



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:
 - Adjusted¹ 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 EUR² 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 share¹

	
Deposits	0,7%
Mortgage loans	2,5%



Market share¹

	
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.

2. Overview of Key Financial Data

FY 2018

Argenta Group¹

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 Spaarbank¹

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%

Argenta Assuranties³

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%

Credit Rating

Standard & Poor's

Short-term	A-2
Long-term	A-
Outlook	Positive

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

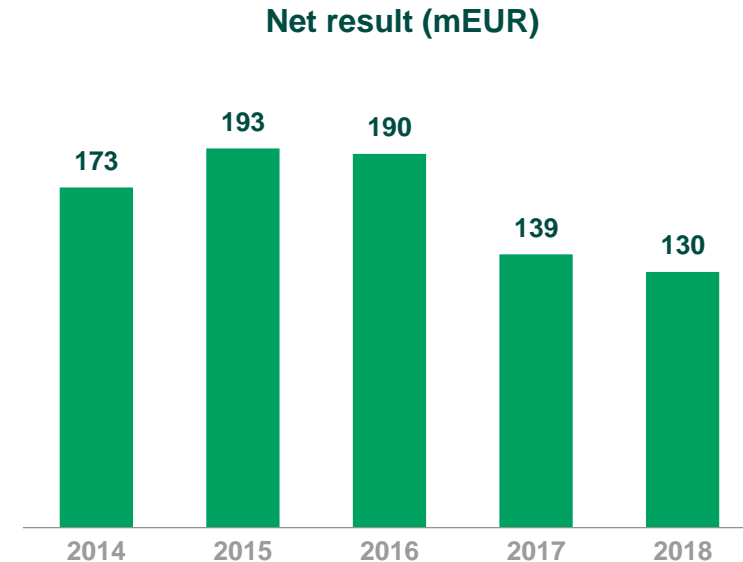
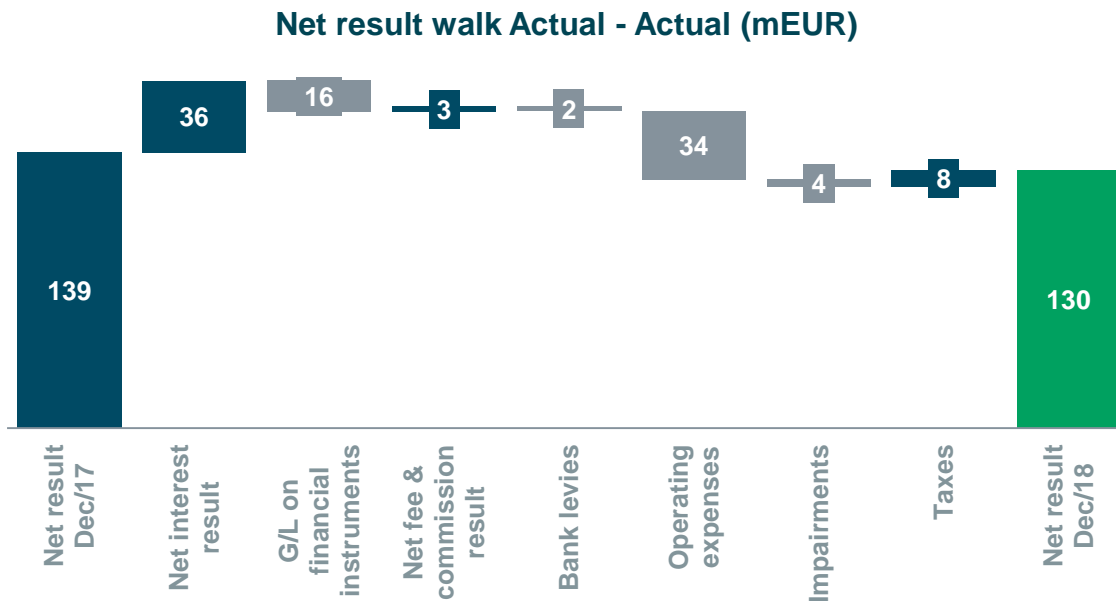
FY 2018

