Argenta Spaarbank

Interim Financial Statements 1H

2019

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Condensed consolidated interim financial information of Argenta Spaarbank for the first six months of the current financial year 2019, prepared in accordance with IAS34 as adopted by the European Union

Management certification of financial statements and half-year report

'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 the half-year 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 the half-year 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'.

(*) 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 of Argenta Spaarbank NV for the six-month period ended 30 June 2019.

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 2019, 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 21.

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 42 406 425 (000) EUR and the condensed consolidated income statement shows a consolidated profit for the period then ended of 21 279 (000) EUR.

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.

Zaventem, 28 August 2019

The statutory auditor

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DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises CVBA / SCRL
Represented by Bernard De Meulemeester

Report on the first six months

In a context of low interest rates and continuing investments for a more digital future, the Company presents a consolidated result (including minority interests) of EUR 21,279,447 for the first six months of 2019 (EUR 46,059,757 for the first six months of 2018).

Evolution of the balance sheet

The balance sheet total grew by 7.2% (EUR 2.85 billion) to EUR 42.41 billion.

Cash and cash equivalents increased between December 31 and June 30 by 47.2% (EUR 0.54 billion) due to inflow of the cash proceeds from a securitisation transaction concluded per 26 June 2019.

The mortgage loan portfolio increased by 3.1% (EUR 0.88 billion), reflecting strong mortgage production in Belgium and the Netherlands.

Investments in debt securities increased by 1.9% (EUR 0.15 billion).

Financial liabilities measured at amortized cost increased overall by 6.3% or EUR 2.34 billion. The main drivers for this increase are debt securities issued as part of the aforementioned securitisation transaction, the issuance of EMTN securities and the further growth of the demand and saving deposits.

Elements (drivers) of the result

The company's profit (EUR 21,279,447 with the application of IFRIC 21 (levies) and EUR 46,833,752 (without application of IFRIC 21)) has decreased as a result of continued low interest rates and increased administration expenses.

Interest income remains the main revenue driver, stemming from a growing mortgage and investment portfolio, but at declining yields and increasing hedging costs as short term rates remain negative and long term rates decline also into negative territory.

Funding cost (excluding derivatives) declined further as maturing saving and subordinated certificates are replaced by issuances of RMBS and deposits at lower funding cost. The increase in interest expenses on derivatives is mainly the result of the negative evolution of interest rates.

Non-interest revenue increased further as a result of increased asset management and distribution commissions from investment fund products.

Administration expenses increased further with the investments in digital projects, the evolution of staff and additional expenditures to comply with various regulatory requirements.

Net impairments amounted to EUR 0.4 million in the first half of 2019. These reflect, among other things, the growing mortgage and debt securities portfolios and adverse development of the forward-looking economic indicators.

Solid capital and robust liquidity position

The Common Equity Tier 1 ratio (IRB approach and phased in) amounted to 22.3%.
Liquidity continues strong with an LCR ratio of 170% and a stable NSFR of 138%.
The Company comfortably meets all regulatory solvency and liquidity requirements.

Condensed consolidated financial statements according to IFRS

Condensed consolidated statement of financial position (in EUR)

Assets	Note	31/12/2018	30/06/2019
Cash, cash balances at central banks and other demand deposits	6	1,140,140,077	1,677,926,559
Financial assets held for trading		10,028,698	3,060,437
Non-trading financial assets mandatorily at fair value through profit or loss	7	64,562,150	68,505,815
Financial assets at fair value through other comprehensive income	8	3,810,957,321	4,003,996,064
Financial assets at amortised cost	9	33,988,347,808	35,591,621,094
Derivatives used for hedge accounting		73,711,127	5,582,389
Fair value changes of the hedged items in a portfolio hedge of interest rate risk		193,568,240	623,926,811
Investments in subsidiaries, joint ventures and associates		0	0
Tangible assets		15,004,974	24,034,518
- Property, plant and equipment		14,452,502	23,489,880
- Investment property		552,472	544,638
Goodwill and other intangible assets		63,130,436	59,706,578
- Goodwill		0	0
- Other intangible assets		63,130,436	59,706,578
Tax assets		19,092,647	50,832,885
- Current tax assets		694,713	22,236,539
- Deferred tax assets		18,397,934	28,596,345
Other assets	12	182,105,043	297,231,593
Non-current assets and disposal groups classified as held for sale		0	0
Total assets		**39,560,648,522**	**42,406,424,743**

Liabilities and equity	Note	31/12/2018	30/06/2019
Deposits from central banks		0	0
Financial liabilities held for trading		4,073,472	1,165,651
Financial liabilities measured at amortised cost	10	36,960,422,533	39,301,917,148
- Deposits from credit institutions		4,930,530	1,803,133
- Deposits from other than credit institutions		33,916,930,075	35,231,627,545
- Debt securities issued, including retail saving certificates		2,463,167,692	3,517,669,661
- Subordinated liabilities		575,394,236	550,816,809
- Other financial liabilities		0	0
Derivatives used for hedge accounting		350,669,050	741,868,955
Fair value changes of the hedged items in a portfolio hedge of interest rate risk		0	0
Provisions		6,067,641	6,364,474
Tax liabilities		12,434,938	11,514,564
- Current tax liabilities		4,466,426	3,717,670
- Deferred tax liabilities		7,968,512	7,796,894
Other liabilities	12	211,717,320	296,383,246
Total liabilities		**37,545,384,955**	**40,359,214,039**
Equity attributable to owners of the parent	13	2,015,156,419	2,047,079,780
Equity attributable to minority interest	13	107,148	130,924
Total equity		**2,015,263,567**	**2,047,210,704**
Total liabilities and equity		**39,560,648,522**	**42,406,424,743**

Condensed consolidated interim statement of profit or loss (in EUR)

