# Argenta Spaarbank

Financial results second half 2018

March 2019

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# Agenda

1. Key takeaways
2. Strategy and Business Profile
3. Financial Performance
4. Asset Quality
5. Solvency and Liquidity
6. Wrap up
7. Appendices

# 1. Key takeaways 2H 2018

- Solid financial performance in 2H 2018 despite persisting low interest rate environment:
  - Adjusted[1] net profit of 59 million EUR in 2H 2018, leading to a FY 2018 result of 130 million EUR and ROE of 6.8%.
  - 2.7 billion EUR[2] new loans granted in 2H 2018 to the Belgian and Dutch households, up 3% yoy in Belgium and even 110% yoy in the Netherlands. Retail mortgage loan production market share at 6.5% in Belgium and 2.5% in the Netherlands.
  - Net interest margin increased to 1.35%, up 5 basis points yoy.
  - Funds under management remained stable at 39.7 billion EUR with a decrease of 3% to 6.3 billion EUR mainly as a result of adverse stock market movements in 2H 2018. Fee income further increased to 48 million EUR compared to 2H 2017 (+7% yoy) and stable in comparison with 1H 2018.
  - Higher net interest income and net fee and commission result were compensated by lower net financial gains on debt securities and higher operating expenses, leading to an increase of the cost/income ratio for FY 2018 to 56% (excluding bank levies).
- Robust capital and liquidity position:
  - Fully loaded BIII IRB CET 1 at 23.1%, TCR of 29.0%, well in excess of the SREP requirement.
  - Sound liquidity position with LCR of 170% and NSFR of 141%.

(1) Adjusted for IFRIC21 (which requires full year bank levies to be recognised on 1 January) – linear amortization of levies over FY2018
(2) New loans granted, excluding internal refinancing

# 2. Strategy and Business Profile

# 2. Argenta Group Strategy and Business Profile

## simple and easy-to-understand business model

| Market share[1] | |
|---|---|
| Deposits | 0,7% |
| Mortgage loans | 2,5% |

| Market share[1] | |
|---|---|
| Deposits | 8,3% |
| Investment funds | 3,8% |
| Mortgage loans[2] | 5,6% |
| Life insurance | 5,9% |
| Non-life insurance | 2,2% |

- Integrated bank-insurance business model focussed on fruitful long term relationships with its retail clients, employees, tied agents, family shareholders and investors.
- Offering simple and transparent bank and insurance products and free of charge payment and custodial services.
- Broad reach through a strong network of independent agents in Belgium, third party distribution in the Netherlands, complemented by a user-friendly digital platform.
- Unrivalled levels of customer satisfaction, loyalty and brand strength:
  - Internal and external NPS surveys show top notch results.
  - Voted best Savings and Current Account by Bankshopper.be in 2017 and 2018.
  - Voted best bank – General Satisfaction by the independent inquiry by Spaargids.be in 2018.
  - Voted best bank of Belgium by Spaargids.be in 2017
  - Identified as strongest bank brand strength in Flanders in 2016 in a study published by the Benchmark Company.
- Integrated operating model creating cost synergies and efficiencies.

(1) Total portfolio for Banking and Investment products
(2) Adjusted source data compared to 1H 2018

# 2. Overview of Key Financial Data

## FY 2018

### Argenta Group[1]

| | |
|---|---|
| Net result | 174.4 m |
| Return on Equity | 6.7% |
| Total assets | 45.9 bn |
| Total equity | 2.7 bn |
| Cost / Income[2] | 64% |
| Total funds under mgmt | 45.0 bn |
| CET 1 (BIII fully loaded)[3] | 23.0% |

### Argenta Spaarbank[1]

| | |
|---|---|
| Net result | 130.0 m |
| Return on Equity | 6.8% |
| Total assets | 39.6 bn |
| Total equity | 2.0 bn |
| Cost / Income[2] | 69% |
| Total funds under mgmt | 39.7 bn |
| CET 1 (BIII fully loaded) | 23,1% |

### Credit Rating

| Standard & Poor's | |
|---|---|
| Short-term | A-2 |
| Long-term | A- |
| Outlook | Positive |

### Argenta Assuranties[3]

| | |
|---|---|
| Net result | 52.5 m |
| Return on Equity | 13,0% |
| Total assets | 6.6 bn |
| Total equity | 0.5 bn |
| Premium Life[4] | 656 m |
| Premium Non-life | 141 m |
| Solvency II | 273% |

Note: all numbers are stated in EUR
(1) Consolidated
(2) Cost / Income ratios excluding bank levies are 52% for Argenta Group and 56% for Argenta Spaarbank – see next slide
(3) BGAAP
(4) Including universal life unit linked

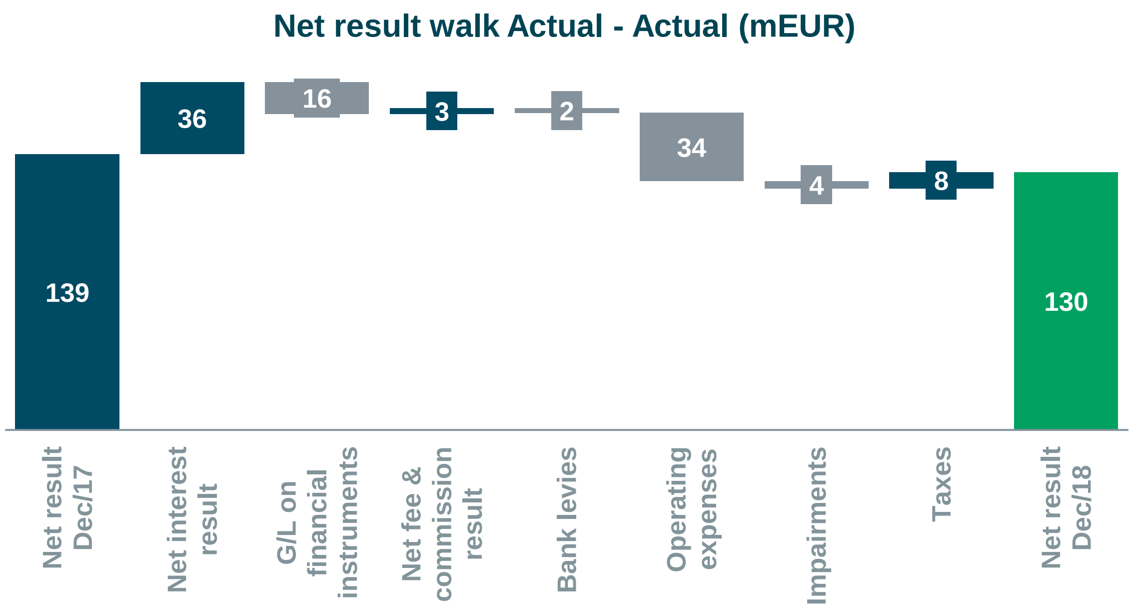
# 2. Financial Objectives

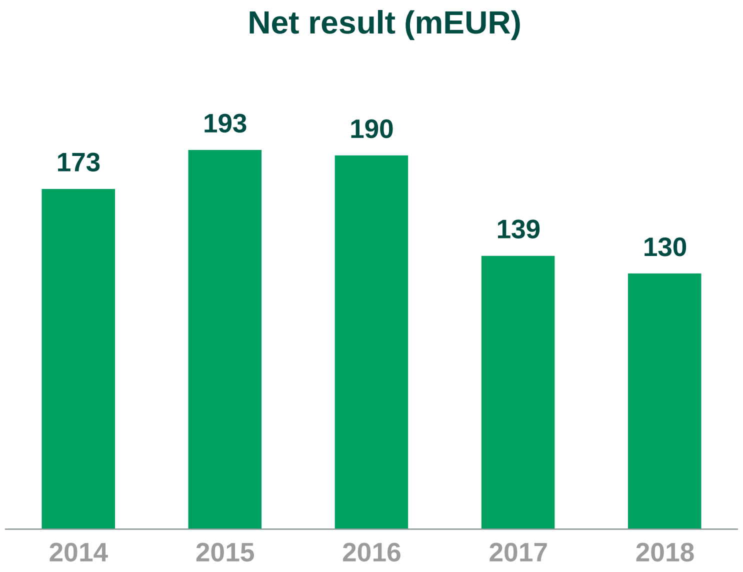
## FY 2018

| Argenta Spaarbank | FY 2017 | FY 2018 | Target |
|---|---|---|---|
| Return on Equity | 7.5% | 6.8% | >8% |
| Leverage Ratio (fully loaded) | 4.9% | 4.7% | >4% |
| Cost / Income Ratio (excluding bank levies) | 51% | 56% | 40% |
| CET 1 Ratio (BIII fully loaded) | 25.9% | 23.1% | >18% |
| Total Capital Ratio (BIII fully loaded) | 32.6% | 29.0% | >20% |
| Net Interest Margin (NIM) | 1.34% | 1.37% | >1.4% |
| NSFR | 143% | 143% | >120% |
| LCR | 162% | 170% | >125% |

