Argenta Spaarbank

Interim Financial Statements 1H

2020

argenta.be

Table of Contents

Condensed consolidated interim financial information of Argenta Spaarbank for the first six months of the current financial year 2020, 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 2020.

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 2020, the condensed consolidated interim statement of profit or loss, 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 22.

Report on the consolidated interim financial information

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

The condensed consolidated interim balance sheet shows total assets of EUR 44,786,323,538 and the condensed consolidated statement of profit or loss shows a consolidated profit (group share) for the period then ended of EUR 38,579,681.

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, 26 August 2020

The statutory auditor

____

DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Bernard De Meulemeester

Report on the first six months

The first half of 2020 has brought forward unprecedented health, social and economic consequences following the COVID-19 crisis. At the beginning of the second quarter of 2020 the government in Belgium and the Netherlands enacted a lockdown for several weeks, with a gradual reopening of society in the months afterwards. It is clear that the COVID-19 crisis in the short term will have significant economic impact, especially in particular sectors with potential consequent effects on employment, consumer confidence, saving and spending, payment behaviour and investment (including house purchase) behaviour. In the wake of the COVID-19 crisis long term interest rates in developed markets also further decreased (low-for-longer).

The government of Belgium and the Netherlands have put in place various relief measures that may help to contain the overall impact, but long term economic consequences will depend on the further evolution of the COVID-19 crisis. Argenta has supported its customers since the start of the pandemic through the relief measures for Belgium that include a legally regulated (mortgage and consumer loan) moratorium (loan deferrals and extension) and for the Netherlands with client specific relief measures (including loan deferrals).

Throughout this difficult period, we have continued to support our customers with our customary service levels, while continuing our efforts and investments towards a more digital future where human interface remains a key ingredient. Past year's investments in the expertise and well-being of our workforce, and the commitment we experienced from our employees while working from home have made this all possible.

Despite these challenges, the Company presents a consolidated result (including minority interests) of EUR 38,579,681 for the first six months of 2020 (EUR 21,279,447 for the first six months of 2019).

Evolution of the balance sheet

The balance sheet total grew by 4.1% (EUR 1.77 billion) to EUR 44.79 billion.

Cash, cash balances at central banks and other demand deposits decreased between December 31 and June 30 by 3.76% (EUR 0.10 billion). In order to support the transmission of monetary policy via the banks, a two-tier system for the reimbursement of reserves system was introduced by the ECB in 2019 in which, part of the excess liquidity held by the banks was exempted from negative interest on the deposit facility. Part of the excess liquidity is therefore held with the ECB in anticipation of reinvestment in mortgage loans or debt securities.

The mortgage loan portfolio increased by 0.5% (EUR 0.14 billion). Mortgage production in Belgium was lower compared to previous period due to frontloading of the production at the end of 2019 (in anticipation of the change in the fiscal treatment of mortgages as from 2020). The portfolio of Dutch mortgages saw a higher number of observed prepayments compensating the growth from new mortgages. Mortgage production in Belgium and the Netherlands was also slightly negatively impacted by the lockdown period.

Investments in debt securities increased by 13.5% (EUR 1.11 billion). With the lower mortgage portfolio growth, and maximum excess liquidity exempted from negative interest rates held with the ECB under the two-tier system, a greater proportion of funding was reinvested in debt securities.

Financial liabilities measured at amortized cost increased overall by 3.8% or EUR 1.52 billion. Regarding wholesale funding activities, at the beginning of 2020 the Company issued a senior non-preferred note under the EMTN programme for EUR 0.50 billion and participated in the third TLTRO program for EUR 0.1 billion, partly compensated by factor repayments made on the securitization notes (EUR -0.21 billion). The growth of retail funding on savings accounts continued (EUR +1.58 billion) partly compensated by the decrease of term products (term accounts, saving certificates, and subordinated certificates) (EUR -0.40 billion).

Elements (drivers) of the result

The Company's profit (EUR 38,579,681 with the application of IFRIC 21 (levies) and EUR 67,475,026 without application of IFRIC 21) has increased as a result of higher net interest and net fee and commission income, slightly lower administrative expenses, partly compensated by additional impairments losses and COVID-19 related modification losses.

Interest income remains the main revenue driver, stemming from a growing mortgage and investment portfolio, but at declining yields. Interest income in 2020 is positively impacted by a higher level of observed prepayments on Dutch mortgages generating additional EUR 11 million of prepayments fees. Funding cost (excluding derivatives) declined further as maturing saving and subordinated certificates are replaced by issuances of securitization notes and EMTN notes and by retail savings deposits at lower funding cost. The decrease in interest expenses on derivatives is mainly the result of the negative fair value revaluation on the time-value of hedging swaptions in 2019.

Net fee and commission income increased further as a result of increased asset under management and distribution commissions from investment fund products, including Argenta Portfolio. In addition the more volatile stock markets brought forward an increase in transactions, generating additional commission income.

The decrease in administration expenses was driven by lower professional fees (including legal, tax and general consulting expenses). Staff expenses, IT run expenses and expenditures to comply with various regulatory requirements and bank levies increased. Investment project spend, mainly in digitalisation projects, continued at a slightly slower pace as compared to previous periods.

Net impairments amounted to EUR 15.1 million in the first half of 2020. These reflect, among other things, the adverse development of the forward-looking economic indicators in light of the COVID-19 crisis, the change in the valuation rules with regard to the new definition of default, negative evolutions, mainly in the Belgian mortgage portfolios following payment deferrals, negative rating evolutions in the debt securities portfolio and in general growing outstanding of the mortgage and debt securities portfolios.

Solid capital and robust liquidity position

The Common Equity Tier 1 ratio (IRB approach and phased in) amounted to 22.1%. In line with recommendation on "dividends, share buybacks and variable remuneration" of the ECB in light of the COVID-19 crisis, no dividends have been paid.

Liquidity continues strong with an LCR ratio of 156% and a stable NSFR of 135%.

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	31/12/2019	30/06/2020
Cash, cash balances at central banks and other demand deposits	6	2,629,656,772	2,530,679,800
Financial assets held for trading		2,342,550	1,810,446
Non-trading financial assets mandatorily at fair value through profit or loss	7	66,305,830	68,126,418
Financial assets at fair value through other comprehensive income	8	3,529,467,208	4,075,211,024
Financial assets at amortised cost	9	35,874,587,712	36,878,887,980
Derivatives used for hedge accounting		4,135,142	3,257,699
Fair value changes of the hedged items in a portfolio hedge of interest rate risk		571,941,790	791,038,396
Investments in subsidiaries, joint ventures and associates		90,000	90,000
Tangible assets		26,392,946	25,884,852
- Property, plant and equipment		25,785,274	25,283,146
- Investment property		607,672	601,707
Goodwill and other intangible assets		57,628,087	54,206,614
- Goodwill		0	0
- Other intangible assets		57,628,087	54,206,614
Tax assets		19,884,985	61,245,988
- Current tax assets		715,913	25,294,460
- Deferred tax assets		19,169,071	35,951,527
Other assets		238,406,824	295,884,320
Non-current assets and disposal groups classified as held for sale		0	0
Total assets		**43,020,839,845**	**44,786,323,538**

