tax, of EUR 15,532,650 for this portfolio.

No individual impairments were recognised for the portfolio in question. As mentioned earlier, a collective impairment has been recorded for the MBS portfolio. This currently amounts to EUR 1,460,000. In 2012, EUR 776,199 in interest income was received from the securities in question. There were no indications for proceeding to record impairments on individual items.

In 2011 and 2012 no securities were sold out of this portfolio.. A small number matured and some partial redemptions occurred..

Note on securitisation of Dutch mortgage loans

Securitisation transactions involving Dutch mortgage loans were undertaken in 2007 and 2008. The Company's management decided that the Green Apple SPV should be consolidated, as a result of which the transferred loans continue on the Bank Pool's balance sheet.

The loans involved in these two securitisation transactions are no longer included on the Company's non-consolidated balance sheet. As a result of the IFRS consolidation, these securitised loans, which all served to satisfy the requirements for the existing Dutch NHG guarantee, are recognised on the consolidated balance sheet.

15. Derivatives used for hedging

This section contains additional information on the balance sheet headings 'derivatives used for hedging' and 'changes in the fair value of the hedged positions when hedging the interest risk of a portfolio'.

General explanation

Hedge accounting (accounting treatment of hedging transactions in IFRS) can be used for derivatives that are intended to be used for hedging, on condition that certain criteria are satisfied. These criteria for the accounting treatment of a derivative as a hedging instrument include:

- the hedging instrument, the hedged position and the purpose and strategy of the hedging and the party involved must be officially documented before hedge accounting is applied.
- the hedge must be documented, substantiating that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the fair value (or cash flows) related to the hedged risk during the entire reporting period; and
- the hedge is effective from the start and is continuously assessed.

Explanation of macro hedges

For the time being, the Company applies IAS 39, which was authorised by the EU, because it reflects best the way in which the Company manages its activities.

Hedging relationships are intended to limit the interest rate risk ensuing from the selected category of assets (or liabilities) that are proposed as qualifying hedged positions.

The Company performs an overall analysis of the interest rate risk and selects assets (and/or liabilities) that must be included in the hedging of the interest rate risk of the portfolio. At the outset it defines the risk position to be hedged, the duration, the way in which the tests are conducted and the frequency thereof.

The Company has opted to hedge a portfolio of mortgage loans with a fixed interest rate, and selects within that portfolio the hedged positions as a function of the interest rate risk management strategy. The assessment of the effectiveness consists of examining whether the object of the hedge, i.e. limiting the interest rate risk, has been achieved.

With hedge accounting, the changes in the fair value of the fixed rate legs of these swaps are offset by opposite changes in the fair value of the hedged positions. The fluctuations in the fair value of the floating rate components of the swaps have a net impact on the results.

What we have here is a fair value hedge, whereby the hedged risk consists of the benchmark (euribor), which is the interest rate component of the fixed-rate mortgage loans. The gains or losses of the hedged positions as a result of the hedged risk, and the gains or losses on the hedging instruments are recognised in the income statement (see Note 30).

The changes in fair value of the hedged positions (in this case a hedged portfolio of mortgage loans) can be found under the heading "Changes in the fair value of the hedged positions" and amounts to EUR 417,888,657 at 31 December 2012 (EUR 380,807,554 at 31 December 2011). What we have here is a macro fair value hedge of the interest rate risk.

Explanation of micro hedges

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

For the time being this category consists of swaps concluded in order to hedge securities that are all classified as available for sale assets (AFS micro hedge). The changes in the fair value of the fixed rate component of these swaps are offset by opposite changes in the fair value of the hedged positions.

In this way, part of the change in fair value of the 'available-for-sale' securities in question is not recognised on a separate line in equity, but is treated in the income statement in the context of hedge accounting. Note 3 gave the fair value used for the micro hedges.

In addition, a cash flow hedge was concluded for the first time in 2011. This involved concluding a forward starting swap (start date 31 May 2016 and end date 31 May 2021) for a notional amount of EUR 100 million to hedge the interest rate risk on a future portfolio of savings certificates.

This entails fixing the interest cost (funding cost) of retail savings certificates/term deposits with a term of five years (to be issued in 2016 and then used to fund 10-year mortgage loans granted in the second quarter of 2011).

In the case of this EUR 100 million swap (processed as a cash flow hedge), there was no ineffectiveness in 2011 and 2012. This swap had a negative market value of EUR 10,668,416 as of 31 December 2012 (EUR 5,119,814 as of 31 December 2011).

Note to the fair value hedges

Summary of the swaps used for hedging and processed as fair value hedges

Macro hedge - fair value hedging	number	notional	31/12/2011	number	notional	31/12/2012
Change in the fair value of hedged positions (L&R)			380,807,554			417,888,657
Derivatives with negative fair value	6	2,905,000,000	-435,179,571	10	3,205,000,000	-496,594,996

micro-hedge - fair value hedging	number	notional	31/12/2011	number	notional	31/12/2012
Change in the fair value of hedged positions (AFS)			79,199,204			87,832,873
Derivatives with negative fair value	17	2,143,042,550	-114,590,102	17	895,280,000	-102,431,342

Note on totals of derivatives used for hedging

On the liabilities side of the balance sheet are EUR 609,695,754 of derivatives used for hedging, consisting of EUR 496,594,996 of fair value macro hedges, EUR 102,431,342 of fair value micro hedges and EUR 10,668,416 of cash flow hedging.

