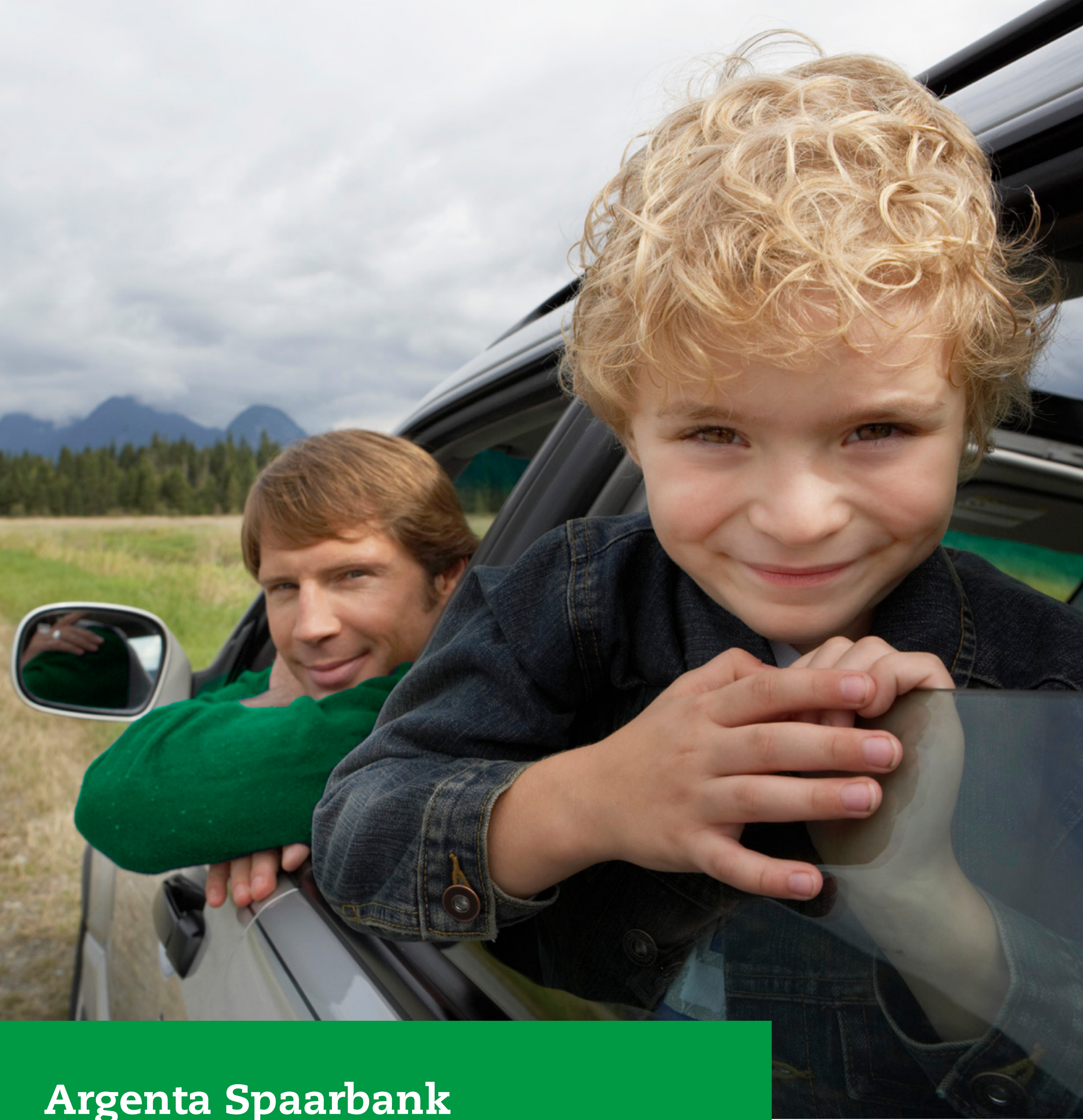

Argenta Spaarbank

Interim Financial Statements 1H 2017

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Condensed consolidated interim financial information of the Argenta Savings Bank for the first six months of the current financial year 2017, prepared in accordance with IAS34 as adopted by the European Union

Management certification of interim financial statements

'I, Geert Ameloot, Chief Financial Officer, certify on behalf of the Executive Committee that, to the best of my knowledge, the abbreviated financial statements included in this report are based on the relevant accounting standards and fairly present in all material respects the financial condition and results of Argenta Spaarbank nv (*) including its consolidated subsidiaries, and that this report provides a fair view of the main events, the main transactions with related parties in the period under review and their impact on the abbreviated financial statements, and an overview of the main risks and uncertainties for the remainder of the current year.'

(*) Argenta Spaarbank nv (hereinafter the Company, abbreviated to Aspa) 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 Statutory Auditor's Report

Report on review of the consolidated interim financial information for the six-month period ended 30 June 2017

To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the condensed consolidated interim balance sheet as at 30 June 2017, the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim cash flow statement for the period of six months then ended, as well as selective notes 1 to 19.

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Argenta Spaarbank NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standard IAS 34 – *Interim Financial Reporting as adopted by the European Union.*

The condensed consolidated interim balance sheet shows total assets of EUR 36.685.188 (000) and the condensed consolidated income statement shows a consolidated profit (group share) for the period then ended of EUR 54.057 (000).

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34 – *Interim Financial Reporting as adopted by the European Union*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review of the consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410 – *Review of interim financial information performed by the independent auditor of the entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Argenta Spaarbank NV has not been prepared, in all material respects, in accordance with IAS 34 – *Interim Financial Reporting as adopted by the European Union*.

Diegem, 30 August 2017
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Dirk Vlaminckx

Report on the first six months

In a context of very low interest rates, limited economic growth, and significant investments to prepare the bank for a more digital future, the Company presents a consolidated result (including minority interests) of EUR 54,063,779 for the first six months of 2017 (EUR 73,685,581 for the first six months of 2016).

Evolution of the balance sheet

The balance sheet total grew by 1.46% (EUR 0.53 billion) to EUR 36.68 billion.