Liabilities and equity	Note	31/12/2019	30/06/2020
Financial liabilities held for trading		1,216,696	809,250
Financial liabilities at amortised cost	10	39,921,169,639	41,440,850,135
- Deposits from central banks		47,471,427	142,295,582
- Deposits from credit institutions		10,513,043	7,373,061
- Deposits from other than central banks and credit institutions		36,127,516,125	37,387,331,659
- Senior debt securities issued, including saving certificates		3,168,041,068	3,368,603,963
- Subordinated debt securities issued		532,656,609	502,755,815
- Other financial liabilities		34,971,367	32,490,055
Derivatives used for hedge accounting		684,439,863	912,015,674
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	0
Provisions		3,625,610	3,543,904
Tax liabilities		18,261,538	11,904,857
- Current tax liabilities		8,867,039	3,165,742
- Deferred tax liabilities		9,394,500	8,739,115
Other liabilities	12	268,474,754	261,611,313
Liabilities included in disposal groups classified as held for sale		0	0
Total liabilities		**40,897,188,100**	**42,630,735,133**
Equity attributable to owners of the parent	13	2,123,436,996	2,155,395,441
Equity attributable to minority interests	13	214,750	192,964
Total equity		**2,123,651,746**	**2,155,588,406**
Total liabilities and equity		**43,020,839,845**	**44,786,323,538**

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

	Note	30/06/2019	30/06/2020
Total operating income		**261,920,411**	**301,620,053**
Net interest income	14	258,859,978	287,325,436
- Interest income		410,044,031	406,485,377
- Interest expenses		-151,184,053	-119,159,941
Dividend income		0	0
Net fee and commission income		-21,153,082	-12,496,743
- Fee and commission income	15	62,593,934	82,409,086
- Fee and commission expenses		-83,747,016	-94,905,829
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	16	4,954,260	498,725
- Financial assets at fair value through other comprehensive income		4,156,131	78,878
- Financial assets and liabilities at amortised cost		798,129	419,847
Gains or losses on financial assets and liabilities held for trading		-4,060,439	-124,658
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		772,660	2,189,729
Gains or losses from hedge accounting		-3,611,790	-30,592
Gains or losses on derecognition of non-financial assets		16,489	108,698
Net other operating income		26,142,335	24,149,459
- Other operating income		31,949,641	29,553,737
- Other operating expenses		-5,807,306	-5,404,278
Administrative expenses	**17**	**-218,927,200**	**-217,114,132**
- Staff expenses		-37,836,352	-42,812,225
- Other administrative expenses		-181,090,849	-174,301,907
Depreciation		**-15,990,296**	**-14,126,402**
- Property, plant and equipment		-3,860,808	-4,199,654
- Investment properties		-7,834	-8,965
- Other intangible assets		-12,121,654	-9,917,782
Modification gains or losses	**18**	**0**	**-3,255,967**
Provisions or reversal of provisions		**-296,833**	**81,706**
Impairments or reversal of impairments	**19**	**-402,205**	**-15,092,232**
- Financial assets (debt securities) at fair value through other comprehensive income		-352,809	-2,294,988
- Financial assets at amortised cost		-49,396	-12,797,243
- Goodwill		0	0
Profit or loss before tax		**26,303,876**	**52,113,027**
Tax expense	20	-5,024,429	-13,533,345
Profit or loss after tax		**21,279,447**	**38,579,681**
Profit or loss attributable to owners of the parent		21,225,671	38,470,080
Profit or loss attributable to minority interests		53,776	109,601

Condensed consolidated interim statement of comprehensive income (in EUR)

Overview of the comprehensive income	Note	30/06/2019	30/06/2020
Profit or loss		**21,279,447**	**38,579,681**
Profit or loss attributable to owners of the parent		21,225,671	38,470,080
Profit or loss attributable to minority interests		53,776	109,601
Items that will not be reclassified to profit or loss		**-1,236,425**	**0**
- Equity instruments measured at fair value through other comprehensive income	8	-1,236,425	0
- Valuation gains or losses taken to equity		-1,648,567	0
- Transferred to retained earnings		0	0
- Deferred taxes		412,142	0
- Actuarial gains or losses on defined benefit pension plans		0	0
- Gross actuarial gains or losses on liabilities defined benefit pension plans		0	0
- Deferred taxes		0	0
Items that may be reclassified to profit or loss		**25,824,386**	**-6,511,643**
- Debt securities at fair value through other comprehensive income	8	24,150,432	-8,179,541
- Valuation gains or losses taken to equity		36,328,690	-13,122,164
- Transferred to profit or loss		-4,156,131	2,216,110
- Deferred taxes		-8,022,127	2,726,513
- Cash flow hedges		1,673,954	1,667,898
- Valuation gains or losses taken to equity		0	0
- Transferred to profit or loss		2,105,603	2,130,138
- Deferred taxes		-431,649	-462,240
Total other comprehensive income		**24,587,961**	**-6,511,643**
Total comprehensive income		**45,867,409**	**32,068,038**
Profit or loss attributable to owners of the parent		45,813,633	31,958,437
Profit or loss attributable to minority interests		53,776	109,601

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

‘Items that will not be reclassified to profit or loss’ include the evolution in the revaluation reserve of equity instruments at fair value through other comprehensive income (FVOCI) and the net actuarial result on defined benefit pension plans. The Company has sold the limited number of equity instruments position in the first half of 2019.

‘Items that may be reclassified to profit or loss’ include the evolution of the revaluation reserve for debt securities at FVOCI and the hedging reserve for effective cash flow hedges (CFH). These changes 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 -6.51 million) in the first six months of 2020 and positive (EUR 24.6 million) in the first half of 2019. This evolution is mainly explained by the change in fair value of debt securities measured at FVOCI which was negative in 2020 due to coming to maturity of securities with higher interest rates and the impact of the micro hedge accounting adjustment on the OCI.

Condensed 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 01/01/2019	**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**
Equity position 01/01/2020	**815,642,650**	**0**	**33,683,281**	**0**	**-4,701,163**	**-1,208,126**	**1,162,659,199**	**117,361,155**	**2,123,436,996**	**214,750**	**2,123,651,746**
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	38,470,080	38,470,080	109,601	38,579,681
Dividends	0	0	0	0	0	0	0	0	0	-131,386	-131,386
Fair value gains or losses taken to equity	0	0	-13,122,164	0	0	0	0	0	-13,122,164	0	-13,122,164
Fair value gains or losses transferred to profit or loss	0	0	2,216,110	0	2,130,138	0	0	0	4,346,248	0	4,346,248
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	2,726,513	0	-462,240	0	0	0	2,264,273	0	2,264,273
Other changes	0	0	0	0	0	0	7	0	7	0	7
Transfer to retained earnings	0	0	0	0	0	0	117,361,155	-117,361,155	0	0	0
Equity position 30/06/2020	**815,642,650**	**0**	**25,503,740**	**0**	**-3,033,265**	**-1,208,126**	**1,280,020,361**	**38,470,080**	**2,155,395,440**	**192,965**	**2,155,588,405**

Condensed consolidated interim cash flow statement (in EUR)