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%



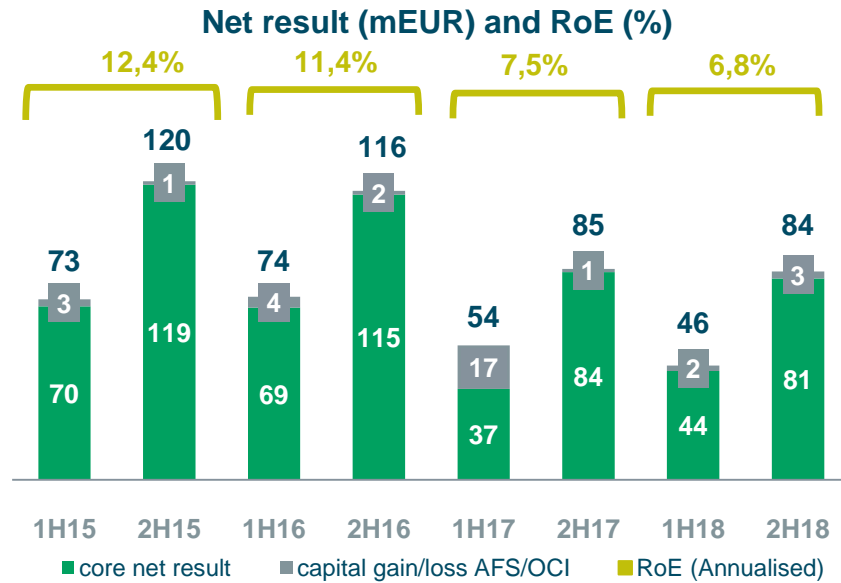
3. Financial performance

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

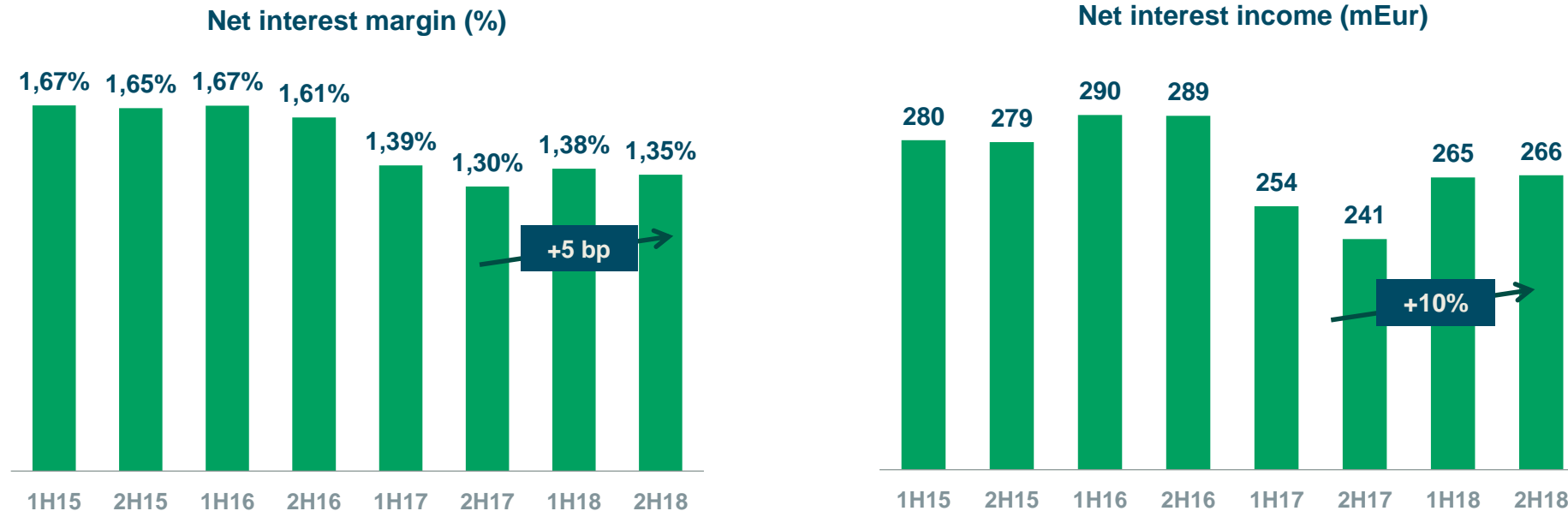


In millions of EUR	2H17	2H18	Δ
Net interest income	241	266	25
Fee income	45	48	3
Commissions to agents	-68	-72	-4
Net financial result	2	2	0
Other operating income	24	25	0
Total income	244	268	25
Operating expenses	-132	-159	-26
Impairments	4	2	-2
Profit before tax	116	111	-4
Income tax expense	-31	-28	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.
- Adjusted¹ net result of 59 million EUR, stable with 2H2017.
- FY result of 130 million EUR and 6,8% ROE.

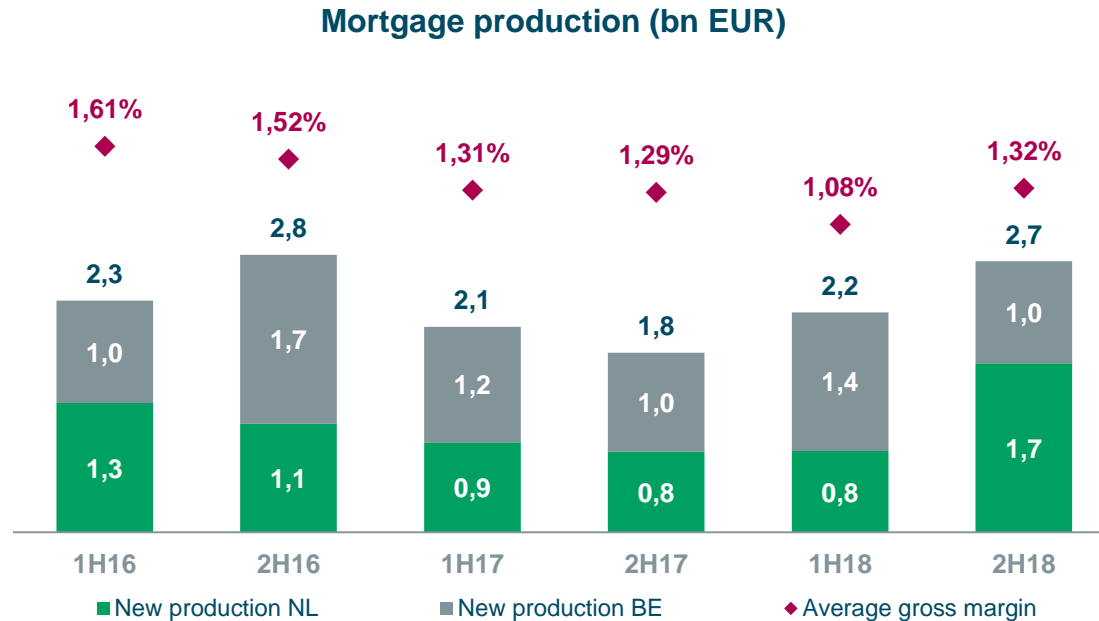
(1) Adjusted for IFRIC21 (which requires full year bank levies to be recognised on 1 January) – linear amortization of levies over FY2018