'Loans and receivables from clients (which includes mortgage loans) increased by 2.81 % (EUR 0.74 billion), reflecting controlled growth of the mortgage portfolio at consistently conservative underwriting standards.

Investments in available-for-sale assets and 'assets held to maturity' decreased by 6.30% (EUR 0.51 billion). The Company maintains a cautious investment policy, and as part of this approach it has in recent years also sought to lend to local and regional governments.

Financial liabilities measured at amortised cost increased overall by 1.66% or EUR 0.56 billion. The portfolio of term saving accounts declined in favour of savings accounts. The limited increase in funds is the result of low interest rates in combination with an improvement of the economic environment which makes investment in off-balance sheet fund products more attractive. The Argenta in-house funds reached an amount of 2 billion EUR reflecting the increasing confidence of Argenta clients and the good stock market performance.

Elements (drivers) of the result

The bank's profit (EUR 54,063,779 with the application of IFRIC 21 (levies) and EUR 76,585,066 (without application of IFRIC 21)) has declined year over year in line with expectations of continued low interest rates.

Interest income remains the main revenue driver, deriving from a growing mortgage portfolio at still attractive yields and a lower bank investment portfolio where yields have declined over the past years as securities at higher yields arrive at maturity and short term rates entering negative levels.

Funding cost from retail deposits has also declined over the past years but has reached a bottom as most of the deposits on the balance sheet are subject to the Belgian legal floor of 11 basis points.

Non-interest revenue increased further as clients increased holdings in investment fund products. Income from commissions and fees increased from EUR 46 million to EUR 54 million.

In the first half year Argenta realized more financial gains (than in the first half year of 2016) on the sale of securities which would however reached maturity in the second half of 2017.

Argenta continued to invest in its ICT platform and in meeting (and reporting on) constantly increasing regulatory requirements as reflected in the rise in administration expenses.

The net impairment release of EUR 3.2 million in the first half year of 2017 was due to continued improvement in write-offs, record low delinquency and default rates and an improvement of the "unlikely to pay" default flagging mechanism of the Dutch mortgage portfolio that was introduced late last year.

Solid capital and robust liquidity position

The Common Equity Tier 1 ratio (IRB approach and phased in) further increased to 25,71%.
Liquidity continues strong with an LCR ratio of 167% compared with 178% as of 31 December 2016, and a stable NSFR of 145% .

The Company comfortably meets all regulatory ratios.

Condensed consolidated financial statements according to IFRS

Condensed consolidated interim balance sheet (in EUR)

Assets	Note	31/12/2016	30/06/2017
Cash and cash equivalents with central banks	5	905,821,915	1,252,403,572
Financial assets held for trading	9	9,322,870	9,007,116
Available-for-sale financial assets	6, 9	7,679,040,215	7,132,117,964
Loans and receivables	7	26,521,606,556	27,267,325,939
Loans and receivables from credit institutions		0	14,360,000
Loans and receivables from clients		26,521,606,556	27,252,965,939
Financial assets held to maturity		425,641,792	461,306,366
Derivatives: hedge accounting	9	49,455,484	119,621,735
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	9	310,184,988	140,570,238
Property, plant and equipment		13,927,138	12,533,685
Buildings, land, equipment		12,477,129	11,044,492
Investment properties		1,450,009	1,489,193
Goodwill and other intangible assets		56,790,960	59,297,218
Goodwill		0	0
Other intangible assets		56,790,960	59,297,218
Tax assets		5,982,552	30,095,401
Other assets		160,845,281	183,190,022
Non-current assets and disposal groups classified as held for sale		17,709,200	17,718,912
Total assets		**36,156,328,951**	**36,685,188,168**

Liabilities, equity and minority interest	Note	31/12/2016	30/06/2017
Financial liabilities held for trading	9	4,434	1,155
Financial liabilities measured at amortised cost	8	33,487,620,824	34,044,381,276
Deposits from credit institutions		1,389,829	96,413,861
Deposits from other than credit institutions		31,615,221,951	32,286,216,300
Debt certificates, including bonds		1,210,484,036	1,048,914,995
Subordinated liabilities		660,464,000	612,836,120
Derivatives, hedge accounting	9	557,592,276	416,658,584
Provisions		12,050,566	12,050,753
Tax liabilities		70,017,402	36,924,985
Current tax liabilities		17,497,327	851,376
Deferred tax liabilities		52,520,075	36,073,609
Other liabilities	10	187,783,070	291,298,342
Total liabilities		**34,315,068,573**	**34,801,315,095**
Equity attributable to the shareholders	11	1,841,199,853	1,883,821,447
Equity attributable to the minority interests	11	60,525	51,626
Total equity and minority interests		**1,841,260,378**	**1,883,873,073**
Total liabilities, equity and minority interests		**36,156,328,951**	**36,685,188,168**

Condensed consolidated interim income statement (in EUR)

	Note	30/06/2016	30/06/2017
Financial and operational income and expenses		**284,269,178**	**264,757,092**
Net interest income	12	289,526,928	253,682,966
Interest income		478,169,337	425,764,798
Interest expenses		-188,642,409	-172,081,832
Dividend income		10,346	111,090
Net income from commissions and fees	13	-30,748,521	-26,174,484
Income from commissions and fees		46,437,592	54,056,727
Expenses related to commissions and fees		-77,186,113	-80,231,211
Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss	14	6,550,041	17,454,941
Gains and losses on financial assets and liabilities held for trading		-2,750,052	-312,474
Gains and losses from hedge accounting		-1,183,182	1,128,517
Gains and losses on derecognition of assets other than held for sale		110,010	71,487
Other net operating income		22,753,608	18,795,049
Other operating income		30,042,824	23,046,760
Other operating expenses		-7,289,216	-4,251,711
Administration expenses	15	**-175,456,553**	**-184,215,280**
Employee expenses		-29,435,279	-31,385,391
General and administrative expenses		-146,021,274	-152,829,890
Depreciation		**-12,575,064**	**-11,569,127**
Property, plant and equipment		-3,085,249	-2,513,321
Investment properties		-20,355	-21,154
Intangible assets		-9,469,460	-9,034,652
Provisions		**-10,574**	**-187**
Impairments	16	**-1,418,087**	**3,255,141**
Available-for-sale financial assets		1,452,331	74,874
Loans and receivables		-2,870,418	3,180,267
Goodwill		0	0
Result from non-current assets held for sale		**0**	**0**
Total profit before taxes		**94,808,900**	**72,227,639**
Income tax expenses	17	-21,123,319	-18,163,860
Net profit or loss		**73,685,581**	**54,063,779**
Net profit or loss attributable to shareholders		73,680,576	54,056,963
Net profit or loss attributable to minority interests		5,005	6,816

