



# Argenta Spaarbank

Financial results first half 2020

August 2020





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# Agenda

1. Key takeaways
2. COVID-19
3. 1H 2020 overview
4. Zoom on Financial Performance
5. Asset Quality
6. Solvency and Liquidity
7. Wrap-up
8. Appendices

# 1. Argenta Spaarbank key takeaways (1)

- The first half of 2020 has brought forward unprecedented health, social and economic consequences following the COVID-19 crisis
- Despite these challenges, commercial performance and financial results remain solid:
  - Funds under management grew to 44.8 billion EUR (+8%) mainly as a result of higher saving volumes and strong fee production volumes, with Argenta in-house funds in excess of 6 bio, resulting in an overall fee income of 71 million EUR, a 46% increase versus H1 2019.
  - Lower production volumes<sup>1</sup> of Belgian mortgages (0,8 bio) due to COVID-19 lockdown but volumes in the Netherlands as planned (1.1 bio). Retail mortgage loan production market share at 4.8% in Belgium and 2.0% in the Netherlands.
  - Trend break in C/I-ratio (62,5%) with lowest level since 2017 driven by higher operating income, reinforced by continued cost saving efforts.
  - Net profit<sup>2</sup> of 67 million EUR with an ROE of 6.4%.
- Robust capital and liquidity position:
  - IRB CET 1 at 22.1%, TCR of 27.5%, well in excess of the SREP requirement.
  - Sound liquidity position with LCR of 156% and NSFR of 136%.



# 1. Argenta Spaarbank key takeaways (2)

- Offering simple and transparent bank and insurance products with unrivalled levels of customer satisfaction, loyalty and brand strength:
  - Awarded most customer friendly bank (goCX survey, June 2020)
  - Argenta-app ranked in top 3 banking apps in Belgium (D-rating, January 2020)
  - Belgian leader in customer experience (KPMG global CX research, July 2020)
- Sustainability is a corporate value:
  - 3rd place in sustainability awards (Bankwijzer/Fairfin, December 2019)
  - Achieved 'Towards Sustainability'-label for 12 funds (Febelfin, November 2019)
  - Awarded best mixed fund (Argenta pension fund) in Fund Awards 2020 (De Tijd/L'Echo, March 2020)

## 2. Covid-19

Argenta stays **closeby**  
Also from a distance. **#togetheragainstcorona**

More information on  
[argenta.be/corona](https://argenta.be/corona)





## 2. Covid-19: #togetheragainstcorona

- The first half of 2020 confronted the world with unprecedented health, social and economic challenges following the COVID-19 crisis
- Protective measures were taken towards our clients, employees, branch owners and other stakeholders in line with local government recommendations
  - **Head office:**
    - Telework introduced, 50/50 since March 9th and 100% since March 16<sup>th</sup>, fully operational for 1200 employees.
    - Tips & Tricks for management to ensure practical and moral support for our employees working from home.
  - **Branch network:**
    - Crucial role as “partner in trust” for our customers but maximum restriction on physical contact to protect clients and branch personnel
    - Communication and transactions by maximum use of digital tools. Appointments only approach.
- **Covid-19 task force in place**
  - Daily coordination, follow-up, and communication of COVID-19 related items
  - Continuous Covid-19 communication update via different information channels
  - Regular follow-up with stakeholders (federations, government supervisors, regulators, rating agencies, etc.)



## 2. Covid-19: Business continuity - impact on the customers

- Government & sector measures in place to support retail lending
  - In Belgium, formal moratorium of payment deferral of principal and interest is accrued over the deferral period, with the exception of families with net income less than 1,700 EUR. For the latter group, this results in a modification loss for the bank of 3,3mio EUR booked in 2Q
  - Opt-in deferral of 3 months for consumer finance and 6-9 months for mortgages. (maximum until 31 Oct 2020 and can be extended to 31 Dec 2020)
    - Belgian mortgages: 4,630 files accepted
    - Belgian consumer loans: 24 files accepted
  - Dutch mortgages: deferrals are granted to retail clients on a tailor made basis by the sector; no moratorium
    - Dutch mortgages: 137 files accepted
- Retail investment funds
  - Proactive & transparent communication to clients with regard to retail fund valuations
  - Info on markets, central bank measures, fund managers views and actions
- Daily banking and insurance
  - Maximum use of digital transactions (internet banking and Argenta-App) with support from the branch network and the contact center
  - Prevention and warning for increased phishing hazard



## 2. Covid-19: IFRS 9 scenarios

UP-SCENARIO	BASE-SCENARIO	DOWN-SCENARIO
Pandemic is quickly and firmly brought under control with no further lockdowns	Pandemic is brought under control with only limited further lockdown measures	Virus surges in waves until vaccination resolves, intermittent partial or full lockdowns
Quick rebound of economy starting Q320 and back to normal early 2021	Slower rebound of economy starting from Q320 with a strong recovery in 2021 and return to pre-Covid-19 levels by 2022	Stronger drop in activity in 2020 with only slow recovery starting in 2021 and lasting longer into 2022
V-shape recovery path	U-shape recovery path	Bird-wing-like recovery path

- Financial markets have been going through turmoil despite central bank and government aid packages
- Stock exchange indices have initially dropped up to 40% and remain volatile but no direct impact as the bank has no direct equity exposure
- Euro interest rates have shown resilience as the ECB did not lower its monetary policy rates and fixed income spreads have tightened significantly after initial widening
- Credit risk:
  - Investment portfolio: traditionally conservative investment policy and no exposure to troubled or short cycle sectors
  - Loan portfolio: high quality loan portfolio with low average LTVs and high quality collateral.
- The uncertainty of this situation has been modelled into three scenarios: base-case, up-scenario and down-scenario
- The probability of the scenario's are 60% for the base-case, 20% for the down-scenario and 20% for the up-scenario

## 2. Covid-19: macroeconomic scenario's

June 2020

Real GDP growth	2020			2021			2022		
	Up	Base	Down	Up	Base	Down	Up	Base	Down
Euro area	-5.9%	-8.7%	-12.6%	6.8%	5.2%	3.3%	2.2%	3.3%	3.8%
Belgium	-5.9%	-9.0%	-13.4%	6.8%	6.4%	5.4%	2.2%	2.3%	3.7%
Netherlands	-3.4%	-6.4%	-11.8%	5.1%	2.9%	2.2%	2.2%	2.4%	4.6%

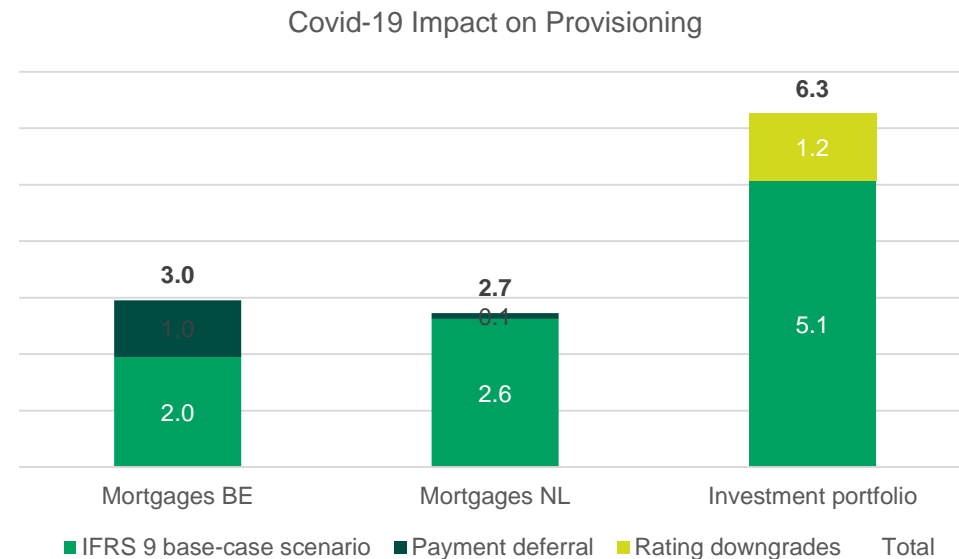
Unemployment rate	2020			2021			2022		
	Up	Base	Down	Up	Base	Down	Up	Base	Down
Belgium	6.0%	7.3%	8.0%	7.0%	8.3%	10.5%	6.5%	7.6%	10.0%
Netherlands	4.1%	4.6%	5.0%	5.7%	7.3%	9.2%	4.0%	5.7%	8.0%

House-price index	2020			2021			2022		
	Up	Base	Down	Up	Base	Down	Up	Base	Down
Belgium	-1.0%	-2.0%	-6.0%	0.0%	-1.0%	-4.0%	3.0%	1.8%	-1.0%
Netherlands	4.9%	4.3%	4.0%	0.8%	-2.1%	-4.0%	1.3%	-3.7%	-7.3%

## 2. Covid-19: Financial impact per June 2020

- Financial impact :

- Impairments: 11.9m extra stage 1 & 2 provisions were added due to COVID-19, no material impact in stage 3



- Modification loss: 3.3m up-front booking for NPV loss of lost interest for vulnerable clients
- Dividend: strong capitalisation, dividends reserved but not payed out following ECB recommendation. Possibility for pay out in the second half of 2020 will be assessed in light of future developments.