# 3. Financial performance

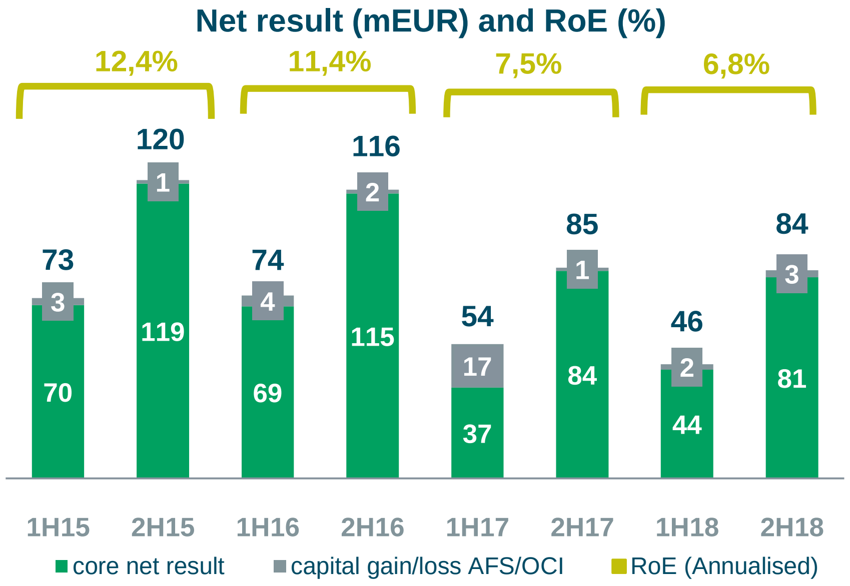
# 3. Overview FY result 2018




- FY 2018 result of 130 million EUR compared to 139 million EUR in the previous year.
- Net financial and fee income up 5% yoy due to increase in net interest income (up 7%), net fee and commission income (up 6%) and despite lower realized gains on financial assets.
- Operating expenses (including net other operating result and bank levies) up 15% mainly driven by digital and IT investments.
- Continuing decreases in non-performing loans ratios for mortgage loans and maintaining of conservative credit and impairment standards, combined with a zero default investment portfolio results in a positive cost of risk of 3 mio.

# 3. Net result stable yoy

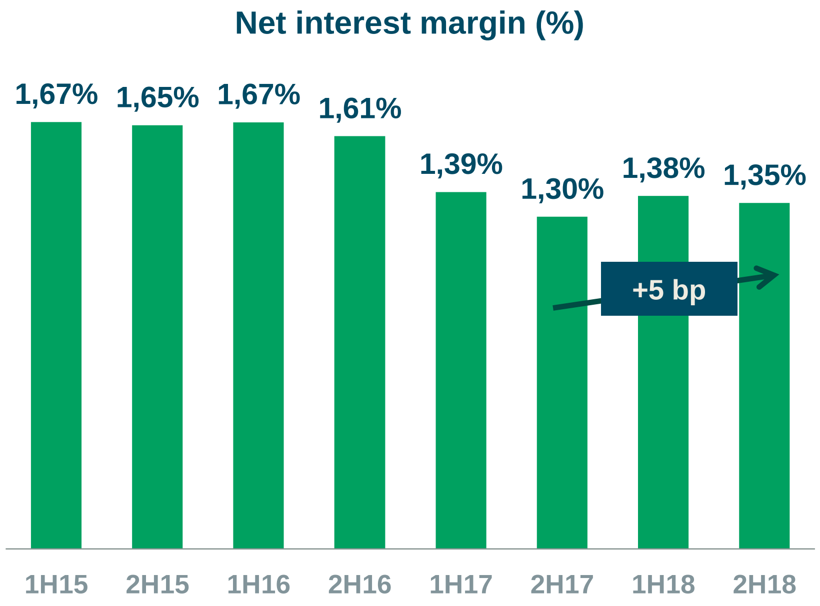


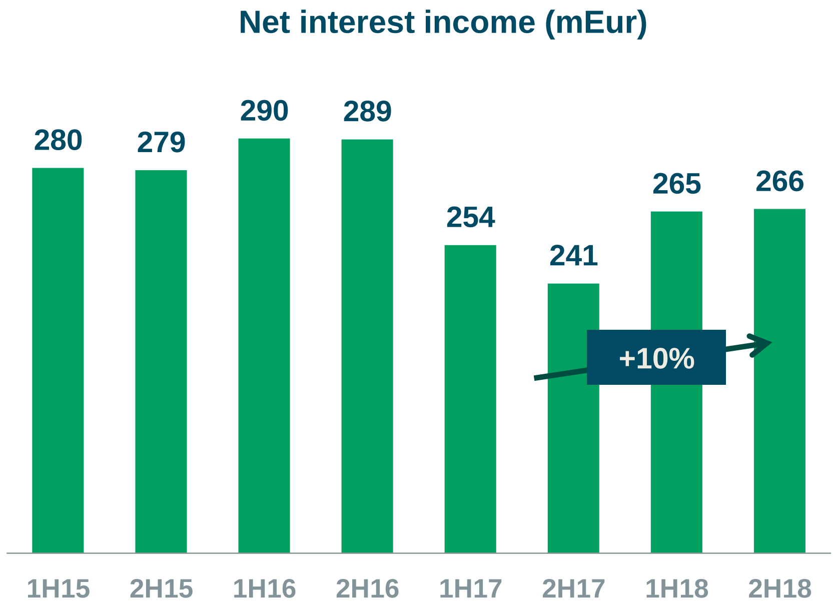

| In millions of EUR | 2H17 | 2H18 | Δ |
|---|---|---|---|
| Net interest income | 241 | 266 | 25 |
| Fee income | 45 | 48 | 3 |
| Commissions to agents | -68 | -72 | -4 |
| Net financial result | 2 | 2 | 0 |
| Other operating income | 24 | 25 | 0 |
| **Total income** | **244** | **268** | **25** |
| Operating expenses | -132 | -159 | -26 |
| Impairments | 4 | 2 | -2 |
| **Profit before tax** | **116** | **111** | **-4** |
| Income tax expense | -31 | -28 | 3 |
| **Net profit** | **85** | **84** | **-1** |
| IFRIC21 adjustment | -23 | -25 | -2 |
| **Adjusted net profit** | **62** | **59** | **-3** |

- Core net result stable:
  - Net interest income in line with 1H2018 and 10% higher than 2H2017, driven by lower funding cost and lower hedging cost.
  - Continued focus on diversification of income with 7% growth in fee income to 48 million EUR.
  - Operating expenses up 20% as a result of investments in IT and digital, employee expenses and bank levies.
- Adjusted[1] net result of 59 million EUR, stable with 2H2017.
- FY result of 130 million EUR and 6,8% ROE.

(1) Adjusted for IFRIC21 (which requires full year bank levies to be recognised on 1 January) – linear amortization of levies over FY2018

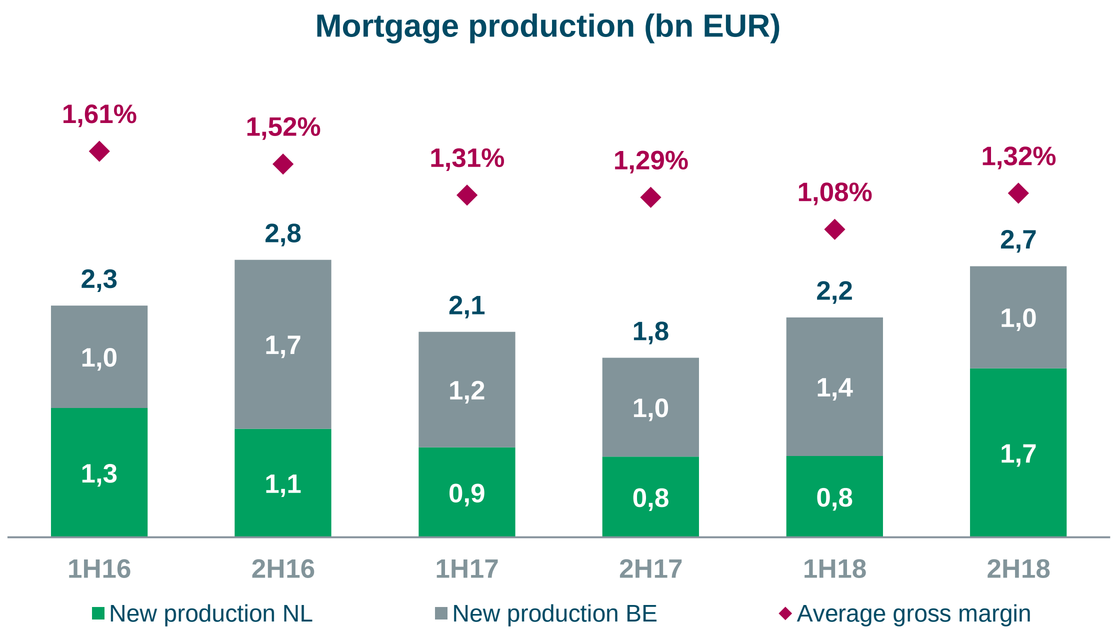
# 3. Net interest income bottomed out in 2017 and increases 10% yoy




- Net interest income stabilized in 2H 2018 to 266 million EUR (but +10% yoy).
- Continued pressure on new loan margins on mortgages and lower reinvestment yields in the investment portfolio.
- Funding cost for Belgian retail funding is at the legal floor but diversification of funding sources to wholesale funding with 2.0 billion EUR securitization funding outstanding supports the improvement of the net interest result.
- Decrease of hedging costs related to the replacement of matured expensive hedges.
- Net interest margin at 1.35%, 3 basis points below 1H 2018 but 5 basis points higher than 2H 2017.