Condensed consolidated interim statement of comprehensive income (in EUR)

Condensed consolidated interim statement of comprehensive income	30/06/2016	30/06/2017
Net profit or loss	**73,685,581**	**54,063,779**
Net profit or loss attributable to shareholders	73,680,576	54,056,963
Net profit or loss attributable to minority interests	5,005	6,816
Total other comprehensive income	**-724,691**	**-11,435,370**
Net change in revaluation reserve of available-for-sale financial assets	1,126,781	-13,465,054
Available-for-sale financial assets	1,616,959	-20,581,833
Deferred taxes	-490,178	7,116,779
Net change in hedging reserve of cash flow hedge	-1,851,472	2,029,684
Fair value hedged item	-2,468,630	2,706,245
Deferred taxes	617,158	-676,561
Total profit or loss including comprehensive income	**72,960,890**	**42,628,409**
Total profit or loss attributable to shareholders	72,955,885	42,621,593
Total profit or loss attributable to minority interests	5,005	6,816

The delta market values of the 'available-for-sale assets' are included in Other Comprehensive Income (OCI) under equity. The effect of the change in fair value – of the available for sale financial assets amounts to minus EUR 20,581,833 before taxes for the first six months of 2017 (plus EUR 1,616,959 for the first six months of 2016) – is shown in the condensed consolidated interim statement of comprehensive income.

This decline in the first six months of 2017 is mainly the result of the evolution of the market interest rates, the arrival at maturity of higher interest bearing securities and the realisation of net capital gains in Q1 2017 of EUR 17,454,941 (see condensed consolidated interim income statement).

For the cash flow hedges, a positive amount of EUR 2,706,245 before taxes was taken into OCI for the first six months of 2017 (compared to a negative impact of EUR 2,468,630 before taxes for the first 6 months 2016). The increase reflects the evolution of market interest rates (and its effect on the fair value of the related swap book).

Consolidated interim statement of changes in equity (in EUR)

	Paid-in share capital	Retained earnings	Profit of current period	Revaluation reserve of available -for-sale financial assets	Cash flow hedge reserves	Shareholders' equity	Minority interests	Total equity
Equity 31/12/2015	**616,252,150**	**783,954,184**	**192,866,907**	**93,963,258**	**-14,278,863**	**1,672,757,635**	**59,099**	**1,672,816,735**
Net profit (loss)	0	0	73,680,576	0	0	73,680,576	5,005	73,685,581
Dividends	0	0	0	0	0	0	0	0
Other comprehensive income for period				1,126,780	-1,851,472	-724,692	0	-724,692
Other changes	0	0	0	0	0	0	-8,569	-8,569
Transfer to retained earnings	0	192,866,907	-192,866,907	0	0	0	0	0
Equity 30/06/2016	**616,252,150**	**976,821,090**	**73,680,576**	**95,090,038**	**-16,130,335**	**1,745,713,519**	**55,535**	**1,745,769,055**
Equity 31/12/2016	**661,875,400**	**914,300,339**	**190,010,420**	**88,993,470**	**-13,979,775**	**1,841,199,853**	**60,525**	**1,841,260,378**
Net profit (loss)	0	0	54,056,963	0	0	54,056,963	6,816	54,063,779
Dividends	0	0	0	0	0	0	0	0
Other comprehensive income for period	0	0	0	-13,465,054	2,029,684	-11,435,370	-15,714	-11,451,084
Other changes								
Transfer to retained earnings	0	190,010,420	-190,010,420	0	0	0	0	0
Equity 30/06/2017	**661,875,400**	**1,104,310,759**	**54,056,963**	**75,528,416**	**-11,950,091**	**1,883,821,446**	**51,626**	**1,883,873,073**

Consolidated interim cash flow statement (in EUR)

	30/06/2016	30/06/2017
Cash and cash equivalents at the start of the period	**527,677,845**	**905,821,916**
Operating activities		
Net profit	73,685,581	54,063,779
Payable and deferred tax expenses, recognised in the income statement	21,123,319	18,163,860
Depreciations	12,575,064	11,569,127
Net provisions (reversals)	10,574	187
Net income (loss) on the sale of investments	-110,010	-71,487
Impairment losses	1,418,087	-3,255,141
Changes assets/liabilities concerning hedge accounting	23,837,536	-39,455,509
Other adjustments	7,475,140	11,785,878
Cash flows from operating profits before changes in operating assets and liabilities	**140,015,291**	**52,800,694**
Changes in operating assets (except cash and cash equivalents)		
Changes in loans and receivables	-1,286,286,024	-728,179,116
Changes in available-for-sale assets	-213,875,027	533,532,071
Changes in financial assets held for trading	19,750,958	315,753
Changes in financial assets held to maturity	-16,739,114	-35,664,574
Changes in other assets	-69,685,718	-22,081,715
Changes in operating liabilities (except cash and cash equivalents)		
Changes in deposits from central banks	0	0
Changes in deposits from credit institutions	-100,232,957	95,024,033
Changes in deposits from other than credit institutions	1,344,841,165	670,994,349
Changes in debt certificates	-91,904,446	-161,569,041
Changes in financial liabilities held for trading	-10,312,932	-3,279
Changes in other liabilities	44,987,918	87,068,805
Changes in working capital, net	-379,456,177	439,437,286
Cash flow from operational activities	140,015,291	52,800,694
(Paid) refunded income taxes	-47,310,120	-59,185,685
Net cash flow from operating activities	**-286,751,006**	**433,052,293**
Investing activities		
(Cash payments to acquire property, plant and equipment)	-2,116,842	-1,209,276
Cash proceeds from disposal of property, plant and equipment	571,545	273,229
(Cash payments to acquire intangible assets)	-13,893,953	-11,541,051
Cash proceeds from disposal of intangible assets	0	141
Changes concerning consolidated companies	0	0
Net cash flow from investing activities	**-15,439,250**	**-12,476,958**