16. Property, plant and equipment

The property, plant and equipment (measured using the cost price model) as of 31 December 2011 and 31 December 2012 were as follows:

	31/12/2011	31/12/2012
Buildings, land, equipment	34,584,696	34,440,746
Investment properties	416,426	212,685
Total	35,001,122	34,653,431
Fair value of investment properties	701,500	472,500

2011	Land Buildings	IT Equipment	Other Equipment	Total	Investment property
Opening balance as of 1 Jan. 2011	27,299,054	3,502,571	2,865,733	33,667,358	363,549
• Investments	193,322	3,003,111	1,662,407	4,858,840	526,001
• Disposals	0	-435,271	-327,266	-762,537	-462,783
• Depreciation	-937,288	-2,049,689	-482,321	-3,469,298	-17,776
• Transfers	0	0	0	0	0
• Other changes	0	0	290,333	290,333	7,435
Closing balance as of 31 Dec. 2011	**26,555,088**	**4,020,722**	**4,008,886**	**34,584,696**	**416,426**

2012	Land Buildings	IT Equipment	Other Equipment	Total	Investment property
Opening balance as of 1 Jan. 2012	26,555,088	4,020,721	4,008,886	34,584,695	416,426
• Investments	46,472	1,406,040	1,890,984	3,343,496	53,228
• Disposals	0	0	-19,457	-19,457	-247,643
• Depreciation	-951,351	-1,867,894	-648,743	-3,467,988	-9,326
• Transfers	0	0	0	0	0
• Other changes	121,934	0	-121,934	0	0
Closing balance as of 31 Dec. 2012	**25,772,143**	**3,558,867**	**5,109,736**	**34,440,746**	**212,685**

17. Goodwill and other intangible assets

Goodwill is defined as the portion of the cost of the acquisition of a business combination that exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, as determined as of the date of acquisition.

The Company had no goodwill of this type on its balance sheet in 2011 and 2012.

As of 31 December 2012, the other intangible assets (capitalised using the cost price model) were composed as follows:

	Acquired software	Other intangible assets	Total
Opening balance as of 1 Jan. 2011	22,066,572	207,246	22,273,818
• Separately acquired additions	15,827,264	22,116	15,849,380
• Retirement & disposal	-390	0	-390
• Amortisation recognised	-8,441,177	-73,715	-8,514,892
• Other movements	0	0	0
Closing balance as of 31 Dec. 2011	29,452,269	155,647	29,607,916
• Separately acquired add-ons	17,405,130	26,644	17,431,774
• Retirement & disposal	0	0	0
• Amortisation recognised	-10,812,450	-71,197	-10,883,647
• Other movements	0	0	0
Closing balance as of 31 December 2012	36,044,949	111,094	36,156,043

The acquisition price and acquisition costs of acquired software are amortised at 20 % per year on a monthly basis. Other intangible assets are amortised at 10% per year.

18. Tax assets and liabilities

The tax position can be summarised as follows:

	31/12/2011	31/12/2012
Current tax assets	0	0
Deferred tax assets	73,324,142	0
Total tax assets	73,324,142	0
Current tax liabilities	1,728,245	10,872,045
Deferred tax liabilities	618,859	103,556,767
Total tax liabilities	2,347,104	114,428,812

The deferred tax liabilities consist mainly of the deferred tax on the positive AFS reserve.

19. Other assets

The other assets are composed as follows:

	31/12/2010	31/12/2011
Prepaid costs	2,788,743	3,568,911
Amounts yet to be collected	1,428,183	552,632
Payment card advance	37,762,273	42,712,708
Notary suspense account	59,684,334	101,239,923
Prepaid retail savings certificates	65,834,278	226,773,717
Other suspense accounts	63,839,244	50,245,476
Total	231,337,055	425,093,367

'Other suspense accounts' contains amounts awaiting definitive allocation.

20. Financial liabilities measured at amortised cost

20.1. Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2011	31/12/2012
Deposits from credit institutions	1,894,988,426	49,739,370
Geographical breakdown		
Belgium	0	0
Other EMU countries	1,828,158,426	1,069,370
Rest of the world	66,830,000	46,670,000
Breakdown by residual term		
Up to 1 year	1,894,988,426	49,739,370
Breakdown by type		
Deposits repayable on demand	81,232	1,069,370
Repos	1,828,077,194	0
Collateral with financial institutions	66,830,000	48,670,000
Effective interest rate on portfolio as of 31 Dec.	1.11%	0.11%

20.2. Retail funding – deposits

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

	31/12/2011	31/12/2012
Deposits from institutions other than credit institutions	21,899,423,659	25,162,921,509
Geographical breakdown		
Belgium	20,637,082,312	23,380,917,514
Other EMU countries	1,198,973,266	1,706,988,668
Rest of the world	63,368,081	75,015,327
Breakdown by type		
Retail deposits repayable on demand	1,755,783,819	2,358,886,328
Fixed-term retail deposits	1,566,633,393	1,804,542,242
Regulated retail saving deposits	17,386,952,187	18,988,059,333
Mortgage-linked retail deposits	318,066,968	392,446,595
Deposit guarantee scheme	3,107,274	2,050,801
Other retail deposits	868,880,018	1,616,936,210
Breakdown of fixed-term retail deposits by residual term		
Up to 1 year	434,128,748	389,580,655
Between 1 and 5 years	1,088,245,225	1,318,690,247
More than 5 years	44,259,420	96,271,340
Effective interest rate on portfolio as of 31 Dec.	1.86 %	1.52 %

The ‘other deposits’ consist mainly of the savings deposits in the branch in the Netherlands.