# 3. Mortgage production and margins



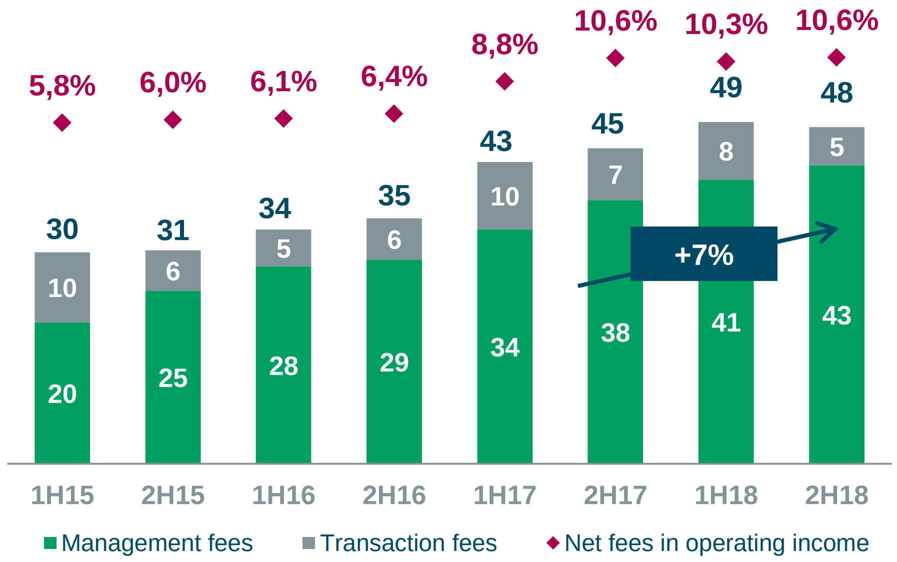

- 2.7 billion EUR[1] new loans granted in 2H 2018 to the Belgian and Dutch households
  - Up 3% yoy in Belgium
  - Up a notable 110% yoy in the Netherlands
- Significant increase of 22% in average gross margin to 1.32% versus 1H 2018 driven by higher client margins and volumes in the Netherlands in 2H 2018 and stable versus 2H 2017
- Retail mortgage loan production market share at 6.5% in Belgium and 2.5% in the Netherlands



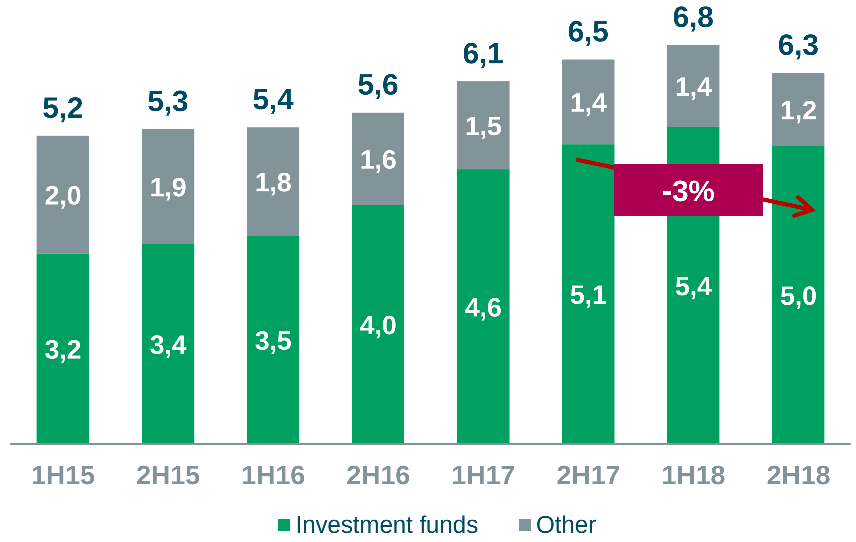
(1) New loans granted, excluding internal refinancing

# 3. Stable Revenue in Fund Management and increasing yoy

Fee income[1] (mEUR)




Assets under custody (bn EUR)

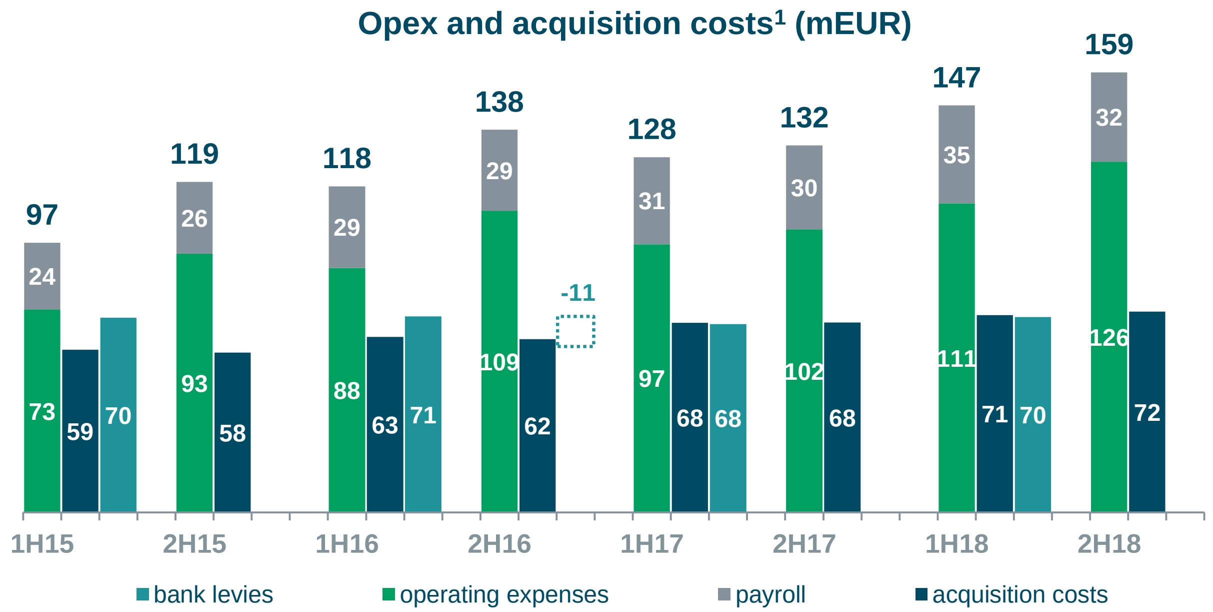


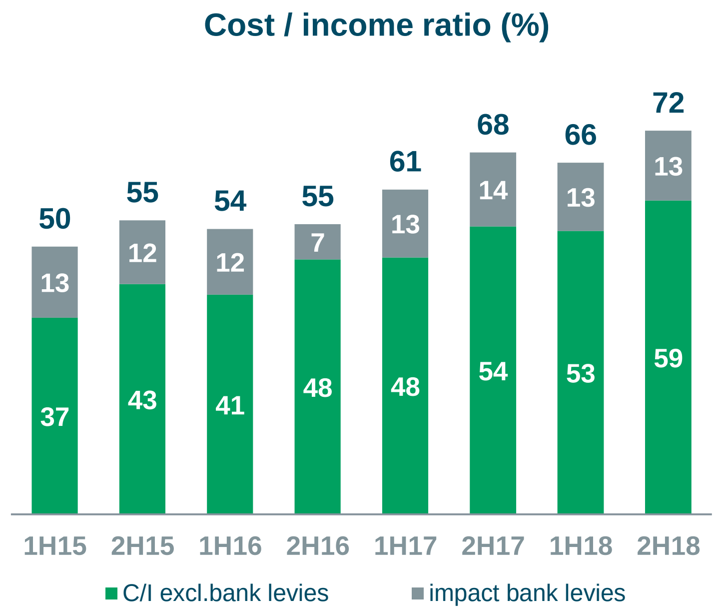

- Strategic focus on fee derived from retail investment funds offered as an alternative to traditional savings products.
- 2H 2018 macroeconomic environment was unfavourable for fund management growth but potential for further growth remains present with market share at 3,8%.
- Net inflows of 406 mln EUR but assets under Custody decreased to 6.3 bn EUR, down 3% due to negative market valuation.
- Total fee income in 2H 2018 stable at 48 mln EUR versus 1H 2018, but 7% higher yoy, driven by higher management fees.



(1) Excluding commissions to agents.