## 3. 1H 2020 overview

### 3. Argenta Spaarbank soundly embedded in Argenta Group 1H 2020

#### Argenta Group

Net result	62.3 m
Return on Equity <sup>1</sup>	6.8%
Total assets	51.7 bn
Total equity	2.9 bn
Cost / Income <sup>1</sup>	59%
Total funds under mgmt	50.2 bn
CET 1	22.6%

#### Argenta Spaarbank

Net result	38.6 m
Return on Equity <sup>1</sup>	6.4%
Total assets	44.8 bn
Total equity	2.6 bn
Cost / Income <sup>1</sup>	63%
Total funds under mgmt	41.4 bn
CET 1	22.1%

#### Argenta Assuranties<sup>2</sup>

Net result	31.4 m
Return on Equity	13.1%
Total assets	6.9 bn
Total equity	0.5 bn
Premium Life <sup>3</sup>	426 m
Premium Non-life	93 m
Solvency II	246%

#### Credit Rating

##### Standard & Poor's

Short-term	A-2
Long-term	A-
Outlook	Negative

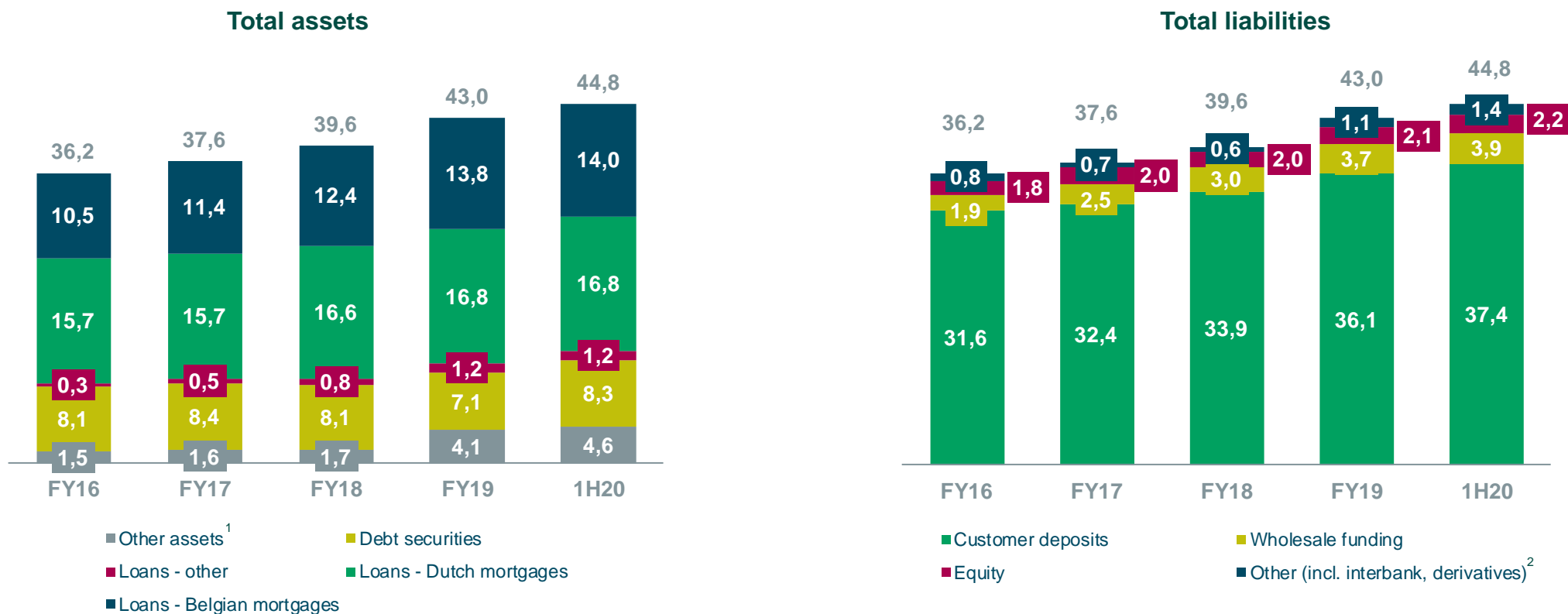
Note: all numbers are stated in EUR

- (1) Adjusted for IFRIC 21
- (2) BGAAP
- (3) Including Universal Life unit-linked

### 3. Financial Objectives on key parameters

Argenta Spaarbank	FY 2019	1H 2020	LT Target
Return on Equity <sup>1</sup>	5.8%	6.4%	>7%
Leverage Ratio	4.6%	4.4%	>4%
Cost / Income Ratio <sup>1</sup>	69%	63%	<60%
CET 1 Ratio	24.8%	22.1%	>18%
Total Capital Ratio	30.8%	27.5%	>20%
Net Interest Margin (NIM)	1.29%	1.31%	>1.35%
NSFR	136%	135%	>120%
LCR	172%	156%	>125%

### 3. Balance Sheet Evolution – CAGR 6.3%

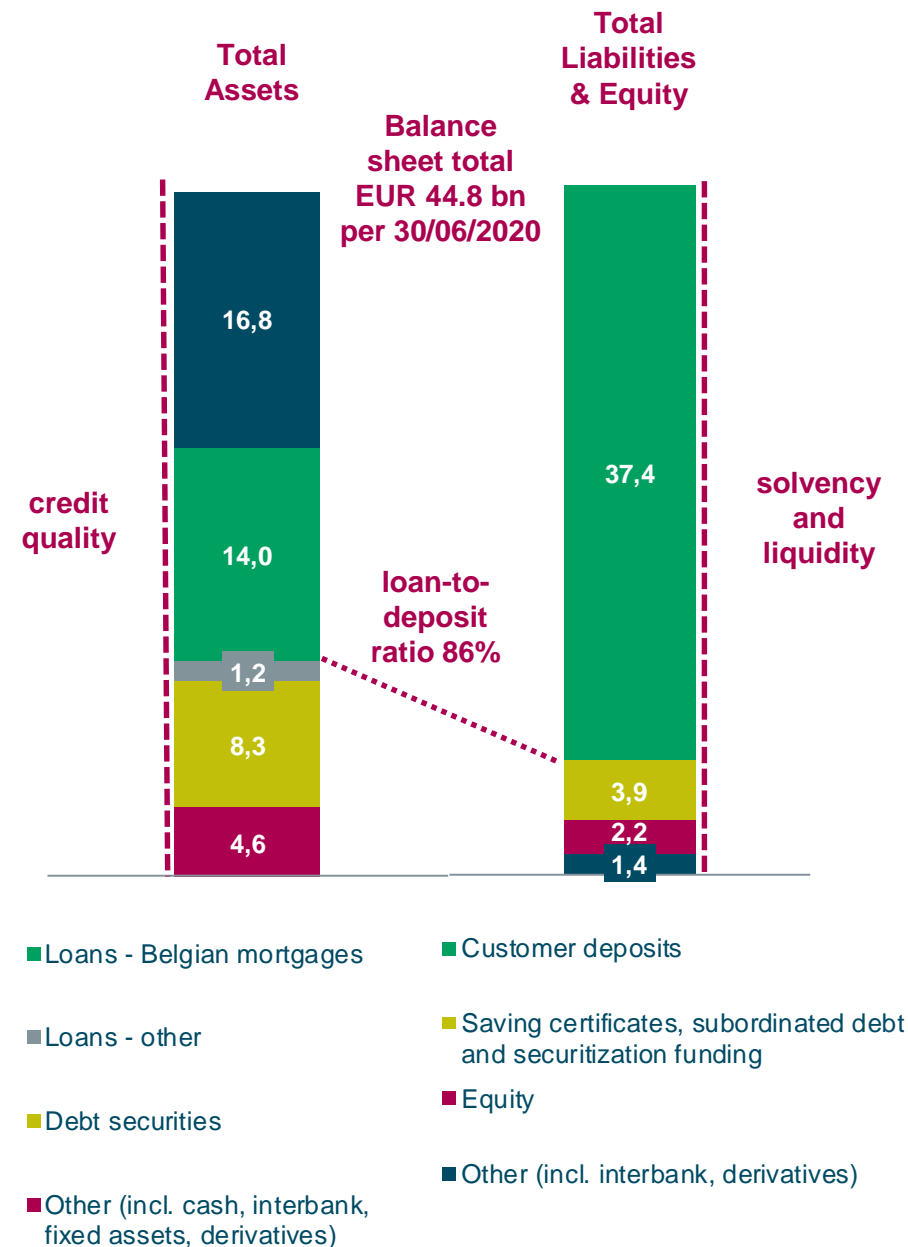


(1) Other loans including cash, interbank, fixed assets, derivatives

(2) Wholesale funding including Saving certificates, subordinated debt and securitization funding

### 3. Balance Sheet Composition

- Balanced growth of assets between a low-risk loan book of mainly prime retail mortgage loans in the Netherlands and Belgium, and a well diversified and conservative investment portfolio.
- Growing portfolio of loans granted to local authorities in support of public-private partnerships.
- Strong retail funding profile with low loan-to-deposit ratio of 86%. Deposit market share increased from 8.5% to 8.6%.
- Diversification of funding sources with 3.9 billion EUR of securitizations (issued in 3 Green Apple transactions), EMTN issuances and subordinated debt.