20.3. Retail funding - debt certificates - retail savings certificates

The debt certificates break down as follows:

	31/12/2011	31/12/2012
Debt certificates – retail savings certificates	5,770,891,720	3,190,498,512
Geographical breakdown		
Belgium	5,748,862,790	3,174,879,723
Other EMU countries	17,611,039	11,720,190
Rest of the world	4,471,892	3,898,599
Breakdown by residual term		
Up to 1 year	3,461,754,768	1,307,127,652
Between 1 and 5 years	2,282,924,618	1,723,143,536
More than 5 years	26,212,334	160,227,324
Effective interest rate on portfolio as of 31 Dec.	3.97%	3.54%

20.4. Debt certificates – bonds

	31/12/2011	31/12/2012
Debt certificates - bonds	1,784,056,968	1,612,592,747
Geographical breakdown (other EMU countries)	1,784,056,968	1,612,592,747
Breakdown by residual term		
Up to 1 year	9,608,834	148,823,417
Between 1 and 5 years	1,774,448,134	1,463,769,330
Effective interest rate on portfolio as of 31 Dec.	1.96%	0.79%

20.5. Subordinated liabilities

The normal subordinated liabilities are placed with the retail public. The EUR 100 million perpetual loan was offered to institutional investors.

The subordinated liabilities are composed as follows:

	31/12/2011	31/12/2012
Subordinated liabilities	603,030,175	524,944,985
Geographical breakdown		
Belgium	540,479,970	462,670,487
Other EMU countries	61,981,774	61,809,938
Rest of the world	568,431	464,560
Breakdown by residual term		
Up to 1 year	141,945,522	65,899,288
Between 1 and 5 years	360,353,216	428,667,905
More than 5 years	100,731,437	30,377,792
Breakdown by type		
Subordinated loans (retail funding)	502,452,461	454,290,386
Tier 1 loan (corporate funding)	100,577,714	70,654,599
Effective interest rate on portfolio as of 31 Dec.	4.09%	3.79%

In October 2006, the Company issued a Tier 1 undated deeply subordinated non-cumulative note in a nominal amount of EUR 100 million with a coupon of 5.855 % until 31 October 2016, and thereafter a variable interest coupon of 3-month Euribor + 275 basis points (ISIN-code BE0932117444). The Company has the right (call option) to redeem the loan prior to maturity with effect from 31 October 2016.

At the end of September 2012, a nominal EUR 30 million of this bond issue was repurchased and cancelled on 31 December 2012, leaving a nominal outstanding Tier 1 loan of EUR 70 million.

A profit of EUR 6.6 million (before tax) was realized on this purchase. This profit is found separately in Note 28 (realised gains and losses on financial assets and liabilities not measured at fair value in the income statement).

21. Provisions

The changes in the provisions during the year are:

	Restructuring	Current legal disputes	Other provisions	Total
Opening balance as of 1 Jan. 2011	1,200,000	420,160	7,691,468	9,311,628
Additions	0	200,854	0	200,854
Amounts used	1,200,000	0	193,292	1,393,292
Closing balance as of 31 Dec. 2011	0	621,014	7,498,176	8,119,190
Additions	0	544,394	350,294	894,688
Amounts used	0	0	0	0
Closing balance as of 31 Dec. 2012	0	1,165,408	7,848,470	9,013,878

In the last quarter of 2010, a provision of EUR 1.2 million was set up for a restructuring operation at ABL. This provision was applied with the implementation of the restructuring in 2011. Since 2011, ABL has focused solely on its fund manager business and has ended its retail banking business.

The provisions for current tax and legal disputes are based on the best possible accounting estimates available at year-end, taking account of the opinions of legal and tax advisers. These involve six cases involving litigation with branch managers with whom cooperation has been discontinued.

The 'other provisions' item relates mainly to provisions for VAT. The relevant VAT administrations were regularly consulted to clarify the related topics. For disputed issues, a provision is systematically set up, so that there will never be a negative impact but only a positive impact if the decision is positive for the Company.

The timing of the cash outflows that correspond with these provisions is by definition uncertain, considering the unpredictability of the outcome of, and the time associated with, the settlement of disputes.

22. Other liabilities

The other liabilities are composed as follows:

	31 December 2011	31 December 2012
Social security charges	2,334,905	2,925,226
Accrued charges	1,001,874	585,312
Suspense accounts for fund transfers	44,147,442	19,155,997
Amounts to be processed	23,454,503	43,796,067
Other liabilities	28,706,937	44,730,166
Other suspense accounts	83,880,809	128,448,276
Total	183,526,470	239,641,044

Other suspense accounts contain primarily amounts that stay on these accounts for a few days (until definitively allocated).

23. Fair value of financial instruments

23.1. Financial instruments not recognised at fair value

The following table shows the carrying value and the fair value of the financial assets and liabilities that are not measured at their fair value on the consolidated balance sheet.