	30/06/2019	30/06/2020
Cash and cash equivalents at the start of the period	**1,173,627,145**	**3,161,249,289**
Operating activities		
Profit or loss before tax	26,303,876	52,113,027
Adjustments for:		
Depreciation	15,990,296	12,208,868
Provisions or reversal of provisions	296,833	-81,706
Gains or losses on derecognition of non-financial assets	-16,489	-108,698
Impairments or reversal of impairments	402,205	15,092,232
Changes in assets and liabilities from hedging derivatives and hedged item	30,644,026	8,894,409
Other adjustments (among which interest expenses financing activities)	12,935,779	13,757,253
Cash flows from operating profits before changes in operating assets and liabilities	**86,556,526**	**101,875,384**
Changes in operating assets (excluding cash and cash equivalents)		
Financial assets held for trading	6,968,261	532,104
Financial assets at amortised cost	-1,053,798,885	-789,871,890
Financial assets at fair value through other comprehensive income	-166,018,000	-556,218,346
Non-trading financial assets mandatorily at fair value through profit or loss	-3,943,665	-1,820,588
Other assets	-135,870,987	-74,259,952
Changes in operating liabilities (excluding cash and cash equivalents)		
Deposits from central banks	0	0
Deposits from credit institutions	-3,127,397	-3,139,982
Deposits from other than central banks and credit institutions	1,314,697,470	1,259,815,533
Debt securities issued, retail	-138,262,744	-88,676,706
Financial liabilities held for trading	-2,907,821	-407,445
Other liabilities	84,494,308	-5,967,508
(Paid) refunded income taxes	-27,315,011	-43,813,189
Net cash flow from operating activities	**-38,527,946**	**-201,952,583**
Investing activities		
Cash payments to acquire property, plant and equipment	-3,795,879	-5,249,372
Cash proceeds from disposal of property, plant and equipment	409,178	139,040
Cash payments to acquire intangible assets	-8,697,796	-6,488,705
Cash proceeds from disposal of intangible assets	0	0
Changes concerning consolidated companies	0	0
Net cash flow from investing activities	**-12,084,497**	**-11,599,037**

Financing activities		
Paid dividends	-16,052,625	0
Cash proceeds from a capital increase	0	0
Cash proceeds from the issue of subordinated debt securities	0	0
Cash payments from subordinated debt securities	-24,577,427	-29,900,794
Cash proceeds from the issue of senior debt securities	831,063,750	0
Cash payments from senior debt securities	-138,154,037	-208,410,398
Cash proceeds from issuing EMTN	499,855,000	497,650,000
Cash proceeds from TLTRO-III ECB	0	94,945,000
Interest paid	-13,906,521	-13,579,970
Net cash flow from financing activities	**1,138,228,140**	**340,703,839**

Cash and cash equivalents at the end of the period	**2,261,242,842**	**3,288,401,508**

Components of cash and cash equivalents		
Cash in hand	50,088,139	43,644,474
Cash balances at agents	9,946,750	9,583,789
Cash balances with central banks	48,523,118	31,058,124
Central bank reserves	1,459,114,243	2,312,853,253
Cash balances with other financial institutions	110,254,310	133,540,159
Other advances	583,316,283	757,721,707
Total cash and cash equivalents at the end of the period	**2,261,242,842**	**3,288,401,507**

Cash flow from operating activities:		
Received interest income	410,044,031	406,485,377
Dividends received	0	0
Paid interest expenses	-151,184,053	-119,159,941
Cash flow from financing activities:		
Paid interest expenses	-13,906,521	-13,579,970

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 2019)

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 2019.

The following IFRS standards became effective on 1 January 2020 and have been applied in this report:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform. The amendments provide temporary relief from adopting specific hedge accounting requirements for hedging relationships directly affected by this reform. For more information regarding the IBOR reform, we refer to the annual financial statements as of 31 December 2019.

Standards and Interpretations published but not yet effective for the annual period commencing on 1 January 2020:

- IFRS 17 Insurance Contracts requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. Expected to be effective for annual periods commencing on or after 1 January 2023, but not yet adopted in the European Union. The Company itself does not offer insurance contracts (these are offered by a separate entity in the group) and is not impacted by this standard.
- Several amendments to existing IFRS and IFRIC for which the impact is currently estimated as being negligible.

Note 2: Summary of significant accounting policies (Note 2 in the annual statements of 2019)

A summary of the main accounting policies is provided in the annual financial statements as of 31 December 2019.

Note 3: Changes in significant accounting policies

The default definition under the accounting policy is aligned with the definition applied for internal credit risk management. In doing so, the Company treats 'non-performing' and 'default' in an identical manner.

The definition applied for internal credit risk management follows the requirements of the prudential default definition under the capital requirements regulation (CRR). In order to comply with the European Banking Authority (EBA) guidelines on the application of the definition of default and related EU regulation, a change of default definition was requested.

The Company received the approval of the European Central Bank (ECB) to apply material changes to the definition of default as from 9 March 2020. Subsequently the accounting policy was aligned.

The following changes were introduced in the default definition (DoD):

- Days past due counting for arrears takes into account the materiality thresholds of the CRR (arrear > 1% of the exposure value, and in absolute terms above 100 euro for retail counterparties and > 500 euros for non-retail counterparties);
- Days past due counting is effected on day basis as from the moment materiality thresholds are exceeded (instead of an approximation of 90 days arrear based on three monthly instalments in arrear);
- Forbearance measures can lead to default in accordance with the CRR (forbearance with a modification loss of > 1% of the exposure value, 2nd forbearance measure, or the granting of a forbearance measure when the instrument is > 30 days past due);
- Probation period in anticipation of curing to performing status of a financial instrument of at least 3 months.

In addition further improvements were introduced in the default risk management process and impairments calculation:
- Improvement of the UTP monitoring and scoring framework;
- Inclusion of 95% success factor for NHG guarantee (5% haircut on collateral value);
- Improvement of the valuation for mortgage mandates.

The impact of the above change of the accounting policy results in an:
- Insignificant result impact for Belgian mortgage loans;
- Increase of the number of default mortgage loans in the Dutch portfolio with an increase of stage 3 impairment losses of approximately EUR 1.4 million (before tax);
- Increase of stage 3 impairments losses for consumer loans of approximately EUR 1.0 million (before tax).

No other significant changes were made to the accounting policies used for preparing the 2020 interim financial statements compared to the policies applied as of 31 December 2019.

Notes on operating segments (in EUR)

Note 4: Operating segments (Note 10 in the annual statements of 2019)

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	31/12/2019
Total assets	25,878,030,101	17,142,809,745	43,020,839,846
Total liabilities	35,732,575,220	5,164,612,880	40,897,188,100

Consolidated balance sheet	Belgium	The Netherlands and Luxembourg	30/06/2020
Total assets	27,479,587,382	17,306,736,156	44,786,323,538
Total liabilities	37,391,627,476	5,239,107,657	42,630,735,133

Consolidated statement of profit or loss	Belgium	The Netherlands and Luxembourg	30/06/2019
Total operating income	115,589,048	146,331,362	261,920,410
Non-operational items			-235,616,534
Tax expense			-5,024,429
Profit or loss after tax			**21,279,447**

Consolidated statement of profit or loss	Belgium	The Netherlands and Luxembourg	30/06/2020
Total operating income	137,670,736	163,949,317	301,620,053
Non-operational items			-249,507,027
Tax expense			-13,533,345
Profit or loss after tax			**38,579,681**

The non-operational items in the consolidated statement of profit or loss consist of the administrative expenses, depreciation, modification gains or losses, 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 2019)

Balance sheet	31/12/2019		30/06/2020	
	Parent company	Other related parties	Parent company	Other related parties
Term loans	0	0	0	0
Mortgage loans	0	599,920	0	567,310
Other assets	2,355,054	21,632,559	3,457,848	9,474,645
Total assets	**2,355,054**	**22,232,479**	**3,457,848**	**10,041,955**
Financial liabilities at amortised cost	89,718,947	136,874,604	78,939,963	61,550,777
Other liabilities	567,459	41,421,479	1,352,927	41,278,924
Total liabilities	**90,286,406**	**178,296,083**	**80,292,890**	**102,829,701**

Statement of profit or loss	30/06/2019		30/06/2020	
	Parent company	Other related parties	Parent company	Other related parties
Interest expenses	11,578	3,919	3,854	81,443
Fees and commission expenses	0	5,634,858	0	8,200,525
Other expenses	6,050,814	0	6,509,058	0
Total expenses	**6,062,392**	**5,638,777**	**6,512,912**	**8,281,968**
Interest income	0	365,675	0	277,648
Other income	228,538	28,951,618	189,725	26,327,384
Total income	**228,538**	**29,317,293**	**189,725**	**26,605,032**

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

Note 6: Cash and balances with central banks and other demand deposits (Note 11 in the annual statements of 2019)

	31/12/2019	30/06/2020
Cash	68,561,270	53,228,264
Cash balances with central banks	2,423,415,691	2,343,911,378
Cash balances with other financial institutions	137,679,811	133,540,159
Total	**2,629,656,772**	**2,530,679,800**

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.