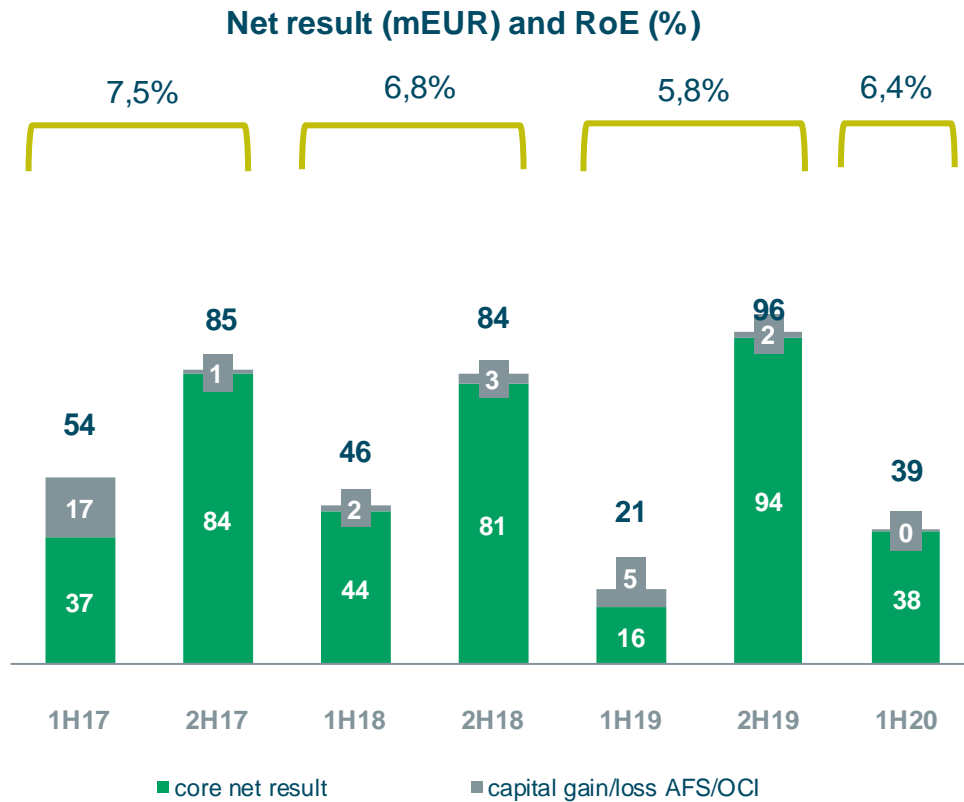






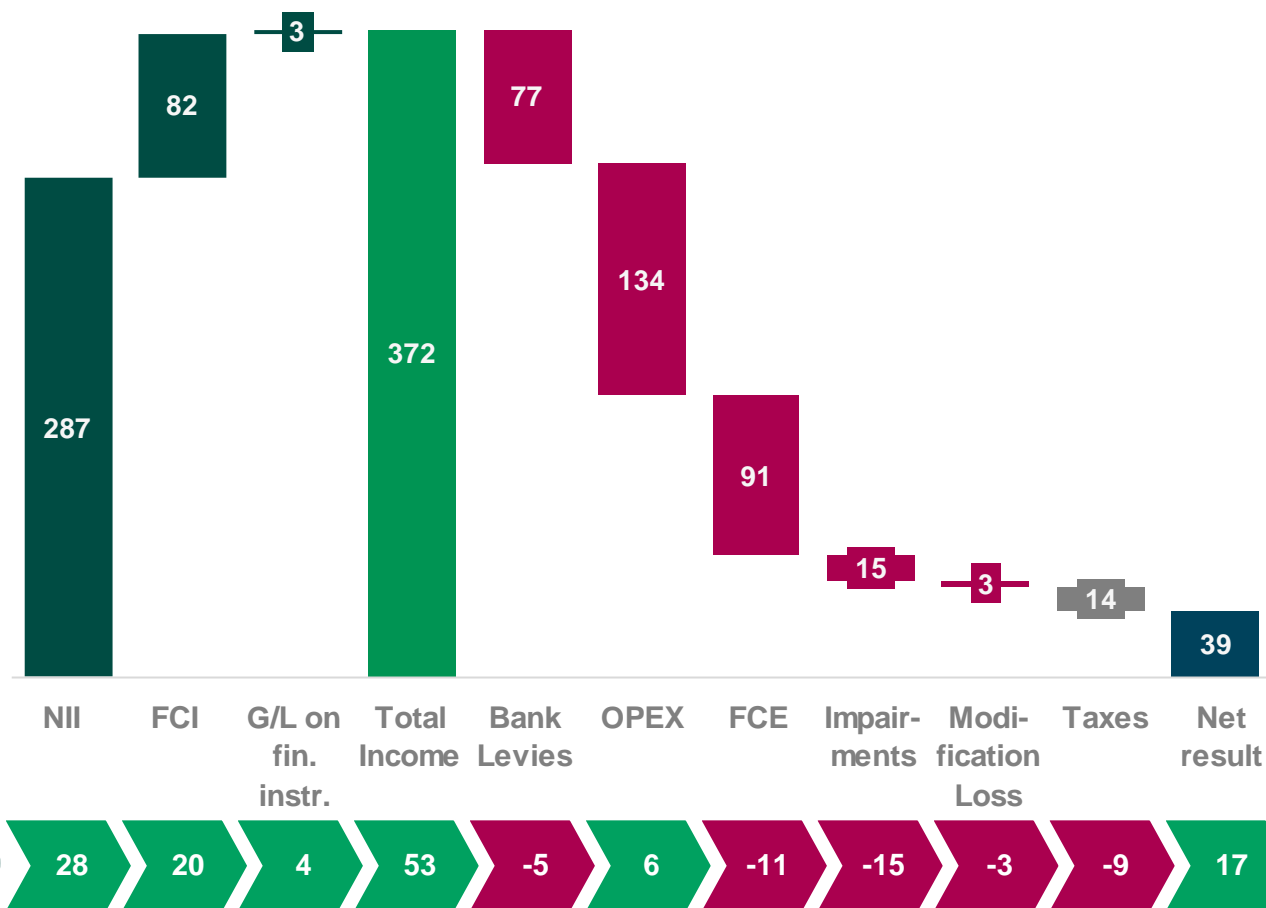
# 4. Financial performance

## 4. Net result development



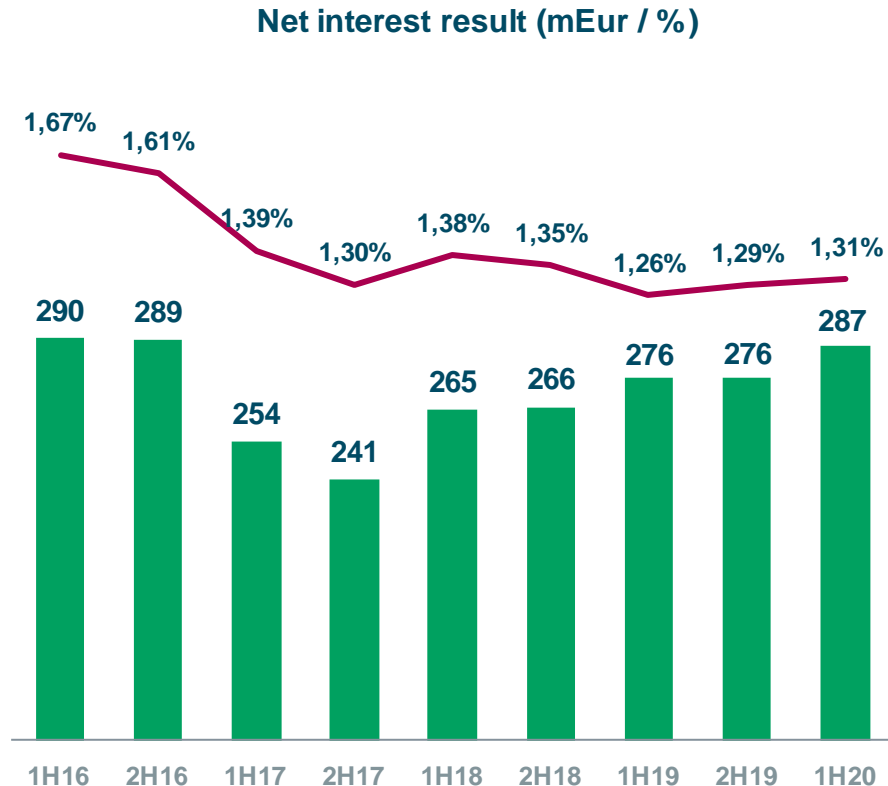
- Favorable development of ROE and net result despite socio-economic challenges
- Net result 18 mio higher YoY or increase of 81%
- Adjusted for IFRIC 21, the net profit for 1H20 is 67 mio (+21 mio compared to 1H19)

## 4. Solid financial results in 1H20



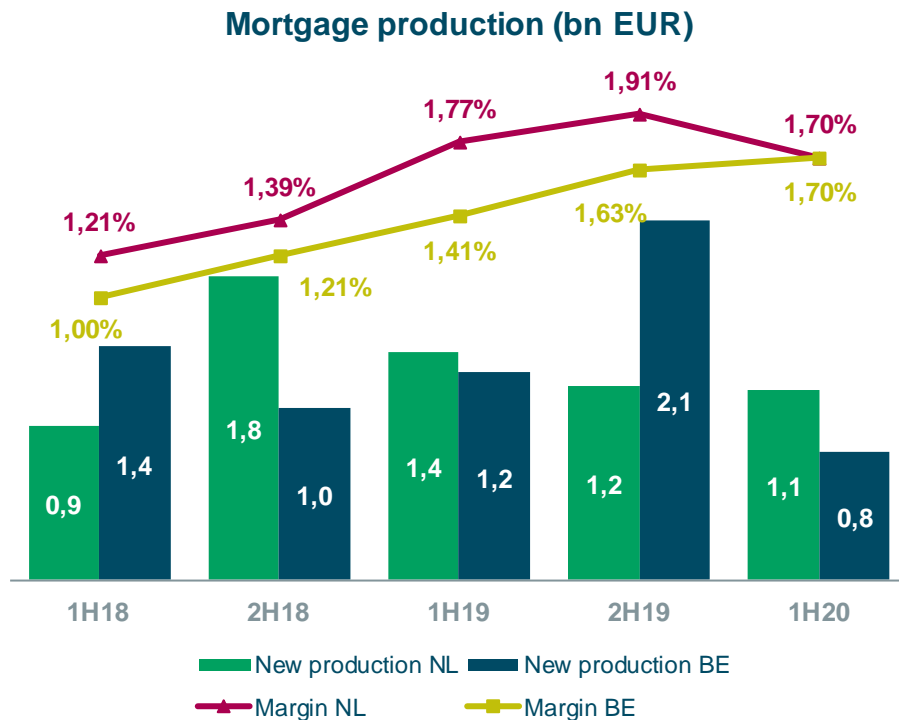
- Net interest result bank strongly increased compared to 1H19:
  - Lower funding cost of 9 mio, due to the maturing of expensive term retail funding
  - Total hedging cost decreases with 22 mio, mainly due to last year's one-off result of decreased market value of derivatives (19 mio YoY)
  - Increase in received prepayment penalties for Dutch mortgages
  - Lowered yields on reinvestments causes decreased interest income on investment portfolio
- Strong growth in fee income transcends higher commission expenses
- Lower operating expenses through cost saving initiatives and underrun related to lockdown largely undone by increased bank levies
- COVID-19 pandemic drives increases in impairments and creates modification loss from payment deferrals on mortgages