# 3. Investing in the Future



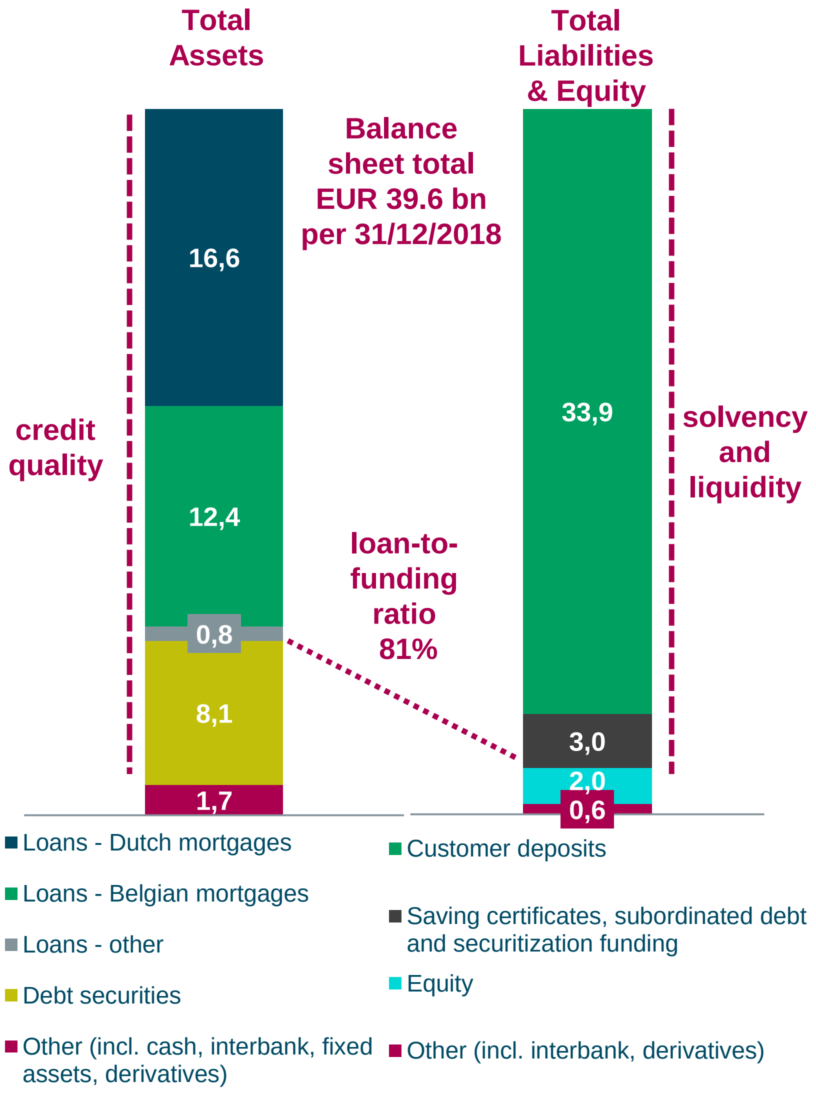

- Continued investments in digital and new core banking system, and professionalization of services increase staff and IT expenses. New banking system platform for Belgium released in April 2018. Banking app enhanced with regular updates throughout 2018.
- Stable, but increasing yoy acquisition costs[1] driven by production and portfolio increase in fee products.
- Increase in total bank levy expense of 2 mio to 70 million EUR in 2018.
- FY 2018 cost/income ratio at 56%, bank levies increase ratio to 69%.

(1) Acquisition costs relate to commissions paid to the branch network for product distribution.

# 4. Asset quality

# 4. Balance Sheet Composition

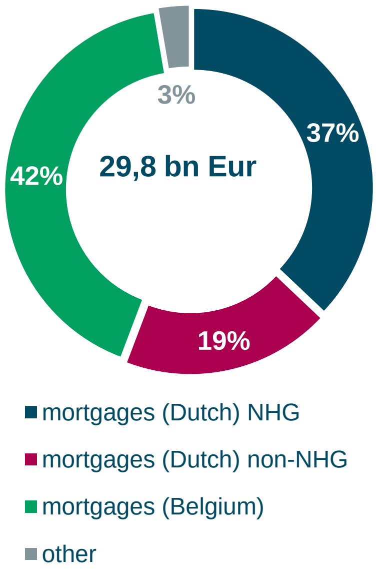
- Low-risk loan book consisting of prime retail mortgage loans in the Netherlands and Belgium.
- Well diversified and conservative investment portfolio with close to 97% investment grade.
- Strong retail funding profile with low loan-to-funding ratio of 81%.
- Diversification of funding sources with 2.0 billion EUR of securitizations issued through 2017 and 2018 in two Green Apple transactions.