With the introduction of a two-tier system as from the end of 2019, part of the excess liquidity held by the banks was exempted from negative interest on the deposit facility. Following this, the Company placed part of its excess liquidity with the ECB, hence the high level of cash balances with central banks.

Note 7: Non-trading financial assets mandatorily at fair value through profit or loss (Note 13 in the annual statements of 2019)

The SPPI test is introduced in the framework of the classification of financial instruments. For determining the classification and for measurement, this SPPI test is performed to determine whether only ordinary interest and capital repayments are made on a financial instrument. If this is not the case, the security has to be recognised at fair value through profit or loss.

As of 30/06/2020, there was EUR 68,126,418 under this classification, consisting of securities failing the SPPI test.

	31/12/2019	30/06/2020
Total portfolio	**66,305,830**	**68,126,418**
Breakdown by interest rate type		
Variable	49,607,606	52,265,164
Fixed	16,698,225	15,861,255
Undefined	0	0

Note 8: Financial assets at fair value through other comprehensive income (Note 14 in the annual statement of 2019)

	31/12/2019	30/06/2020
Total portfolio	**3,529,467,208**	**4,075,211,024**
- of which hedged via micro-hedges	945,383,925	926,251,921
Breakdown by instrument type		
- Equity instruments	1,062,498	1,062,498
- Debt securities	3,528,404,710	4,074,148,527
Breakdown by interest rate type		
- Variable	1,469,167,203	1,234,504,233
- Fixed	2,059,237,507	2,839,644,294
- Undefined	1,062,498	1,062,498
Breakdown by impairment stage (gross carrying amount)		
- Debt securities		
- Stage 1	3,529,312,919	4,071,508,163
- Stage 2	0	5,843,561
- Stage 3	0	0
Breakdown by impairment stage (impairment)		
- Debt securities		
- Stage 1	-908,209	-3,177,472
- Stage 2	0	-25,725
- Stage 3	0	0

Investments in debt securities increased with the reinvestment of part of the cash balances received from the issuance of EMTN securities and inflow of retail funding.

The amortised cost, unrealised gains or losses and the fair value of instruments measured at fair value through other comprehensive income per 31 December 2019 and 30 June 2020 are as follows:

31/12/2019	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair value
Debt securities				
General governments	855,175,257	89,568,440	-264,994	944,478,703
Credit institutions	1,361,928,967	14,336,204	-320,100	1,375,945,071
Other Financial corporations	437,802,801	1,057,843	-57,449	438,803,195
Non-Financial corporations	766,638,334	2,805,074	-265,666	769,177,742
Equity instruments				
Investment funds and other	1,062,498	0	0	1,062,498
Total	**3,422,607,857**	**107,767,561**	**-908,209**	**3,529,467,208**

30/06/2020	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	925,523,364	91,928,831	-789,122	1,016,663,072
Credit institutions	1,370,596,000	11,934,726	-761,586	1,381,769,139
Other Financial corporations	430,746,746	-623,131	-142,567	429,981,048
Non-Financial corporations	1,238,909,288	8,335,900	-1,509,921	1,245,735,267
Equity instruments				
Investment funds and other	1,062,498	0	0	1,062,498
Total	**3,966,837,895**	**111,576,326**	**-3,203,197**	**4,075,211,024**

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).

For the accumulated impairments reference is made to Note 19.

Note 9: Financial assets at amortised cost (Note 15 in the annual statements of 2019)

	31/12/2019	30/06/2020
Total portfolio	**35,874,587,712**	**36,878,887,980**
Breakdown by instrument type		
- Loans and advances	32,328,025,038	32,768,856,013
- Debt securities	3,546,562,674	4,110,031,967
Breakdown by product type		
- Loans to credit institutions	1,100,248	1,100,248
- Cash collateral to financial institutions	531,592,517	757,721,707
- Consumer loans	233,426,589	263,070,867
- Mortgage loans	30,610,743,339	30,751,811,593
- Term loans	921,309,730	964,120,252
- Advances and overdrafts	3,850,660	2,832,712
- Leasing	26,001,954	28,198,634
- Debt securities	3,546,562,674	4,110,031,967
Breakdown debt securities by interest rate type		
- Variable	825,916,245	752,576,082
- Fixed	2,720,646,429	3,357,455,884
Breakdown by impairment stage (gross carrying amount)		
- Debt securities		
- Stage 1	3,506,974,400	4,040,625,467
- Stage 2	41,554,566	74,240,650
- Stage 3	0	0

- Loans and advances		
- Stage 1	30,484,882,110	28,598,131,927
- Stage 2	1,755,546,058	4,062,021,006
- Stage 3	111,915,216	142,734,943
Breakdown by impairment stage (impairment)		
- Debt securities		
- Stage 1	-1,605,200	-4,317,480
- Stage 2	-361,092	-516,670
- Stage 3	0	0
- Loans and advances		
- Stage 1	-2,936,883	-3,903,574
- Stage 2	-9,108,407	-15,111,954
- Stage 3	-12,273,057	-15,016,334

The loans and advances have further increased through the additional lending to the Company's retail customers, both in Belgium and the Netherlands. Compared to prior periods the growth of the mortgage loan portfolio was lower, due to slower mortgage production in Belgium and the Netherlands. In Belgium the fiscal treatment of mortgage loans evolved unfavourably as from 1 January 2020, leading to unprecedented levels of real estate transactions in the last quarter of 2019 of clients who still wanted to benefit from the previous fiscal treatment. This frontloading of transactions caused a lower level of mortgage production at the start of 2020. Together with the impact of the COVID-19 lockdown (partial closing of real estate agencies, notaries and banks) mortgage production was lower than in the first half of 2019.

Loans and advances 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 2019, the debt securities were subject to stage 1 impairments of EUR 1,605,200 and stage 2 impairments of EUR 361,092. As per 30 June 2020 stage 1 impairments have increased to EUR 4,317,480 and stage 2 impairments to EUR 516,670.

Stage 1, stage 2 and stage 3 impairments for loans and advances increased from EUR 2,936,883 (stage 1), EUR 9,108,407 (stage 2) and EUR 12,273,057 (stage 3) to EUR 3,903,574 (stage 1), EUR 15,111,954 (stage 2) and EUR 15,016,334 (stage 3). Additional information on accumulated impairments is included in Note 19.