	Note	30/06/2018	30/06/2019
Total operating income		**274,728,388**	**261,920,411**
Net interest income	14	264,749,856	258,859,978
- Interest income		405,056,580	410,044,031
- Interest expenses		-140,306,724	-151,184,053
Dividend income		135,587	0
Net fee and commission income		-22,358,318	-21,153,082
- Fee and commission income	15	61,531,024	62,593,934
- Fee and commission expenses		-83,889,342	-83,747,016
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	16	2,231,236	4,954,260
- Financial assets at fair value through other comprehensive income		999,512	4,156,131
- Financial assets and liabilities at amortised cost		1,231,723	798,129
Gains or losses on financial assets and liabilities held for trading		-936,905	-4,060,439
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		-193,447	772,660
Gains or losses from hedge accounting		1,318,117	-3,611,790
Gains or losses on derecognition of non-financial assets		174,102	16,489
Net other operating income		29,608,161	26,142,335
- Other operating income		36,964,510	31,949,641
- Other operating expenses		-7,356,349	-5,807,306
Administrative expenses	**17**	**-206,122,431**	**-218,927,200**
- Staff expenses		-35,281,814	-37,836,352
- Other administrative expenses		-170,840,616	-181,090,849
Depreciation		**-10,923,234**	**-15,990,296**
- Property, plant and equipment		-2,389,323	-3,860,808
- Investment properties		-11,067	-7,834
- Other intangible assets		-8,522,844	-12,121,654
Provisions or reversal of provisions		**58,797**	**-296,833**
Impairments or reversal of impairments	**18**	**1,312,644**	**-402,205**
- Financial assets at amortised cost		1,485,426	-352,809
- Financial assets (debt securities) at fair value through other comprehensive income		-172,782	-49,396
- Goodwill		0	0
Profit or loss before tax		**59,054,164**	**26,303,876**
Tax expense	19	-12,994,407	-5,024,429
Profit or loss after tax		**46,059,757**	**21,279,447**
Profit or loss attributable to owners of the parent		46,044,098	21,225,671
Profit or loss attributable to minority interests		15,659	53,776

Condensed consolidated interim statement of comprehensive income (in EUR)

Overview of the comprehensive income	Note	30/06/2018	30/06/2019
Profit or loss after tax		**46,059,757**	**21,279,447**
Profit or loss attributable to owners of the parent		46,044,098	21,225,671
Profit or loss attributable to minority interests		15,659	53,776
OCI - items that will not be reclassified to profit or loss		**107,474**	**-1,236,425**
Equity instruments at fair value through other comprehensive income		107,474	-1,236,425
- Valuation gains or losses taken to equity		143,298	-1,648,567
- Deferred taxes		-35,824	412,142
Actuarial gains or losses on defined benefit pension plans		0	0
OCI - items that may be reclassified to profit or loss		**-10,831,474**	**25,824,386**
Debt securities at fair value through other comprehensive income	7	-12,489,524	24,150,432
- Valuation gains or losses taken to equity		-15,716,755	36,328,690
- Transferred to profit or loss		-999,512	-4,156,131
- Deferred taxes		4,226,743	-8,022,127
Net change in hedging reserve of cash flow hedge		1,658,050	1,673,954
- Valuation gains or losses taken to equity	11	2,210,733	2,105,603
- Deferred taxes		-552,683	-431,649
Total other comprehensive income		**-10,724,000**	**24,587,961**
Total comprehensive income		**35,335,757**	**45,867,409**
Attributable to owners of the parent		35,320,098	45,813,633
Attributable to minority interests		15,659	53,776

The movements of the components of other comprehensive income (OCI) are split into two categories, namely ‘Items that will not be recycled through profit or loss’ and ‘Items that may be recycled through profit or loss’.

For a holistic analysis of the impact of this change in accounting policy, we refer to notes 2 and 3 of the disclosures to the financial statements.

‘Items that will not be reclassified through profit or loss’ include the movement of the revaluation reserve of equity instruments at fair value through other comprehensive income (FVOCI) and the net actuarial result on defined benefit pension plans.

‘Items that may be reclassified to profit or loss’ include the movement of the revaluation reserve for debt securities at FVOCI and the hedging reserve for effective cash flow hedges (CFH). These movements can be split into unrealised gains or losses arising during the period and reclassified realised gains or losses included in profit or loss. The breakdown of these elements is disclosed in the statement of changes in equity on the next page.

Other comprehensive income is negative (EUR -10.7 million) in the first six months of FY18 and positive (EUR 24.6 million) in the first half of 2019. This evolution is mainly explained by the movement in fair value of debt securities measured at FVOCI which was negative in 2018 and positive in 2019 due to the movement in market interest rates.

Consolidated interim statement of changes in equity (in EUR)

	Paid up capital	Share premium	Fair value changes of securities at FVOCI	Fair value changes of equity instruments at OCI	Cash flow hedge reserves	Actuarial gains or losses on defined benefit pension plans	Retained earnings	Profit or loss attributable to owners of the parent	Equity attributable to owners of the parent	Minority interests	Total Equity
Equity position 01/01/2018	**715,947,400**	**0**	**48,805,489**	**968,315**	**-10,941,067**	**-1,291,058**	**1,032,671,646**	**138,986,275**	**1,925,147,000**	**43,643**	**1,925,190,643**
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Profit or loss of the year	0	0	0	0	0	0	0	46,044,098	46,044,098	15,659	46,059,757
Dividends	0	0	0	0	0	0	0	0	0	0	0
Fair value gains or losses taken to equity	0	0	-15,716,755	143,298	2,210,733	0	0	0	-13,362,724	0	-13,362,724
Fair value gains or losses transferred to profit or loss	0	0	-999,512	0	0	0	0	0	-999,512	0	-999,512
Fair value gains or losses transferred to retained earnings	0	0	0	0	0	0	0	0	0	0	0
Deferred taxes on fair value gains or losses	0	0	4,226,743	-35,824	-552,683	0	0	0	3,638,236	0	3,638,236
Other changes	0	0	0	0	0	0	-10	0	-10	-15,716	-15,726
Transfer to retained earnings	0	0	0	0	0	0	138,986,283	-138,986,274	9	0	9
Equity position 30/06/2018	**715,947,400**	**0**	**36,315,965**	**1,075,789**	**-9,283,017**	**-1,291,058**	**1,171,657,919**	**46,044,099**	**1,960,467,097**	**43,586**	**1,960,510,682**
Equity position 01/01/2019	**770,019,400**	**0**	**12,959,803**	**1,236,425**	**-8,150,506**	**21,076**	**1,109,137,174**	**129,933,047**	**2,015,156,419**	**107,148**	**2,015,263,566**
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Profit or loss of the year	0	0	0	0	0	0	0	21,225,671	21,225,671	53,776	21,279,447
Dividends	0	0	0	0	0	0	-16,052,625	0	-16,052,625	-30,000	-16,082,625
Fair value gains or losses taken to equity	0	0	36,328,690	513,788	2,105,603	0	0	0	38,948,081	0	38,948,081
Fair value gains or losses transferred to profit or loss	0	0	-4,156,131	0	0	0	0	0	-4,156,131	0	-4,156,131
Fair value gains or losses transferred to retained earnings	0	0	0	-2,162,355	0	0	2,162,355	0	0	0	0
Deferred taxes on fair value gains or losses	0	0	-8,022,127	412,142	-431,649	0	0	0	-8,041,634	0	-8,041,634
Other changes	0	0	0	0	0	0	0	0	0	0	0
Transfer to retained earnings	0	0	0	0	0	0	129,933,047	-129,933,047	0	0	0
Equity position 30/06/2019	**770,019,400**	**0**	**37,110,235**	**0**	**-6,476,552**	**21,076**	**1,225,179,951**	**21,225,671**	**2,047,079,781**	**130,924**	**2,047,210,704**