Financing activities		
(Paid dividends)	0	0
Cash proceeds from the issue of subordinated liabilities	497,950,000	0
(Cash payments of subordinated liabilities)	-149,344,997	-59,633,680
Cash proceeds from a capital increase	0	0
Net cash flow from financing activities	**348,605,003**	**-59,633,680**
Total cash and cash equivalents at the end of the period	**574,092,592**	**1,266,763,572**
Components of cash and cash equivalents		
Cash in hand	34,369,625	46,411,867
Cash balances at agents	11,764,370	10,824,165
Cash balances with central banks	0	0
Central bank reserves	445,355,194	1,164,375,181
Cash balances with other financial institutions	26,223,404	30,792,359
Other advances	56,380,000	14,360,000
Total cash and cash equivalents at the end of the period	**574,092,593**	**1,266,763,572**
Cash flow from operating activities		
Received interest income	478,169,337	425,764,798
Dividends received	10,346	111,090
Paid interest expenses	-181,462,945	-172,081,832
Cash flow from financing activities		
Interest paid	-7,179,464	-12,005,799

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

Components of cash and cash equivalents

The cash in hand, cash balances at authorized agents and cash balances with central banks can be found under the balance sheet item 'cash, cash balances at central banks and other demand deposits' (see Note 5).

The amount of 'other advances' can be found under the balance sheet item 'loans and receivables from credit institutions. These are term accounts with other financial institutions and the associated pro rata interest amounts.

Notes to the condensed consolidated interim financial statements (in EUR)

Statement of compliance and changes in accounting policies

Note 1: Statement of compliance (Note 2 in the annual statements of 2016)

The consolidated financial statements of Argenta Spaarbank NV ('the Company') have been prepared in accordance with IAS 34 as adopted in the European Union ('endorsed IFRS'). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as of 31 December 2016.

Note 2: Summary of significant accounting policies (Note 2 in the annual statements of 2016)

A summary of the main accounting policies is provided in the annual financial statements as at 31 December 2016.

Based upon the current analysis and until further notice Aspa expects no material impact from the implementation of the IFRS 9 standard. IFRS 9 imposes new obligations for (a) the classification and measurement of financial instruments and (b) risk estimation and the creation of impairments and makes (c) adjustments in hedge accounting.

The main change from the implementation of the IFRS 9 standard concerns the recording of impairments. IFRS 9 requires to set up impairment provisions for ECL (Expected Credit Losses) based on a three-stage approach. The definition of the ECL depends partly on the size of the 'significant increase' of the credit risk since initial recognition.

The current impact studies indicate that:

- a lower amount of unrealised gains in the Other Comprehensive Income related to the investment portfolio (due to a transfer of part of the Available of Sale portfolio to an amortised cost classification). This leads at this moment to lower amount of unrealized gains in the presented IFRS equity; and
- an increase in impairments due to the changed methodology as prescribed by IFRS 9 (change from incurred losses methodology to expected losses methodology).

With respect to the application of hedge accounting the bank is currently of the opinion to retain the IAS 39 requirements for portfolio fair value hedges of interest rate risk ("macro hedging") and the full IAS 39 hedge accounting requirements (including "micro" hedges).

For IFRS 16 Leases, a project has been launched in 2017 to embed this in the Argenta Group. Contracts that potentially fall within the scope of IFRS 16 include car leasing contacts, rental contracts buildings and software licensing contracts.

Notes on segment reporting (in EUR)

Note 3: Segment reporting according to the management structure of the group (Note 10 in the annual statements of 2016)

The operational segmentation is based on geographical regions where the Bank Pool is active. The Bank Pool delivers services under the heading of 'retail banking' which until further notice is treated in internal reporting as a single operational segment. Retail banking consists of retail financial services to individuals and self-employed persons. It provides advice on banking, saving, lending and investment.

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.

Consolidated balance sheet 31/12/2016	Belgium	Netherlands and Luxembourg	Total
Total assets	20,509,431,270	15,646,897,681	36,156,328,951
Total liabilities	31,406,150,097	2,908,918,476	34,315,068,573

Consolidated income statement 30/06/2016	Belgium	Netherlands and Luxembourg	Total
Net Financial and operational income and expenses	147,772,627	136,496,551	284,269,178
Other items			-189,460,278
Tax on profits			-21,123,319
Total profit after taxes			**73,685,581**

Consolidated balance sheet 30/06/2017	Belgium	Netherlands and Luxembourg	Total
Total assets	20,958,353,477	15,726,834,691	36,685,188,168
Total liabilities	31,738,764,661	3,062,550,434	34,801,315,095

Consolidated income statement 30/06/2017	Belgium	Netherlands and Luxembourg	Total
Net Financial and operational income and expenses	136,466,722	128,290,370	264,757,092
Other items			-192,529,453
Tax on profits			-18,163,860
Total profit after taxes			**54,063,779**

The other items (show in the above table) consist of administrative expenses, depreciation, provisions and impairments.

Notes on related party transactions (in EUR)

Argenta Spaarbank nv regularly conducts transactions with related parties as part of its operations. In the interim financial statements the transactions with the parent companies and the other group entities are listed below.

