Argenta Spaarbank

Interim Financial Statements 1H

2021

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Condensed consolidated interim financial information of Argenta Spaarbank for the first six months of the current financial year 2021, 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 Board of Directors 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

Statutory auditor's report to the board of directors of Argenta Spaarbank NV on the review of the condensed consolidated interim financial information as at 30 June 2021 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Argenta Spaarbank NV ("the Company") as at 30 June 2021, the condensed consolidated interim statements of profit or loss and comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated interim cash flow statement for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed 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 condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 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 conducted in accordance with International Standards on Auditing 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2021 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Zaventem, 24 August 2021

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KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
The statutory auditor represented by Kenneth Vermeire, Réviseur d'Entreprises / Bedrijfsrevisor

Report on the first six months

As in 2020, the Covid-19 pandemic has further dominated the economic environment and markets in the first half of 2021.

The core markets where we operate in are weathering the economic consequences of the pandemic relatively well, supported by government stimulus measures of unprecedented size aimed at reducing the economic impact. In addition, central banks continued to maintain the expansionary monetary policy, and granted capital relief to banks and injected additional liquidity to support the market. The housing market in our core markets thrived due to a increased demand, and stimulated by sustained low interest rates. The Company has supported its customers since the start of the pandemic through the relief measures for Belgium that included a legally regulated (mortgage and consumer loan) moratorium (loan deferrals and extension) and for the Netherlands with client specific relief measures (including loan deferrals).

Large-scale vaccination efforts have led today to more comfort towards face-to-face social interaction although new variants of the virus are creating uncertainty about the evolution of the pandemic for the remainder of the year. In turn, this is causing a high degree of uncertainty with regard to the economic outlook. In case of further easing of restrictions, we expect a normalization of economic activity and economic recovery later this year. The normalization of economic activity in the first half of 2021 resulted in an increase in inflation expectations and higher yield levels for longer tenors, although some retracing happened during the summer holidays. Shorter tenors and money market rates remain anchored at lower level. In addition, the European Central Bank (ECB) is emphasizing the need for a continuation of the low interest rate environment.

As from the start of the Covid-19 crisis, our most important focus has been to protect the health of our staff and customers, and simultaneously ensure a continued qualitative service. Meanwhile, we continued our efforts and investments towards a more digital future where human interface remains a key ingredient. Investments in the expertise and well-being of our workforce, and the commitment we experienced from our employees while working from home have made all of this possible.

The first half of 2021 has been commercially strong across the board and results in a net profit of EUR 53.5 million (EUR 38.6 million 1H2020), return on equity of 7.5% and a cost-income ratio of 46.9% (excluding bank levies).

Key figures

The table below gives the Company’s key figures.

	31/12/2020	30/06/2021
Return on equity	6.4%	7.5%
Return on total assets	0.29%	0.36%
Cost-income ratio (excluding bank levies)	49.6%	46.9%
Cost-income ratio (including bank levies)	62.8%	61.1%
Common equity tier 1 ratio (unaudited)	23.3%	22.7%
Total capital ratio (unaudited)	28.5%	22.7%
Leverage ratio (unaudited)	4.9%	4.8%
Liquidity coverage ratio (unaudited)	159%	160%
Net stable funding ratio (unaudited)	136%	146%

In calculating the cost-income ratio, the amounts recovered under cost sharing arrangements with the other group companies that are included under other operating income, are allocated to the relevant other administrative costs and to expenses related to commissions and fees. Return on equity, return on total assets and cost-income ratios are adjusted to take into account the upfront recording of bank levies.

Evolution of the balance sheet

The balance sheet total grew by 3.3% (EUR 1.52 billion) to EUR 47.76 billion.

Cash, cash balances at central banks and other demand deposits increased between December 31 and June 30 by 9.8% (EUR 0.30 billion). In order to support the transmission of monetary policy via the banks a two-tier system for the reimbursement of the reserves system was introduced by the ECB 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. In the first half of 2021 additional liquidity was collected with the issue of wholesale funding.