		31/12/2011		31/12/2012
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash balances with central banks	32,579,251	32,579,251	30,996,752	30,996,752
Loans and receivables	18,817,450,016	20,288,233,971	20,763,669,767	23,536,053,322
Loans to and receivables from credit institutions	790,825,276	790,832,884	938,953,932	938,994,294
• Current accounts	111,848,828	111,848,828	158,992,166	158,992,166
• Term deposits	213,812,155	213,819,763	16,036,089	16,076,451
• Reserves with central banks	456,604,293	456,604,293	759,785,677	759,785,677
• Collateral with financial institutions	8,560,000	8,560,000	4,140,000	4,140,000
Loans to and receivables from other customers	18,026,624,740	19,497,401,087	19,824,715,835	22,597,059,028
• Consumer loans	170,751,313	181,450,491	171,857,241	185,244,412
• Mortgage loans	17,588,986,758	19,048,921,785	19,383,528,068	22,142,061,973
• Instalment loans	180,637,879	181,035,848	192,956,193	193,512,152
• Amounts repayable on demand/advances	16,211,359	16,213,318	18,453,847	18,489,081
• Other loan receivables – MBS portfolio	70,037,431	69,779,645	57,920,486	57,751,409
Total financial assets	**18,850,029,267**	**20,320,813,222**	**20,794,666,519**	**23,567,050,074**
Financial liabilities measured at amortised cost	31,952,390,948	32,002,579,490	30,540,697,123	30,811,168,320
Deposits from central banks	1,894,988,426	1,894,988,426	49,739,370	49,739,370
Deposits from other than credit institutions	21,899,423,659	21,895,347,727	25,162,921,509	25,249,769,086
Demand deposits	1,755,783,819	1,755,783,819	2,358,886,328	2,358,886,328
Fixed-term deposits	1,566,633,393	1,562,557,461	1,804,542,242	1,891,389,819
Deposits of a special nature	868,880,018	868,880,018	1,616,936,210	1,616,936,210
Regulated saving deposits	17,386,952,187	17,386,952,187	18,988,059,333	18,988,059,333
Mortgage-linked deposits	318,066,968	318,066,968	392,446,595	392,446,595
Deposit guarantee scheme	3,107,274	3,107,274	2,050,801	2,050,801
Debt certificates, including retail savings certificates	7,554,948,688	7,598,852,356	4,803,091,259	4,967,854,407
Retail savings certificates	5,770,891,720	5,827,525,727	3,190,498,512	3,331,537,707
Bonds	1,784,056,968	1,771,326,629	1,612,592,747	1,636,316,700
Subordinated debts	603,030,175	613,390,981	524,944,985	543,805,457
Subordinated loans	502,452,461	501,087,813	454,290,386	490,255,457
Tier 1 loan	100,577,714	112,303,168	70,654,599	53,550,000
Total liabilities	**31,952,390,948**	**32,002,579,490**	**30,540,697,123**	**30,811,168,320**

As stated in the accounting principles, the fair value is the value at which an asset can be traded, or a liability settled, between informed, willing parties at arm's length.

The Company uses the following hierarchy of tests in determining the fair value of financial instruments: first, the quoted price in an active market and then using valuation techniques.

The fair value shown is the full fair value including accrued interest, since the accrued interest is either recognised under the respective items.

The measurement of the fair value of financial instruments that are not actively traded on financial markets can be summarised as follows:

(1) for short-term debt instruments or those repayable on demand, including current accounts and savings accounts, the fair value is equal to the nominal value; and

(2) for other instruments, the current value calculation is used, with the discount rate based on a reference rate with a margin that is standard for the market.

23.2. Financial instruments recognised at fair value

The following tables show the fair value of the financial instruments that are recognised at their fair value on the balance sheet.

The instruments concerned are shown in the tables in accordance with the IFRS 7 fair value hierarchy. The level of the fair value depends on the type of input used to measure the financial instruments.

Level 1 involves quoted (unadjusted) prices in active markets (externally available, observable fair values of financial instruments on liquid markets).

Level 2 includes all fair values that can be obtained directly or indirectly on the basis of observable parameters (input) using models.

Finally, level 3 relates to fair values calculated on the basis of non-observable parameters (input).

The following table provides a summary of the scale of levels of financial assets and liabilities recognised at fair value.

Data as of 31 December 2011	level 1	level 2	level 3
Financial assets recognised at fair value			
Assets held for trading	0	214,480,884	0
Available-for-sale assets	11,545,172,595	2,616,573,269	45,349,926
Derivatives for hedging purposes	0	0	0
Liabilities recognised at fair value			
Liabilities held for trading	0	215,737,789	0
Derivatives used for hedging	0	549,769,673	0

Data as of 31 December 2012	level 1	level 2	level 3
Financial assets recognised at fair value			
Assets held for trading	0	140,798,681	0
Available-for-sale assets	8,917,369,845	2,534,975,329	83,178,141
Derivatives for hedging purposes	0	0	0
Liabilities recognised at fair value			
Liabilities held for trading	0	127,512,147	0
Derivatives used for hedging	0	609,695,754	0

The following table reconciles Level 3 fair values between 1 January 2011 and 31 December 2012. In the absence of an active market, an MBS portfolio was reclassified in 2011 from ‘available-for-sale assets’ to ‘loans and receivables’.

These level 3 fair values therefore all relate to the securities included under available-for-sale assets.

	Fixed-income securities	Non-fixed income securities
Opening total as of 1 January 2011	168,911,909	78,072
Purchases	-34,875,784	0
(Partial) redemptions	-9,077,999	0
Matured	-6,786,570	0
Changes to other levels	-71,084,723	0
Other changes	-1,736,907	0
Closing total as of 31 December 2011	45,271,854	78,072
Sales	-5,087,609	0
(Partial) redemptions	10,310,118	0
Changes to other levels	33,553,713	0
Other changes	-897,087	-50,920
Closing total as of 31 December 2012	83,150,989	27,152

24. Derivatives

Besides derivatives embedded in contracts, the Company has two types of derivatives (derived financial instruments) on its balance sheet on 31 December 2012: interest rate options (purchased and sold caps) and swaps.