Note 4: Related party transactions (Note 9 in the annual statements of 2016)

Balance sheet	31/12/2016		30/06/2017	
	Parent companies	Other related group entitities	Parent companies	Other related group entitities
Loans and receivables from other clients				
Other receivables	61,080	3,898,765	103,795	1,382,646
Total assets	**61,080**	**3,898,765**	**103,795**	**1,382,646**
Financial liabilities measured at amortised cost				
Deposits	85,133,013	409,437,102	47,305,298	408,378,864
Debt certificates	0	998,500	0	0
Other liabilities	873,248	0	407,000	22,773
Total liabilities	**86,006,261**	**410,435,602**	**47,712,298**	**408,401,637**
Guarantees issued by the group				
Guarantees received by the group	47,100			

Income statement	30/06/2016		30/06/2017	
	Parent companies	Other related group entitities	Parent companies	Other related group entitities
Interest expenses	188,872	50,184	21,222	4,472
Expenses related to commissions and fees	0	5,159,871	0	5,957,617
Other operating expenses	3,171,472	1,406,348	4,848,656	103,194
Total expenses	**3,360,344**	**6,616,403**	**4,869,878**	**6,065,283**
Interest income	0	1,394	310	142,606
Income from commissions and fees	0	4,609,129	0	57,990
Other operating income	208,452	15,442,874	289,277	16,270,060
Total income	**208,452**	**20,053,397**	**289,587**	**16,470,656**

Notes to the condensed consolidated interim balance sheet (in EUR)

Note 5: Cash and cash equivalents (Note 11 in the annual statements of 2016)

	31/12/2016	30/06/2017
Cash	46,683,230	57,236,032
Cash balances with central banks	832,289,847	1,164,375,181
Cash balances with other financial institutions	26,848,839	30,792,359
Total	**905,821,916**	**1,252,403,572**

Monetary policy requires financial institutions to maintain reserve balances in the form of cash deposits with central banks in the countries where they operate. For this reason, the Company maintains deposits at the NBB and the DNB. The minimum central bank reserves are determined on a monthly basis.

During the first months of 2017, there was also a larger amount of cash awaiting allocation to the purchase of securities or the granting of loans.

Note 6 : Available-for-sale financial assets (Note 13 in the annual statements of 2016)

	31/12/2016	30/06/2017
Total available-for-sale financial assets	7,679,040,215	7,132,117,964
of which hedged via micro-hedges (nominal values)	955,569,300	1,175,743,300
Breakdown by interest rate type		
Variable	3,190,281,924	2,937,175,858
Fixed	4,486,598,595	4,189,735,772
Other	2,159,696	5,206,334
Impairments	-156,590	-81,716

The AFS portfolio has declined mainly due to the maturity of securities and allocation of the available cash to loans and to ‘cash and cash equivalents’.

The amortised cost, the unrealized gains or losses and the fair value of the available-for-sale instruments per 31 December 2016 and 30 June 2017 are as follows:

31/12/2016	Amortised cost price	Accrued interest	Unrealised results	Impairments	Fair value
Fixed-income securities					
Public institutions	2,911,248,231	39,039,903	179,943,963	0	3,130,232,097
Credit institutions	1,725,612,025	6,269,602	18,706,562	0	1,750,588,189
Securities other counterparties	2,750,192,882	10,877,589	35,146,352	-156,590	2,796,060,233
Variable-yield securities					
Investment funds / other shares	1,847,315	0	312,381	0	2,159,696
Total	**7,388,900,453**	**56,187,094**	**234,109,258**	**-156,590**	**7,679,040,215**

30/06/2017	Amortised cost price	Accrued interest	Unrealised results	Impairments	Fair value
Fixed-income securities					
Public institutions	2,418,184,108	28,652,961	136,056,816	0	2,582,893,885
Credit institutions	1,487,302,552	6,289,154	18,549,086	0	1,512,140,792
Securities other counterparties	2,982,465,301	11,558,611	37,934,756	-81,716	3,031,876,952
Variable-yield securities					
Investment funds / other shares	4,533,554	0	672,781	0	5,206,335
Total	**6,892,485,514**	**46,500,726**	**193,213,439**	**-81,716**	**7,132,117,964**

The breakdown by counter-party classes (e.g. public administrations, credit institutions, 'securities – other counter-parties' or investment funds/other shares) follows the breakdown that is applied for the Belgian prudential reporting at bank solo level. The fair value amounts that are applied are obtained from external sources such as Bloomberg and Euroclear (the Company's main clearing and custody counter-party). The same sources were used in previous years.

Note 7: Loans and receivables (Note 15 in the annual statements of 2016)

	31/12/2016	30/06/2017
Total loans and receivables	**26,521,606,556**	**27,267,325,939**
credit institutions (cash collateral)	0	14,360,000
other clients	26,521,606,556	27,252,965,939

Loans and receivables from other clients

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

	31/12/2016	30/06/2017
Total loans and receivables "other clients"	**26,521,606,556**	**27,252,965,939**
Breakdown by loan type		
Consumer loans	97,669,919	109,206,985
Mortgage loans	26,024,523,154	26,653,975,673
Term loans	374,179,424	464,823,470
Deposits on demand	3,633,163	5,214,663
Other loans and receivables – MBS portfolio	21,600,896	19,745,148
Impairments included in the above amerents	35,808,312	31,196,720
Impairments specific	25,751,561	22,157,137
Impairments collective	10,056,752	9,039,583

There are no significant changes in the composition of loans and receivables from other clients.

Note 8: Financial liabilities measured at amortised cost (Note 21 in the annual statements of 2016)

	31/12/2016	30/06/2017
Deposits from credit institutions	1,389,829	96,413,861
Deposits from other than credit institutions	31,615,282,958	32,286,216,300
Debt certificates and retail savings certificates	1,210,484,036	1,048,914,995
Subordinated liabilities	660,464,000	612,836,120
Total	**33,487,620,823**	**34,044,381,276**

Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2016	30/06/2017
Deposits from credit institutions	**1,389,829**	**96,413,861**
Breakdown by type		
Deposits on demand	716,060	1,299,201
Repo's	0	0
Collateral from financial institutions	673,769	95,114,660

Deposits from institutions other than credit institutions - essentially deposits by retail customers – can be broken down as follows:

	31/12/2016	30/06/2017
Deposits from other than credit institutions	**31,615,282,958**	**32,286,216,300**
Breakdown by type		
Retail deposits on demand	3,547,650,924	4,014,092,974
Fixed-term retail deposits	3,010,767,803	3,075,082,073
Regulated retail saving deposits	22,757,401,893	22,784,940,063
Mortgage-linked retail deposits	438,063,472	438,511,054
Other retail deposits	1,861,398,867	1,973,590,136

Debt certificates and retail savings certificates

	31/12/2016	30/06/2017
Debt certifcates and retail savings certificates	1,210,484,036	1,048,914,995

The downward trend of recent years in the debt and retail savings certificate segment continues. The Company has ceased offering this product and is gradually replacing this funding source with term accounts.