Investments in debt securities increased by 0.5% (EUR 0.04 billion). The portfolio consists of EUR 3.6 billion stated at fair value with value adjustments recognised through other comprehensive income, and EUR 3.7 billion accounted for at amortised cost. Finally, there is a limited portfolio of debt securities that IFRS standards require to be measured at fair value through profit or loss. The debt securities portfolio, together with cash balances at central banks are primarily held for liquidity purposes.

	31/12/2020	30/06/2021
Non-trading financial assets mandatorily at fair value through profit or loss	68,169,997	47,407,059
Financial assets at fair value through other comprehensive income	3,667,290,214	3,625,586,437
Financial assets at amortised cost - debt securities	3,650,443,377	3,748,696,959
Total securities portfolio	**7,385,903,588**	**7,421,690,454**

The portfolio of loans and receivables increased from EUR 34.62 billion as of 31 December 2020 to EUR 35.97 billion, primarily driven by the mortgage loan portfolio which increased by 4.4% (EUR 1.42 billion). Mortgage production in Belgium and the Netherlands was higher compared to the previous period,as the housing markets in our core markets thrived (in line with the second half of 2020) due to increased demand, and stimulated by sustained low interest rates.

	31/12/2020	30/06/2021
Financial assets at amortised cost - loans and advances	34,624,441,264	35,967,947,366
of which mortgage loans	32,517,476,492	33,940,375,938

Financial liabilities measured at amortized cost increased overall by 3.8% or EUR 1.64 billion. Wholesale funding activities were expanded at the beginning of 2021 with the issue of an inaugural covered bond note under the new Belgian Mortgage Pandbrieven Programme for EUR 0.50 billion. Furthermore, the company issued a fourth Green Apple securitization transaction of Dutch mortgages in June for EUR 0.65 billion and participated in the third (operation 7) TLTRO program for EUR 0.02 billion. The Tier 2 note issued in 2016 was called and repaid in May 2021. The growth of retail funding continued (EUR +1.16 billion) with an underlying increase on savings accounts partly compensated by the decrease of term products.

	31/12/2020	30/06/2021
Deposits from central banks	236,396,243	258,752,779
Deposits from credit institutions	9,749,260	29,781,756
Deposits from other than central banks and credit institutions	38,319,344,087	39,484,245,333
Non-subordinated debt securities issued, including savings certificates	3,628,658,376	4,575,834,091
Subordinated debt securities issued	511,087,585	0
Other financial liabilities	87,523,920	85,586,015
Financial liabilities at amortised cost	**42,792,759,471**	**44,434,199,974**

Elements (drivers) of the result

The Company's profit (EUR 53,450,448 with the application of IFRIC 21 (levies) and EUR 85,735,925 without application of IFRIC 21) has increased as a result of higher net fee and commission income, and lower levels of impairments and the absence of COVID-19 related modification losses.

Net interest income remains the main revenue driver, but declined slightly (EUR -3.7 million) stemming from a growing mortgage and investment portfolio, but at declining yields. Funding cost (excluding derivatives) declined further as maturing saving and subordinated certificates are replaced by issuances of wholesale funding and by retail savings deposits at lower funding cost. The increase in interest expenses on derivatives is mainly the result of the increase of outstanding hedging derivatives in 2021.

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.

The increase in administration expenses is driven by expenditures to comply with various regulatory requirements and bank levies and to a lesser extent by professional fees (including legal, tax and general consulting expenses).

Net impairments amounted to EUR +1.8 million in the first half of 2021. These reflect, among other things, the positive development of the forward-looking economic indicators.