Under IFRS, derivatives are to be recorded in the trading portfolio, unless a hedging relationship is demonstrated between the asset concerned and a specifically hedged component.

Such a hedging relationship can be considered as effective if, due to market factors such as a change in interest rates, the price fluctuations or cash flows of the financial derivative almost entirely offset the price fluctuations or cash flows of the hedged component.

Owing to the strict IFRS criteria that must be satisfied to classify these as hedging instruments, they are sometimes classified as derivatives held for trading.

For this, the Company uses hedging transactions that satisfy all the required criteria for hedging transactions of IAS 39, as approved by the EU. As a result, the particular hedging instruments are classified as derivatives used for hedging. The frameworks for processing micro-hedges of the AFS portfolio and for processing derivatives as cash flow hedges are also implemented at the Company.

Interest rate options

Interest rate options are used as protection against the interest rate risk and are options with which the seller commits to pay the buyer an interest rate difference in exchange for a premium paid by the buyer. The interest rate difference is the difference between the current interest rate and an agreed interest rate for a notional amount.

In order to reduce the cost of hedging, caps were from time to time simultaneously bought and written for the same notional amount and the same term. The strike prices of the caps sold are higher than the strike prices of the purchased caps, so that the risk of the combined bought and sold caps concerned is limited to the net premium paid (cylinder caps).

As of 31 December 2011, there were 21 caps on the Company’s balance sheet, in a notional amount of EUR 6.3 billion. Of these, 9 were bought and sold cap combinations (18 caps in all, covering the interest rate risk of the liabilities side) and 3 caps to hedge the interest rate risk on the mortgage lending.

As of 31 December 2012, there were 29 caps on the Company’s balance sheet, in a notional amount of EUR 7.7 billion. Of these, 12 were bought and sold cap combinations (24 caps in total, covering the interest rate risk of the liabilities side) and 5 caps to hedge the interest rate risk on the mortgage lending.

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

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

Interest rate swaps

Interest rate swaps are contractual agreements between two parties on the basis of which interest flows in the same currency are exchanged. These obligations are calculated on the basis of various interest types. With the majority of interest rate swaps, a net exchange of cash flows takes place. This consists of the difference between the fixed and variable interest payments.

The following table provides an overview of all swaps recognised at year-end, the hedged positions and the IFRS processing method.

2011 number	notional	hedge type	treatment in IFRS
6	2,905,000,000	loan portfolio interest rate risk	macro portfolio fair value hedge
16	2,043,042,550	interest rate risk on individual AFS securities	micro fair value hedge on AFS instruments
1	100,000,000	interest rate risk on retail savings certificates portfolio	micro hedging - cash flow hedge
4	5,991,282,272	interest rate risk on securitised loans	held for trading
4	2,200,000,000	loan portfolio interest rate risk	held for trading

2012 number	notional	hedge type	treatment in IFRS
10	3,205,000,000	loan portfolio interest rate risk	macro portfolio fair value hedge
6	895,280,000	interest rate risk on individual AFS securities	micro fair value hedge on AFS instruments
1	100,000,000	interest rate risk on retail savings certificates portfolio	micro hedging - cash flow hedge
4	5,480,945,108	interest rate risk on securitised loans	held for trading
0	0	loan portfolio interest rate risk	held for trading

Additional information on the cash flow hedges referred to in the table above

On 3 May 2011, a forward starting swap was concluded in a notional amount of EUR 100 million (start 31 May 2016 and end date 31 May 2021) to hedge the interest cost of a future portfolio of retail savings certificates/term deposits.

This entails fixing the interest cost (funding cost) of retail savings certificates/time deposits with a term of five years (to be issued in 2016 and then used to fund 10-year mortgage loans granted in the second quarter of 2011).

As of 31 December 2012, the swap concerned had a negative market value of EUR 10,669,416 and after deduction of an unrealised tax claim of EUR 2,667,354 EUR an amount of EUR 8,002,062 was recorded under ‘cash flow hedge’ in equity.

Additional information on swaps concluded as part of securitisation transactions

With every securitisation transaction, two swaps are concluded, a front swap between the Green Apple SPV and a financial counterparty and a so-called back swap between this counterparty and the Company. In IFRS, all these swaps (four in total) are classified under 'assets/liabilities held for trading':

- at Green Apple 2007, two amortising swaps, initial notional value of EUR 1.5 billion and notional value of EUR 1.4 billion as of 31 December 2012.
- at Green Apple 2008, two amortising swaps, initial notional value of EUR 1.975 billion and notional value of EUR 1.3 billion as of 31 December 2012.

Two swaps are used for each securitisation transaction, in order to create a minimum credit risk in the SPV because, with the front swap, the counterparty of the SPV is a financial institution with a better rating (and thus supposedly better creditworthiness) than the Company. Via the back swap, the interest risk of the securitisation loan portfolios is reintroduced onto the Company's balance sheet.

The difference in the fair values of the front and back swaps (EUR 1,525,943) reflects the residual cost price of the intermediate step of a front swap in the securitisation transactions.