Note 10: Financial liabilities measured at amortised cost (Note 22 in the annual statements of 2019)

	31/12/2019	30/06/2020
Deposits from central banks	47,471,427	142,295,582
Deposits from credit institutions	10,513,043	7,373,061
Deposits from other than central banks and credit institutions	36,127,516,125	37,387,331,659
Senior debt securities issued - saving certificates	98,335,882	9,659,176
Senior debt securities issued - other	3,069,705,186	3,358,944,787
Subordinated debt securities issued	532,656,609	502,755,815
Other financial liabilities	34,971,367	32,490,055
Total	**39,921,169,639**	**41,440,850,135**

Deposits from central banks and credit institutions

The deposits from central banks and credit institutions are composed as follows:

	31/12/2019	30/06/2020
Deposits from central banks	**47,471,427**	**142,295,582**
Breakdown by product type		
- Targeted Long Term Refinancing Operations	47,471,427	142,295,582

	31/12/2019	30/06/2020
Deposits from credit institutions	**10,513,043**	**7,373,061**
Breakdown by product type		
- Deposits on demand	9,244,316	6,252,334
- Repurchase agreements	0	0
- Cash Collateral from financial institutions	1,268,727	1,120,727

The Company participated in the third TLTRO program at the beginning of 2020 for EUR 95 million.

Deposits from other than central banks and credit institutions

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

	31/12/2019	30/06/2020
Deposits from other than central banks and credit institutions	**36,127,516,125**	**37,387,331,659**
Breakdown by product type		
- Deposits on demand	5,408,948,269	5,900,116,232
- Deposits on term	2,280,036,471	1,983,610,519
- Regulated saving deposits	25,959,686,667	26,963,048,834
- Mortgage-linked deposits	588,733,758	572,151,516
- Other deposits	1,890,110,960	1,968,404,558

Current accounts (deposits on demand) (EUR +492 million) and regulated savings accounts (EUR +1,004 million) increased further despite the low offered rates, whereas term accounts (EUR -297 million) decreased due to the low rates. Other deposits relates to savings and term accounts offered to Dutch clients.

Senior debt securities issued – savings certificates

The senior debt securities issued in the form of savings certificates are composed as follows:

	31/12/2019	30/06/2020
Senior debt securities issued - saving certificates	**98,335,882**	**9,659,176**

The decreasing trend continues since the Company decided to cease offering retail savings certificates.

Senior debt securities issued – bonds

The heading contains the A notes issued under the securitization transactions (by Green Apple) and the notes issued under the EMTN programme.

	31/12/2019	30/06/2020
Senior debt securities issued – other	**3,069,705,186**	**3,358,944,787**
Green Apple 2017-I NHG	907,591,648	822,896,757
Green Apple 2018-I NHG	856,125,475	787,039,882
Green Apple 2019-I NHG	803,024,027	750,146,934
EMTN	502,964,036	998,861,215

The Green Apple 2017 I NHG 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.

The Green Apple 2018 I NHG 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.

The Green Apple 2019 I NHG 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 a senior preferred note under the EMTN for EUR 500 million with coupon rate of 1% and maturity date of 6 February 2024.

In the first quarter of 2020 the Company issued a senior non-preferred note under the EMTN for EUR 500 million with coupon rate of 1% and maturity date of 29 January 2027.

Subordinated debt securities issued

Subordinated debt securities relate to subordinated certificates issued to retail clients and a Tier 2 institutional bullet debt note. No new subordinated debt was issued in the first half of 2020.

The subordinated liabilities are composed as follows:

	31/12/2019	30/06/2020
Subordinated debt securities issued	**532,656,609**	**502,755,815**

Breakdown by type		
- Subordinated certificates	22,422,953	1,729,835
- Tier 2 debt securities issued	510,233,656	501,025,980

Note 11: Fair value of financial instruments (Note 26 in the annual statements 2019)

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 the assumptions to be used are those that other market participants would use for 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 identity of 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 the 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 measured at fair value. CVA (Credit Valuation Adjustment) is an adjustment of the market value of derivative financial instruments to reflect 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 financial instruments and of financial instruments not recognised at fair value are explained and validated by the Asset & Liability Committee (Alco) on a quarterly basis.

The Company's valuation hierarchy 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). Only where these are not available does the Company use 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. Whether the frequency and volume of transactions are sufficient to speak of an active market is a matter of assessment and depends on the specific facts and circumstances of the market for the instrument. 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 this analysis, an individual detailed analysis is carried out for the instrument in question.

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

When the fair value measurement uses inputs from different levels, the asset or liability is classified according to the lowest level of the inputs concerned (with level 1 as the highest and level 3 as the lowest level).

Financial instruments not measured at fair value

The fair values recorded have been obtained on the basis of internal calculations. These can, however, fluctuate on a daily basis owing to the parameters used, such as interest rates and counterparty creditworthiness. Nor is there an intention to realise the fair value immediately. As a result, this value does not represent the substantial value to the Company on a going concern basis.

Estimating the fair value of financial instruments measured at historical 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:

- The fair value of consumer credits, mortgage loans, term loans and term financial liabilities (fixed-term deposits, retail savings certificates, bonds and subordinated loans and bonds) is determined by discounting contractual cash flows by the discounted cash flow method. The discounting percentage is based on the risk-free reference rate to which a market-based margin is applied. This includes, among other things, a capital, credit and liquidity cost. The interest rate curves are analogous to those used in the sensitivity analysis of interest rate risk (see risk section 5.1). The sensitivity of the market values of the level 3 values is contained in the ‘economic values’ calculation mentioned there (here with the impact of all levels).

- 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.

- The fair value of debt securities for which no quoted (unadjusted) prices on an active market are available or 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 owing 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 measured in the balance sheet at their fair value.

In determining the fair value, the Company first 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 where 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 for which the Company does not have a benchmark, prices are received from third parties.

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 measured at fair value.

31/12/2019	Level 1	Level 2	Level 3
Assets measured at fair value	**2,966,991,367**	**634,196,866**	**1,062,498**
Financial assets held for trading	0	2,342,550	0
Financial assets at fair value through other comprehensive income	2,950,293,142	578,111,568	1,062,498
Non-trading financial assets mandatorily at fair value through profit or loss	16,698,225	49,607,606	0
Derivatives used for hedge accounting	0	4,135,142	0
Liabilities measured at fair value	**0**	**685,656,559**	**0**
Financial liabilities held for trading	0	1,216,696	0
Derivatives used for hedge accounting	0	684,439,863	0

30/06/2020	Level 1	Level 2	Level 3
Assets measured at fair value	**3,689,176,417**	**458,166,672**	**1,062,498**
Financial assets held for trading	0	1,810,446	0
Financial assets at fair value through other comprehensive income	3,673,315,162	400,833,364	1,062,498
Non-trading financial assets mandatorily at fair value through profit or loss	15,861,255	52,265,163	0
Derivatives used for hedge accounting	0	3,257,699	0
Liabilities measured at fair value	**0**	**912,824,924**	**0**
Financial liabilities held for trading	0	809,250	0
Derivatives used for hedge accounting	0	912,015,674	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 the first half of 2020 there were no reclassifications between Level 1 and Level 2.

The fair value of hedging derivatives on the asset side decreased and on the liabilities side increased due to the changes in the interest environment (decrease of LT interest rates). The cumulative fair value changes of the hedged items in a portfolio hedge of interest rate risk increased from EUR 571.9 million per end 2019 to EUR 791.0 million at the end of June 2020.

The following table provides a reconciliation of Level 3 fair values for the first half year of 2019 and 2020. It refers to the securities held under FVOCI and MFVPL.