Covid-19

The Covid-19 pandemic resulting in strict lockdowns around the globe brought a considerable economic contraction in 2020, especially in the second quarter of 2020. The unprecedented crisis is causing a high degree of uncertainty with regard to the economic outlook. However, the scenarios of major forecasting institutions call for a normalization of economic activity and a significant economic recovery in 2021 and 2022, assuming that large-vaccination programmes result in bringing the pandemic under control.

Central banks quickly introduced additional monetary stimulus, complemented by actions from national and supranational governments in the form of major interventions to support household purchasing power and to protect the viability of the companies. The interventions were extended further in 2021, granting additional payment relief for households until 30 June 2021. The Company granted payment deferrals on EUR 752.8 million of Belgian mortgage credit claims. Slightly less than half of these, related to borrowers in the vulnerable category for who no interest was accrued. In the Netherlands, the Company offered tailor-made solutions to its customers. Payment deferral was granted for EUR 26.7 million of outstanding credit claims. In addition, more detailed and periodic follow-up was applied to credit files for which Covid-19 payment deferral requests had been submitted or where credit quality was observed to have declined. The moratoria have now expired with 95% of loans resuming normal payments.

The monetary and budgetary policies pursued in reaction to the macroeconomic consequences of the Covid-19 pandemic caused interest rates to drop sharply in 2020. The positive outlook and normalization of economic activity in the first half of 2021 resulted in an increase in long term interest rates, while shorter terms remain low (steepening of the curve).

The stock markets also saw a significant correction at the outbreak of the corona crisis, but with a remarkable recovery at the end of 2020 and at the beginning of 2021 driven by the stimuli and vaccine optimism.

The macroeconomic outlook was revised positively in 2021, partly offset by the revised scenario weightings (reflecting the additional uncertainty). In the first half of the year, assessments of loans that were previously under moratorium or were granted forbearance measures resulted in a higher inflow to non-performing (stage 3).

Solid capital and robust liquidity position (unaudited)

The Common Equity Tier 1 ratio (IRB approach and phased in) amounted to 22.7%. 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 160% and a stable NSFR of 146%. 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	31/12/2020	30/06/2021
Cash, cash balances at central banks and other demand deposits	6	3,022,551,779	3,317,751,943
Financial assets held for trading		960,263	8,940,166
Non-trading financial assets mandatorily at fair value through profit or loss	7	68,169,997	47,407,059
Financial assets at fair value through other comprehensive income	8	3,667,290,214	3,625,586,437
Financial assets at amortised cost	9	38,274,884,642	39,716,644,325
Derivatives used for hedge accounting		3,248,972	39,099,625
Fair value changes of the hedged items in portfolio hedge of interest rate risk		768,565,472	537,221,213
Investments in subsidiaries, joint ventures and associates		90,000	90,000
Tangible assets		79,376,457	77,035,667
Property, plant and equipment		78,783,688	76,451,713
Investment property		592,770	583,954
Intangible assets		48,065,059	41,820,472
Goodwill		0	0
Other intangible assets		48,065,059	41,820,472
Tax assets		17,243,511	55,523,523
Current tax assets		11,548,486	41,117,332
Deferred tax assets		5,695,025	14,406,191
Other assets	12	281,407,271	288,864,643
Non-current assets and disposal groups classified as held for sale		0	0
Total assets		**46,231,853,637**	**47,755,985,073**

Liabilities and equity	Note	31/12/2020	30/06/2021
Financial liabilities held for trading		465,526	7,796,389
Financial liabilities at amortised cost	10	42,792,759,471	44,434,199,974
Deposits from central banks		236,396,243	258,752,779
Deposits from credit institutions		9,749,260	29,781,756
Deposits from other than central banks and credit institutions		38,319,344,087	39,484,245,333
Non-subordinated debt securities issued, including saving certificates		3,628,658,376	4,575,834,091
Subordinated debt securities issued		511,087,585	0
Other financial liabilities		87,523,920	85,586,015
Derivatives used for hedge accounting		889,545,635	646,278,414
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	0
Provisions		3,520,005	3,236,097
Tax liabilities		16,208,264	18,306,760
Current tax liabilities		5,477,152	8,037,992
Deferred tax liabilities		10,731,112	10,268,768
Other liabilities	12	241,462,927	313,211,135
Liabilities included in disposal groups classified as held for sale		0	0
Total liabilities		**43,943,961,827**	**45,423,028,769**
Equity attributable to owners of the parent	13	2,287,560,995	2,332,703,770
Equity attributable to minority interests	13	330,815	252,534
Total equity		**2,287,891,810**	**2,332,956,304**
Total liabilities and equity		**46,231,853,637**	**47,755,985,073**