## 4. NII up by 11% yoy



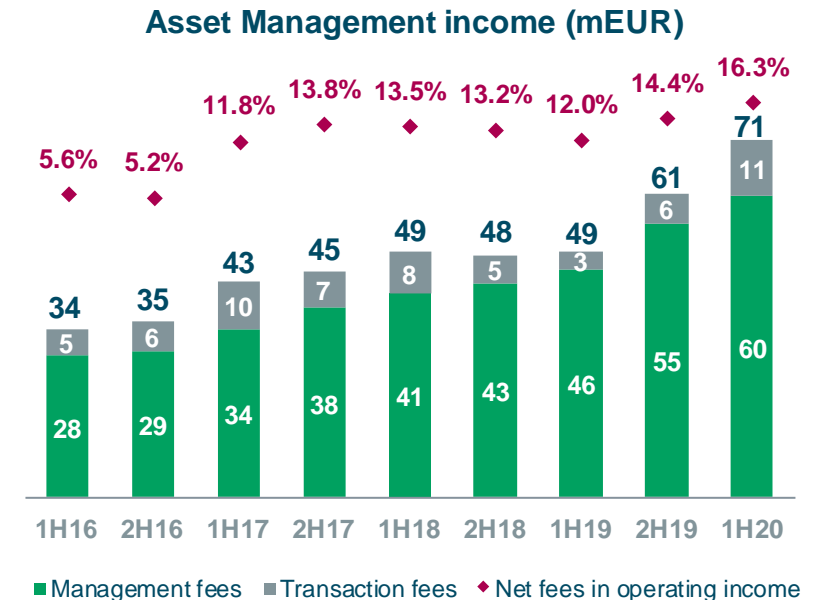
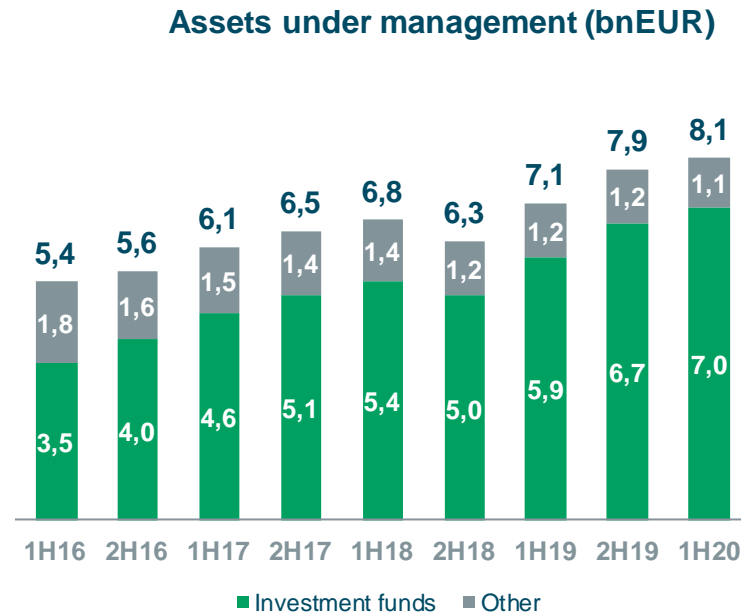
- Recurring net interest income stable, supported by a growing mortgage loan portfolio.
- Pressure on new mortgage loan pricing and lower reinvestment yields in the investment portfolio are compensated by lower interest expenses, as expensive retail term deposits mature
- Higher than average prepayment penalties on Dutch mortgages
- Decrease in interest expenses on derivatives is mainly the result of a normalization after the negative one-off effects from market valuation of the hedges in the banking book in 2019 <sup>(1)</sup>.
- The funding cost for Belgian regulated saving accounts is at the legal floor of 11bps but diversification of funding sources to wholesale funding with 3.5 bio securitization funding outstanding, supports the improvement of the net interest result.

## 4. Mortgage production and margins



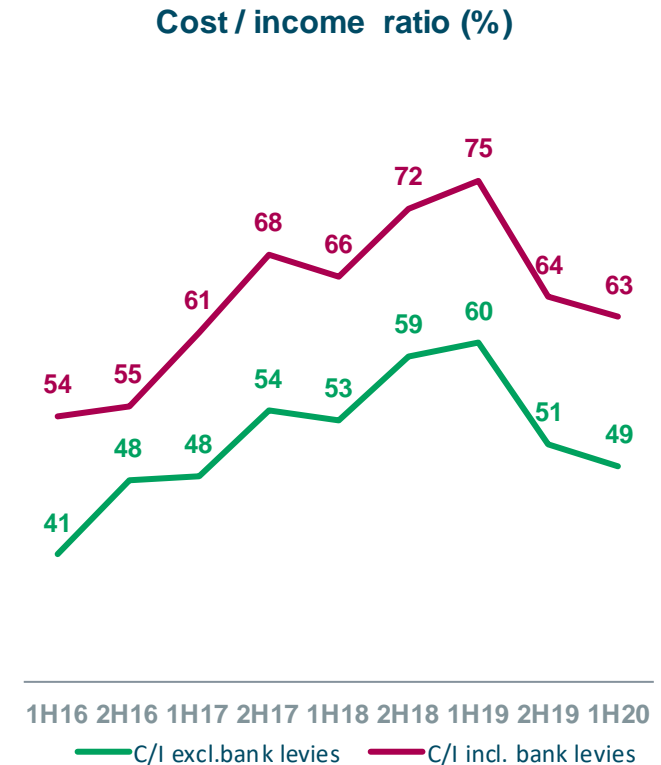
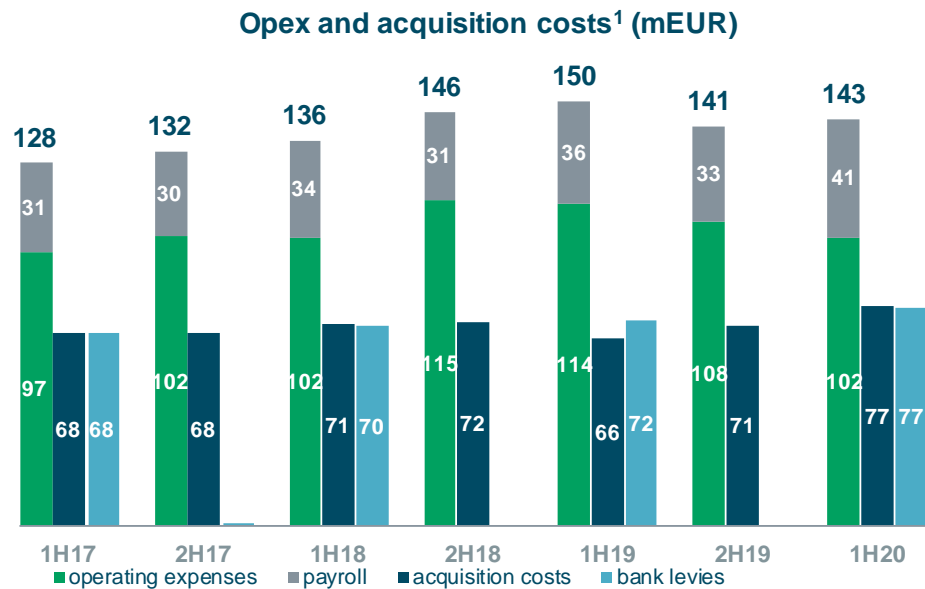
- 1.9 billion EUR new loans granted in 2019 to the Belgian and Dutch households.
  - Mortgage production in Belgium was negatively affected by the lockdown period.
  - In Flanders, the abolishment of fiscal stimuli as from 01/01/2020 further impacted 2020 production levels, following a production spike at the end of 2019.
  - Mortgage production NL is on plan at better margins than planned.
- Negative evolution on Dutch margins following temporary market pressures partly compensated by growing margin in Belgium.
- Retail mortgage loan production market share at 4.8% in Belgium and 2.0% in the Netherlands.
- No new issuance of RMBS as a result of higher than expected retail funding growth and lagging mortgage production BE.

## 4. Asset Management Income



- Strategic focus on fee income derived from retail investment funds continues to contribute to operating income diversification and reaches milestone of 6 bio in Argenta house funds in H1.
- Total fee income in H1 2019 increased to 71 mio EUR due to an increase in net management fees because positive impact of NAV on portfolio levels in 2019, and despite intermittent market value drop due to COVID-19.

## 4. Investing in the Future



- Trend break in the C/I ratio that started mid 2019 was affirmed, the C/I-ratio is at its lowest level since 2017.
- Significant increase in income from NII and fee, reinforced by lower operating expenses as a result of cost containment efforts resulting in lower operating expenses yoy.
- Increased acquisition costs driven by strong production volumes in fee.
- Increase in total bank levies of 5 mio to 77 million EUR in 2020 due to a growing retail savings portfolio.