Condensed consolidated interim cash flow statement (in EUR)

	30/06/2018	30/06/2019
Cash and cash equivalents at the start of the period	**1,091,282,221**	**1,173,627,145**
Operating activities		
Profit or loss of the year	46,059,757	21,279,447
Current and deferred tax expenses	12,994,407	5,024,429
Depreciation	10,923,234	15,990,296
Provisions or reversal of provisions	-58,797	296,833
Gains and losses on derecognition of non-financial assets	-174,102	-16,489
Impairments or reversal of impairments	-1,312,644	402,205
Changes assets and liabilities concerning hedge accounting	-55,360,083	30,644,026
Other adjustments (including interest expenses financing activities)	8,952,887	12,935,779
Cash flows from operating profits before changes in operating assets and liabilities	**22,024,659**	**86,556,526**
Changes in operating assets (except cash and cash equivalents)		
Changes in financial assets held for trading	-2,065,298	6,968,261
Changes in financial assets at amortised cost	-866,799,891	-1,053,798,885
Changes in financial assets at fair value through other comprehensive income	-16,922,601	-166,018,000
Changes in financial assets at fair value through profit or loss	41,691,684	-3,943,665
Changes in other assets	-29,961,350	-135,870,987
Changes in operating liabilities (except cash and cash equivalents)		
Changes in deposits from central banks	0	0
Changes in deposits from credit institutions	-21,438,330	-3,127,397
Changes in deposits from other than credit institutions	989,567,521	1,314,697,470
Changes in debt certificates issued, including retail saving certificates	-203,563,934	-138,262,744
Changes in financial liabilities held for trading	3,002,203	-2,907,821
Changes in financial liabilities designated at fair value with valuation changes through profit and loss	0	0
Changes in other liabilities	21,306,363	84,494,308
Changes in working capital, net	**-85,183,631**	**-97,769,460**
Cash flow from operational activities	22,024,659	86,556,526
(Paid) refunded income taxes	-11,799,307	-27,315,011
Net cash flow from operating activities	**-74,958,279**	**-38,527,946**
Investing activities		
Cash payments to acquire property, plant and equipment	-4,864,780	-3,795,879
Cash proceeds from disposal of property, plant and equipment	851,503	409,178
Cash payments to acquire intangible assets	-9,643,726	-8,697,796
Cash proceeds from disposal of intangible assets	187	0
Changes concerning consolidated companies	0	0
Net cash flow from investing activities	**-13,656,816**	**-12,084,497**

Financing activities		
Paid dividends	0	-16,052,625
Cash proceeds from the issue of subordinated liabilities	0	0
Cash payments from subordinated liabilities	-25,100,047	-24,577,427
Cash proceeds from the issuing of debt securities	1,134,100,000	831,063,750
Cash repayments of debt securities	-205,285,205	-138,154,037
Cash proceeds from issuing EMTN	0	499,855,000
Interest paid	-10,305,213	-13,906,521
Cash proceeds from a capital increase	0	0
Net cash flow from financing activities	**893,409,535**	**1,138,228,140**
Cash and cash equivalents at the end of the period	**1,896,076,661**	**2,261,242,842**
Components of cash and cash equivalents		
Cash in hand	57,825,670	50,088,139
Cash balances at agents	10,261,475	9,946,750
Cash balances with central banks	0	48,523,118
Central bank reserves	1,742,265,139	1,459,114,243
Cash balances with other financial institutions	63,546,377	110,254,310
Other advances	22,178,000	583,316,283
Total cash and cash equivalents at the end of the period	**1,896,076,661**	**2,261,242,842**
Cash flow from operating activities		
Received interest income	405,257,142	410,044,031
Dividends received	135,587	0
Paid interest expenses	-140,306,724	-151,184,053
Cash flow from financing activities		
Paid interest expenses	-10,305,213	-13,906,521

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 authorised 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 6).

The amount of ‘other advances’ can be found under the balance sheet item ‘financial assets at amortised cost - loans 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 2018)

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 2018.

Note 2: Summary of significant accounting policies (Note 2 in the annual statements of 2018)

A summary of the main accounting policies is provided in the annual financial statements as of 31 December 2018. This is the first public reporting of the Group's financial statements where IFRS 16 has been applied.

Note 3: Changes in significant accounting policies

There was a list of standards and interpretations published but not yet effective for the annual financial statements in the annual financial statements as of 31 December 2018.

IFRS 16 (leasing) is applicable as of 1/1/2019 and there is limited impact on the financial reporting on the initial application. The impact as of 30 June 2019 concerns an increase in the tangible assets of EUR 9 million.

The subleases are classified as financial assets at amortised cost and amounted to EUR 24.4 million. Liabilities have increased by the same amount.

Notes on segment reporting (in EUR)

Note 4: Segment reporting according to the management structure of the group (Note 10 in the annual statements of 2018)

The operational segmentation is based on geographical areas where the Company is active. The Company delivers services under the heading of 'retail banking' which until further notice is treated in internal reporting as a single operational segment. Retail banking provides 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	Belgium	The Netherlands and Luxembourg	31/12/2018
Total assets	22,681,795,831	16,878,852,691	39,560,648,522
Total liabilities	32,943,910,587	4,601,474,368	37,545,384,955

Consolidated balance sheet	Belgium	The Netherlands and Luxembourg	30/06/2019
Total assets	25,091,882,965	17,314,541,778	42,406,424,743
Total liabilities	35,272,744,391	5,086,469,648	40,359,214,039

Consolidated income statement	Belgium	The Netherlands and Luxembourg	30/06/2018
Net financial and operational income and expenses	140,144,425	134,583,963	274,728,388
Non-operational items			-215,674,224
Tax expense			-12,994,407
Profit or loss after tax			**46,059,757**

Consolidated income statement	Belgium	The Netherlands and Luxembourg	30/06/2019
Net financial and operational income and expenses	136,085,142	125,835,268	261,920,410
Non-operational items			-235,616,534
Tax expense			-5,024,429
Profit or loss after tax			**21,279,447**

The non-operational items (in the consolidated income statement) consist of the administrative expenses, depreciation, provisions and impairments.