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

	Note	30/06/2020	30/06/2021
Total operating income		**301,620,053**	**314,653,895**
Net interest income	14	287,325,436	283,621,934
Interest income		406,485,377	401,201,956
Interest expenses		-119,159,941	-117,580,022
Dividend income		0	234,580
Net fee and commission income		-12,496,743	5,244,340
Fee and commission income	15	82,409,086	111,970,527
Fee and commission expenses		-94,905,829	-106,726,188
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	16	498,725	-8,381
Financial assets at fair value through other comprehensive income		78,878	158,867
Financial assets and liabilities at amortised cost		419,847	-167,248
Gains or losses on financial assets and liabilities held for trading		-124,658	443,039
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		2,189,729	-418,660
Gains or losses from hedge accounting		-30,592	2,433,453
Gains or losses on derecognition of non-financial assets		108,698	227,128
Net other operating income		24,149,459	22,876,463
Other operating income		29,553,737	28,584,763
Other operating expenses		-5,404,278	-5,708,299
Administrative expenses	**17**	**-217,114,132**	**-226,024,700**
Staff expenses		-42,812,225	-43,965,618
Other administrative expenses		-174,301,907	-182,059,082
Depreciation		**-14,126,402**	**-14,394,819**
Property, plant and equipment		-4,199,654	-5,595,527
Investment properties		-8,965	-8,815
Other intangible assets		-9,917,782	-8,790,476
Modification gains or losses	**18**	**-3,255,967**	**-113,534**
Provisions or reversal of provisions		**81,706**	**283,908**
Impairments or reversal of impairments	**19**	**-15,092,232**	**1,759,785**
Financial assets (debt securities) at fair value through other comprehensive income		-2,294,988	1,902,099
Financial assets at amortised cost		-12,797,243	-142,314
Property, plant and equipment		0	0
Goodwill		0	0
Profit or loss before tax		**52,113,027**	**76,164,535**
Tax expense	20	-13,533,345	-22,714,087
Profit or loss after tax		**38,579,681**	**53,450,448**
Profit or loss attributable to owners of the parent		38,470,080	53,297,384
Profit or loss attributable to minority interests		109,601	153,064

Condensed consolidated interim statement of comprehensive income (in EUR)

Overview of the comprehensive income	Note	30/06/2020	30/06/2021
Profit or loss		**38,579,681**	**53,450,448**
Profit or loss attributable to owners of the parent		38,470,080	53,297,384
Profit or loss attributable to minority interests		109,601	153,064
Items that will not be reclassified to profit or loss		**0**	**1,711,850**
Equity instruments measured at fair value through other comprehensive income	8	0	1,711,850
Valuation gains or losses taken to equity		0	2,282,467
Deferred taxes		0	-570,617
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		**-6,511,643**	**-9,866,460**
Debt securities at fair value through other comprehensive income	8	-8,179,541	-11,168,031
Valuation gains or losses taken to equity		-13,122,164	-12,978,916
Transferred to profit or loss		2,216,110	-1,911,792
Deferred taxes		2,726,513	3,722,677
Cash flow hedges		1,667,898	1,301,570
Valuation gains or losses taken to equity		0	6,028
Transferred to profit or loss		2,130,138	1,729,399
Deferred taxes		-462,240	-433,857
Total other comprehensive income		**-6,511,643**	**-8,154,609**
Total comprehensive income		**32,068,038**	**45,295,839**
Profit or loss attributable to owners of the parent		31,958,437	45,142,774
Profit or loss attributable to minority interests		109,601	153,064

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 invested as from 2nd half year 2020 in a limited number of equity instruments.