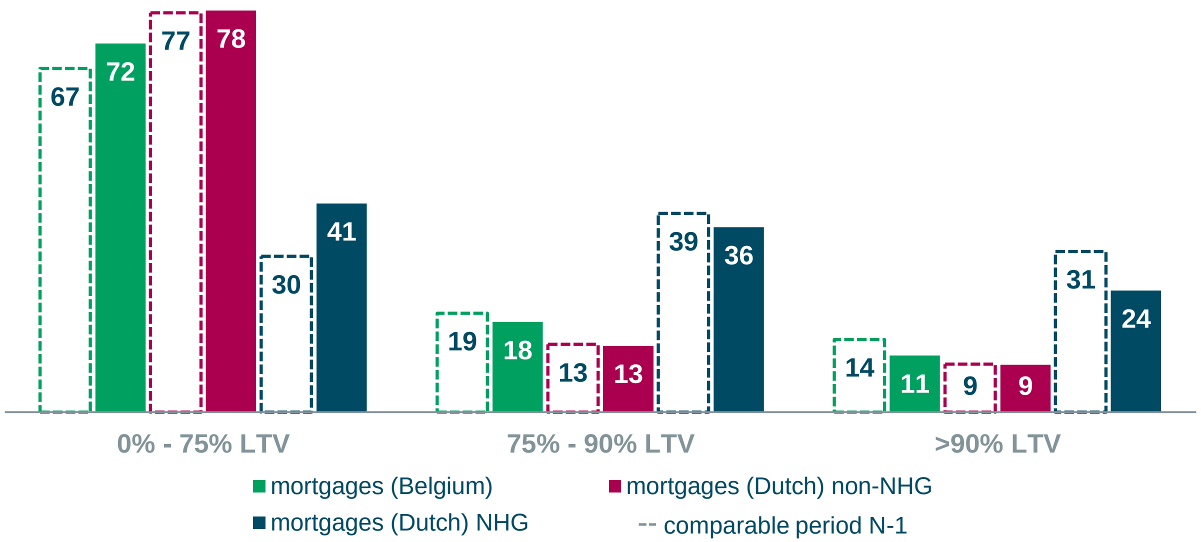
# 4. A high-quality loan book

## YE 2018

### Composition of loan book (%)



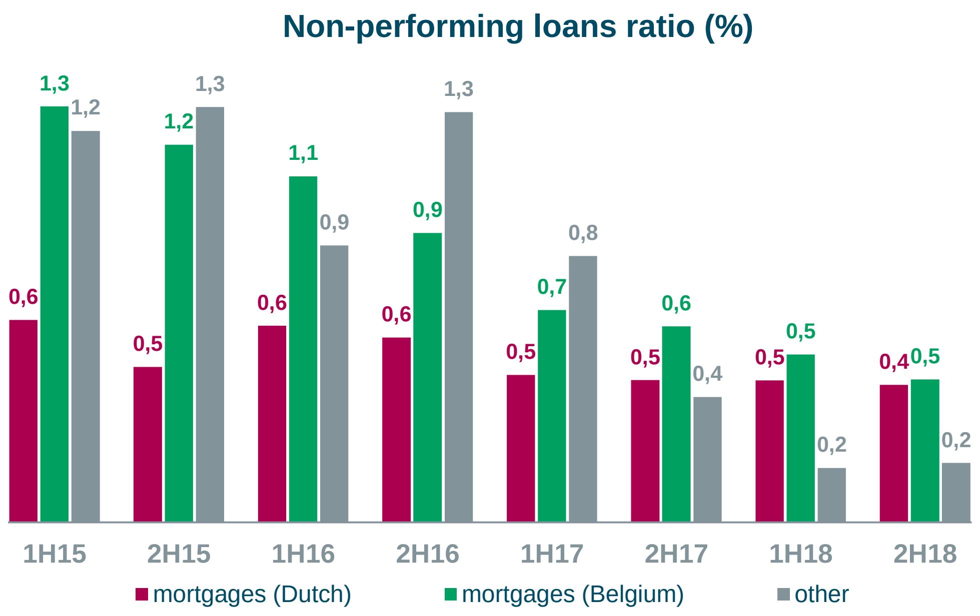

### Indexed loan-to-value mortgage loan book (%)

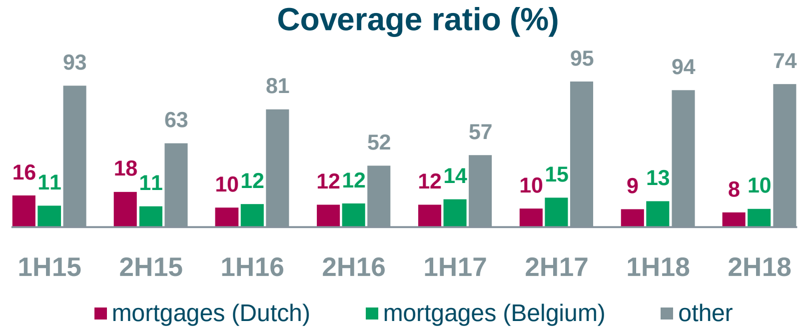


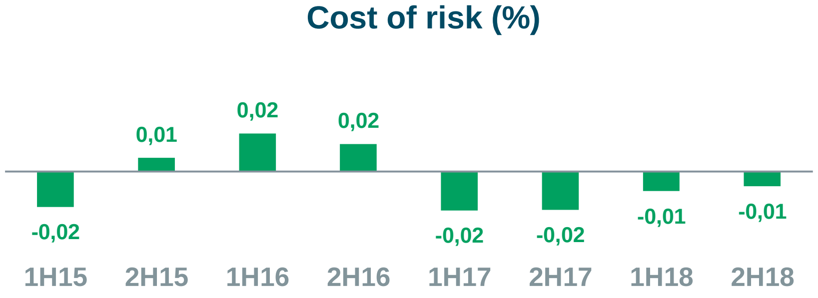

- The residential mortgage loan portfolio in Belgium and the Netherlands compose 97% of the loan book. The remaining 3% consists of consumer loans and local, regional governments and corporate loans.
- The portfolio share of non-NHG[1] mortgages increases (3% vs 1H 2018 and YoY) . NHG[1] is still 66% of Dutch portfolio.
- The average LTV for Belgian mortgages is at 58% (-3% pt.), for Dutch mortgages at 68% (-14% pt.). The total portfolio LTV is 64% (down from 73% per end 2017).

(1) NHG (National Mortgage Guarantee) is a guarantee scheme by the Dutch government on residential mortgages

# 4. Low Risk Loan Portfolio



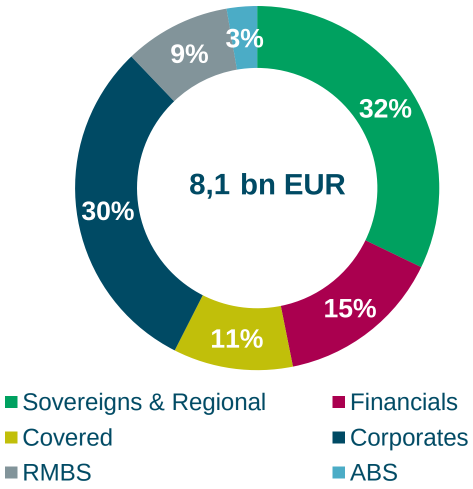




- Consistent low risk at historical low NPL levels confirms high-quality of mortgage loan. Less than 1% of the mortgage loan book is non-performing.
- Average coverage ratio of 9.7% given high quality of prime mortgage collateral.
- Cost of risk remains close to zero.

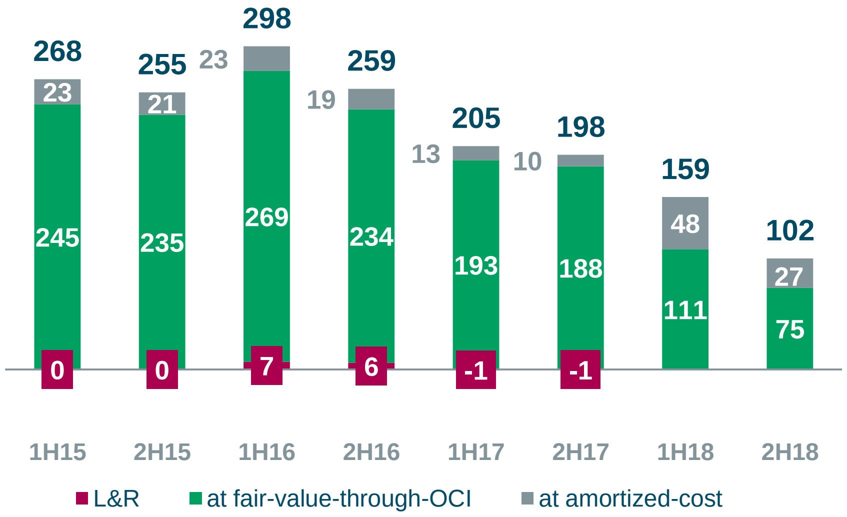
# 4. Diversified and liquid investment portfolio

## YE 2018

**Exposure-type of investments (%)**



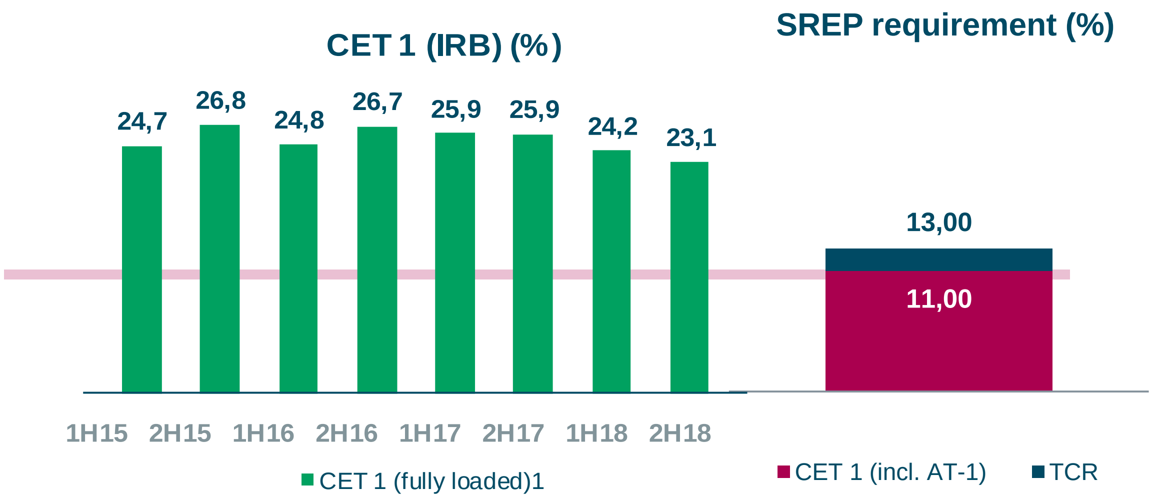

**Unrealized gains (mEUR)**

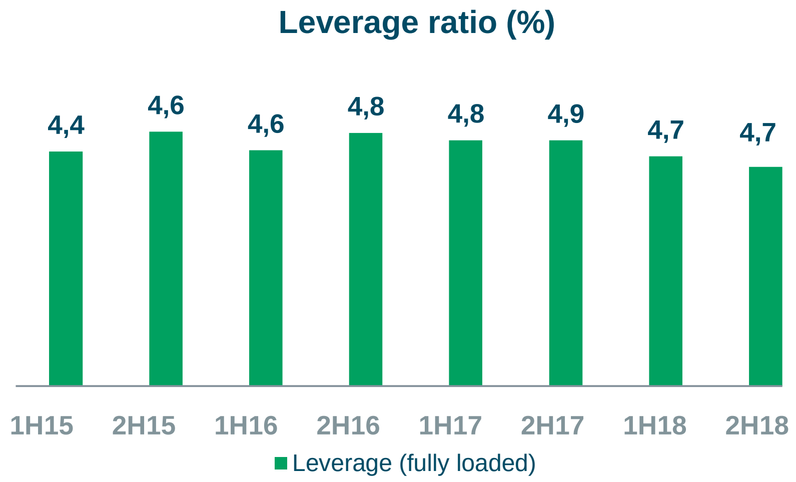



- Portfolio stable (down 0.1 bn EUR) with reinvestment of securitization proceeds in highly liquid assets to support the liquidity position and enable further mortgage loan growth.
- Conservative focus on sovereign and regional securities. Exposure to corporates and covered bonds up while financials decrease.
- No exposure to CDO, CLO, Alt-A, subprime.
- High quality of investments: 37% of the portfolio is rated AA and above and 97% of the portfolio is investment grade, unrealized capital gains 102 million EUR
- Exclusively euro-denominated with focus on European markets: 96% of portfolio in European Economic Area.