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

Embedded derivatives

Derivatives embedded in contracts need to be segregated (hence recognised as separate derivatives on the balance sheet) when there is no close relationship between their economic characteristics and risks and those of the host contract. No such derivatives needed to be segregated and classified under this category.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

25. Net interest income

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

	31/12/2011	31/12/2012
Interest income		
Available-for-sale financial assets	397,145,696	368,992,941
Loans to and receivables from credit institutions	7,444,996	2,657,858
Loans to and receivables from other customers	749,846,480	791,627,838
Held-to-maturity investments	0	5,629,593
Derivatives – hedge accounting	72,814,802	47,531,446
Interest expenses		
Deposits from credit institutions	-21,175,257	-19,940,817
Deposits from other than credit institutions	-404,089,964	-426,370,509
Debt certificates (including retail savings certificates)	-280,216,160	-213,304,714
Subordinated liabilities	-30,513,650	-21,413,150
Derivatives – hedge accounting	-184,655,010	-178,745,778
Net interest income	306,601,933	356,664,708
Interest income from impaired financial assets	1,237,736	1,164,521

In 2012, for the first time securities were assigned to the 'held to maturity investments' portfolio, with the result that an additional line was been added to interest income.

26. Dividends

The table below lists dividends received.

Dividends from equity instruments from	31/12/2011	31/12/2012
Available-for-sale financial assets	67,750	26,705
Total dividend income received other shares	67,750	26,705

27. Net income from commissions and fees

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

	31/12/2011	31/12/2012
Income from commissions and fees	62,802,448	61,444,268
securities: buy and sell order and other	13,548,707	9,196,441
Management fees received	19,702,561	23,005,067
Payment services	3,974,428	4,320,890
Commissions concerning hospitalisation insurance	20,897,267	18,615,638
Other items	4,679,485	6,306,232
Expenses relating to commissions and fees	-127,500,055	-143,379,202
Acquisition costs	-96,476,907	-113,597,646
Custody	-1,878,126	-1,770,863
Commissions concerning hospitalisation insurance	-18,270,563	-16,259,458
Payment services	-10,782,547	-10,712,410
Other items	-91,912	-1,038,825
Net commission result	-64,697,607	-81,934,934

28. Realised gains and losses on financial assets and liabilities not measured at fair value in the income statement

The realised gains and losses on available-for-sale assets on the one hand and on loans and receivables on the other can be shown as follows:

	31/12/2011	31/12/2012
Realised gains		
Available-for-sale financial assets		
• Gains on fixed-income securities	53,469,044	41,932,993
• Gains on variable-yield securities	2,173	67,059
Financial liabilities measured at amortised cost	0	6,600,000
Realised losses		
Available-for-sale financial assets		
• Losses on fixed-income securities	-8,420,460	-10,712,874
• Losses on variable-yield securities	0	0
Total net realised result	45,050,757	37,887,178

A more detailed breakdown of the unrealised gains and losses of the 'available-for-sale financial assets' category can be found in Note 13.

The fair values of this category of financial liabilities measured at amortised cost' are given in Note 23.

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

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

	31/12/2011	31/12/2012
Gains and losses on swaps	-47,242,865	-24,366,681
Gains and losses on caps	-40,779,827	-29,605,663
Gains and losses on bonds	0	73,166
Total result interest rate instruments	-88,022,692	-53,972,344

Under the net result can be found the gains and losses on interest rate options, swaps and a very limited portfolio of bonds (which are offered to clients).

Under the ALM policy, all the swaps and caps concerned are concluded for the account of the Company.

30. Gains (and losses) from hedge accounting

For derivatives that are part of the fair value hedge transactions to hedge the interest rate risk of a portfolio of individual securities, the relevant interest is given under net interest income.

Changes in the fair value of these derivatives and changes in fair value arising from hedged risk of the hedged assets are included in the item 'gains and losses from hedge accounting'.

	31/12/2011	31/12/2012
Portfolio hedge of interest rate risk		
Changes in the fair value of the hedging instruments	-75,409,993	-48,307,107
Changes in the fair value of hedged instruments	77,559,530	49,125,073
Hedging of the interest rate risk of individual financial instruments		
Changes in the fair value of the hedging instruments	-96,437,562	-74,676,815
Changes in the fair value of hedged instruments	96,759,731	74,158,727
Gains and losses from hedge accounting	2,471,706	299,878

In the case of the swap processed as a cash flow hedge, there was no ineffectiveness in 2011 and 2012, leaving no movements in connection with this swap under this heading.

31. Gains and losses on derecognition of assets other than held for sale

The gains and losses on derecognised assets, other than held for sale, are shown below.

	31/12/2011	31/12/2012
Gains on derecognition of tangible fixed assets	44,249	1,386
Gains on derecognition of investment property	44,531	18,893
Losses on derecognition of tangible fixed assets	-22,416	-4,881
Losses on derecognition of investment property	-19,598	-26,026
Total gain or loss	46,766	-10,628

32. Other net operating income

Other net operating income consists of the following components:

	31/12/2011	31/12/2012
Total other net operating income	12,462,025	15,000,530
Operating income		
investment properties	106,973	143,199
costs charged on to group companies	13,977,574	17,730,976
portfolio acquisition fees from agents	1,870,220	819,682
reversal of guarantee system provision	2,050,775	1,117,090
received from renting out of printers– ICT-infrastructure	1,154,281	2,078,328
other	5,203,695	4,863,850
Operating expenses		
relating to leased real estate investments	0	0
costs charged on to group companies	-11,813,441	-11,489,398
other	-199,525	-263,197

The costs charged on to group companies relate to costs recharged to and from entities of the Argenta Group (BVg itself) and the Insurance Pool that are not consolidated by the Company.