Notes on related party transactions

(in EUR)

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

Note 5: Related party transactions (Note 9 in the annual statements of 2018)

Balance sheet	31/12/2018		30/06/2019	
	Parent company	Other related parties	Parent company	Other related parties
Term loans	0	63,825	3,499,300	36,632
Mortgage loans	670,182	1,034,799	0	741,199
Other assets	0	3,908,435	667,088	10,236,968
Total assets	**670,182**	**5,007,059**	**4,166,388**	**11,014,799**
Financial liabilities measured at amortised cost	77,291,032	405,464,735	82,203,356	412,122,064
Other liabilities	1,017,192	34,743,869	827,361	32,493,416
Total liabilities	**78,308,224**	**440,208,604**	**83,030,717**	**444,615,480**

Income statement	30/06/2018		30/06/2019	
	Parent company	Other related parties	Parent company	Other related parties
Interest expenses	22,059	409,481	11,578	3,919
Fees and commission expenses	0	5,821,164	0	5,634,858
Other expenses	6,210,080	0	6,050,814	0
Total expenses	**6,232,139**	**6,230,645**	**6,062,392**	**5,638,777**
Interest income	4,673	121,159	0	365,675
Other income	222,462	16,515,834	228,538	28,951,618
Total income	**227,135**	**16,636,993**	**228,538**	**29,317,293**

Notes to the condensed consolidated statement of financial position (in EUR)

Note 6: Cash and cash equivalents (Note 11 in the annual statements of 2018)

	31/12/2018	30/06/2019
Cash	70,224,406	60,034,889
Cash balances with central banks	965,710,220	1,507,637,361
Cash balances with other financial institutions	104,205,452	110,254,310
Total	**1,140,140,077**	**1,677,926,559**

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

The larger cash balance outstanding per 30 June 2019 is due to the proceeds of the securitisation transaction completed per 26 June 2019.

Note 7: Assets not held for trading, mandatorily measured at fair value through profit or loss (Note 13 in the annual statements of 2018)

With the introduction of the IFRS 9 standard, an additional test, the SPPI (Solely Payments of Principal and Interest) was introduced. For determining the classification and for measurement of debt securities, this SPPI test is performed to determine whether only ordinary interest and capital repayments are made on a financial instrument. Where this is not the case, the instrument will have to be classified under MFVTPL (Mandatorily Fair Value through P&L).

As of 30/06/2019, there was EUR 68,505,815 under this classification.

	31/12/2018	30/06/2019
Total portfolio	**64,562,150**	**68,505,815**
Breakdown into type interest rate		
Variable	51,788,123	50,085,251
Fixed	12,774,027	18,420,564
Undefined	0	0

Note 8: Financial assets at fair value through other comprehensive income (Note 14 in the annual statement of 2018)

	31/12/2018	30/06/2019
Financial assets at fair value through other comprehensive income	**3,810,957,321**	**4,003,996,064**
- of which hedged via micro-hedges	1,315,193,792	945,383,925
Breakdown by instrument type		
- Equity instruments	7,650,182	2,262,498
- Debt securities	3,803,307,139	4,001,733,566
Breakdown debt securities by interest rate type		
- Variable	1,622,140,600	1,874,119,612
- Fixed	2,181,166,539	2,127,613,955
- Undefined (equity)	7,650,182	2,262,498
Breakdown by impairment stage (gross carrying amount)		
- Debt securities		
- Stage 1	3,803,893,601	4,002,369,424
- Stage 2	0	0
- Stage 3	0	0
Breakdown by impairment stage (impairment)		
- Debt securities		
- Stage 1	-586,462	-635,858
- Stage 2	0	0
- Stage 3	0	0

Investments in debt securities increased with the reinvestment of part of the cash balances received from the issuance of securitization and EMTN securities and the positive fair value evolution.

The amortised cost, unrealised gains or losses and the fair value of instruments measured at fair value through other comprehensive income per 31 December 2018 and 30 June 2019 are as follows:

31/12/2018	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair value
Debt securities				
General governments	1,250,517,058	79,889,701	-167,704	1,330,239,055
Credit institutions	1,238,398,269	2,836,961	-193,497	1,241,041,733
Other financial corporations	415,323,027	-7,540,645	-17,098	407,765,284
Non-financial corporations	825,989,343	-1,520,113	-208,163	824,261,067
Equity instruments				
Investment funds and other	5,968,252	1,681,930	0	7,650,182
Total	**3,736,195,949**	**75,347,834**	**-586,462**	**3,810,957,321**

30/06/2019	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair value
Debt securities				
General governments	909,086,823	98,518,169	-162,769	1,007,442,223
Credit institutions	1,544,336,265	19,069,857	-208,378	1,563,197,744
Other financial corporations	406,739,982	912,219	-24,941	407,627,260
Non-financial corporations	1,022,672,088	1,034,021	-239,769	1,023,466,340
Equity instruments				
Investment funds and other	2,262,498	0	0	2,262,498
Total	**3,885,097,656**	**119,534,266**	**-635,857**	**4,003,996,065**

The classification by counterparty classes (e.g. general governments, credit institutions, other financial corporations and non-financial corporations) follows the breakdown of the prudential reporting at consolidated 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 counterparty).

Note 9: Financial assets at amortised cost (Note 15 in the annual statements of 2018)

	31/12/2018	30/06/2019
Financial assets at amortised cost	**33,988,347,808**	**35,591,621,094**
- Loans and advances	29,800,400,936	31,446,757,301
- Debt securities	4,187,946,872	4,144,863,793
Breakdown by product type		
- Loans to credit institutions	33,487,068	583,314,279
- Consumer loans	162,833,480	214,322,551
- Mortgage loans	28,832,736,442	29,712,706,676
- Term loans	759,349,793	903,784,415
- Advances and overdrafts	11,994,154	8,242,771
- Leasing	0	24,386,609
- Debt securities	4,187,946,872	4,144,863,793
Breakdown debt securities by interest rate type		
- Variable	1,010,383,987	923,275,016
- Fixed	3,177,562,885	3,221,588,777
Breakdown by impairment stage (gross carrying amount)		
- Debt securities		
- Stage 1	4,148,090,133	4,104,095,728
- Stage 2	41,560,196	42,267,122
- Stage 3	0	0
- Loans and advances		
- Stage 1	25,035,657,917	27,315,146,079
- Stage 2	4,658,423,784	4,042,076,128
- Stage 3	129,853,236	113,133,963

Breakdown by impairment stage (impairment)		
- Debt securities		
- Stage 1	-1,217,418	-1,065,390
- Stage 2	-486,039	-433,667
- Stage 3	0	0
- Loans and advances		
- Stage 1	-1,218,392	-1,720,608
- Stage 2	-9,753,683	-10,187,650
- Stage 3	-12,561,925	-11,690,611

The loans and advances have further increased through the additional lending to the Company's retail customers, both in Belgium and the Netherlands. Loans from credit institutions relates to posted cash collateral for derivatives contracts and is directly related to the fair value evolution of the derivatives.

At the end of 2018, the debt securities were subject to stage 1 impairments of EUR 1,217,418 and stage 2 impairments of EUR 486,039. As per 30 June 2019 stage 1 impairments have decreased to EUR 1,065,390 and stage 2 impairments to EUR 433,667.