‘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 -8.15 million) in the first six months of 2021 and was negative (EUR -6.51 million) in the first half of 2020. This evolution is mainly explained by the change in fair value of debt securities measured at FVOCI which was negative in 2021 due to an upwards correction of the interest rate curve and the maturing of securities with higher interest rates.

Condensed consolidated 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 01/01/2020	**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	
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**
Equity position 01/01/2021	**815,642,650**	**0**	**57,472,775**	**32,712**	**-1,301,570**	**-313,749**	**1,280,020,354**	**136,007,825**	**2,287,560,997**	**330,815**	**2,287,891,812**
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	53,297,384	53,297,384	153,064	53,450,448
Dividends	0	0	0	0	0	0	0	0	0	-231,345	-231,345
Fair value gains or losses taken to equity	0	0	-12,978,916	2,282,467	6,028	0	0	0	-10,690,422	0	-10,690,422
Fair value gains or losses transferred to profit or loss	0	0	-1,911,792	0	1,729,399	0	0	0	-182,392	0	-182,392
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	3,722,677	-570,617	-433,857	0	0	0	2,718,203	0	2,718,203
Other changes	0	0	0	0	0	0	0	0	0	0	0
Transfer to retained earnings	0	0	0	0	0	0	136,007,825	-136,007,825	0	0	0
Equity position 30/06/2021	**815,642,650**	**0**	**46,304,744**	**1,744,562**	**0**	**-313,749**	**1,416,028,179**	**53,297,384**	**2,332,703,770**	**252,534**	**2,332,956,304**

Note 13 provides further information on the equity position. The cash flow hedge related to a forward starting swap (with maturity date 31 May 2021) for a notional amount of EUR 100 million designated to hedge the interest rate risk of part of the Tier 2 instrument until the first call date. Outflows from dividends relate to dividend distributions of subsidiaries for which a (purely formal) minority share is held by the parent of the Company.

Condensed consolidated interim cash flow statement (in EUR)

	30/06/2020	30/06/2021
Cash and cash equivalents at the start of the period	**3,161,249,289**	**3,764,757,587**
Operating activities		
Profit or loss before tax	52,113,027	76,164,535
Adjustments for:		
Depreciation	12,208,868	11,087,979
Provisions or reversal of provisions	-81,706	-283,908
Gains or losses on derecognition of non-financial assets	-108,698	-227,128
Impairments or reversal of impairments	15,092,232	-1,646,250
Changes in assets and liabilities from hedging derivatives and hedged item	8,894,409	-46,472,045
Other adjustments (among which interest expenses financing activities)	13,757,253	29,624,913
Cash flows from operating profits before changes in operating assets and liabilities	**101,875,384**	**68,248,096**
Changes in operating assets (excluding cash and cash equivalents)		
Financial assets held for trading	532,104	-7,979,903
Financial assets at amortised cost	-789,871,890	-1,653,093,027
Financial assets at fair value through other comprehensive income	-556,218,346	34,149,695
Non-trading financial assets mandatorily at fair value through profit or loss	-1,820,588	20,762,939
Other assets	-74,259,952	-16,168,538
Changes in operating liabilities (excluding cash and cash equivalents)		
Deposits from central banks	0	0
Deposits from credit institutions	-3,139,982	20,032,496
Deposits from other than central banks and credit institutions	1,259,815,533	1,164,901,246
Debt securities issued, retail	-88,676,706	0
Financial liabilities held for trading	-407,445	7,330,864
Other liabilities	-5,967,508	71,285,864
(Paid) refunded income taxes	-43,813,189	-49,722,093
Net cash flow from operating activities	**-201,952,583**	**-340,252,361**
Investing activities		
Cash payments to acquire property, plant and equipment	-5,249,372	-571,672
Cash proceeds from disposal of property, plant and equipment	139,040	185,388
Cash payments to acquire intangible assets	-6,488,705	-3,225,998
Cash proceeds from disposal of intangible assets	0	0
Changes concerning consolidated companies	0	0
Net cash flow from investing activities	**-11,599,037**	**-3,612,282**