33. Administrative expenses

Employee expenses consist of the following components:

	31/12/2011	31/12/2012
Total employee expenses	24,306,021	28,979,879
Wages and salaries	17,304,568	20,091,602
Social security charges	4,507,091	5,373,119
Pension expenses	1,635,671	2,013,410
Share-based payments	0	0
Other	858,691	1,501,748
Average number of employees, in FTE	385.97	450.04
Managerial staff	18.50	20.50
Clerical staff	367.47	429.54
Manual staff	0	0

The Company only has pension obligations based on defined contribution schemes. In Belgium, the insurance company/companies guarantee(s) a minimum return for group pension policies. The contributions for the group insurance policies involved are given under the pension expenses item.

There are no ‘share-based payments’ at present.

General and administrative expenses can be summarised as follows:

	31/12/2011	31/12/2012
Total general and administrative expenses	103,045,143	108,063,563
Marketing expenses	1,319,392	2,585,313
Professional fees	6,553,783	9,272,024
IT expenses	27,429,796	33,111,106
Rents	2,861,351	3,614,216
Business taxes	11,146,673	17,986,662
Contribution to deposit protection fund in Belgium	33,974,387	18,019,882
Other	19,759,761	23,474,360

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

34. Impairments

The changes in impairments can be broken down as follows:

Impairments losses on assets not measured at fair value in the income statement	31/12/2011	31/12/2012
Available-for-sale financial assets	3,578,926	703,123
Loans and receivables	4,423,968	8,603,895
Total impairments losses	8,002,894	9,307,018
Outstanding impairments for financial assets measured on an individual basis	31/12/2011	31/12/2012
Available-for-sale assets (fixed-income securities)	3,578,926	4,282,049
Loans and receivables		
• Consumer loans	2,929,170	3,156,257
• Mortgage loans	27,988,081	32,140,543
• Instalment loans	795,309	798,562
• Demand deposits/advances	8,594,814	8,370,698
• Other loan receivables	381,342	455,864
Total loans and receivables	40,688,716	44,921,924
Total impairments recognised	44,267,642	49,203,973

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The tables of changes below show the composition of impairments measured on an individual basis in the 'loans and receivables' category as of 31 December 2011 and 31 December 2012.

At end 2011 the overall impact of impairments recognised on both an individual and a portfolio basis on 'loans and receivables' was EUR 4,423,968.

Adding to this the individual impairment of the 'available-for-sale assets', the overall impact is EUR 8,002,894.

As of 31 December 2011 Loans and receivables	Opening balance 31-12-2010	Increase via P&L	Reversal via P&L	Closing balance 31-12-2011	Recoveries via P&L	Direct derecogni-tions	Collective provision	Total impact on result
Consumer loans	2,903,719	1,045,597	-1,020,146	2,929,170	-148,868	314,357	0	190,940
Mortgage loans	29,595,998	23,865,034	-25,472,951	27,988,081	-278,933	4,416,316	-597,486	1,931,980
Instalment loans	745,424	465,271	-415,386	795,309	0	196,024	0	245,909
Demand deposits/advances	10,065,762	3,605,754	-5,076,702	8,594,814	-610,568	2,602,187	0	520,671
Other loan receivables	452,340	237,924	-308,922	381,342	-10,182	275,648	1,340,000	1,534,468
Total loans and receivables	43,763,243	29,219,580	-32,294,107	40,688,716	-1,048,551	7,804,532	742,514	4,423,968

At end 2012 the overall impact of impairments recognised on both an individual and a portfolio basis on 'loans and receivables' was EUR 8,603,895.

Adding to this the individual impairment of the 'available-for-sale assets', the overall impact is EUR 9,307,018.

As of 31 December 2012 Loans and receivables	Opening balance 31-12-2010	Increase via P&L	Reversal via P&L	Closing balance 31-12-2011	Recoveries via P&L	Direct derecogni-tions	Collective provision	Total impact on result
Consumer loans	2,929,170	1,274,507	-1,047,420	3,156,257	-113,944	282,024	0	395,167
Mortgage loans	27,988,081	28,600,610	-24,448,148	32,140,543	-276,720	2,885,033	667,794	7,428,569
Instalment loans	795,309	654,327	-651,074	798,562	0	87,179	0	90,432
Demand deposits/advances	8,594,814	2,954,637	-3,178,753	8,370,698	-467,683	1,169,362	0	477,563
Other loan receivables	381,342	314,643	-240,121	455,864	0	12,728	124,914	212,164
Total loans and receivables	40,688,716	33,798,724	-29,565,516	44,921,924	-858,347	4,436,326	792,708	8,603,895

Impairments recognised in 2011 and still present as of 31 December 2011 in an amount of EUR 3,578,926 relate to a security in the AFS portfolio. In 2012 this impairment was fully reversed with the sale of this security.

In 2012, an individual impairment was set up in an amount of EUR 4,282,049 for Cyprus government paper. This gives a net impairment cost of EUR 703,123 in respect of AFS assets.