Stage 1 and stage 2 impairments for loans and advances increased from EUR 1,218,392 (stage 1) and EUR 9,753,683 (stage 2) to EUR 1,720,608 (stage 1) and EUR 10,187,650 (stage 2) reflecting the increase in the outstanding loan portfolio and the adverse development of the forward-looking macro-economic indicators used in the expected credit losses (ECL) impairment model.

Note 10: Financial liabilities measured at amortised cost (Note 21 in the annual statements of 2018)

	31/12/2018	30/06/2019
Deposits from credit institutions	4,930,530	1,803,133
Retail funding deposits	33,916,930,075	35,231,627,545
Retail funding - debt certificates - retail saving certificates	415,930,699	277,667,955
Debt certificates – debt securities	2,047,236,993	3,240,001,706
Subordinated liabilities	575,394,236	550,816,809
Total	**36,960,422,533**	**39,301,917,148**

Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2018	30/06/2019
Deposits from credit institutions	**4,930,530**	**1,803,133**

Breakdown by type		
- Deposits on demand	1,087,803	1,408,406
- Repurchase agreements	0	0
- Collateral from financial institutions	3,842,727	394,727

Retail funding deposits

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

	31/12/2018	30/06/2019
Deposits from other than credit institutions	**33,916,930,075**	**35,231,627,545**

Breakdown by type		
- Retail deposits on demand	4,588,194,542	5,093,722,120
- Fixed-term retail deposits	2,509,063,785	2,328,520,378
- Regulated retail saving deposits	24,259,375,993	25,144,322,202
- Mortgage-link retail deposits	593,829,758	655,491,078
- Other retail deposits	1,966,465,997	2,009,571,767

Retail funding - debt certificates - retail saving certificates

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 and saving deposits.

	31/12/2018	30/06/2019
Debt certificates - retail savings certificates	415,930,699	277,667,955

Debt certificates – debt securities

This section contains the A notes issued by SPV Green Apple 2017 I NHG, SPV Green Apple 2018 I NHG and SPV Green Apple 2019 I NHG - in the context of securitisation transactions and the issuance of senior preferred notes under Argenta Spaarbank's EMTN program.

	31/12/2018	30/06/2019
Debt certificates – Debt securities	**2,047,236,993**	**3,240,001,706**
Green Apple 2017-I NHG	1,063,315,054	987,961,963
Green Apple 2018-I NHG	983,921,939	921,829,040
Green Apple 2019-I NHG	0	830,029,459
EMTN	0	500,181,244

Green Apple 2017 I NHG

The notes were issued on 5 October 2017 for a notional amount of EUR 1.2 billion with an interest rate of Euribor 3 months plus 40 basis points and were placed with institutional investors.

Green Apple 2018 I NHG

The notes were issued on 26 June 2018 for a notional amount of EUR 1.0 billion with an interest rate of Euribor 3 months plus 40 basis points and were placed with institutional investors.

Green Apple 2019 I NHG

The notes were issued on 26 June 2019 for a notional amount of EUR 825 million with an interest rate of Euribor 3 months plus 40 basis points and were placed with institutional investors.

In the first quarter of 2019 the Company issued an EMTN for EUR 500 million with coupon rate of 1% and maturity date of 6 February 2024.

Subordinated liabilities

In the past, the Company placed retail subordinated liabilities and Tier 2 corporate funding debt securities, which are now gradually maturing. No new subordinated debt was issued in the first half of 2019.

The subordinated liabilities are composed as follows:

	31/12/2018	30/06/2019
Subordinated liabilities	**575,394,236**	**550,816,809**
Breakdown by type		
- Subordinated loans (retail funding)	64,784,757	49,718,051
- Tier 2 loan (corporate funding)	510,609,479	501,098,758

Note 11: Fair value of financial instruments (Note 24 in the annual statements 2018)

Valuation methods and input

The Company defines the fair value as the price that would be received/paid on the sale of an asset or transfer of a liability in an 'orderly' transaction between market participants at the time of measurement. The fair value is not the price that would be received on the basis of a forced transaction, a forced sale or mandatory liquidation.

The fair value is a market-based and not an entity-specific valuation. This means that assumptions are to be used that other market participants would use in the measurement of financial instruments, including assumptions about risks. Only the characteristics of the instrument itself are to be taken into consideration; characteristics arising from the entity holding the instrument are therefore left out of account in the measurement. For determining the fair value of a financial instrument, the Company opts for measurement methods and techniques that are appropriate under the circumstances and for which sufficient data are available to calculate the fair value. The chosen technique must maximise the use of relevant observable inputs and minimise those of non-observable inputs.

The Company recognises value adjustments for counterparty risk on all assets and liabilities that are valued at fair value. CVA (Credit Valuation Adjustment) is an adjustment of the market value of derivative financial instruments to take into account the creditworthiness of the counterparty. This takes into account the current market value, expected future market value and creditworthiness (based on the counterparty's credit default swap spread). A DVA (Debt Valuation Adjustment) is recorded for derivative financial instruments where the counterparty has a risk on the Company.

The valuation methodologies, the valuation hierarchy and positions within the levels, and the fair value calculations of both financial instruments not recognised at fair value and of financial instruments recognised at fair value are explained and validated by the Asset and Liability committee (ALCO) on a quarterly basis.

The valuation hierarchy of the Company distinguishes between the levels below. The fair value level here depends on the type of input used for the valuation of financial instruments.

- For determining the fair value of financial instruments, the Company first uses the quoted (unadjusted) prices in an active market (externally available and observable fair values of financial instruments on liquid markets). When these are not available the Company uses valuation techniques. The definition of Level 1 inputs refers to the terminology "active market"; this is defined as a market in which transactions in the instrument take place with sufficient frequency and volume that the price information is available on a continuous basis. The frequency and volume of transactions together with the specific facts and circumstances of the market for an instrument will serve as inputs to determine whether the related market is active. The Company uses several sources (Bloomberg and Euroclear, the Company's main clearing and holding counterparties) and assesses liquidity on the basis of price availability and price differences between the different sources. If deviations are determined based on analysis, an individual detailed analysis is carried out for the related instrument.

- Where the fair value is not available based on quoted prices in an active market, the Company determines the fair value using a valuation technique based on observable or non-observable parameters. Level 2 inputs are observable inputs that are either direct or indirect. Direct Level 2 inputs are listed prices for similar instruments in active markets, quoted prices for identical or similar instruments in non-active markets and other inputs that are observable for the instrument (e.g. interest rate curves, implied volatility, credit spreads) that can be used as input for the valuation model. Indirect Level 2 inputs are inputs derived from observable market data. The valuation techniques used on the basis of observable parameters are the discounting of future cash flows, and comparisons with the fair value of a similar instrument.

- Level 3 inputs are non-observable inputs. These are based on assumptions used by the Company in the valuation. Examples of non-observable inputs are the historical volatility of a quoted share, or non-observable interest rates derived from observable data, but which are not confirmed by observable data.