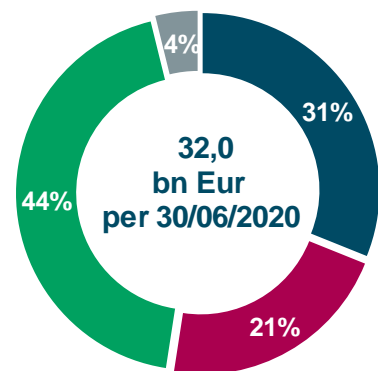
# 5. Asset quality



# 5. A high-quality loan book

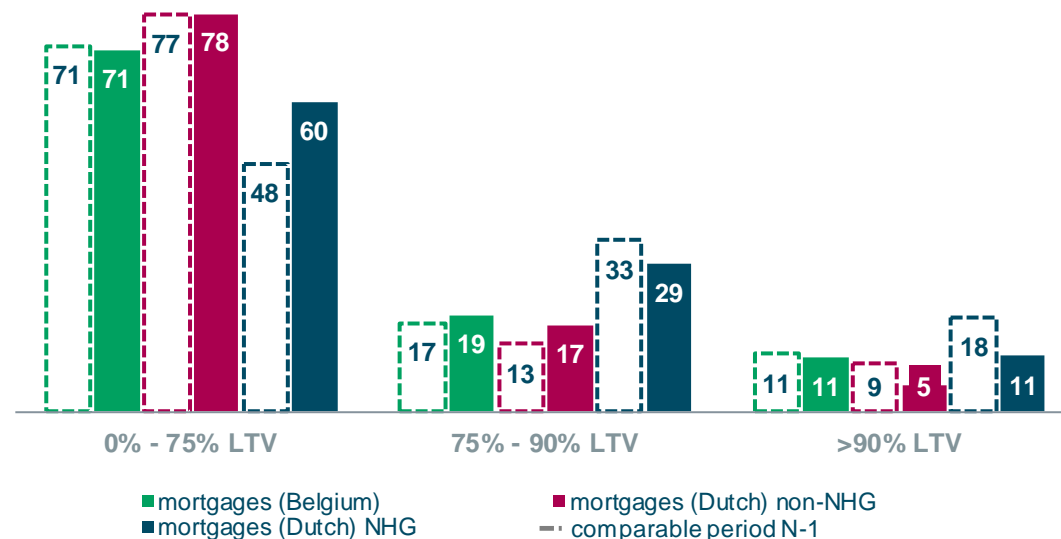
H1 2020

Composition of loan book (%)



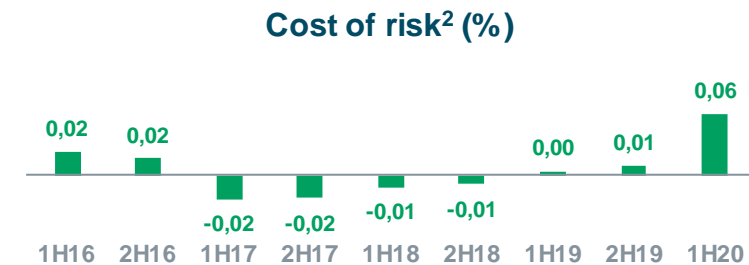
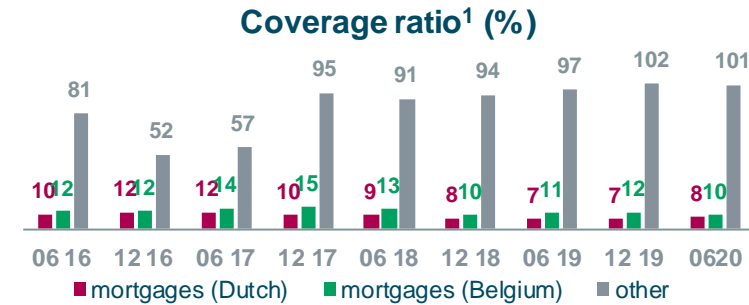
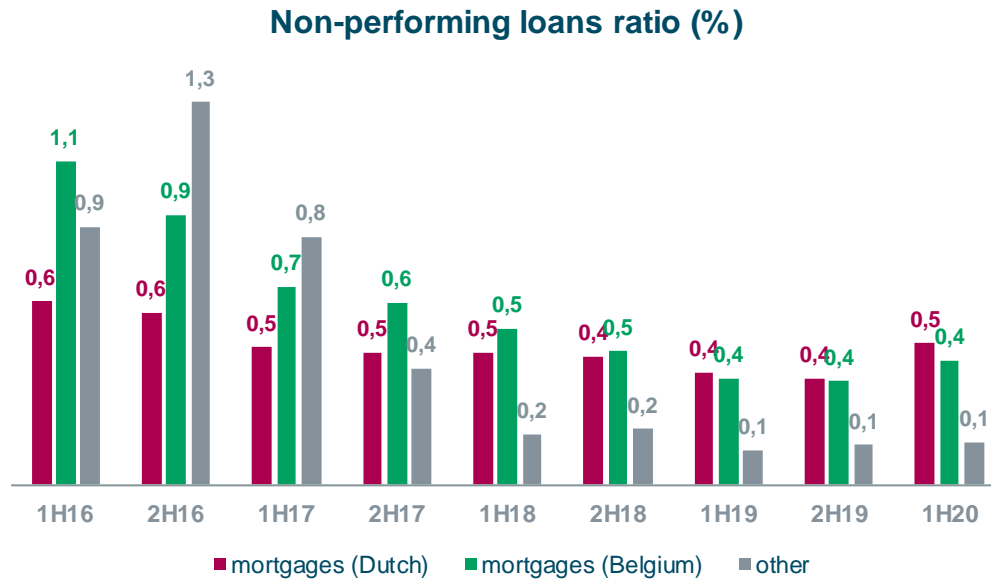
- mortgages (Dutch) NHG
- mortgages (Dutch) non-NHG
- mortgages (Belgium)
- other

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



- The residential mortgage loan portfolio in Belgium and the Netherlands composes 96% of the loan book. The remaining 4% consists of consumer loans, local and regional governments and public-private partnerships.
- The share of NHG1 loans in the Dutch mortgage portfolio decreases from 62% to 59%.
- Compared to 1H 2019 the average LTV for Belgian mortgages is stable at 59% and for Dutch mortgages at 65% (-1%). The total portfolio LTV slightly decreased to 62%.

## 5. NPL's and coverage ratio at low levels

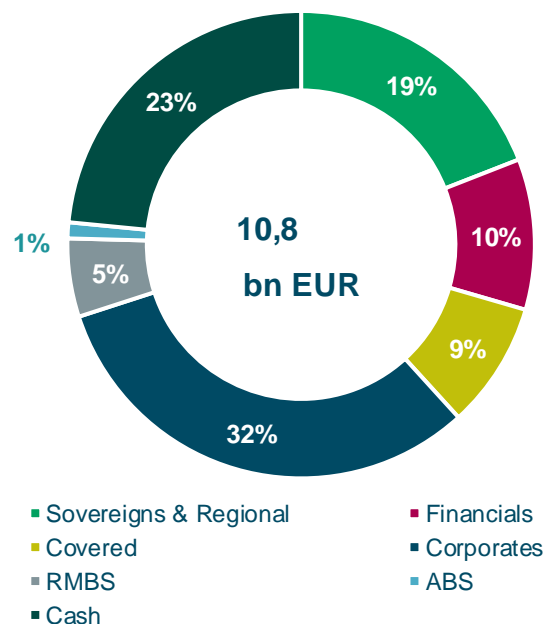


- Consistent low risk at historical low NPL levels confirms high quality of mortgage loan. Only 0.45% of the mortgage loan book is non-performing.
- Average coverage ratio of 11% proves high quality of prime mortgage collateral.
- Rise in cost of risk due to stage 1 & 2 impairments, but remains low. Cost of risk without impairments related to COVID-19 pandemic (12m) remains at 0.01%.

# 5. Diversified and liquid investment portfolio

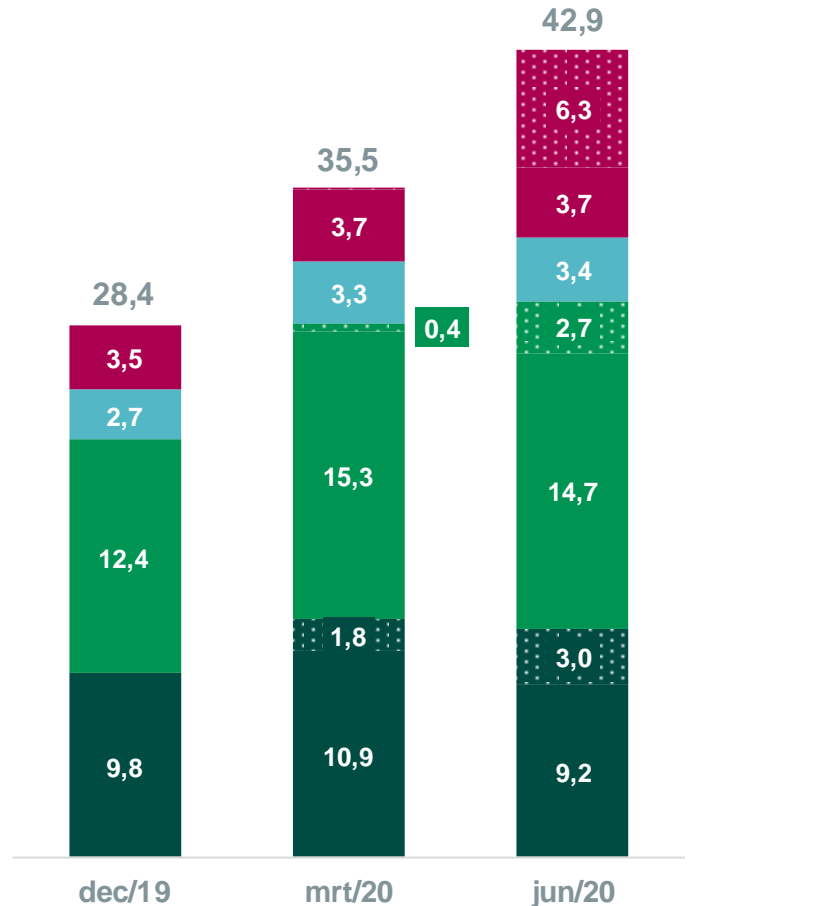
H1 2020

Exposure-type of investments (%)



- Portfolio up (1 bn EUR) but important shift from cash to corporate bonds with higher credit spreads following investment opportunities in the first half of 2020.
- Well-balanced conservative portfolio with sustainable exclusion criteria for activities such as coal, tobacco, nuclear energy,... and a positive focus on investing in renewables, energy transition, social housing and the like.
  - No exposure to CDO, CLO, Alt-A, subprime.
  - No exposure to activities in shipping, textile, tourism or hospitality.
  - Very limited exposure to troubled or short cycle sectors
- High quality investments : 34% of the portfolio is rated AA and above and 99% of the portfolio is investment grade. Unrealized capital gains of 165 million EUR
- Exclusively euro-denominated with focus on European markets: 95% of portfolio in European Economic Area.