35. Income tax expenses

The details of current and deferred taxes are shown below:

	31/12/2011	31/12/2012
Current tax liabilities for the financial year	24,797,136	36,851,736
Current liabilities related to previous periods	-3,160,439	-8,296,538
Deferred taxes related to temporary differences	-7,988,695	9,962,727
Deferred taxes related to derivatives	-15,685,604	-5,721,028
Deferred tax related to amortised cost calculations	-378,314	-2,761,514
Total taxes	-2,415,916	30,035,383
Reconciliation of statutory tax rate to effective tax rate		
Net Profit before taxes	67,817,051	112,354,974
Statutory tax rate	33,99 %	33,99 %
Income tax liability calculated using statutory rate	23,051,016	38,189,456
Tax effect of rates in other countries' jurisdictions	-8,070,227	-5,010,120
Tax effect of non-taxable income	-42,935	2,184,115
Tax effect of expenses that are not tax deductible	-7,032,767	613,478
Tax benefit not previously recognised	-7,745,221	-3,137,813
Taxes from previous periods	-2,531,706	-6,364,247
Tax effect of other changes in statutory tax rates	-44,076	3,560,511
Total tax on profits	-2,415,916	30,035,380
Effective tax rate	-3.56 %	26.73 %

OTHER NOTES

36. Securitisation policy

The Company has implemented two securitisation transactions since 2007. The operational framework and the policy for performing securitisation transactions were developed mid-2007, resulting in a first successful securitisation transaction in September 2007. A second securitisation transaction was finalised in December 2008.

Both securitisation transactions related to the securitisation of a portfolio of Dutch residential mortgage loans covered by a NHG (Dutch mortgage guarantee scheme) guarantee via the Green Apple SPV.

The goal of the first securitisation was to attract new funding (tap into a new source of funding) aimed at improving the liquidity position.

The goal of the second securitisation transaction was to convert mortgage loans into ECB eligible assets. This was also clearly reflected in the fact that the Company itself bought all the securities (issued by the Green Apple SPV). At consolidated level, these securities issued by Green Apple are no longer recorded because they were eliminated during the consolidation of the Green Apple SPV.

In 2012, a rating was obtained from a second rating agency for both issues.

Main characteristics of the securitisation transaction Green Apple SPV 2007-I NHG

- securitisation of EUR 1.5 billion in Dutch residential NHG mortgage loans;
- issue by the Green Apple SPV of three classes of bonds (GAPPL 2007-1 A XS0322161026, GAPPL 2007-1 B XS0322161299 and GAPPL 2007-1 C XS0322161299);
- amortising front and back swap of EUR 1.41 billion with RBS as counterparty;
- purchase of tranches B (EUR 10.5 million) and C (EUR 3 million) by the Company itself.

Main characteristics of the securitisation transaction Green Apple SPV 2008-I NHG

- securitisation of EUR 1.975 billion in Dutch residential NHG mortgage loans;
- issue by the Green Apple SPV of three classes of bonds (GAPPL 2008-1 A XS0406581495, GAPPL 2008-1 B XS0406581735 and GAPPL 2008-1 C XS0406582030);
- amortising front and back swap of EUR 1.32 billion with RBS as counterparty;
- purchase of tranches A, B and C by the Company itself.

37. Off-balance-sheet items

In accordance with the provisions of Article 4 of the Royal Decree of 10 August 2009, amending the Royal Decree of 30 January 2001 implementing the Companies Code and the Royal Decree of 12 September 1983 determining the minimum lay-out of a general accounting system, this annual report also includes notes on the nature and commercial purpose of off-balance-sheet arrangements.

As mentioned in Note 2, management decided that the Green Apple SPV should be consolidated and that consequently both securitisation transactions are recognised in the consolidated financial statements and the transferred loans therefore remain on the group's balance sheet.

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

In rem security provided		31/12/2011	31/12/2012
• For repos	Nominal value	1,800,002,154	0
• For swaps	Nominal value	509,059,000	561,965,000
In rem security received		21,950,496,650	23,801,592,763

In addition, an asset charge of EUR 1.2 billion was given in favour of the NBB for the LTRO granted by central banks.

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

Note 9 provides further information on the 'group' guarantees issued and received (see table below).

	31/12/2011	31/12/2012
• Financial guarantees issued	88,423,000	85,097,826
• Financial guarantees received	300,047,100	200,047,100

Finally, there are lines of credit granted and received. The lines of credit granted relate to notified lines of credit and credit offers for retail lending. Lines of credit received relate to the lines of credit received from other financial institutions on the Company's accounts with these institutions.

	31/12/2011	31/12/2012
• Lines of credit granted	1,048,085,558	1,135,608,436
• Lines of credit received	402,150,000	1,500,000,000

The line of credit received as of end 2012 is the one obtained from the NBB under the LTRO arrangement. Amounts drawn under it must be collateralised with securities.

38. Contingent liabilities

The Company is defendant in a number of disputes within the context of standard business operations.

The Company sets aside provisions for disputes when, in the management's opinion and after consultation with its legal advisers, it is probable that the Company will have to make payments and the payable amount can be estimated with sufficient reliability.

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

39. Post-balance sheet events

No material events have occurred since the balance-sheet date that require an adjustment of the Company's consolidated financial statements as of 31 December 2012.

On 26 March 2013, the Supervisory Board reviewed the financial statements and granted its approval for their publication. The financial statements will be presented to the General Meeting of Shareholders on 27 April 2012.

Antwerp, 26 March 2013

ADDITIONAL INFORMATION

Additional information

The Company's IFRS financial statements are published in Dutch and English.

The Dutch version is the original; the English version is an unofficial translation. The Company warrants that every reasonable effort has been made to avoid any discrepancies between the language versions. However, should such discrepancies exist, the Dutch version will take precedence.

Queries with regard to the distribution of these reports can be addressed to:

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Mediation Service

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

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