# 5. Solvency and liquidity

# 5. Solvency well above SREP requirement



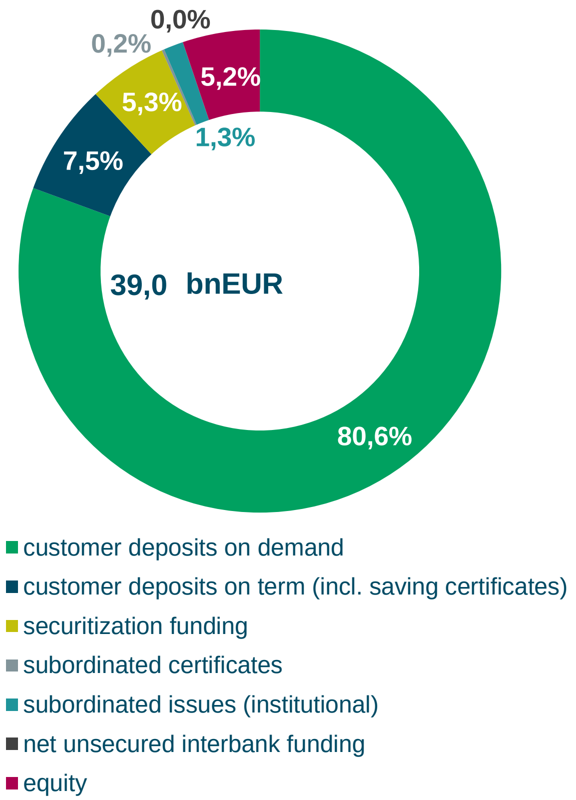

- CET 1 (IRB) ratio of 23.1% fully loaded, down by 2,8% YoY due to:
  - Shift from NHG to non-NHG mortgages with higher risk weight and higher market risk return with impact of -1,7% pt.
  - Shift in investments from financials to covered bonds and corporates with impact of -0,8% pt.
  - New NBB macro-prudential add-on for Belgian mortgages (sector wide) with impact -0,7% pt.
- Leverage at 4,7%.

Note that CET 1 (IRB) ratios until 31st December 2017 were reported transitional and not fully loaded.

# 5. Funding and Liquidity Position

## YE 2018

Funding mix (%)



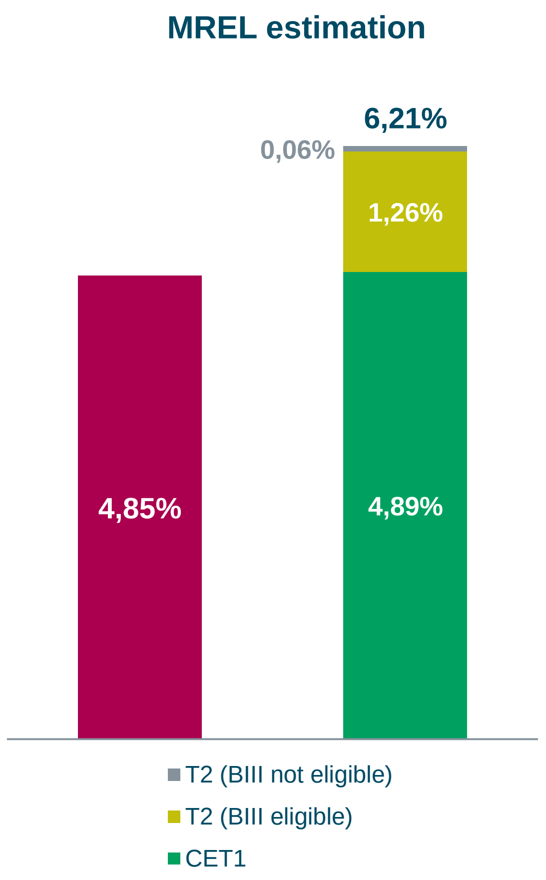

| In % | 1H15 | 2H15 | 1H16 | 2H16 | 1H17 | 2H17 | 1H18 | 2H18 |
|---|---|---|---|---|---|---|---|---|
| Liquidity coverage ratio[1] | 181 | 180 | 168 | 179 | 167 | 162 | 195 | 170 |
| Net stable funding ratio[2] | 146 | 144 | 142 | 145 | 145 | 143 | 145 | 141 |

- Strong liquidity position, well above regulatory limits, for both LCR and NSFR.
- Loan-to-funding ratio of 81%.
- Stable deposit funding base mainly consisting of retail savings deposits.
- Diversification of funding sources with two Green Apple securitization transactions of Dutch NHG mortgages outstanding for a total of 2.0 billion EUR.

(1) Basel III
(2) EU Delegated Act

# 5. MREL update

## Bail-in capacity Argenta Spaarbank




- The SRB has communicated a target MREL ratio of 4.85% of total liabilities and equity for 2018.
- The MREL requirement based on the target ratio of 4.85% equals 1.9 billion EUR bail-in requirement. Available MREL is 2.5 billion EUR and well above this requirement.
- Currently no complementary issuance of MREL eligible debt securities planned.
- Further developments in the implementation of MREL (BRRD 2) may occur but it is too early to assess the impact for Argenta Spaarbank.

# 6. Wrap-up

# 6. Wrap-up

## YE 2018 Argenta Spaarbank

- Strong and resilient business model with unique client loyalty and brand scores.
- Increase of net interest income after bottoming out in 2017 and higher fee income.
- Strong origination of mortgage loans at higher margins in 2H 2018 adds to an already robust loan portfolio of high quality.
- Continued focus on digitalization, that leads to a planned increase of expenses and a higher Cost/Income-ratio.
- Very strong solvency, funding and liquidity position.

# 7. Appendices

# 7. Appendices Overview

## Group Structure

- Appendix 1: Organization chart

## Additional financial information

- Appendix 2: Balance sheet – Assets
- Appendix 3: Balance sheet – Liabilities
- Appendix 4: Balance sheet – Equity
- Appendix 5: Income statement
- Appendix 6: Bank levies (IFRIC 21)
- Appendix 7: Net interest income

## Additional information on solvency

- Appendix 8: Regulatory capital
- Appendix 9: Regulatory risk exposures
- Appendix 10: Solvency ratios
- Appendix 11: Investments

## Glossary

# 7. Appendix 1

## Group structure (share % rounded)

### A transparent group structure

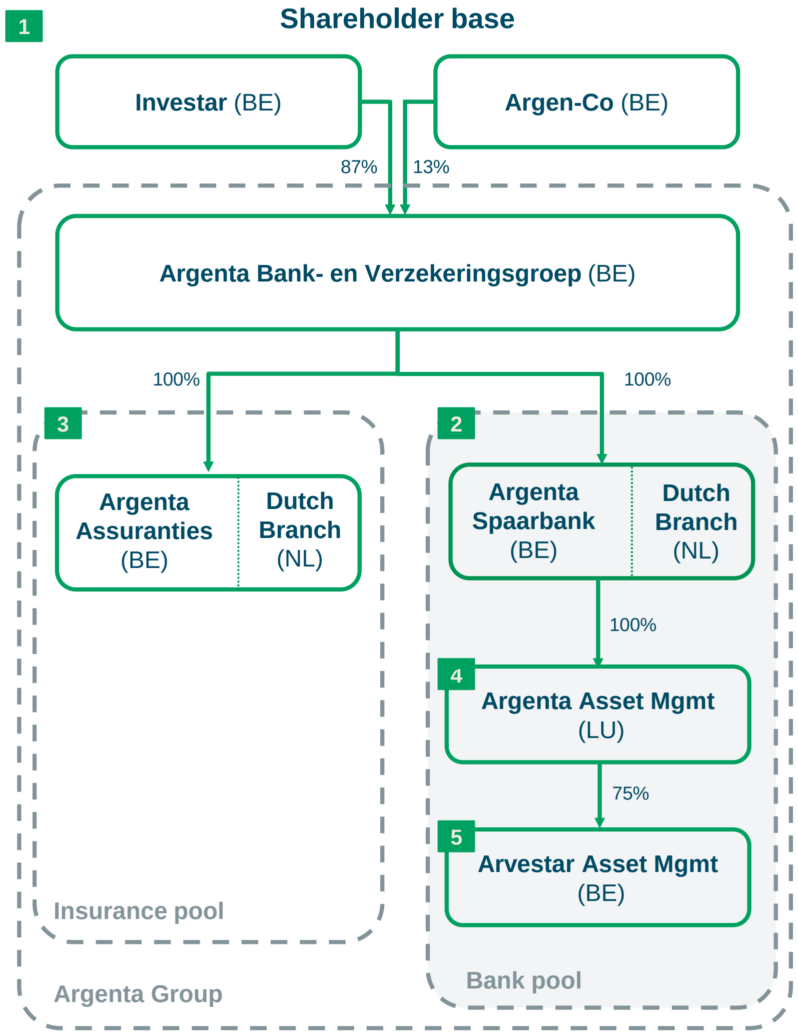
1 Stable family shareholder base Investar (holding company of founding family) and Argen-Co (cooperative capital held by employees and clients).

2 Banking operations in Belgium and the Netherlands.

3 Insurance operations in Belgium and the Netherlands.

4 Asset Management operation incorporated in Luxembourg.

5 On 30 July 2018, Arvestar Asset Management (AAM) was founded, a consolidated joint venture with Bank Degroof Petercam Asset Management N.V. (DPAM).