When the fair value measurement uses inputs that fall within different levels, it is classified according to the lowest level of the inputs concerned.

Financial instruments not measured at fair value

Estimating the fair value of financial instruments measured at amortised cost requires the use of techniques, models, hypotheses and assumptions.

The calculation of the fair value of financial instruments, where this is not obtained externally, can be summarised as follows:

(1) The fair value of consumer credits, mortgage loans, forward loans and term financial liabilities (fixed- term deposits, retail savings certificates, senior debt securities and subordinated loans and debt securities) is determined by discounting contractual cash flows using the discounted cash flow method. The discount rate is based on the risk-free reference rate to which a market-based margin is applied. This includes, among other things, a capital cost and a credit cost. The interest rate curves are analogous to those used in the sensitivity analysis of interest rate risk (see risk section 5.1 of the fiscal year 2018 financial statements). The sensitivity of the market values of the Level 3 values is contained in the result of the 'economic values' calculation mentioned there (here with the impact of all levels).

(2) The fair value of cash, sight deposits, regulated savings deposits, deposits of a special nature and deposits linked to mortgage loans is assumed to be equal to the book value, in view of their immediately retrievable or short-term nature.

(3) The other credit receivables and held-to-maturity financial instruments relate to debt securities in which the quoted (unadjusted) prices are used where these are traded on an active market. Where the instruments are deemed less liquid, valuation methods are used (theoretical or modelled prices with price control - Level 2, or pricing by third parties for which no benchmark is possible due to a lack of market data - Level 3).

Financial instruments measured at fair value

The following tables show the fair values of the financial instruments that are stated in the balance sheet at their fair value.

For determining the fair value of the 'Financial assets at fair value through other comprehensive income' the Company uses the quoted (unadjusted) prices in an active market.
For this, the Company uses the same external sources as in previous years, namely Bloomberg and Euroclear. Instruments are classified under Level 2 when theoretical or modelled prices are available that can be substantiated by/benchmarked against another source or pricing by third parties. For instruments included in Level 3, prices are received from third parties for which the Company does not have a benchmark.

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.

Vanilla derivatives (vanilla IRSs and caps) are measured on the basis of 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.

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

31/12/2018	Level 1	Level 2	Level 3
Assets measured at fair value	**3,223,983,964**	**734,213,880**	**1,061,452**
Financial assets held for trading	0	10,028,698	0
Financial assets at fair value through other comprehensive income	3,211,209,937	598,685,932	1,061,452
Non-trading financial assets mandatorily at fair value through profit or loss	12,774,027	51,788,123	0
Derivatives used for hedge accounting	0	73,711,127	0
Liabilities measured at fair value	**0**	**354,742,522**	**0**
Financial liabilities held for trading	0	4,073,472	0
Derivatives used for hedge accounting	0	350,669,050	0

30/06/2019	Level 1	Level 2	Level 3
Assets measured at fair value	**3,389,619,323**	**690,463,930**	**1,061,452**
Financial assets held for trading	0	3,060,437	0
Financial assets at fair value through other comprehensive income	3,371,198,759	631,735,854	1,061,452
Non-trading financial assets mandatorily at fair value through profit or loss	18,420,564	50,085,251	0
Derivatives used for hedge accounting	0	5,582,389	0
Liabilities measured at fair value	**0**	**743,034,606**	**0**
Financial liabilities held for trading	0	1,165,651	0
Derivatives used for hedge accounting	0	741,868,955	0

In the FVOCI portfolio, we encounter sporadic changes between Level 1 and Level 2 as a result of changes in the liquidity of the instruments (e.g. more providers). In 2018 there was one change from Level 1 to Level 2 for the instruments measured at fair value. This involved a security with a nominal value of EUR 6.95 million (with carrying value of EUR 6,952,397). In the first half of 2019 there were no reclassifications between Level 1 and Level 2.

The FV of hedging derivatives on the asset side decreased and on the liabilities side increased due to the changes in the interest environment. The cumulative fair value changes of the hedged items in a portfolio hedge of interest rate risk increased from EUR 193.6 million at end 2018 to EUR 623.9 million at end June 2019 due to the same effect of the interest environment.

The following table provides a reconciliation of Level 3 fair values for the first half year of 2018 and 2019. It refers to the securities held under FVOCI and MFVPL.

	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss
Opening at 01/01/2018	**742,460**	**0**
Purchases and new contracts	0	0
Matured instruments	0	0
Repayments (partial)	0	0
Changes to other levels	0	0
Changes from other levels	0	0
Other changes (including value changes)	319,011	0
Closing at 30/06/2018	**1,061,471**	**0**
Opening at 01/01/2019	**1,061,452**	**0**
Purchases and new contracts	0	0
Matured instruments	0	0
Repayments (partial)	0	0
Changes to other levels	0	0
Changes from other levels	0	0
Other changes (including value changes)	0	0
Closing at 30/06/2019	**1,061,452**	**0**

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

The total of the debt securities and equities valued at Level 3 fair values is EUR 1,061,452 as of June 30 2019 (compared to EUR 1,061,471 per June 30 2018).

<u>Note on the credit risk in the fair value of derivatives</u>

Since 2014 and in line with market practices, a CVA and a DVA have been taken into account in establishing the market value of derivatives. The combined position of both elements amounted to EUR 2.3 million in 2018. As of 30 June 2019 the position amounts to EUR 1.5 million, and there was a positive net impact of EUR 0.7 million recorded under gains or losses from hedge accounting in the income statement. The decrease is a result of declining credit spreads where the DVA impact overweighs the CVA impact as a consequence of the negative fair value of the derivatives.

Note 12: Other assets and other liabilities (Notes 20 & 23 in the annual statements 2018)

The increase by EUR 115 million in other assets mainly relates to the increase in the credit and payment services suspense account.

Other liabilities have increased by EUR 84.7 million between 31/12/2018 and 30/06/2019.

This is mainly due to the accrual for tax levies under IFRIC 21 and an increase in suspense accounts for costs to be allocated related to credits and payment services.

Note 13: Equity attributable to the shareholders (Note 3 in the annual statements 2018)

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 equity attributable to the shareholders as of 30 June 2019 is EUR 2,047,210,705 compared with EUR 2,015,263,567 as of 31 December 2018.

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

Overview of equity	31/12/2018	30/06/2019
Paid-in capital	770,019,400	770,019,400
Fair value changes of debt securities measured at fair value through OCI	12,959,803	37,110,235
Fair value changes of equity instruments measured at fair value through OCI	1,236,425	0
Actuarial gains or losses on defined benefit pension plans	21,076	21,076
Retained earnings	1,109,137,174	1,225,179,951
Profit or loss after tax	129,933,047	21,225,671
Cash flow hedges reserve	-8,150,506	-6,476,552
Minority interests	107,148	130,924
Total equity	**2,015,263,567**	**2,047,210,705**
Equity attributable to owners of the parent	2,015,156,419	2,047,079,781
Equity attributable to minority interests	107,148	130,924

Share capital

The fully paid-in capital, represented by 168,975 no par shares, is EUR 770,019,400.