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



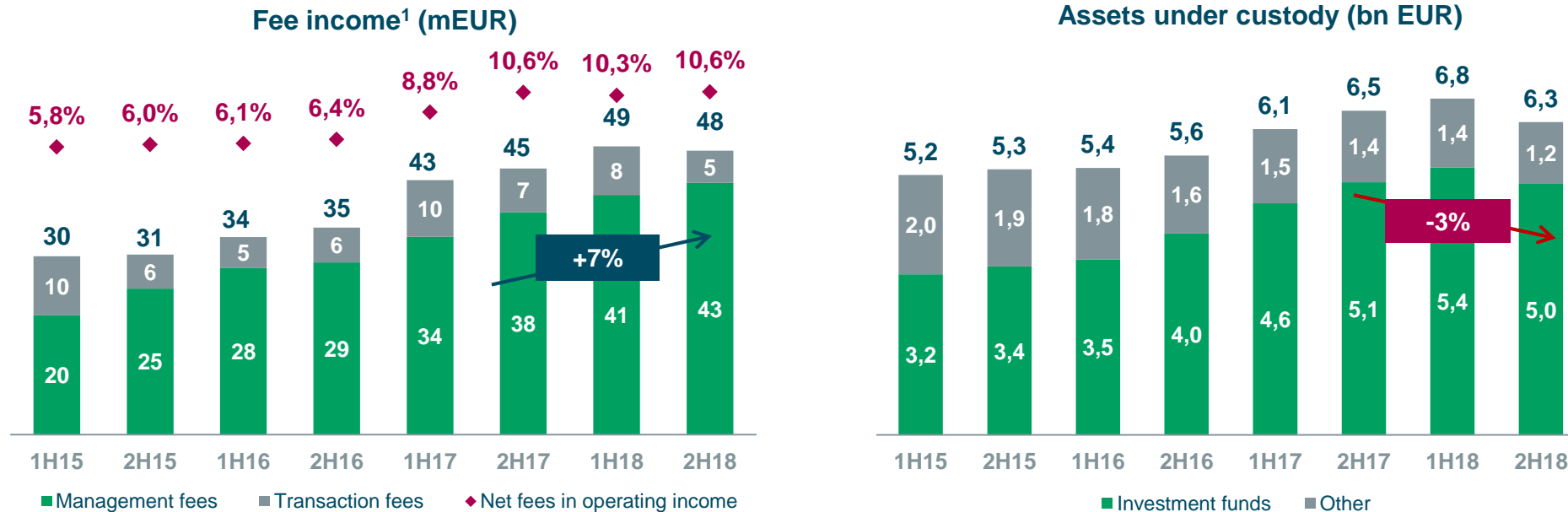
- Net interest income stabilized in 2H 2018 to 266 million EUR (but +10% yoy).
- Continued pressure on new loan margins on mortgages and lower reinvestment yields in the investment portfolio.
- Funding cost for Belgian retail funding is at the legal floor but diversification of funding sources to wholesale 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



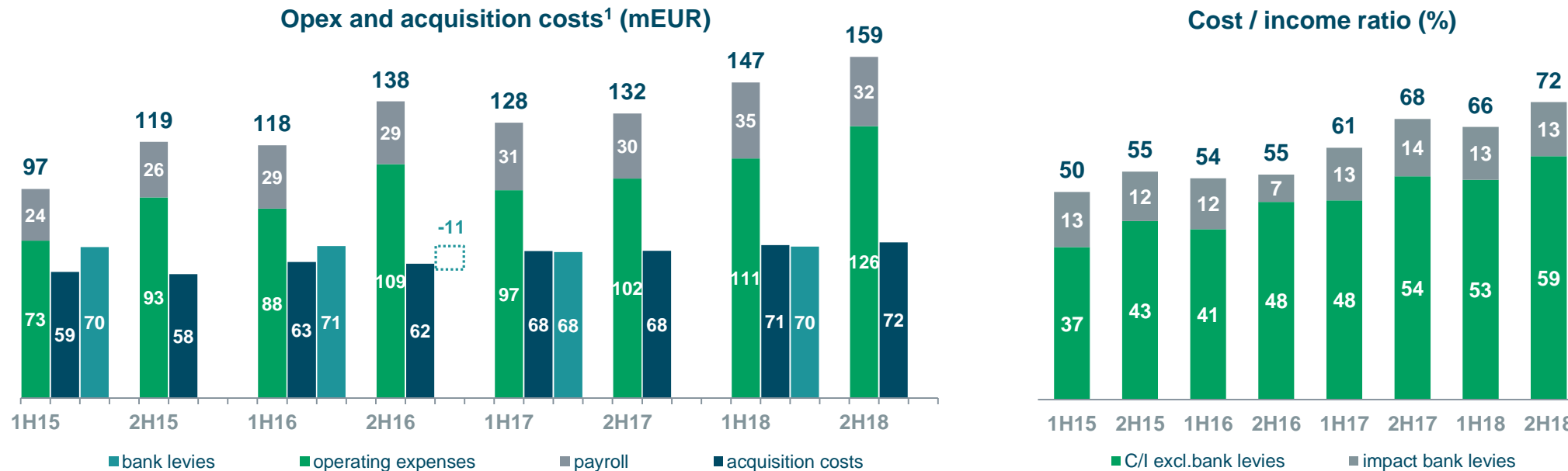
- 2.7 billion EUR¹ new loans granted in 2H 2018 to the Belgian and Dutch households
 - Up 3% yoy in Belgium
 - Up a notable 110% yoy in the Netherlands
- Significant increase of 22% in average gross margin to 1.32% versus 1H 2018 driven by higher client margins and volumes in the Netherlands in 2H 2018 and stable versus 2H 2017
- Retail mortgage loan production market share at 6.5% in Belgium and 2.5% in the Netherlands

3. Stable Revenue in Fund Management and increasing yoy



- 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.

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 costs¹ 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%.