## 5. Impairment volumes



■ Debt securities & non-retail loans    ■ Consumer credit & other overdrafts  
■ Mortgages NL    ■ Mortgages BE

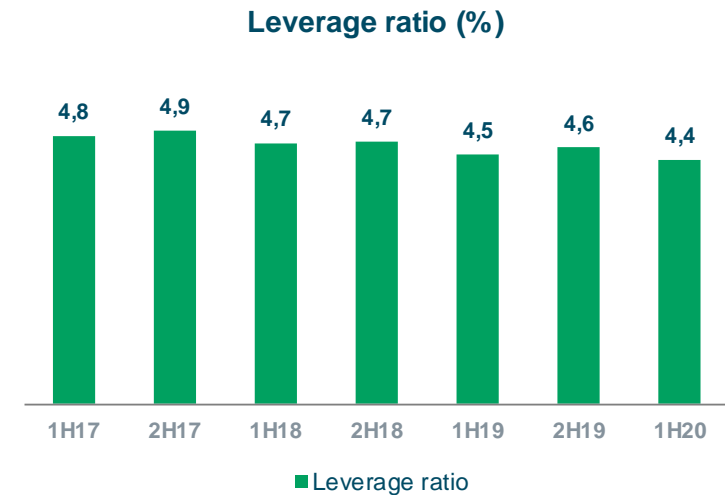
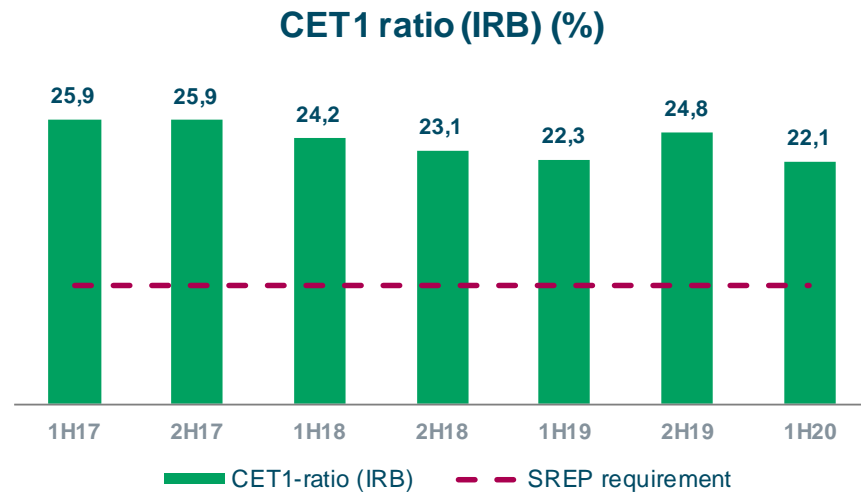
■ Dotted areas represent COVID-19 related impairments

- Increase in impairment volumes by 14.6 mio (+51%) YTD to 42.9 mio
- Impairments on mortgages are up 7.4 mio YTD to 29,6 mio
  - Stage 1 and 2 impairments up 5.5 mio mainly due to adjustment of macro-economic prospects and IFRS scenario weights now including COVID-19, and increase in UTP score for homeowners granted mortgage payment deferral related to COVID-19 pandemic (+5.7 mio)
- 1,9 mio extra stage 3 provisions primarily due to the implementation of new DoD (+1.4 mio)
- Impairments on the investment portfolio are up 6.5 mio YTD
  - Due to adjustments in the IFRS 9 models for changes in macro-economic expectations and observed downgrades as a result of COVID-19 crisis
- Impairments on consumer loans and overdrafts increased with 0.7 mio
  - More stage 3 impairments on consumer loans following new DoD (+1 mio), compensated by the write-off of historic cash overdrafts (-0..6 mio)



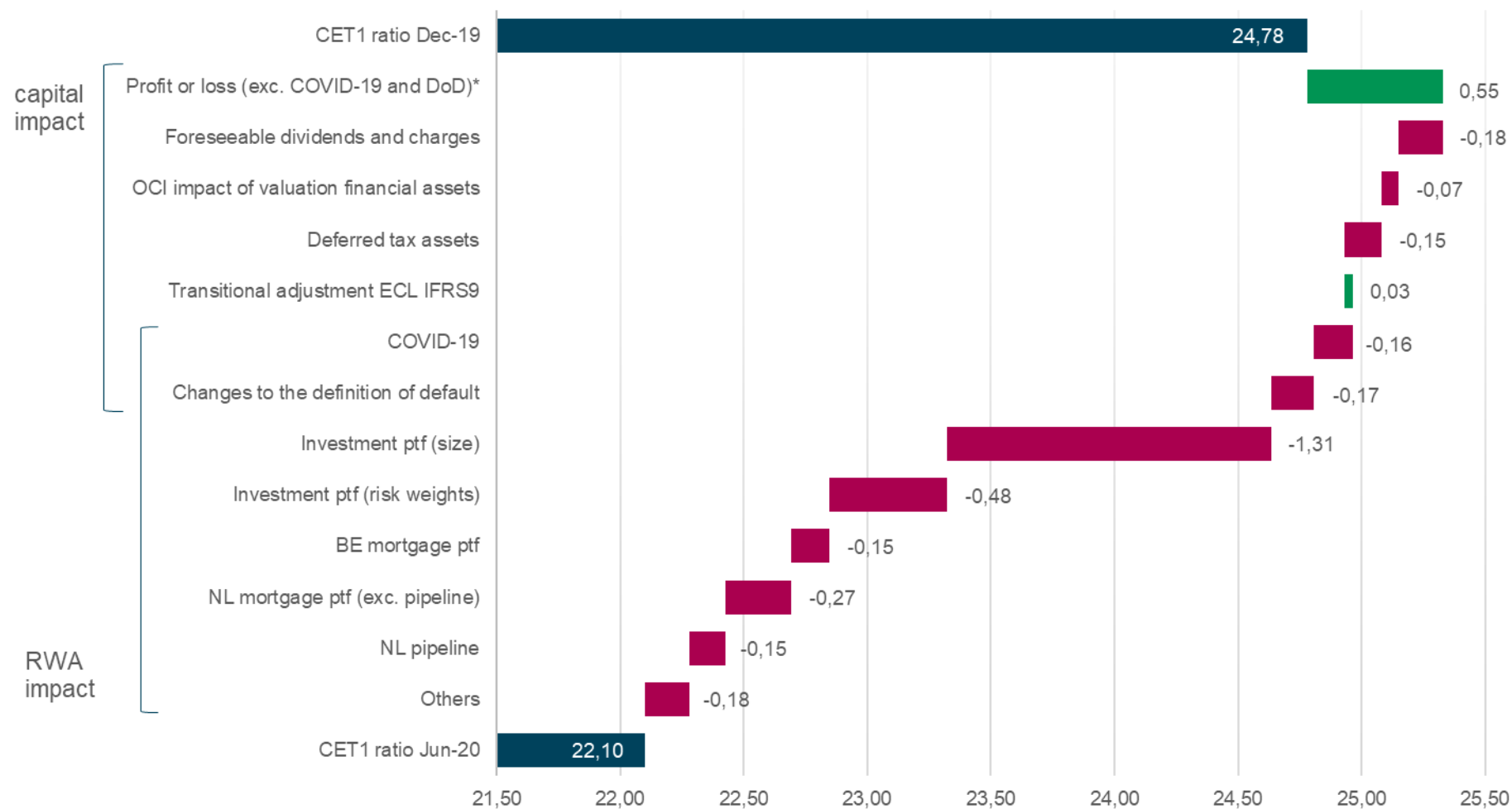
# 6. Solvency and liquidity

## 6. Solvency well above SREP requirement



- CET1 ratio remains strong at 22,57%, despite important decline in H1 2020 (-2,7% CET1 mainly due to increase size investment portfolio)
- Leverage ratio lower at 4,4% recording an increase in exposure of +2,5 bio
- The ratios include the reservation of dividend distribution for H1 2020

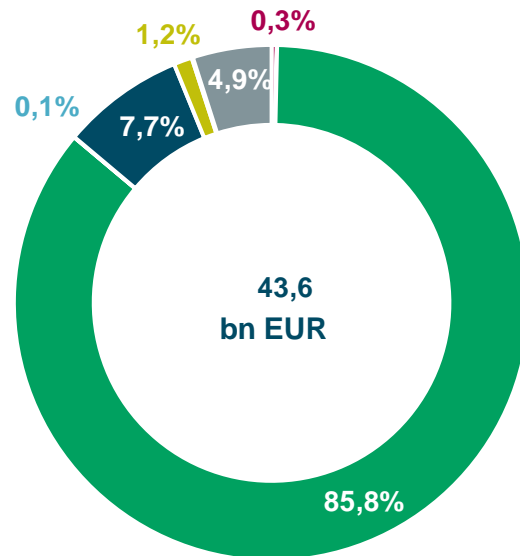
## 6. CET1 ratio walk YTD



(\* ) 38,47 mio EUR or 0,41% ΔCET1 ratio w/o corrections

# 6. Funding and Liquidity Position

EOY 2019



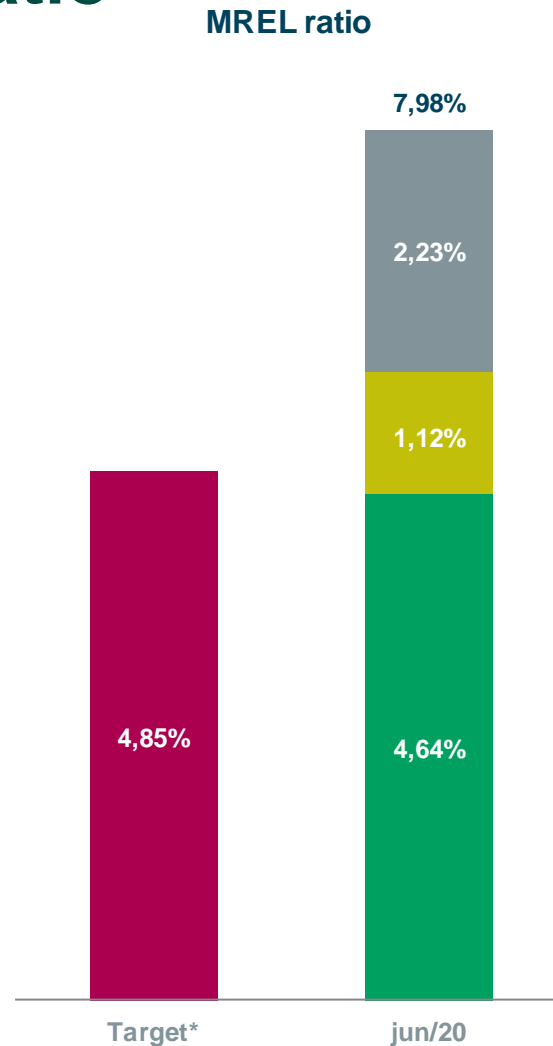
- Deposits from central banks
- Deposits from credit institutions
- Deposits from other than central banks and credit institutions
- Senior debt securities issued - other
- Subordinated debt securities issued
- Other financial liabilities
- Equity