Fair value changes of instruments measured at fair value through OCI

The accumulated fair value changes of debt securities at FVOCI amounted to EUR 37,110,235.

Cash flow hedges reserve

The Company concluded an interest rate swap in 2011 in the context of hedge accounting, which is treated as 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 1,225,179,951 as of 30 June 2019) increased due to the combined effect of the appropriation of the profit for the financial year 2018 and the dividend distribution which has been paid in April 2019 related to the profit for the financial year 2018 for EUR 16,052,625.

Profit or loss after tax for the current period

The consolidated result (excluding minority interests) for the period ending on 30 June 2019 amounted to EUR 21,225,671.

Notes to the condensed interim consolidated income statement (in EUR)

Note 14: Net interest income (Note 26 in the annual statements of 2018)

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

	30/06/2018	30/06/2019
Interest income	**405,056,580**	**410,044,031**
- Non-trading financial assets mandatorily at fair value through profit or loss	342,879	352,381
- Financial assets at fair value through other comprehensive income	18,642,835	16,808,929
- Financial assets at amortised cost - loans and advances	365,565,067	372,075,005
- Financial assets at amortised cost - debt securities	19,025,667	19,475,841
- Derivatives used for hedge accounting	1,480,132	1,331,875
- Other assets	0	0
Interest expenses	**140,306,724**	**151,184,053**
- Deposits from credit institutions	1,108,272	1,220,176
- Deposits from other than credit institutions	47,806,069	41,330,471
- Debt securities, including retail saving certificates	7,380,899	5,725,388
- Subordinated liabilities	10,305,213	11,038,817
- Leasing liabilities	0	173,061
- Derivatives used for hedge accounting	73,706,271	91,696,139
- Other liabilities	0	0
Net interest income	**264,749,856**	**258,859,978**
- of which interest income on credit-impaired financial assets	107,282	115,625

<u>Interest income</u>

Interest income on debt securities has decreased driven by a lower average yield on the outstanding portfolio due to maturing debt securities at higher returns and repricing of floating rate debt securities.

The interest income from loans and advances has increased reflecting the growing outstanding loan portfolio but average yield has declined due to the lower interest rates for newly-granted mortgage loans and the repricing of existing mortgages. It is nevertheless the main source of the interest margin due to the relative higher interest rates than on new debt securities.

<u>Interest expenses</u>

The decrease in interest expense on deposits from other than credit institutions reflects a further decline in funding cost on retail deposits. The decrease in interest expenses on debt securities is driven by the decline in interest paid on debt certificates issued as retail saving certificates with higher funding costs mature and are replaced by mortgage-backed securities at lower funding cost. The increase in interest expenses on derivatives is mainly the result of the negative evolution of interest rates.

Note 15: Net income from commissions and fees (Note 28 in the annual statements of 2018)

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

	30/06/2018	30/06/2019
Fee and commission income	**61,531,023**	**62,593,934**
- Securities: issuances and transfer orders	8,231,064	3,410,754
- Asset management, including central administrative service for collective investment	19,986,793	35,448,377
- Customer resources distributed but not managed	20,743,724	10,085,235
- Payment services	6,886,924	7,410,928
- Other	5,682,518	6,238,640
Fee and commission expenses	**-83,889,342**	**-83,747,016**
- Acquisition charges	-71,044,736	-69,498,467
- Custody	-980,521	-1,056,320
- Payment services	-10,640,999	-11,447,740
- Other	-1,223,085	-1,744,488
Net fee and commission income	**-22,358,319**	**-21,153,082**

The most important increase of the fee and commission income is from the asset management and distribution fees received from collective investments. In 2018 the Company set up a co-operation with Bank Degroof Petercam and transferred the collective investments managed by Bank Degroof Petercam and solely distributed by the Company to a newly constituted subsidiary called Arvestar. The commission income on these collective investments has shifted from 'distributed but not managed' to 'asset management'.

Note 16: Realised gains or losses on financial instruments not measured at fair value in the income statement (Note 29 in the annual statements of 2018)

The result on sale of securities amounted to EUR 4,954,260 in the first six months of 2019 (EUR 2,231,236 in the first six months of 2018). Both in 2018 and 2019 this concerned mainly sales of securities maturing within 12 months.

Note 17: Administrative expenses (Note 35 in the annual statements of 2018)

Employee expenses consist of the following components:

	30/06/2018	30/06/2019
Wages and salaries	23,455,874	25,599,543
Social security charges	6,317,672	6,585,235
Pension expenses	2,736,888	2,345,749
Share-based payments	0	0
Other	2,771,380	3,305,825
Staff expenses	**35,281,814**	**37,836,352**

The increase in employee expenses is mainly the result of increase in staff.
There are no 'share-based payments' at present.

General and administrative expenses can be summarised as follows:

	30/06/2018	30/06/2019
Marketing expenses	1,761,467	2,344,684
Professional fees	30,091,907	37,833,442
IT expenses	28,442,157	31,140,376
Rental expenses	5,593,382	4,431,819
Other taxes and bank levies	70,635,317	72,662,349
Other	34,316,385	32,678,179
Other administrative expenses	**170,840,616**	**181,090,849**

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

Due to the application of IFRIC 21 (Levies), levies are recognised in full when levies are vested. The line 'other taxes and bank levies' includes the total for the year, whereas on a pro-rata basis EUR 25,554,305 would have been recognised in the second half of 2019.

The increase in 'wages and salaries' and 'general and administrative expenses' is the result of the continuing investments for a more digital future, investments in the ICT platform and in meeting (and reporting on) constantly increasing regulatory requirements.

Note 18: Impairments (Note 36 in the annual statements of 2018)

There was a negative impact of EUR 0.4 million in the first half year of 2019.

	30/06/2018	30/06/2019
Goodwill	0	-352,809
Debt securities at amortised cost	-189,350	204,400
Loans and advances at amortised cost	1,674,776	-557,209
Debt securities at fair value through other comprehensive income	-172,782	-49,396
Impairments	**1,312,644**	**-402,205**

The net impairments for loans and advances at amortised cost amount to EUR 0.6 million in the first half of 2019 and are among others the result of a growing outstanding mortgage loan portfolio and a negative evolution in the forward-looking macro-economic indicators of the ECL model. The decrease in impairments on debt securities at amortised cost is a result of a robust risk profile of the portfolio.