Subordinated liabilities

In the past, the Company placed retail subordinated liabilities, which are now gradually maturing. In May 2016 a Tier 2 bond of nominal EUR 500 million was successfully placed with institutional investors.

The subordinated liabilities are composed as follows:

	31/12/2016	30/06/2017
Total subordinated liabilities	**660,464,000**	**612,836,120**
Breakdown by type		
Subordinated loans (retail funding)	150,645,429	112,538,276
Tier 2 loan (corporate funding)	509,818,572	500,297,844

Note 9: Financial instruments recognised at fair value (note 24.2 in the annual statements 2016)

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

The fair values of the 'available-for-sale' assets are derived from the same external sources as used in previous years, Bloomberg and Euroclear (the Company's largest clearing and custody counter-party). To support the level attributions, the Company has calculated market values where necessary.

The fair values of derivative instruments are calculated internally using a FINCAD application, with the market values calculated daily, in the context, among others, of the European Market Infrastructure Regulation (EMIR).

Collateral management (margin calls) takes place, depending on agreements, on a daily or weekly basis. The external market values obtained with the margin calls are systematically compared with the internally calculated fair values (as used in the balance sheet).

Vanilla derivatives (vanilla IRSs and caps) are measured on the basis of the interest rate curves and implicit volatilities observable in the market (Level 2 inputs). The fair value of these transactions is therefore considered as Level 2.

For the valuation of the CMS swap/caps, non-unobservable data (Level 3 input) are used. Based on the sensitivity of these non-observable parameters, it was decided to assign these fair values a Level 3 valuation starting in 2013.

The assets and liabilities held for trading contain – end 2016 and during 2017 – only caps. These instruments have always been concluded in the context of economic hedges of the interest rate risk of Aspa. The level 3 amounts of EUR 2,083,651 (31/12/2016) and EUR 1,927,809 (30/06/2017) in the table below are reflecting the internally calculated (and with the counter-party compared) fair value of the CMS caps.

More information about the fair valuation techniques) and inputs can be found in the IFRS Annual Statements (note 24).

The table below provides an overview of the hierarchical level of the financial assets and liabilities recognised at fair value.

31/12/2016	level 1	level 2	level 3
Financial assets recognised at fair value			
Assets held for trading	0	7,239,219	2,083,651
Available-for-sale assets	5,898,937,443	1,759,891,385	20,211,387
Derivatives used for hedging purposes	0	49,455,484	0
Financial liabilities recognised at fair value			
Liabilities held for trading	0	28	4,406
Derivatives used for hedging purposes	0	536,484,492	21,107,784

30/06/2017	level 1	level 2	level 3
Financial assets recognised at fair value			
Assets held for trading	0	7,079,307	1,927,809
Available-for-sale assets	5,231,464,420	1,879,849,435	20,804,109
Derivatives used for hedging purposes	0	119,621,735	0
Financial liabilities recognised at fair value			
Liabilities held for trading	0	0	1,155
Derivatives used for hedging purposes	0	400,387,795	16,270,789

In the 'available-for sale' portfolio, we report changes between Level 1 and Level 2 as a result of changes (e.g. more providers) in market values. Such changes in level are individually documented, according to the policy, and are reported quarterly to the Asset-liability Committee. In 2016 Aspa reclassified 9 counter-parties for a total of EUR 217,599,203 from level 2 to level 1. For the first 6 months of 2017 there were no reclassifications.

The following table provides a reconciliation of Level 3 fair values between January 2016 and 30 June 2016, as well as a reconciliation of changes in Level 3 fair values for 30 June 2017. It refers to the derivative instruments (under 'assets and liabilities held for trading' and under 'derivatives used for hedging') and to the securities held under 'available-for-sale assets'.

	Derivatives, asset side	Derivatives, liabilities side	AFS portfolio fixed-income securities	AFS portfolio shares
Opening total as of 1 January 2016	**17,003,018**	**-29,349,949**	**47,296,948**	**61,452**
Purchases/new contracts	0	0	0	0
Changes to other levels	0	0	-15,079,489	0
Changes from other levels	0	0	0	0
Other changes (including value changes)	-15,491,036	7,485,822	-1,476,648	0
Closing total as of 30 June 2016	**1,511,982**	**-21,864,127**	**30,740,811**	**61,452**
Opening total as of 1 January 2017	**2,083,651**	**-21,112,190**	**20,149,935**	**61,452**
Purchases/new contracts	0	0	0	681,008
Changes to other levels	0	0	0	0
Changes from other levels	0	0	0	0
Other changes (including value changes)	-155,842	4,840,246	-88,286	0
Closing total as of 30 June 2017	**1,927,809**	**-16,271,944**	**20,061,649**	**742,460**

As can be seen in the table, there is only a limited amount of level 3 fair values in the financial instruments involved.

The total of the fixed-income securities and equities measured at level 3 fair values is EUR 20,061,649. The decline in 2016 is explained among other things by the fact that more market prices were available for the relevant securities, enabling them to be measured at Level 2 fair values.

Level changes have no P&L impact.

The delta market values of the 'available-for-sale assets' are included in Other Comprehensive Income (OCI) under equity. The effect of the change in fair value of the level 3 securities amounted minus EUR 88,286 before taxes for the first six months of 2017.

For the cash flow hedge (included in the level 3 derivatives), a positive amount of EUR 2,706,245 before taxes was taken into OCI for the first six months of 2017 (compared to a negative impact of EUR 2,468,630 before taxes for the first 6 months of 2016).