	Equity instruments at fair value through other comprehensive income	Financial assets at fair value through profit or loss
Opening at 01/01/2019	**1,061,452**	**0**
Purchases and new contracts	0	0
Expired instruments	0	0
(Partial) repayments	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**
Opening at 01/01/2020	**1,062,498**	**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 30/06/2020	**1,062,498**	**0**

The table indicates that there is only a limited amount of level 3 fair values in the financial instruments.

The total of the debt securities and equities valued at level 3 fair values is EUR 1,062,498 as of 30 June 2020 (compared to EUR 1,061,452 per 30 June 2019).

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

The combined position of CVA and DVA amounted to EUR 1.1 million in 2019. As of 30 June 2020 the CVA correction amounts to EUR -5.2 million and DVA amounts to EUR +6.4 million, and there was a positive net impact of net CVA-DVA of EUR 0.3 million recorded under gains or losses from hedge accounting in the statement of profit or loss.

Note 12: Other assets and other liabilities (Notes 21 & 24 in the annual statements 2019)

The increase by EUR 57.5 million in other assets mainly relates to the increase in the credit and payment services suspense account.

Other liabilities have decreased by EUR 6.9 million between 31/12/2019 and 30/06/2020. This is mainly due to the accrual for tax levies under IFRIC 21.

Note 13: Equity attributable to the owners of the parent (Note 3 in the annual statements 2019)

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 2020 is EUR 2,155,395,440 compared with EUR 2,123,436,996 as of 31 December 2019.

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

Overview of equity	31/12/2019	30/06/2020
Paid up capital	815,642,650	815,642,650
Accumulated fair value changes of debt securities measured at fair value through other comprehensive income	33,683,281	25,503,740
Accumulated cash flow hedge reserve	-4,701,163	-3,033,265
Accumulated actuarial gains or losses on defined benefit pension plans	-1,208,126	-1,208,126
Reserves	1,162,659,199	1,280,020,361
Profit or loss attributable to owners of the parent	117,361,155	38,470,080
Minority interests	214,749	192,965
Total equity	**2,123,651,745**	**2,155,588,406**

Share capital

The fully paid-in capital, represented by 168,975 no par shares, is EUR 815,642,650.

Fair value changes of instruments measured at fair value through OCI

The accumulated fair value changes of debt securities at FVOCI amounted to EUR 25,503,740.

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 1,280,020,361 as of 30 June 2020) increased due to the appropriation of the profit for the financial year 2019. In line with recommendation on “dividends, share buybacks and variable remuneration” of the ECB in light of the COVID-19 crisis, no dividends have been paid.

Profit or loss after tax for the current period

The consolidated result (excluding minority interests) for the period ending on 30 June 2020 amounted to EUR 38,470,080.

Notes to the condensed interim consolidated statement of profit or loss

(in EUR)

Note 14: Net interest income (Note 28 in the annual statements of 2019)

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

	30/06/2019	30/06/2020
Interest income	**410,044,031**	**406,349,532**
- Non-trading financial assets mandatorily at fair value through profit or loss	352,381	246,449
- Financial assets at fair value through other comprehensive income	16,808,929	10,716,109
- Financial assets at amortised cost - loans and advances	372,075,005	376,525,004
- Financial assets at amortised cost - debt securities	19,475,841	18,847,284
- Derivatives used for hedge accounting	1,331,875	14,686
- Other assets	0	0
- Interest income on liabilities	0	135,846
Interest expenses	**151,184,053**	**119,159,941**
- Deposits from central banks and credit institutions	1,220,176	560,780
- Deposits from other than central banks and credit institutions	41,330,471	34,714,456
- Senior debt securities issued	5,725,388	3,779,719
- Subordinated debt securities issued	11,038,817	10,277,216
- Leasing liabilities	173,061	156,714
- Derivatives used for hedge accounting	91,696,139	68,260,140
- Other liabilities	0	0
- Interest expenses on assets	0	1,410,917
Net interest income	**258,859,978**	**287,325,436**
- of which interest-income on credit impaired financial assets	115,625	113,956

Interest income

Interest income on debt securities has decreased (in FVOCI EUR -6.1 million and in AC EUR -0.6 million) 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 and an overall lower outstanding portfolio in the first half of 2020 (especially in the first quarter, in the second quarter part of the inflow of funding was reinvested in debt securities) compared to the first half of 2019.

The interest income from loans and advances has increased. Interest income on consumer loans grew with EUR +0.5 million reflecting the growing outstanding loan portfolio. Mortgage loans increased by EUR +4.3 million, but this was supported by an increase in prepayment penalties received on Dutch mortgages EUR of +11.35 million.

Excluding this effect interest income decreased by EUR -7.0 million, as a result of the decline of the average yield due to the lower interest rates for newly-granted mortgage loans and the repricing of existing mortgages combined with a very limited increase of the outstanding portfolio. Mortgage loans remain nevertheless the main source of the interest margin due to the relative higher interest rates than on new debt securities.

Interest income on liabilities relates to the interest income received on the TLTRO liabilities (at negative interest rates).

Interest expenses

The decrease of interest expenses on deposits from central banks relates to the introduction of the two-tier system, in which part of the excess liquidity held by the banks with the ECB was exempted from negative interest on the deposit facility as from the end of 2019.

The decrease in interest expense on deposits from other than credit institutions and debt securities reflects a further decline in retail funding cost and additional wholesale funding. The outstanding funding volumes of retail term deposits and debt securities decreased with lower interest expenses of EUR -8.2 million and were replaced by savings deposits at relatively lower funding cost (EUR +1.1 million) and wholesale funding (securitization and EMTN notes) (EUR +2.3 million).

Funding cost of subordinated debt decreased with the maturing of subordinated retail certificates decreasing interest expenses by EUR -0.8 million.

The decrease in interest expenses on derivatives is mainly the result of the negative fair value revaluation of EUR -21.4 million recorded in the first half of 2019 related to the time value of hedging swaptions. In general the level of the hedging book remained on par with the previous periods (as the sensitivity of new hedges for interest rate decrease is larger than for an interest hike).

Interest expenses on assets relate to the interest expenses paid on posted cash collateral (at negative interest rates).

Note 15: Net fee and commission income (Note 30 in the annual statements of 2019)

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

	30/06/2019	30/06/2020
Fee and commission income	**62,593,934**	**82,409,086**
- Securities: issuances and transfer orders	3,410,754	11,138,608
- Asset management, including central administrative services for collective investment	35,448,377	47,464,490
- Customer resources distributed but not managed	10,085,235	12,631,782
- Payment services	7,410,928	5,752,939
- Other	6,238,640	5,421,267
Fee and commission expenses	**-83,747,016**	**-94,905,829**
- Acquisition charges	-67,993,114	-77,309,827
- Asset management	-1,505,353	-3,647,136
- Custody	-1,056,320	-776,825
- Payment services	-11,447,740	-11,005,669
- Other	-1,744,488	-2,166,373
Net fee and commission income	**-21,153,082**	**-12,496,743**

Commission income on issuances and transfer orders relates to acquisition charges received from retail clients for funds and shares transactions. The sales of Argenta funds over the first half of 2020 were strong, generating additional EUR +5.0 million of commission income. In addition, the volatile stock markets resulted in an increase in shares transactions which generated EUR +1.9 million of commission income.