Note 19: Tax expense (Note 37 in the annual statements of 2018)

The details of current and deferred taxes are shown below:

	30/06/2018	30/06/2019
Current tax expense for the period	27,609,319	23,436,093
Current tax expense in respect of prior periods	-601,963	0
Deferred taxes	-14,012,949	-18,411,663
Total tax expense	**12,994,407**	**5,024,429**

Note on capital management (in EUR)

Note 20: Solvency and capital management (Note 6 in the annual statements of 2018)

Capital risk or solvency risk is the risk of available capital falling short of the capital required by the activities and size of the company, and being unable to obtain the necessary additional capital at short notice and at a reasonable cost. To monitor this risk, systematic comparisons are made with the regulatory requirements and internal objectives.

Capital management

The goal of the Company's risk management is to achieve the best possible capital structure, while continuing to meet the statutory and internally-set capital objectives. The Company has implemented adequate procedures and systems to guarantee its long-term capital adequacy, while taking into account all material risks.

The Company has traditionally pursued a policy of self-financing. To retain a level of capital that provides sufficient scope for growth and to be able to carry the financial and operational risks, the Company aims to meet the potential capital requirements by (a) retained earnings, (b) capital increases and (c) subordinated loans.

Regulations

The Company is subject to the CRR and CRD IV legislation. Information on pillar 1 (minimum capital requirements) and pillar 2 (SREP process, including details of interest rate, liquidity and concentration risk) is included in the fiscal year 2018 financial statements. The pillar 3 disclosures for 2018 of the Company are published separately on the Company's website.

The Company uses the (F)IRB method for the retail mortgage portfolios (but not longer for the run-off CHBK portfolio), the MBS portfolio and the 'corporates and institutions' portfolio, and the standard (STA) method for the remaining exposures.

Legal capital requirements

The Pillar I requirements impose a minimum solvency ratio of 4.5% of the Common Equity Tier 1 (CET1), of 6% for the total Tier 1 ratio, and of 8% for the total capital ratio. The regulators have the possibility to impose a series of additional buffers. The CET1 (Common Equity Tier 1) requirement under IRB for 2019 amounts to 11%, including 1.5% Tier 1 substitution.

Internal capital requirements

In the internal process of assessment of capital adequacy (ICAAP - Internal Capital Adequacy Assessment Process for the Company) all material risk factors are modelled. In this way, a more complete picture is obtained of the economic capital requirement. The ICAAP process aims to identify and quantify all material risks, so that the adequacy of the available capital can be assessed and the required capital can be allocated to the business and product lines.

Pillar 1 key figures

The table below (with the standard KM1 template as the basic layout) gives an overview of the relevant figures and ratios for the Company. It also includes the internally established Risk Appetite Framework (RAF) targets that the management has set for the ratios in question.

		RAF standard	31/12/2018	30/06/2019
Available capital				
1	Tier 1 core capital (CET1)		1,935,219,831	1,966,424,569
2	Tier 1 capital (T1)		1,935,219,831	1,966,424,569
3	Total capital (TC)		2,433,021,445	2,464,103,103
Risk-weighted items				
4	Total risk-weighted items		8,381,681,014	8,834,519,441
Solvency ratios				
5	Common Equity Tier 1 core capital (%)	15%	23.09%	22.26%
6	Tier 1 capital ratio (%)		23.09%	22.26%
7	Total Capital Ratio (%)	17%	29.03%	27.89%
Additional CET1 buffer requirements				
8	Capital Conservation Buffer requirements (%)		1.88%	2.50%
9	Countercyclical capital buffer requirements (%)		0.04%	0.03%
10	O-SII (Other Systemically Important Institution) buffer requirements (%)		0.75%	0.75%
11	Total of CET1 buffer requirements (%)		2.66%	3.28%
12	% CET1 available to fullfil buffer requirement above the minimum capital requirements of 4.5%		18.59%	17.76%
Leverage ratio				
13	Leverage exposure		41,118,817,429	44,004,070,271
14	Leverage ratio (%)	4%	4.71%	4.47%
Liquidity Coverage Ratio (LCR)				
15	Total high quality liquid assets		4,654,335,242	4,927,777,434
16	Total net cash outflow		2,732,178,355	2,896,733,658
17	LCR ratio (%)	125%	170.35%	170.11%
Net Stable Funding Ratio (NSFR)				
18	Total available stable funding		36,093,027,715	38,159,021,930
19	Total required stable funding		25,542,778,325	27,683,719,588
20	NSFR ratio (%)	120%	141.30%	137.84%

The Common Equity Tier 1 (CET1) ratio amounts to 22.26% as of 30 June 2019. The decrease of the CET1 ratio is the result of an increase in risk exposure amount.

Main changes in equity

As of 30 June 2019 an amount of EUR 30,654,759 could be recognised in the tier 1 capital compared to EUR 16,905,483 as of 31 December 2018.

On the other hand (after receiving the approval of the supervisor) EUR 4.3 million of the interim profits of 30 June could be recognised in the Tier 1 capital.

Main changes in risk exposure amount

The increase in risk exposure is the result of the increase of the corporate and institutions debt securities portfolios for an amount of EUR 408 million risk-weighted assets.

The risk exposure amount for the mortgages decreased as a result of the underwriting of less bullet loans and more amortizing loans in the Dutch mortgage portfolio.

Liquidity risk

The Company's liquidity risk appetite is monitored on the basis of the LCR and NSFR ratios. The LCR compares the liquidity buffer against a defined outflow of previously incoming funds over a 30-day period. The NSFR compares available liquidity against the liquidity required over a period of at least one year.

The table above includes the internally established Risk Appetite Framework (RAF) targets that Company management has set for the ratios in question.

The Risk Appetite Framework (RAF) is strongly embedded in the business plan process cycle: filling in the risk appetite matrix, translation into proactive RAF targets, testing against the business plan iterations and, finally, risk assessment.

Note on subsequent events

Note 21: Post-balance sheet events (Note 43 in the annual statements of 2018)

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 2019.

Glossary

(F)IRB	Foundation of the Internal Ratings-Based approach
ALCO	Assets and Liability Committee
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulations
CVA	Credit Value Adjustment
DNB	De Nederlandsche Bank
DVA	Debt Valuation Adjustment
ECL	Expected Credit Losses
EMTN	European Medium Term Note
FVOCI	Fair Value through Other Comprehensive Income
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRS	Interest Rate Swap
LCR	Liquidity Coverage Ratio
MBS	Mortgage Backed Security
MFVTPL	Mandatorily Fair Value through Profit and Loss
NBB	Nationale Bank van België
NHG	Nederlandse Hypotheek Garantie
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
RAF	Risk Appetite Framework
RMBS	Residential Mortgage Backed Security
RWA	Risk Weighted Assets
SPPI	Solely Payments of Principal and Interest
SPV	Special Purpose Vehicle
SREP	Supervisory Review and Evaluation Process