In %	2H17	1H18	2H18	1H19	2H19	1H20
Liquidity coverage ratio <sup>1</sup>	162	195	170	170	172	156
Net stable funding ratio <sup>2</sup>	143	145	141	138	136	135

- Strong liquidity position, well above regulatory limits for both LCR and NSFR.
- Stable deposit funding base mainly consisting of retail savings deposits and current accounts.
- Diversification of funding sources with 2.4 billion EUR of securitizations of Dutch NHG mortgages (issued in 3 Green Apple transactions), 1 billion EUR of EMTN issuances and subordinated debt.



## 6. MREL ratio



- The MREL ratio remained unchanged at 7,98% compared to Q1 2020
- The graph on the left-hand side represents a target MREL ratio of 4,85% (2019 target)
- The MREL requirement based on the target ratio of 4,85% equals 2,2 billion EUR bail-in requirement
- Available MREL is 3,6 billion EUR and is well above this requirement
- We expect current level of available eligible instruments will satisfy future requirements



# 7. Wrap-up



## 7. Wrap-up

### 1H2020 Argenta Spaarbank

- Strong commercial performance in challenging environment of unprecedented health, social and economic challenges.
- Continued growth in funds fee income as funds under management increase, with a strong net fee production including a shift towards Argenta managed funds.
- Multiple external independent surveys confirm strong client franchise in Belgium.
- Stable recurring net interest income boosted by higher than average received prepayments penalties on Dutch mortgages.
- Cost containment measures result in a C/I-ratio decrease to 63% while continuing to focus on investments in digitalization.
- Very strong solvency, funding and liquidity position, as before.
- Taking the Covid-19 crisis very seriously but impact under current assumptions and projections remains limited.



# 8. Appendices



## 8. Appendices Overview

### Group Structure

- Appendix 1: Entity structure

### Additional financial information

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

### Additional information on solvency

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

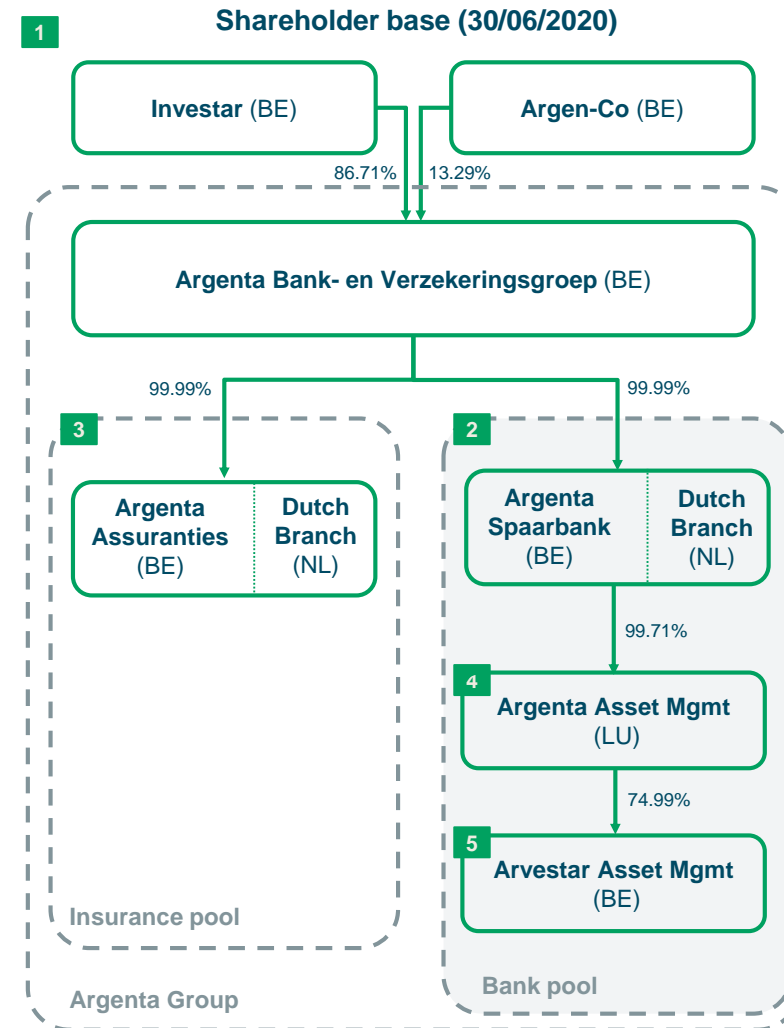
### Glossary

# 8. Appendix 1

## Group structure (share % rounded)

### A transparent group structure

- 1 Stable shareholder base Investar (holding company of founding family) and Argen-Co (cooperative capital held by employees and clients).
- 2 Banking operations in Belgium and the Netherlands.
- 3 Insurance operations in Belgium and the Netherlands.
- 4 Asset management operation incorporated in Luxembourg.
- 5 On 30 July 2018, Arvestar Asset Management (AAM) was founded, a consolidated joint venture with Bank Degroof Petercam Asset Management N.V. (DPAM).



## 8. Appendix 2

### Argenta Spaarbank balance sheet – Assets

In millions of EUR	1H 2019	FY 2019	1H 2020	▲ 1H-FY
Cash and cash equivalents	1.678	2.630	2.531	-99
<b>Loans and advances</b>	<b>31.447</b>	<b>32.328</b>	<b>32.769</b>	<b>441</b>
o.w. to credit institutions	583	383	582	199
o.w. to customers	30.863	31.945	32.187	242
<b>Debt securities and equity instrument:</b>	<b>8.217</b>	<b>7.142</b>	<b>8.253</b>	<b>1.111</b>
o.w. at fair value through P&L	69	66	68	2
o.w. at fair value through OCI	4.004	3.529	4.075	546
o.w. at amortized cost	4.145	3.547	4.110	563
Derivatives incl. hedge adjustment	633	578	796	218
Other assets	432	342	437	95
<b>Total assets</b>	<b>42.406</b>	<b>43.021</b>	<b>44.786</b>	<b>1.765</b>

## 8. Appendix 3

### Argenta Spaarbank balance sheet – Liabilities

<b>In millions of EUR</b>	<b>1H 2019</b>	<b>FY 2019</b>	<b>1H 2020</b>	<b>▲ 1H-FY</b>
Deposits from central banks	0	47	142	95
<b>Financial liabilities</b>	<b>39.302</b>	<b>39.839</b>	<b>41.266</b>	<b>1.427</b>
o.w. at-fair-value-through-P&L	0	0	0	0
o.w. credit institutions	2	11	7	-3
o.w. customer deposits	35.232	36.128	37.387	1.260
o.w. debt certificates	3.518	3.168	3.369	201
o.w. subordinated liabilities	551	533	503	-30
				0
<b>Derivatives</b>	<b>743</b>	<b>686</b>	<b>913</b>	<b>227</b>
<b>Other liabilities</b>	<b>314</b>	<b>325</b>	<b>310</b>	<b>-16</b>
				0
<b>Total liabilities</b>	<b>40.359</b>	<b>40.897</b>	<b>42.631</b>	<b>1.734</b>



## 8. Appendix 4

### Argenta Spaarbank balance sheet – Equity

<b>In millions of EUR</b>	<b>1H 2019</b>	<b>FY 2019</b>	<b>1H 2020</b>	<b>▲ 1H-FY</b>
<b>Core equity</b>	<b>2.016</b>	<b>2.096</b>	<b>2.134</b>	<b>38</b>
Paid-in share capital	770	816	816	0
Retained earnings	1.225	1.163	1.280	117
Profit of current period	21	117	38	-79
<b>Gains and losses not recognised in the income statement</b>	<b>31</b>	<b>28</b>	<b>21</b>	<b>-7</b>
Reserve at fair-value-through-OCI	37	34	26	-8
Reserve cash flow hedge	-6	-5	-3	2
Revaluation pension plan	0	-1	-1	0
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total equity</b>	<b>2.047</b>	<b>2.124</b>	<b>2.156</b>	<b>32</b>