The asset management fees (including administrative fees) received continue to grow (EUR +11.9 million) as outstanding assets under management were higher compared to the first half of 2019, with strong production in the second half of 2019 and in 2020, positive market evolution especially driven by the second half of 2019 and a fairly strong performance of the Argenta funds during the first half of 2020. Commission income on customer resources distributed but not managed relate to the partner funds within the Argenta product offering.

The acquisition charges contain the commission costs paid to the Argenta tied agents ('branch managers') and make up the majority of commission expenses. The increased sales and management fees on funds also generate additional commission paid to our agents.

Note 16: Gains and losses on financial assets and liabilities not measured at fair value through profit or loss (Note 31 in the annual statements of 2019)

The result on sale of financial instruments amounted to EUR 498,725 in the first six months of 2020 (EUR 4,954,260 in the first six months of 2019). The reasons for sales in the amortized cost portfolio relate to an increase of credit risk or breach of an investment policy limit, near maturity securities or sales that fall within the scope of infrequent and immaterial sales.

Note 17: Administrative expenses (Note 37 in the annual statements of 2019)

Employee expenses consist of the following components:

	30/06/2019	30/06/2020
Wages and salaries	25,599,543	28,646,061
Social security charges	6,585,235	7,341,578
Pension expenses	2,345,749	3,127,011
Share-based payments	0	0
Other	3,305,825	3,697,575
Staff expenses	**37,836,352**	**42,812,225**

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:

	30/06/2019	30/06/2020
Marketing expenses	2,344,684	1,552,506
Professional fees – ICT	26,066,285	18,969,237
Professional fees (including legal and fiscal)	12,110,457	7,884,015
IT expenses	29,709,673	32,665,424
Rental expenses	4,431,819	5,042,705
Other taxes and bank levies	72,662,349	77,272,036
Servicing charges	10,033,503	9,572,958
Utilities	3,035,522	2,836,478
Supervisor	3,460,428	2,818,388
Postage	1,500,502	1,898,790
Interim labour	1,319,859	905,145
Other	14,415,768	12,884,225
Other administrative expenses	**181,090,849**	**174,301,907**

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

Professional fees (including ICT, legal, fiscal and general consulting expenses) decrease by EUR -11.3 million as investments in digitalization continued, but at a slower pace as compared to previous periods. In addition, increased cost control that was gradually implemented over the past years starts showing it merits in the general level of expenses. IT run expenses (EUR +3.0 million), expenditures to comply with various regulatory requirements (supervisor) and bank levies (other taxes and bank levies) increased (EUR +4.0 million).

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 38,527,265 would have been recognised in the second half of 2020.

Note 18: Modification gains or losses

	30/06/2019	30/06/2020
Financial assets at fair value through other comprehensive income	0	0
Financial assets at amortised cost	0	-3,255,967
Modification gains or losses	**0**	**-3,255,967**

The Belgium government measures to support the economy during the COVID-19 crisis (and relevant for the Company) include a (opt-in subject to conditions) deferral of payments (moratorium) for a maximum of 6 months on mortgage loans (with a possible extension of 3 months) and 3 months for consumer finance loans. This deferral includes principal and interest payments for retail clients. Interest is accrued over the deferral period, with the exception of families with net income less than EUR 1,700 euros of disposable income. For the latter group no interest is payable (and accrued) over the deferral period, resulting in a modification loss (EUR -3.3 million).

For Dutch mortgages no government organised program has been put in place. In order to support the Dutch mortgage clients the Company offered tailored solutions (treated as forbearance measures) that encompass deferral of principal and interest payments over a period of 3 months (with a possible extension of 3 months). Interest continued to be accrued over the deferral period.

	Gross carrying amount			
	Performing	of which forbearance	of which stage 2	Non-performing
Belgian mortgage loans subject to EBA-compliant moratoria	744,394,985	2,852,884	547,570,806	2,018,970
Belgian consumer loans subject to EBA-compliant moratoria	339,759	0	17,495	5,154
Dutch mortgage loans subject to COVID-19 forbearance measures	18,909,216	18,909,216	18,909,216	3,525,841
Total loans and advances subject to COVID-19 measures	**763,643,959**	**21,762,100**	**566,497,516**	**5,549,965**

Note 19: Impairments (Note 38 in the annual statements of 2019)

There was a negative impact of EUR 15.1 million in the first half year of 2020.

	30/06/2019	30/06/2020
Goodwill	0	0
Debt securities at amortised cost	204,400	-2,867,858
Loans and advances at amortised cost	-557,209	-9,929,385
Debt securities at fair value through other comprehensive income	-49,396	-2,294,988
Impairments	**-402,205**	**-15,092,232**

Expected credit losses (ECL) on the financial instruments are calculated on the basis of a scenario-weighted model that includes historical and forward-looking information. The ECL are calculated as the sum of the weighted credit losses under a baseline scenario, a down scenario and an up scenario.

ECL losses are calculated by applying the probability that a borrower defaults to the expected exposure in the event of default, taking into account the expected loss in the event of default, discounted at the effective interest rate of the instrument and adjusted for the credit's survival chances.

For the calculation of ECL as per 30 June 2020 the following approach was applied:

- Update of the forecast of the key forward looking indicators driving credit losses in the retail and non-retail portfolios. In general macro-economic indicators moved in an adverse direction under the three observed scenarios. Recovery expectations differ under the scenario's with the baseline scenario including a moderate recovery (U-shape), the up scenario projecting a sharpe recovery (V shape), and the down scenario projection a slow and limited recovery (L-shape).

- Rebalancing of the probabilities of the scenario's from 60% baseline, 10% up and 30% down to 60% baseline, 20% up and 20% down.

The below table includes the comparison of the predominant forward looking indicators for retail and non-retail under the baseline scenario as of 30 June 2020 compared to the end of 2019.

	As at 31/12/2019				As at 30/06/2020			
	2020E	2021E	2022E	>2022E	2020E	2021E	2022E	>2022E
Retail								
Unemployment BE (%)	5.5	5.5	5.5	5.5	7.3	8.3	7.6	6.6
Unemployment NL (%)	3.7	3.7	3.7	3.7	4.6	7.3	5.7	4.7
House Price Index BE (%, YoY)	2.3	1.7	1.8	1.9	-2.0	-1.0	1.8	1.4
House Price Index NL (%, YoY)	3.7	1.6	1.7	1.8	4.3	-2.1	-3.7	1.4
Non-retail								
GDP Eurozone (%, YoY)	1.1	1.2	1.4	1.4	-8.7	5.2	3.3	1.2
Energy Index (%, YoY)	1.9	1.9	1.9	1.9	-25.0	1.9	1.9	1.9
Non-energy Index (%, YoY)	1.9	1.9	1.9	1.9	-5.0	1.9	1.9	1.9

The net impairments for non-retail positions (debt securities and limited public and corporate loans under loans and advances at amortized cost of EUR 0.8 billion) for the first half of 2020 equals EUR -6.5 million. Rating downgrades in the first half of 2020 triggered additional stage 2 allocations for EUR 72 million (as compared to the end of 2019) with approximately additional EUR 0.6 million of stage 2 impairments recorded. Impact of the worsening scenario-weighted forward looking indicators is approximately EUR 5.2 million. The remainder of the net impairments is related to the increased outstanding portfolio at the end of the first half of 2020.

The impact of net impairments for retail positions (mainly mortgage loans and consumer loans) for the first half of 2020 equals EUR -8.6 million. The increase is the result of: (1) worsening of the forward looking indicators, (2) update of the probability weight of the scenarios, (3) inflow in stage 2 of COVID-19 moratorium instruments, (4) the implementation of the new default definition, and (5) portfolio growth.