For the derivatives held for trading, there was a negative impact to P&L of EUR 152,590 before taxes for the first 6 months of 2017 (compared to a negative impact of EUR 5,184,001 for the first 6 months of year 2016).

Evolution of the "fair value changes of the hedged items"

The balance sheet item "fair value of the hedged items in a portfolio hedge of interest rate risk' has decreased from EUR 310 million (31/12/2016) to EUR 140 million (30/06/2017). The decrease is the result of the evolution of the market interest rate which positively impacted the fair value of the hedging instruments and the decline in the changes in fair value of the hedged positions.

Aspa has opted to hedge a portfolio of loans with a fixed interest rate and selects within that portfolio the hedged positions in function of the interest rate risk management strategy. With hedge accounting, the changes in the fair value of the fixed rate legs of the hedging instruments are offset by opposite changes in the fair value of the hedged positions.

Note 10: Other Liabilities

Other liabilities increased with EUR 103,515,272 from 31/12/2016 to 30/06/2017.

This is mainly due to the increase in transit accounts related to payment services (+ EUR 25 million), the increase in intercompany positions towards other group entities (+ EUR 30 million) and the debt recognized for IFRIC 21 (EUR 33,8 million).

Note 11: Equity attributable to the shareholders (Note 3 in the annual accounts for 2016)

The Company is the consolidating company and 99.99% of its shares are owned by Argenta Bank- en Verzekeringsgroep nv (the holding company of the Argenta Group).

The IFRS equity attributable to the shareholders as of 30 June 2017 is EUR 1,883,821,447 compared with EUR 1,841,199,851 as of 31 December 2016.

Overview IFRS Equity	31/12/2016	30/06/2017
Share capital	661,875,400	661,875,400
Revaluation reserves available-for-sale financial assets	88,993,468	75,528,416
Retained earnings	914,300,338	1,104,310,759
Profit current period	190,010,420	54,056,963
Cash flow hedge reserves	-13,979,775	-11,950,091
Equity attributable to shareholders	**1,841,199,851**	**1,883,821,447**
Minority interests	60,527	51,626
Total equity	**1,841,260,378**	**1,883,873,073**

The increase in equity can mainly be explained by the addition of the profit for the period partly offset by a decrease due to changes in the fair value of the 'available-for-sale financial assets'.

The elements of the IFRS equity are further described in the text below.

Share capital

The fully paid-in capital represented by 168,975 no par shares, is EUR 661,875,400.

Revaluation surplus on available-for-sale assets

Available-for-sale (AFS) financial assets are measured at fair value, with the fluctuations in fair value recognised on a separate line in equity until the assets are sold or until impairment occurs. These changes in fair value are found under 'revaluation reserve for available-for-sale financial assets'. This reserve evolved from EUR 88,993,468 as of 31 December 2016 to EUR 75,528,416 as of 30 June 2017.

Reconciliation of revaluation reserve	31/12/2016	30/06/2017
Total unrealised gains and losses on fixed-income securities	233,796,877	192,541,381
Unrealised value included in the context of the micro hedges	-93,208,307	-73,483,358
Total unrealised deferred taxes on fixed-income securities	-47,786,054	-40,467,577
Total unrealised gains and losses on non-fixed-income securities	312,382	672,059
Unrealised deferred tax on valuation of non-fixed-income securities	-1,287	-2,769
Unrealised loss on reclassified assets	-6,241,695	-5,652,658
Unrealised taxes on reclassified assets	2,121,552	1,921,338
Total revaluation surplus on available for sale assets	**88,993,468**	**75,528,416**

Cash hedge reserves

The Company concluded in 2011 an interest rate swap in the context of hedge accounting, which is treated a cash flow hedge. The market value of the swap (net of tax) is shown in a separate line in equity.

Retained earnings

The retained earnings position (EUR 1,104,310,759 as of 30 June 2017) increases due to the appropriation of the profit for the financial year 2016. No dividend distribution has been paid in 2017 related to the profit for the financial year 2016.

Profit current period

The consolidated result (excluding minority interests) for the period ending on 30 June 2017 amounted to EUR 54,063,779.

Notes to the condensed interim consolidated income statement

(in EUR)

Note 12: Net interest income (Note 26 in the annual statements of 2016)

The breakdown of interest income and charges by type of interest-generating financial instrument is presented in the table below:

	30/06/2016	30/06/2017
Interest income	**478,169,337**	**425,764,798**
Available-for-sale financial assets	59,218,171	37,931,916
Loans and receivables on credit institutions	138,874	32,356
Loans and receivables on other customers	412,255,472	381,626,956
Held-to-maturity investments	4,607,519	4,563,383
Derivatives - hedge accounting	1,949,300	1,610,187
Interest expenses	**188,642,409**	**172,081,832**
Deposits from credit institutions	161,374	1,710,492
Deposits from other than credit institutions	96,762,683	56,012,497
Debt certificates (including retail saving certificates)	18,931,877	15,405,316
Subordinated liabilities	7,179,464	12,005,799
Derivatives - hedge accounting	65,607,011	86,947,729
Net interest income	**289,526,928**	**253,682,966**

Interest income

Interest income from available-for-sale financial assets and held-to-maturity investments has decreased driven by a lower average yield on the outstanding portfolio due to the maturing of bonds at higher returns and repricing of floating rate bonds.

The interest income from loans and receivables has also decreased (but more slowly) due to the lower interest rate for newly granted mortgage loans and the repricing of existing mortgages. It is nevertheless the main source of the interest margin due to the still positive and higher interest rates (relative to the interest on new bonds).

Interest expenses

The increase in interest expenses on deposits from credit institutions is mainly the result of the negative short-term interest rates.

The decrease in interest expense on deposits from other than credit institutions is the result of a further decline in yields on retail deposits.

The increase in interest expenses on subordinated liabilities is mainly the result of the interest paid for the Tier 2 bond of nominal EUR 500 million issued in May 2016.