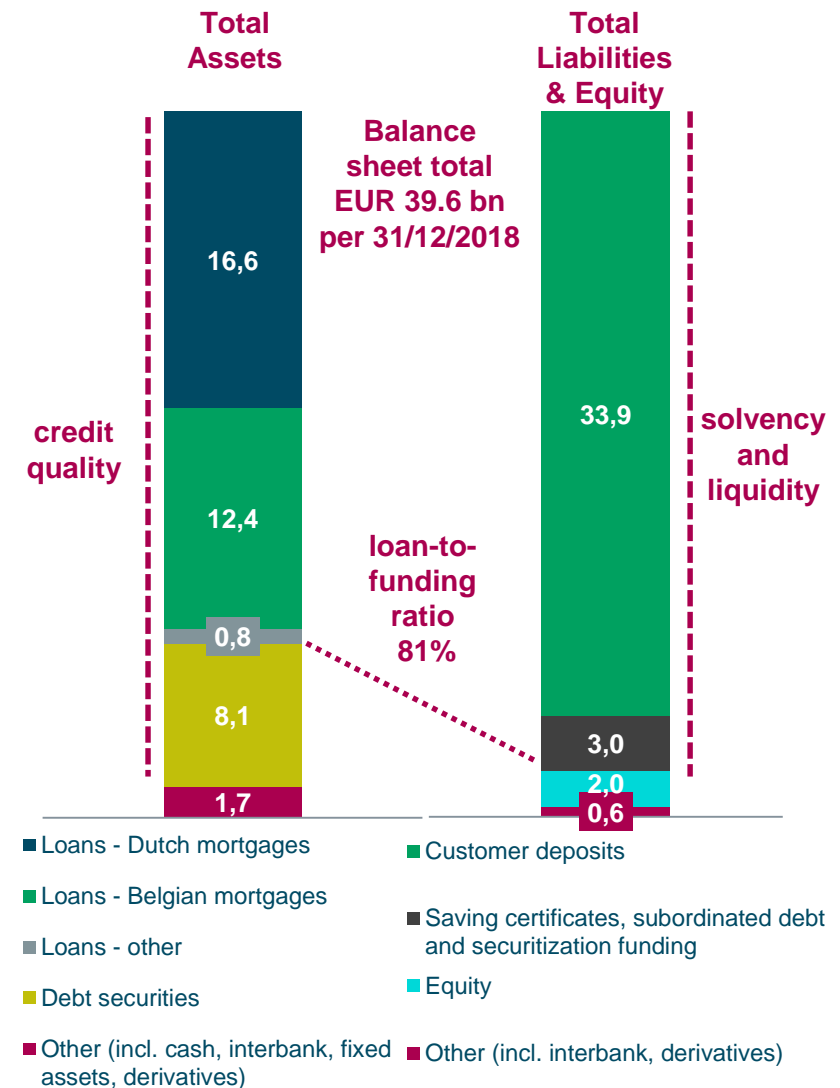
(1) Acquisition costs relate to commissions paid to the branch network for product distribution.



4. Asset quality

4. Balance Sheet Composition

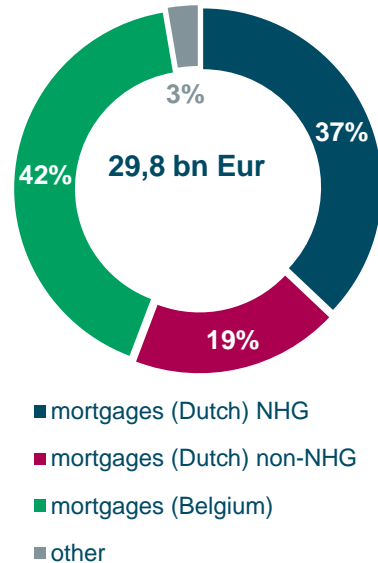
- Low-risk loan book consisting of prime retail mortgage loans in the Netherlands and Belgium.
- Well diversified and conservative investment portfolio with close to 97% investment grade.
- Strong retail funding profile with low loan-to-funding ratio of 81%.
- Diversification of funding sources with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



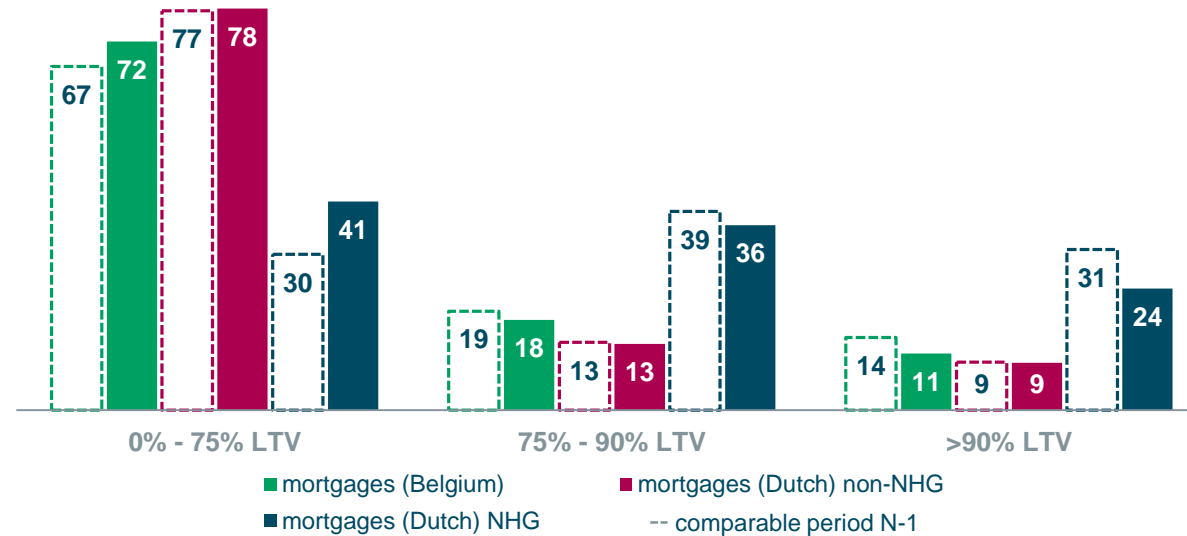
4. A high-quality loan book

YE 2018

Composition of loan book (%)