The most important contribution to the increase of impairments relates to the worsening of the forward looking indicators in the macro-economic scenarios as a result of the COVID-19 crisis. Especially the expected increase in unemployment rates and expected downward house price evolutions weigh negatively on the expected credit losses. The impact is approximately EUR 7.0 million of which EUR 2.5 million is related to Belgian mortgages and EUR 4.5 million to Dutch mortgages. The impact on Dutch mortgages is more significant since a larger part of loans migrated to stage 2 (staging is based on the combined effect of rating and macro-economic conditions and the unemployment rate increase has a higher effect on Dutch mortgages due to historic stable ratings and low unemployment levels).

The update of the probabilities of the scenarios had a compensating effect of EUR +2.4 million (of which EUR 0.6 million for Belgian mortgages and EUR 1.8 million for Dutch mortgages).

The inflow of mortgages with COVID-19 measures to stage 2 generates an additional EUR 1.0 million of impairments for Belgian mortgages. Since the number of COVID-19 forbearance measures for Dutch mortgages was limited, the net impairment impact for Dutch mortgages amounts to EUR 0.1 million. At the end of the first half of 2020 no significant inflow of mortgages under COVID-19 measures was observed. More information on COVID-19 measures is included in Note 18.

The change in valuation rules with regards to the default definition and the further evolution of the portfolio has an effect on net impairments of EUR 2.4 million. More information on the change in default definition is included in Note 3.

Growth of the outstanding portfolio in consumer loans and mortgage loans represents an increase of EUR 0.5 million.

The below table gives an overview of the carrying amounts and accumulated impairments per stage compared to the end of 2019.

	31/12/2019			30/06/2020		
	stage 1	stage 2	stage 3	stage 1	stage 2	stage 3
Retail						
Gross carrying amount	29,162,349,783	1,755,546,058	111,915,216	27,038,412,585	4,026,998,402	142,734,943
Accumulated impairments	-2,327,622	-9,108,407	-12,273,057	-2,674,261	-14,388,992	-15,016,334
Non-retail						
Gross carrying amount	7,801,225,175	41,554,566	0	8,885,932,630	115,106,814	0
Accumulated impairments	-3,122,670	-361,092	0	-8,724,266	-1,265,357	0

Note 20: Tax expense (Note 39 in the annual statements of 2019)

The details of current and deferred taxes are shown below:

	30/06/2019	30/06/2020
Current taxes		
Current tax expenses for the financial year	31,458,366	35,646,102
Current tax expenses for prior periods	0	6,021
Current tax income related to fiscal consolidation	-8,022,273	-6,945,210
Deferred taxes		
Deferred taxes relating to fiscal losses and DRD	-2,617,500	-4,611,786
Deferred taxes for prior periods	0	0
Deferred taxes relating to accounting timing differences	-15,794,164	-10,561,782
Total taxes	**5,024,429**	**13,533,346**
Effective tax rate	19.10%	25.97%

As reflected in the table above, the effective tax rate was 25.97% for the first six months of 2020, compared to 19.10% for the first six months of 2019.

Part of the taxable basis is realized in the Netherlands and Luxembourg. In the Netherlands the tax rate is at 25.0% (and under the reform projected to decrease to 21.70% as from 2021). The tax rate in Luxemburg is at 24.94%. As a result of the Belgian tax reform of 2017, with a step-by-step reduction of the tax rate, the tax rate of 2020 decreased to 25.0% (from 29.58% in 2019).

The different tax rates in the Netherlands and Luxemburg resulted in a lower effective tax rate for the first six months in 2019. The tax effect of other jurisdictions was 5 mio euro for the first six months of 2019. For the first six months of 2020, the effective tax rate of 25.97% compares to the statutory tax rates.

Note on capital management (in EUR)

Note 21: Solvency and capital management (Note 6 in the annual statements of 2019)

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 2019 financial statements. The pillar 3 disclosures for 2019 of the Company are published separately on the Company's website.

The Company uses the IRB method for the retail mortgage portfolios (but not longer for the run-off CHBK 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 6.0% for the total Tier 1 ratio, and of 8.0% for the total capital ratio. The regulators have the possibility to impose a series of additional buffers. The ECB announced the change in the composition of the Pillar 2 Requirements (P2R) in reaction to the COVID-19 crisis. Specifically, the P2R does no longer need to be composed entirely out of CET1 capital, but can be composed out of at least 56.25% CET1 and 75% Tier 1 capital. The CET1 (Common Equity Tier 1) requirement under IRB for 2020 amounts to 10.24%, 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 limit	31/12/2019	30/06/2020
Available capital				
1	Tier 1 core capital (CET1)		2,065,532,277	2,072,655,942
2	Tier 1 capital (T1)		2,065,532,277	2,072,655,942
3	Total capital (TC)		2,564,201,845	2,577,847,374
Risk-weighted items				
4	Total risk-weighted items		8,334,496,585	9,377,834,242
Solvency ratios				
5	Common Equity Tier 1 core capital (%)	15%	24.78%	22.10%
6	Tier 1 capital ratio (%)		24.78%	22.10%
7	Total Capital Ratio (%)	17%	30.77%	27.49%
Additional CET1 buffer requirements				
8	Capital Conservation Buffer requirements (%)		2.50%	2.50%
9	Countercyclical capital buffer requirements (%)		0.05%	0.01%
10	O-SII (Other Systemically Important Institution) buffer requirements (%)		0.75%	0.75%
11	Total of CET1 buffer requirements (%)		3.30%	3.26%
12	% CET1 available to fulfill buffer requirement above the minimum capital requirements of 4.5%		20.28%	17.60%
Leverage ratio				
13	Leverage exposure		44,727,238,947	47,268,366,184
14	Leverage ratio (%)	4%	4.62%	4.38%
Liquidity Coverage Ratio (LCR)				
15	Total high quality liquid assets		5,500,507,608	5,577,154,557
16	Total net cash outflow		3,192,298,271	3,579,520,693
17	LCR ratio (%)	125%	172.31%	155.81%
Net Stable Funding Ratio (NSFR)				
18	Total available stable funding		38,599,867,965	40,004,757,928
19	Total required stable funding		28,328,508,038	29,575,586,282
20	NSFR ratio (%)	120%	136.26%	135.26%

The Common Equity Tier 1 (CET) ratio amounts to 22.10% as of 30 June 2020. The decrease of the CET1 ratio is the result of an increase in risk weighted assets.

Main changes in equity

As of 30 June 2020 an amount of EUR 21,572,580 could be recognised in the Tier 1 capital (after receiving the approval of the supervisor).

Main changes in risk exposure amount

The increase in risk exposure (EUR +1.0 billion) is the result of the increase of government, corporate and institutions debt securities portfolios for an amount of EUR 0.6 billion risk-weighted assets.

The risk exposure amount for the mortgages increased with EUR 0.3 billion as a result of the underwriting of new loans and growth in the outstanding portfolio.

The remaining increase is related to securitizations (new risk weight framework) for EUR +0.05 billion and other retail (consumer loans) also for approximately EUR +0.05 billion.

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

The Risk Appetite Framework (RAF) and ICAAP (Internal Capital Adequacy Assessment) are 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 22: Post-balance sheet events (note 44 in the annual statements of 2019)

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 2020.

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
DRD	Dividends Received Deduction
DVA	Debt Valuation Adjustment
ECB	European Central Bank
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
NPV	Net Present Value
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