Note 13: Net income from commissions and fees (Note 28 in the annual statements of 2016)

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

	30/06/016	30/06/2017
Income from commissions and fees	**46,437,592**	**54,056,727**
Securities: buy and sell order and other	5,313,448	9,616,381
Management fees received	28,264,718	33,596,014
Payment services	5,624,311	6,218,136
Premium health insurance	927,718	0
Other items	6,307,397	4,626,197
Expenses relating to commissions and fees	**-77,186,113**	**-80,231,211**
Acquisition costs (commissions and/or transaction costs)	-63,215,828	-68,269,960
Custody	-750,907	-767,960
Premium health insurance	-2,166,840	0
Payment services	-10,169,581	-9,974,787
Other items	-882,957	-1,218,503
Net commission result	**-30,748,521**	**-26,174,484**

Active distribution of the "hospitalization insurance" was stopped and as a result no further income or expense was recorded.

Note 14: Realised gains and losses on financial instruments not measured at fair value in the income statement

This result relates on the sale of to securities amounted EUR 17,454,941 in the first six months of 2017 (EUR 6,550,041 in the first six months of 2016).

This result relates however mainly to securities which would have expired on maturity date in the second half of 2017. It will result in a shift from interest income to realized gains with an additional estimated net realized gain of EUR 4.8 million.

A part of the decline in the OCI (see condensed consolidated interim statement of comprehensive income) is the result of the above mentioned sale of securities.

Note 15: Administrative expenses (Note 34 in the annual statements for 2016)

Employee expenses consist of the following components:

	30/06/2016	30/06/2017
Employee expenses	**29,435,279**	**31,385,391**
Wages and salaries	19,028,100	20,514,591
Social security charges	5,297,292	5,559,898
Pension expenses	3,010,050	2,997,780
Share-based payments	0	0
Other	2,099,837	2,313,122

The increase in employee expenses follows the increased FTE. There are no 'share-based payments' at present.

General and administrative expenses can be summarised as follows:

	30/06/2016	30/06/2017
General and administrative expenses	**146,021,274**	**152,829,890**
Marketing expenses	1,850,985	1,473,633
Professional fees	20,812,105	26,670,451
IT expenses	21,738,481	23,683,579
Rental expenses	3,548,781	4,255,455
Other taxes and bank levies	66,376,742	67,909,520
Other	31,694,180	28,837,252

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

Due to the application of IFRIC 21 (Levies) as from 1 January 2015, levies are recognised upfront. The line 'other taxes and bank levies' includes the total for the year, whereas on a pro-rata basis EUR 33,892,713 would have been recognised in the second half of 2017 (EUR 35,270,739 for the reference period).

Note 16: Impairments

There was a positive impact of EUR 3.2 million in the first half year of 2017.

	30/06/2016	30/06/2017
Impairments	**-1,418,087**	**3,255,141**
Available-for-sale financial assets	1,452,331	74,874
Loans and receivables	-2,870,418	3,180,267

The net impairment release of EUR 3.1 million for the loans and receivables in the first half year of 2017 is the result of continued improvement in write-offs, record low delinquency and default rates and an improvement of the “unlikely to pay“ default flagging mechanism of the Dutch mortgage portfolio that was introduced late last year.

Note 17: Income tax expenses (Note 36 in the annual accounts for 2016)

The details of current and deferred taxes are shown below:

	30/06/2016	30/06/2017
Current tax expense on result of current year	32,456,007	28,003,535
Current tax expense on result of previous year	-2,194	-96,452
Deferred tax expenses (income)	-11,330,494	-9,743,223
Total taxes	**21,123,319**	**18,163,860**
Effective tax rate	22.28%	25.15%

The difference between the effective tax rate and tax using the statutory rate is mainly due to the difference in tax rate in The Netherlands.

In the firts half of 2017 a deferred tax asset of EUR 1,770,903 was been taken into the result.

Note on capital adequacy (in EUR)

Note 18: Capital adequacy (note 6 in the annual accounts for 2016)

The capital adequacy is calculated as determined by the Capital Requirement Regulation (CRR) and the Capital requirement Directive (CRD) of the European Union. This regulation entered gradually into force since January 2014, and will be fully implemented by January 2022.

The Internal Rating Based (IRB) approach is the primary approach for calculating Argenta's risk weighted assets. Under the transitional provisions, the Basel I calculations remain the basis for the calculation of the ratios for the Company (80% floor on the required equity calculated according to Basel I norms).

The Tier 1 core capital ratio (CET 1) has now become the most important ratio. This calculation uses core Tier 1 equity instead of total equity. With total regulated qualifying equity at 30 June 2017 exceeding the applicable requirements, the Company fully complied with all equity requirements.

The table below shows the Company's various capital ratios, showing both the impact of the Basel I floor and the ratios without applying the Basel I floor.

	31/12/2016	30/06/2017
CET1 Equity	1,734,414,028	1,810,641,536
Tier 1 Equity	1,734,414,028	1,810,641,536
Total Equity	2,230,525,432	2,307,222,313
Risk-weighted items	6,718,845,411	6,992,402,495
CET1 capital ratio (80% Basel I floor)	18.95%	18.66%
Tier 1 capital ratio (80% Basel I floor)	18.95%	18.66%
Total capital ratio (80% Basel I floor)	24.37%	23.78%
CET1 capital ratio	25.70%	25.71%
Tier 1 capital ratio	25.70%	25.71%
Total capital ratio	33.08%	32.81%
Leverage ratio		
total risk exposure	37,103,571,381	37,747,120,574
leverage ratio	4.84%	4.70%
Liquidity ratio		
Total qualitative liquid assets	4,612,472,425	4,323,714,478
Total net cash outflow	2,561,542,847	2,585,363,789
LCR ratio	178%	167%
NSFR ratio	145%	145%

Note on subsequent events

Note 19: Post-balance sheet events (note 40 in the annual accounts for 2016)

No material events have occurred since the balance sheet date that require an adjustment of the Company's consolidated financial statements as of 30 June 2017.

The planned sale of buildings (non-current assets and disposal groups classified as held for sale) to Investar was realised at the end of July 2017. The final price was in line with the market value as contained in an external validation report. Investar's intention includes the renovation/reconstruction of new office buildings and parking spaces and subsequent mainly rental to the Argenta Group.