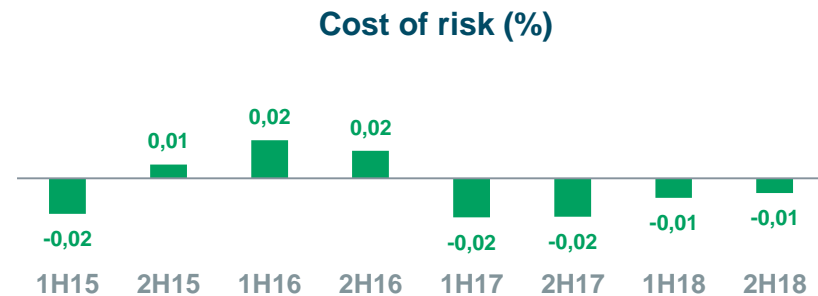
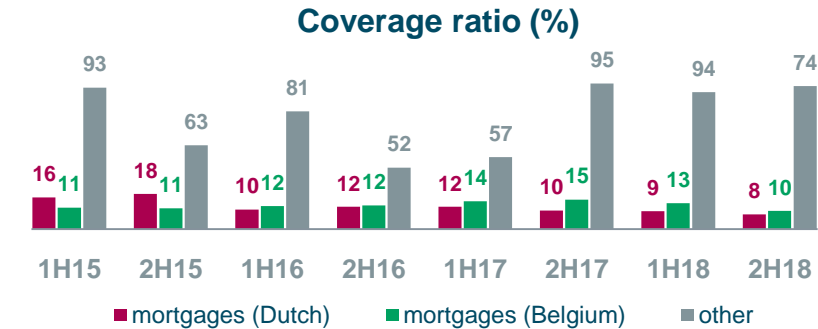
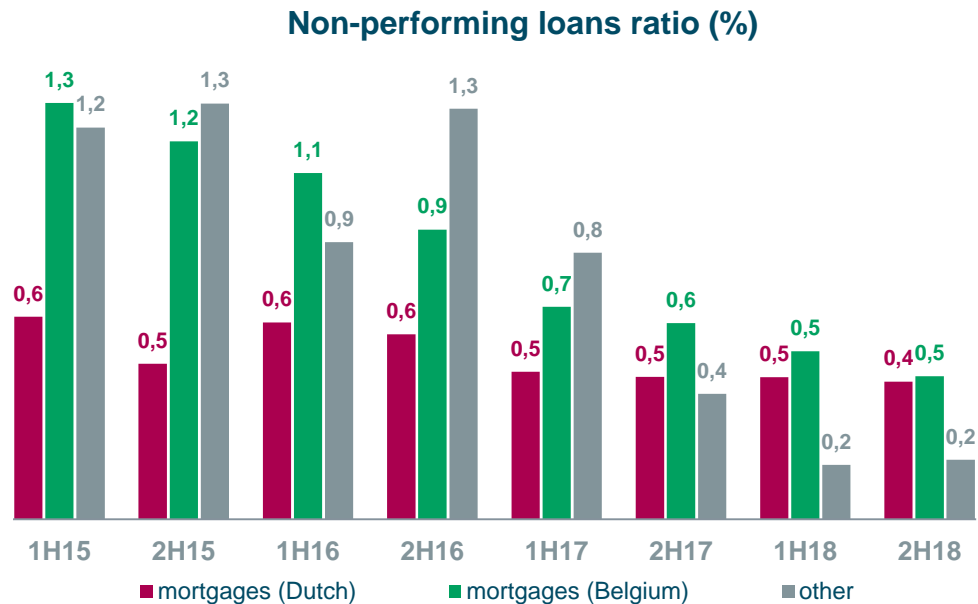
Indexed loan-to-value mortgage loan book (%)



- 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-NHG¹ mortgages increases (3% vs 1H 2018 and YoY) . NHG¹ 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

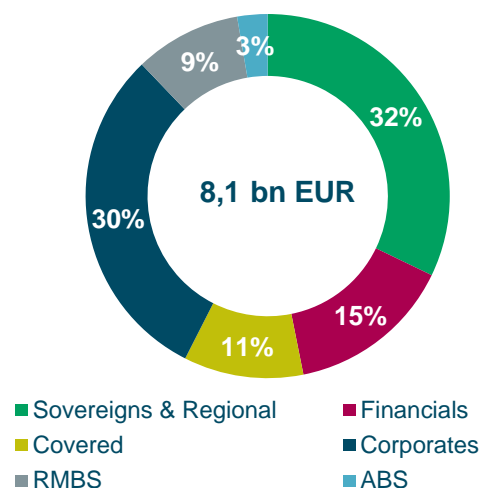


- Consistent low risk at historical low NPL levels confirms high-quality of mortgage loan. Less than 1% of the mortgage loan book is non-performing.
- Average coverage ratio of 9.7% given high quality of prime mortgage collateral.
- Cost of risk remains close to nil.

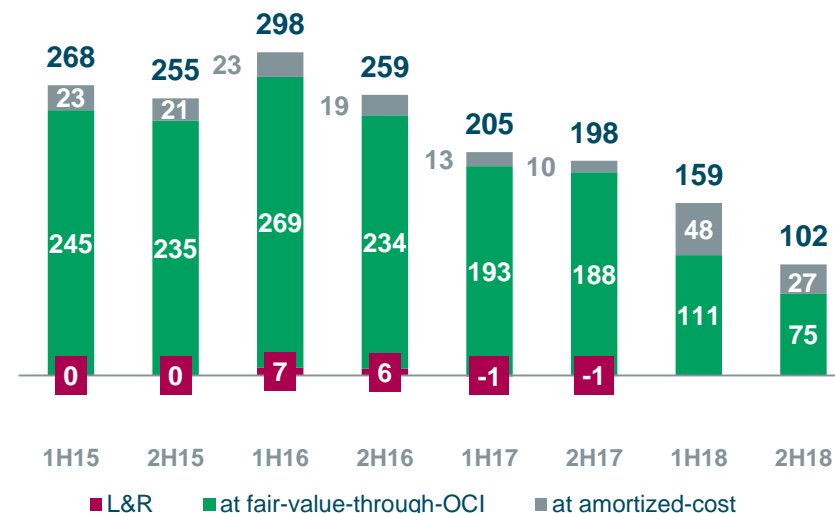
4. Diversified and liquid investment portfolio

YE 2018

Exposure-type of investments (%)



Unrealized gains (mEUR)