# 7. Appendix 2

## Balance sheet – Assets

| In millions of EUR | FY 2017 | 6M 2018 | FY 2018 | ▲FY-FY |
|---|---|---|---|---|
| **Cash and cash equivalents** | **1,069** | **1,874** | **1,140** | **71** |
| | | | | |
| **Loans and advances** | **27,660** | **28,552** | **29,800** | **2,141** |
| o.w. to credit institutions | 22 | 22 | 33 | 11 |
| o.w. to customers | 27,637 | 28,529 | 29,767 | 2,129 |
| | | | | |
| **Debt securities and equity instruments** | **8,363** | **8,240** | **8,063** | **-300** |
| o.w. at fair-value-through-P&L | 0 | 65 | 65 | 65 |
| o.w. at fair-value-through-OCI | 7,901 | 3,753 | 3,811 | -4,090 |
| o.w. at amortized-cost | 463 | 4,422 | 4,188 | 3,725 |
| | | | | |
| **Derivatives incl. hedge adjustment** | **237** | **254** | **277** | **41** |
| | | | | |
| **Other assets** | **297** | **330** | **279** | **-18** |
| **Total assets** | **37,626** | **39,250** | **39,561** | **1,934** |

# 7. Appendix 3

## Balance sheet – Liabilities

| In millions of EUR | FY 2017 | 6M 2018 | FY 2018 | ▲FY-FY |
|---|---|---|---|---|
| **Deposits from central banks** | **0** | **0** | **0** | **0** |
| **Financial liabilities** | **35,012** | **36,680** | **36,960** | **1,948** |
| o.w. at-fair-value-through-P&L | 0 | 0 | 0 | 0 |
| o.w. credit institutions | 76 | 55 | 5 | -71 |
| o.w. customer deposits | 32,427 | 33,417 | 33,917 | 1,490 |
| o.w. debt certificates | 1,912 | 2,637 | 2,463 | 552 |
| o.w. subordinated liabilities | 597 | 571 | 575 | -21 |
| **Derivatives** | **388** | **349** | **355** | **-33** |
| **Other liabilities** | **255** | **260** | **230** | **-25** |
| **Total liabilities** | **35,655** | **37,290** | **37,545** | **1,891** |

# 7. Appendix 4

## Balance sheet – Equity

| In millions of EUR | FY 2017 | 6M 2018 | FY 2018 | ▲FY-FY |
|---|---|---|---|---|
| **Core equity** | **1,897** | **1,934** | **2,009** | **112** |
| Paid-in share capital | 716 | 716 | 770 | 54 |
| Retained earnings | 1,042 | 1,172 | 1,109 | 67 |
| Profit of current period | 139 | 46 | 130 | -9 |
| **Gains and losses not recognised in the income statement** | **75** | **27** | **6** | **-69** |
| Reserve at fair-value-through-OCI | 87 | 37 | 14 | -73 |
| Reserve cash flow hedge | -11 | -9 | -8 | 3 |
| Revaluation pension plan | -1 | -1 | 0 | 1 |
| **Minority interests** | **0** | **0** | **0** | **0** |
| **Total equity** | **1,972** | **1,961** | **2,015** | **44** |

# 7. Appendix 5

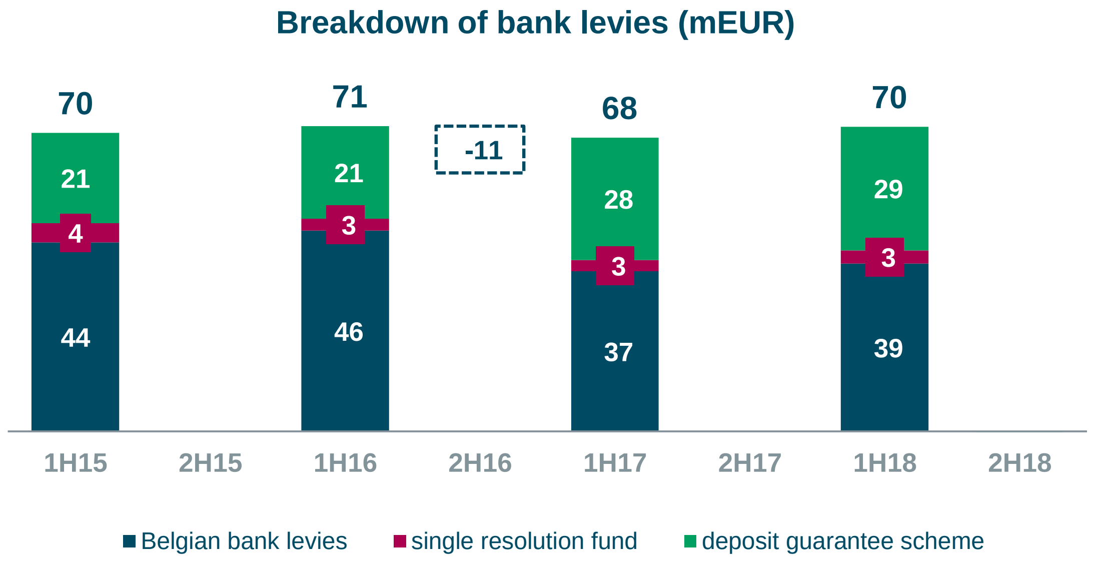
## Income statement

| In millions of EUR | 2H 2017 | 1H 2018 | 2H 2018 | ▲2H-2H |
|---|---|---|---|---|
| Net interest income | 241 | 265 | 266 | 25 |
| Net commissions and fees | -23 | -22 | -24 | -1 |
| Net gains and losses | 2 | 2 | 2 | 0 |
| Other net operating income | 24 | 30 | 25 | 0 |
| **Total income** | **244** | **275** | **268** | **25** |
| Operating expenses | -132 | -217 | -159 | -26 |
| **Operating profit** | **112** | **58** | **110** | **-2** |
| Impairments | 3 | 1 | 2 | -2 |
| o.w. at fair-value-through-OCI | 0 | 0 | 0 | 0 |
| o.w. at amortized-cost | 3 | 1 | 1 | -2 |
| o.w. other | 0 | 0 | 0 | 0 |
| Non-current assets held for sale | 1 | 0 | 0 | -1 |
| **Profit before tax** | **116** | **59** | **111** | **-4** |
| Income tax expense | -31 | -13 | -28 | 3 |
| **Net profit** | **85** | **46** | **84** | **-1** |