## 8. Appendix 5

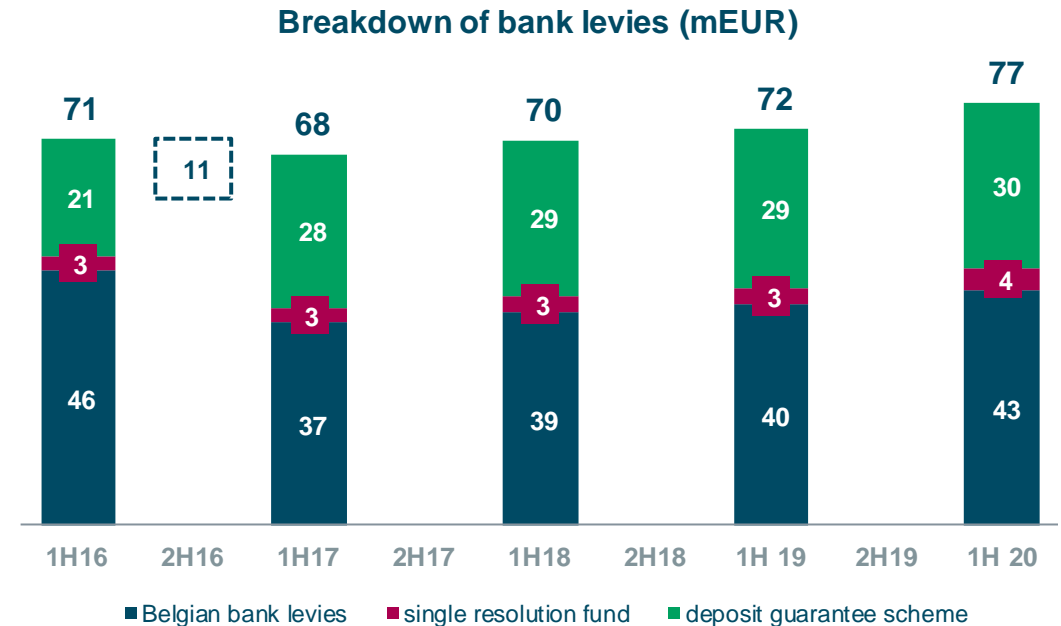
### Argenta Spaarbank income statement

In millions of EUR	1H 2019	2H 2019	2H 2019	▲ 1H-1H
Net interest income	259	279	287	28
Net commissions and fees	-18	-13	-9	9
Net gains and losses	-2	1	2,5	4
o.w. at fair value through OCI	4	1	0	-4
o.w. at amortized cost	1	1	0	0
o.w. at fair value through P&L	-7	-1	2	9
Other net operating income	10	8	10	0
<b>Total income</b>	<b>249</b>	<b>275</b>	<b>291</b>	<b>42</b>
Operating expenses	-222	-141	-220	2
o.w. payroll expenses	-36	-33	-41	-5
o.w. operating expenses	-114	-108	-102	12
o.w. bank levies	-72	0	-77	-5
<b>Operating profit</b>	<b>27</b>	<b>134</b>	<b>70</b>	<b>44</b>
Impairments	0	-2	-15	-15
o.w. at fair value through OCI	0	0	-2	-2
o.w. at amortized cost	0	-2	-13	-12
o.w. other	0	0	0	0
Modification loss	0	0	-3	-3
Non-current assets held for sale	0	0	0	0
<b>Profit before tax</b>	<b>26</b>	<b>132</b>	<b>52</b>	<b>26</b>
Income tax expense	-5	-36	-14	-9
<b>Net profit</b>	<b>21</b>	<b>96</b>	<b>39</b>	<b>17</b>

## 8. Appendix 6

### Impact IFRIC 21 Bank Levies

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



## 8. Appendix 7

### Net Interest Income - composition

In millions of EUR	jun/18	jun/19	jun/20
<b>Interest income</b> (excl. hedging)	<b>404</b>	<b>409</b>	<b>406</b>
Mortgages	359	363	367
<i>Belgium</i>	108	114	121
<i>Netherlands</i>	251	249	246
Consumer credit	2	2	3
Other loans	5	6	6
Debt securities	38	37	30
Other liabilities	0	0	0
<b>Interest expenses</b> (excl. hedging)	<b>-67</b>	<b>-59</b>	<b>-51</b>
<b>Deposits</b>	<b>-49</b>	<b>-43</b>	<b>-37</b>
Saving accounts	-16	-15	-14
<i>Belgium</i>	-13	-13	-13
<i>Netherlands</i>	-3	-2	-1
Term savings	-24	-16	-11
<i>Belgium</i>	-20	-14	-10
<i>Netherlands</i>	-4	-2	-1
Deposits related to mortgages	-8	-10	-8
Other	-2	-2	-3
<b>Debt certificates<sup>1</sup></b>	<b>-18</b>	<b>-17</b>	<b>-14</b>
Retail saving certificates	-8	-5	-1
Wholesale debt	-10	-12	-14
Other liabilities	0	0	0
<b>Hedging result</b>	<b>-72</b>	<b>-90</b>	<b>-68</b>
Hedging income	1	1	0
Hedging costs	-74	-92	-68
<b>Net interest result</b>	<b>265</b>	<b>259</b>	<b>287</b>

<sup>1</sup>both debts evidenced by certificates and subordinated liabilities

## 8. Appendix 8

### Regulatory Capital<sup>1</sup>

In millions of EUR	1H 2020	1H 2020
<b>Total equity</b>	<b>2.047</b>	<b>2.156</b>
Part of interim or year-end profit not eligible	-17	-17
<b>Prudential filters</b>	<b>-5</b>	<b>-8</b>
Reserve cash flow hedge	6	3
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-7	-6
Value adjustments due to the requirements for prudent valuation	-4	-4
<b>Items to deduct</b>	<b>-54</b>	<b>-57</b>
Other intangible assets	-45	-41
Deferred tax assets	-10	-20
Transitional (OCI)	0	3
<b>IRB shortfall of credit risk adjustments to expected losses</b>	<b>-5</b>	<b>-1</b>
<b>Common equity tier 1 (IRB)</b>	<b>1.967</b>	<b>2.073</b>
<b>Tier 2 instruments</b>	<b>498</b>	<b>505</b>
Tier 2 (BIII eligible)	498	505
Transitional (grandfathered T2)	0	0
<b>Total regulatory capital (IRB)</b>	<b>2.464</b>	<b>2.578</b>

## 8. Appendix 9

### Regulatory Risk Exposures

<u>In millions of EUR</u>	<u>FY 2020</u>	<u>1H 2020</u>
Central and regional governments	147	208
Public sector	29	25
Institutions and covered bonds	675	812
Corporates	1.287	1.743
Securitisations	82	142
Retail	179	201
Covered by mortgage	4.533	4.822
Operational risk	1.019	1.019
Other	384	407
<b><u>Risk weighted assets (IRB)</u></b>	<b><u>8.334</u></b>	<b><u>9.378</u></b>

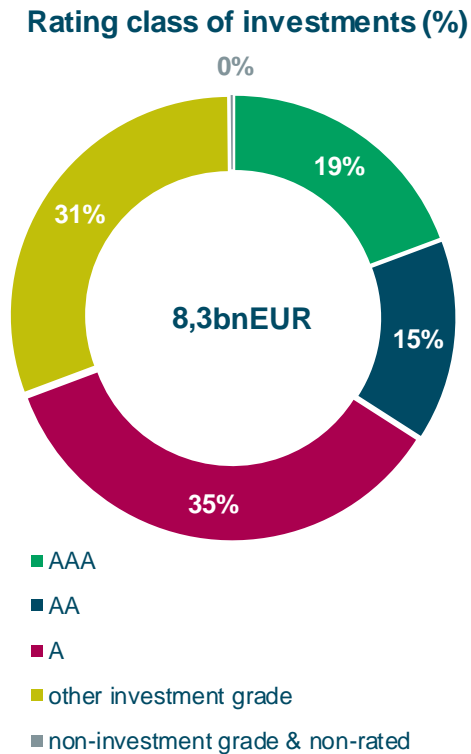
## 8. Appendix 10

### Solvency ratios

<b>In millions of EUR and %</b>	<b>FY 2019</b>	<b>1H 2020</b>
Regulatory capital	2.066	2.073
Tier 2 instruments	499	505
Risk-Weighted assets	8.334	9.378
<b>CET 1</b>	<b>24,8%</b>	<b>22,1%</b>
<b>TCR</b>	<b>30,8%</b>	<b>27,5%</b>

# 8. Appendix 11

## Investment Portfolio excluding cash 1H 2020



Investments per country	%
Belgium	28,7%
Netherlands	17,2%
France	13,3%
Germany	6,3%
Spain	6,2%
Ireland	4,9%
Luxemburg	3,4%
Sweden	2,8%
UK	2,3%
Slovenia	2,2%
Poland	1,9%
Canada	1,9%
United States	1,7%
Denmark	1,3%
Iceland	1,2%
Other <sup>(1)</sup>	4,7%



## 8. Glossary (1/2)

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

## 8. Glossary (2/2)

HTM	Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortised cost.
IFRIC	International Financial Reporting Interpretations Committee
Leverage Ratio or LR	$\frac{[\text{regulatory available tier-1 capital}]}{[\text{total exposure measures}]}$ . The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity Coverage Ratio or LCR	$\frac{[\text{stock of high quality liquid assets}]}{[\text{total net cash outflow over the next 30 calendar days}]}$ .
Loan-to-deposit or LTD	$\frac{[\text{loans-and-receivables}]}{[\text{customer deposits and customer debt certificates}]}$
MREL	Minimum requirement for own funds and eligible liabilities
Margin on mortgages	Gross margin or [Client rate] - [Swap rate]
Net interest income or NII	$[\text{revenues generated by interest-bearing assets}] - [\text{cost of servicing (interest-burdened) liabilities}]$
Net interest margin or NIM	$\frac{[\text{net interest income of the period}]}{[\text{average total assets of the period}]}$ Total assets are used as a proxy for the total interest-bearing assets.
Net stable funding ratio or NSFR	$\frac{[\text{available amount of stable funding}]}{[\text{required amount of stable funding}]}$
NFCI	Net Fee and Commission Income
NHG	Nationale Hypotheek Garantie (National Mortgage Guarantee) is a guarantee scheme by the Dutch government on residential mortgages
Non-performing loans ratio or NPL ratio	$\frac{[\text{total outstanding non-performing loans}]}{[\text{total outstanding loans}]}$
O-SII	Other systemic important institutions
Return on equity or RoE	$\frac{[\text{net profit of the period}]}{[\text{equity at the beginning of the period}]}$
RMBS	Residential mortgage-backed security
SREP	Supervisory Review and Evaluation Process performed by the European Central Bank
Tier 2	Tier 2 capital is the secondary component of bank capital, in addition to Tier 1 capital
Total Capital ratio or TCR	$\frac{[\text{common equity tier 1 capital} + \text{additional tier 1 instruments} + \text{tier 2 instruments}]}{[\text{total weighted risks}]}$



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