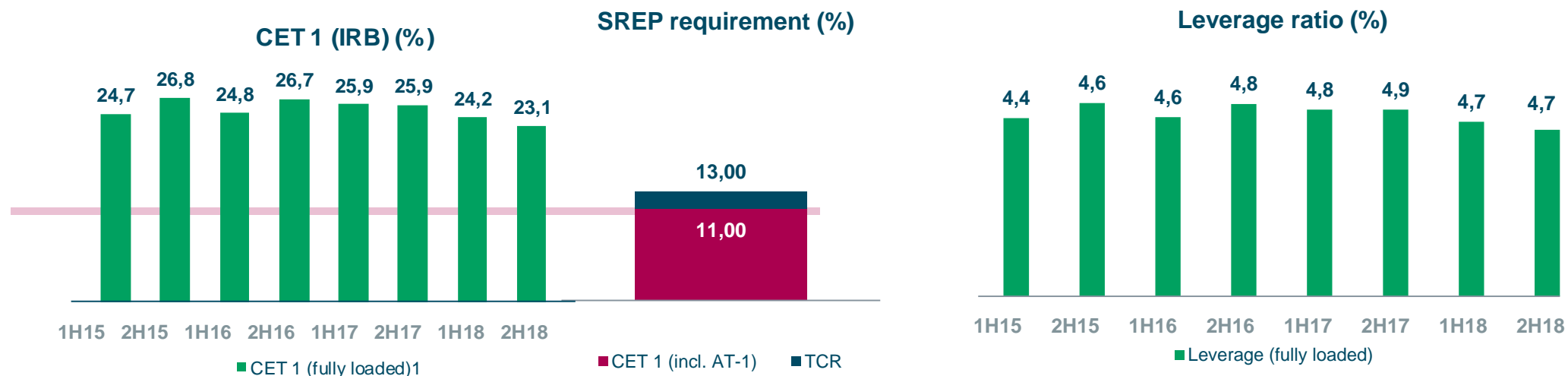


- Portfolio stable (down 0.1 bn EUR) with reinvestment of securitization proceeds in highly liquid assets to support the liquidity position and enable further mortgage loan growth.
- Conservative focus on sovereign and regional securities. Exposure to corporates and covered bonds up while financials 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

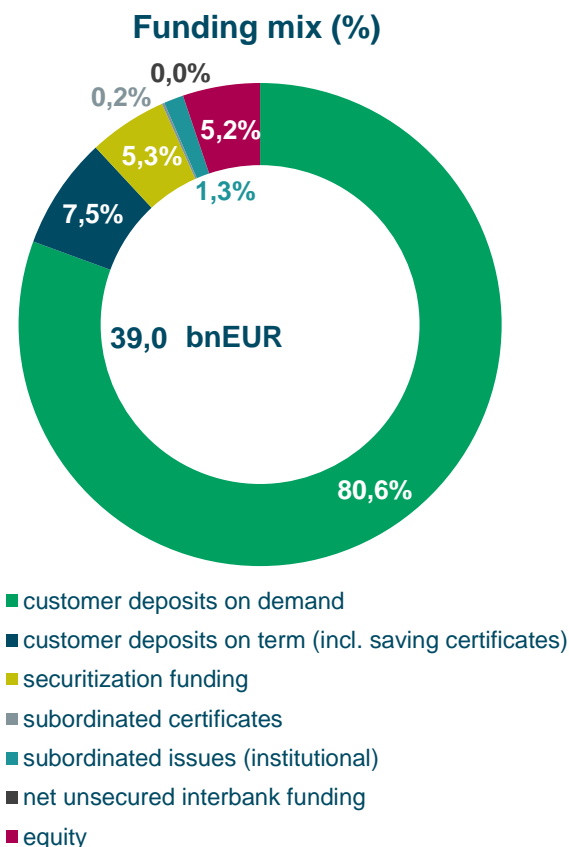


- CET 1 (IRB) ratio of 23.1% fully loaded, down by 2,8% YoY due to:
 - Shift from NHG to non-NHG mortgages with higher risk weight and higher market risk return with impact of -1,7% pt.
 - Shift in investments from financials to covered bonds and corporates with impact of -0,8% pt.
 - New NBB macro-prudential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



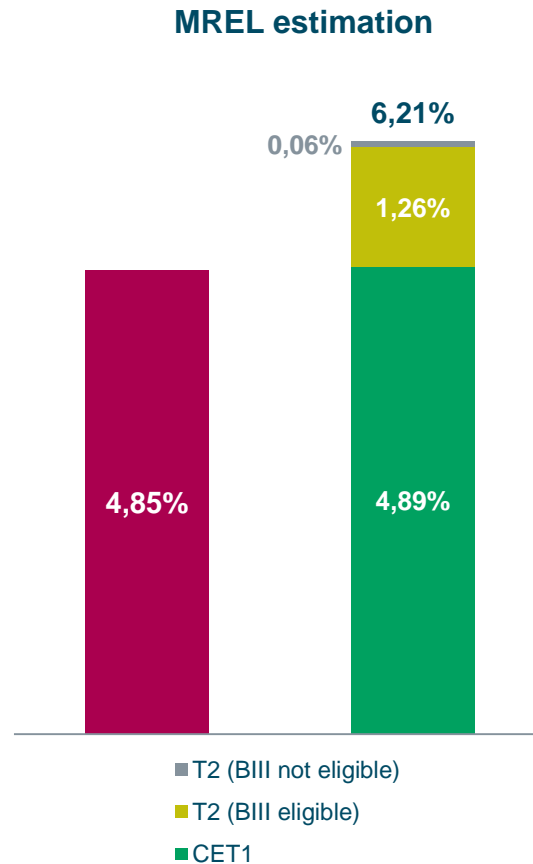
In %	1H15	2H15	1H16	2H16	1H17	2H17	1H18	2H18
Liquidity coverage ratio ¹	181	180	168	179	167	162	195	170
Net stable funding ratio ²	146	144	142	145	145	143	145	141