# 7. Appendix 6

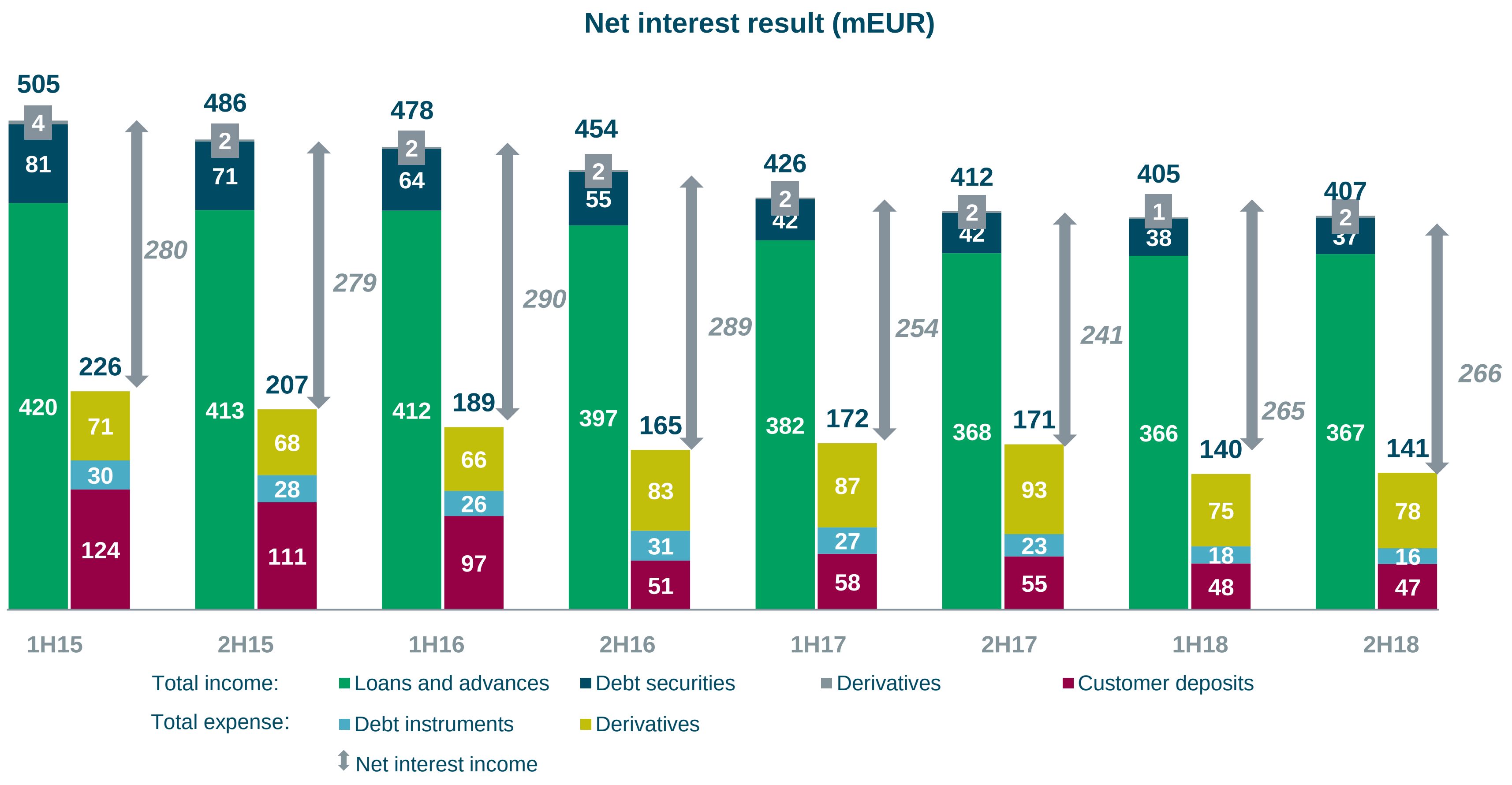
## Impact IFRIC 21 Bank Levies

- IFRIC 21 (Levies) was approved by the European Union in June 2014 and became effective on 1 January 2015. The main consequence of IFRIC 21 is that most bank levies have to be recognised in advance.
- Advance recognition adversely impacts the result for the first half year. The net result of the half year is adjusted for amortization of the bank levies.
- Reform of Belgian bank levies decreased the levy expense with 11 million EUR, to a total of 60 million EUR for FY 2016.



# 7. Appendix 7

## Net Interest Income composition



# 7. Appendix 8

## Regulatory Capital[1]

| | Fully loaded | |
|---|---|---|
| In millions of EUR | FY 2017 | FY 2018 |
| **Total equity (excl. minority interest)** | **1,972** | **2,015** |
| **Part of interim or year-end profit not eligible** | **0** | **-16** |
| **Prudential filters** | **-4** | **-7** |
| **Items to deduct** | **-42** | **-53** |
| Other intangible assets | -42 | -47 |
| Deferred tax assets | 0 | -6 |
| Transitional (OCI) | 0 | 0 |
| **Common equity Tier 1 (Basel I floor)** | **1,926** | |
| IRB shortfall of credit risk adjustments to expected losses | -15 | -4 |
| **Common equity Tier 1 (IRB)** | **1,911** | **1,935** |
| **Tier 2 instruments** | **497** | **498** |
| Tier 2 (BIII eligible) | 497 | 498 |
| Transitional (grandfathered T2) | 0 | 0 |
| **Total regulatory capital (IRB)** | **2,408** | **2,433** |

(1) Basel 1 floor is no longer reported as of 31st December 2018

# 7. Appendix 9

## Regulatory Risk Exposures[1]

| In millions of EUR | FY 2017 | FY 2018 |
|---|---|---|
| Central and regional governments | 117 | 117 |
| Public sector | 38 | 98 |
| Institutions and covered bonds | 679 | 576 |
| Corporates | 1,203 | 1,495 |
| Securitisations | 140 | 119 |
| Retail | 89 | 127 |
| Covered by mortgage | 3,749 | 4,528 |
| Operational risk | 1,016 | 1,029 |
| Other | 352 | 294 |
| **Risk weighted assets (IRB)** | **7,382** | **8,382** |

(1) Basel 1 floor is no longer reported as of 31st December 2018

# 7. Appendix 10

## Solvency ratios[1]

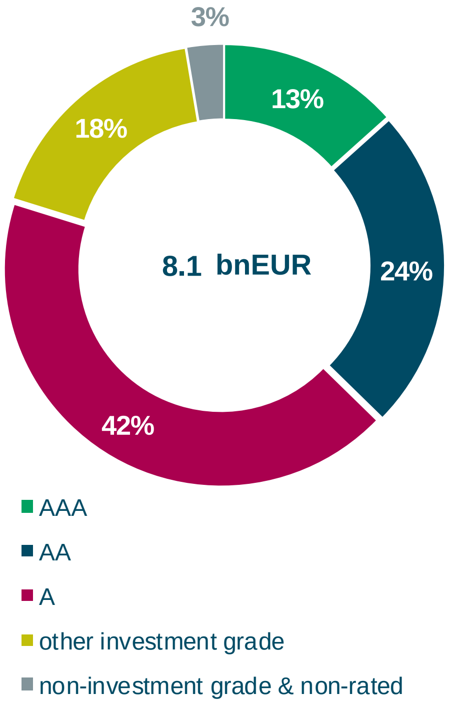
| In millions of EUR and % | Fully loaded FY 2017 | Fully loaded FY 2018 |
|---|---|---|
| Regulatory capital | 1,911 | 1,935 |
| Tier 2 instruments | 497 | 498 |
| Risk Weighted assets | 7,382 | 8,382 |
| **CET 1** | **25.9%** | **23.1%** |
| **TCR** | **32.6%** | **29.0%** |

(1) Basel 1 floor is no longer reported as of 31st December 2018

# 7. Appendix 11

## Investment Portfolio YE 2018

**Rating class of investments (%)**




| Investments per country | % |
|---|---|
| Belgium | 35.3% |
| Netherlands | 16.4% |
| France | 12.3% |
| Spain | 5.0% |
| Germany | 4.8% |
| Ireland | 4.6% |
| UK | 3.6% |
| Luxemburg | 3.4% |
| Sweden | 2.8% |
| Poland | 2.2% |
| Canada | 1.4% |
| Austria | 1.2% |
| Denmark | 1.2% |
| United States | 0.9% |
| Iceland | 0.8% |
| Other (3 ctp's) | 4.0% |

# 7. Glossary (1/2)

| | |
|---|---|
| ABS | Asset-backed security |
| AFS | Available for sale |
| Argenta Assuranties | Consolidation scope of the legal entities Argenta Assuranties (parent) and Argenta-Life Nederland (subsidiary). |
| Argenta Group | Consolidation scope of the legal entities Argenta Bank- en Verzekeringsgroep (parent) and Argenta Spaarbank, Argenta Asset Management, Argenta Assuranties, Argenta-Life Nederland (subsidiaries). |
| Argenta Spaarbank | Consolidation scope of the legal entities Argenta Spaarbank (parent) and Argenta Asset Management (subsidiary). |
| Assets under Custody or AuC | Client investment products held on custody accounts. |
| BIII | Basel 3 |
| Combined ratio | [technical insurance charges + acquisition costs + operating expenses] / [earned premiums] (after reinsurance) |
| Common Equity Tier 1 ratio or CET 1 | [common equity tier 1 capital] / [total weighted risks] |
| Cost of Risk or CoR | [net changes in specific and portfolio-based impairments for credit risks] / [average outstanding loan portfolio] |
| Cost/income or C/I | [operating expenses of the period] / [financial and operational result of the period]<br>Operating expenses include administration expenses, depreciation and provisions.<br>Financial and operational result includes net interest income, dividend income, net income from commissions and fees, realised gains and losses on financial assets and liabilities not measured at fair value in the income statement, gains and losses on financial assets and liabilities held for trading, gains and losses from hedge accounting, gains and losses on derecognition of assets other than held for sale and other net operating income.<br>The numerator is adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments relate to bank levies which are included pro rata and hence spread over all halves of the year instead of being recognised upfront (as required by IFRIC21). |
| Cost/income or C/I exl. Bank levies | [operating expenses of the period - bank levies of the period] / [financial and operational result of the period] |
| Coverage ratio | [total specific impairment provision for non-performing loans] / [total outstanding non-performing loans] |
| CRR | Capital Requirements Regulation |
| HTM | Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortised cost. |
| IFRIC | International Financial Reporting Interpretations Committee |

# 7. Glossary (2/2)

| | |
|---|---|
| Leverage Ratio or LR | [regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure |
| Liquidity Coverage Ratio or LCR | [stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days]. |
| Loan-to-deposit or LTD | [loans-and-receivables] / [customer deposits and customer debt certificates] |
| MREL | Minimum requirement for own funds and eligible liabilities |
| Net interest income or NII | [revenues generated by interest-bearing assets] - [cost of servicing (interest-burdened) liabilities] |
| Net interest margin or NIM | [net interest income of the period] / [average total assets of the period]<br>Total assets are used as a proxy for the total interest-bearing assets. |
| Net stable funding ratio or NSFR | [available amount of stable funding] / [required amount of stable funding] |
| NFCI | Net Fee and Commission Income |
| NHG | Nationale Hypotheek Garantie (National Mortgage Guarantee) is a guarantee scheme by the Dutch government on residential mortgages |
| Non-performing loans ratio or NPL ratio | [total outstanding non-performing loans] / [total outstanding loans] |
| O-SII | Other systemic important institutions |
| Return on equity or RoE | [net profit of the period] / [equity at the beginning of the period] |
| RMBS | Residential mortgage-backed security |
| SREP | Supervisory Review and Evaluation Process performed by the European Central Bank |
| Tier 2 | Tier 2 capital is the secondary component of bank capital, in addition to Tier 1 capital |
| Total Capital ratio or TCR | [common equity tier 1 capital + additional tier 1 instruments + tier 2 instruments] / [total weighted risks] |

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