- 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

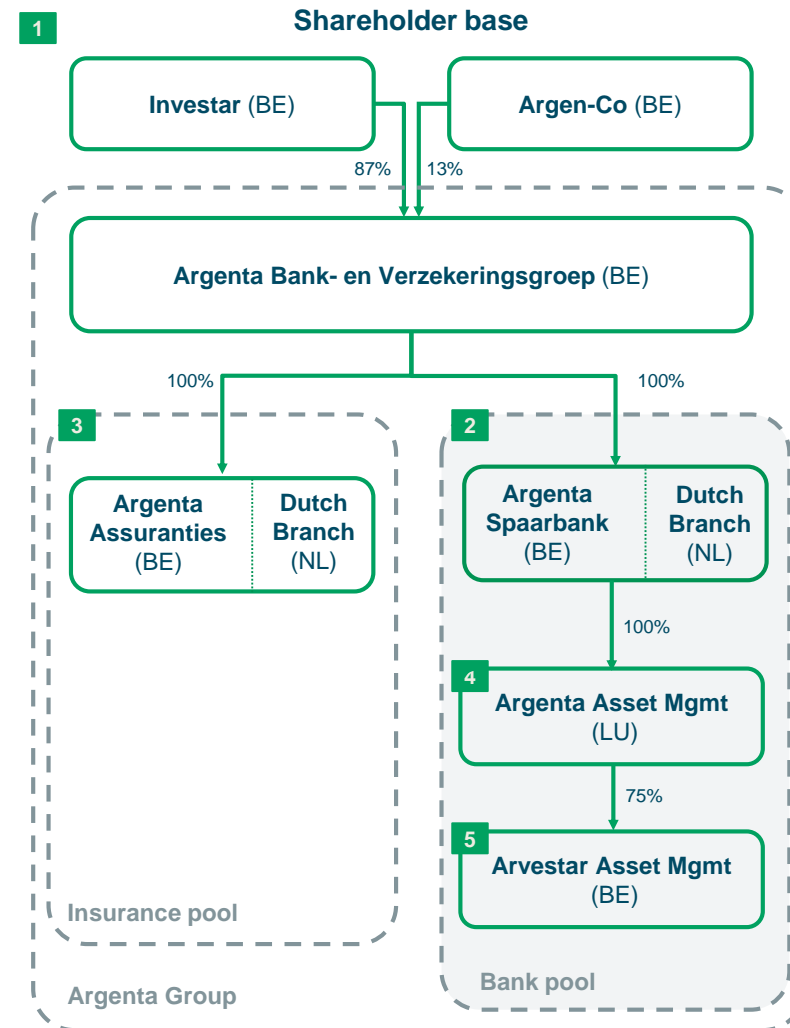
Glossary

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

<u>In millions of EUR</u>	<u>FY 2017</u>	<u>6M 2018</u>	<u>FY 2018</u>	<u>▲ FY-FY</u>
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

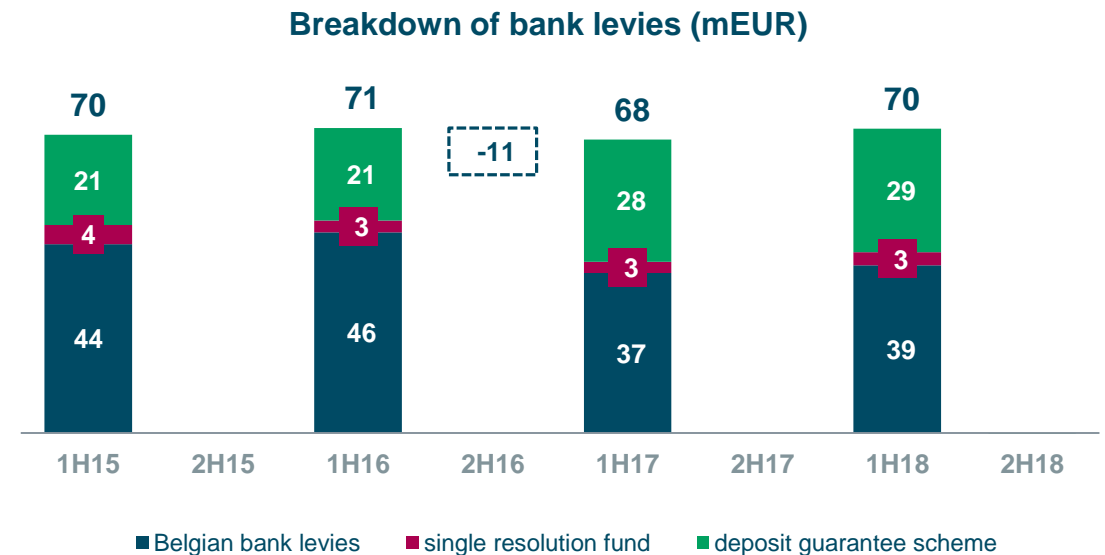
Income statement

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

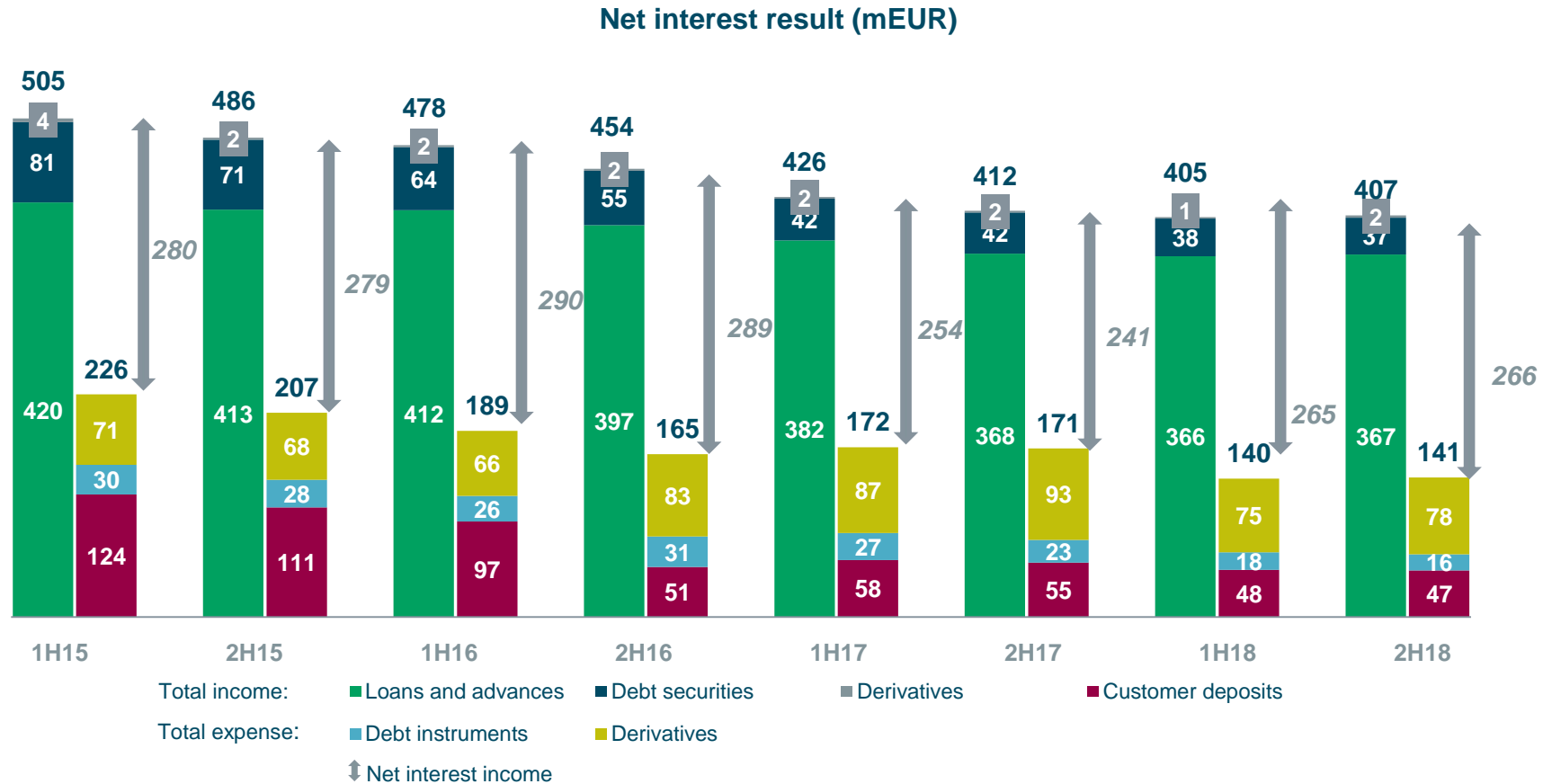
Impact IFRIC 21 Bank Levies

- 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 Capital¹

In millions of EUR	Fully loaded	
	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 Exposures¹

<u>In millions of EUR</u>	<u>FY 2017</u>	<u>FY 2018</u>
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 ratios¹

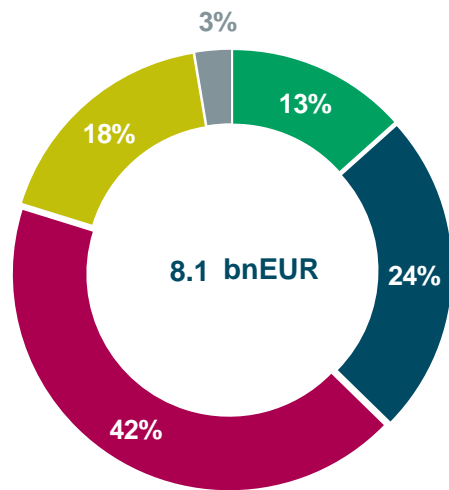
In millions of EUR and %	Fully loaded	
	FY 2017	FY 2018
Regulatory capital	1,911	1,935
Tier 2 instruments	497	498
Risk Weighted assets	7,382	8,382
CET 1	25.9%	23.1%
TCR	32.6%	29.0%

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

7. Appendix 11

Investment Portfolio YE 2018

Rating class of investments (%)



- AAA
- AA
- A
- other investment grade
- non-investment grade & non-rated

Investments per country %

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	$[\text{technical insurance charges} + \text{acquisition costs} + \text{operating expenses}] / [\text{earned premiums}]$ (after reinsurance)
Common Equity Tier 1 ratio or CET 1	$[\text{common equity tier 1 capital}] / [\text{total weighted risks}]$
Cost of Risk or CoR	$[\text{net changes in specific and portfolio-based impairments for credit risks}] / [\text{average outstanding loan portfolio}]$ $[\text{operating expenses of the period}] / [\text{financial and operational result of the period}]$ Operating expenses include administration expenses, depreciation and provisions. 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.
Cost/income or C/I	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 excl. Bank levies	$[\text{operating expenses of the period} - \text{bank levies of the period}] / [\text{financial and operational result of the period}]$
Coverage ratio	$[\text{total specific impairment provision for non-performing loans}] / [\text{total outstanding non-performing loans}]$
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	$\frac{[\text{regulatory available tier-1 capital}]}{[\text{total exposure measures}]}$. 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	$\frac{[\text{stock of high quality liquid assets}]}{[\text{total net cash outflow over the next 30 calendar days}]}$.
Loan-to-deposit or LTD	$\frac{[\text{loans-and-receivables}]}{[\text{customer deposits and customer debt certificates}]}$
MREL	Minimum requirement for own funds and eligible liabilities
Net interest income or NII	$[\text{revenues generated by interest-bearing assets}] - [\text{cost of servicing (interest-burdened) liabilities}]$
Net interest margin or NIM	$\frac{[\text{net interest income of the period}]}{[\text{average total assets of the period}]}$ Total assets are used as a proxy for the total interest-bearing assets.
Net stable funding ratio or NSFR	$\frac{[\text{available amount of stable funding}]}{[\text{required amount of stable funding}]}$
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	$\frac{[\text{total outstanding non-performing loans}]}{[\text{total outstanding loans}]}$
O-SII	Other systemic important institutions
Return on equity or RoE	$\frac{[\text{net profit of the period}]}{[\text{equity at the beginning of the period}]}$
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	$\frac{[\text{common equity tier 1 capital} + \text{additional tier 1 instruments} + \text{tier 2 instruments}]}{[\text{total weighted risks}]}$



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