Financing activities		
Paid dividends	0	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	-29,900,794	-511,087,585
Cash proceeds from the issue of non-subordinated debt securities	497,650,000	1,176,012,000
Cash payments from non-subordinated debt securities	-208,410,398	-230,322,379
Cash proceeds from TLTRO-III ECB	94,945,000	23,740,000
Interest paid	-13,579,970	-29,375,000
Net cash flow from financing activities	**340,703,839**	**428,967,036**

Cash and cash equivalents at the end of the period	**3,288,401,508**	**3,849,859,979**

Components of cash and cash equivalents		
Cash	53,228,263	56,679,320
Cash balances with central banks	2,343,911,377	3,119,952,928
Cash balances with other credit institutions	133,540,159	542,249,731
Other advances	757,721,707	130,978,000
Total cash and cash equivalents at the end of the period	**3,288,401,508**	**3,849,859,979**

Cash flow from operating activities		
Received interest income	406,485,377	401,201,956
Dividends received	0	234,580
Paid interest expenses	-119,159,941	-117,580,022
Cash flow from financing activities		
Paid interest expenses	-13,579,970	-29,375,000

The indirect method is applied for the preparation of the condensed consolidated cash flow statement above.

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 2020)

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 2020.

The following IFRS standards and interpretations became effective on or after 1 January 2021 and have been applied in this report:

- Amendments to IFRS 9 and IAS 39 (financial instruments: recognition and measurement), IFRS 7 (financial instruments: disclosures), IFRS 4 (insurance contracts) and IFRS 16 (leases) regarding phase 2 of the Interest Rate Benchmark Reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The impact of the Interest Rate Benchmark Reform – Phase 2 is explained in a separate section below.
- Amendment to IFRS 16 (leases) for COVID-19 related rent concessions beyond 30 June 2021. The amendment adapts the conditions of the practical expedient that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. There is no impact on the financial statements as no such rent concessions have been granted to the Company.

Standards and Interpretations published but not yet effective for the annual period commencing on 1 January 2021:

- IFRS 17 (insurance contracts) applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU. The Company does not issue insurance contracts and is not impacted by this standard.
- Amendments to IFRS 4 (insurance contracts) applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU. The amendment provides for the extension of the temporary exemption from applying IFRS 9. The Company did not make use of this temporary exemption.
- Amendments to IFRS 3 (business combinations) applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU. The amendments are intended to replace a reference to a previous version of the Conceptual Framework without significantly changing the requirements of IFRS 3. The Company does not expect a significant impact resulting from this amendment.
- Amendments to IAS 16 (property, plant and equipment) applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU. The amendment prohibits deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Company does not expect a significant impact resulting from this amendment.
- Amendments to IAS 37 (provisions, contingent liabilities and contingent assets) applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU. The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The Company does not expect a significant impact resulting from this amendment.
- Amendments to IFRS 10 (consolidated financial statements) and IAS 28 (investments in associates and joint ventures). The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The Company does not expect a significant impact resulting from this amendment.
- Amendments to IAS 1 (presentation of financial statements) applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU. The amendments clarify the requirements for classifying liabilities as current or non-current in case of the existence of a right to defer settlement or in case of embedded derivative in a convertible liability. The Company does not expect a significant impact resulting from this amendment.

- Amendments to IAS 1 (presentation of financial statements) and IFRS Practice Statement 2 applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments may impact the accounting policy disclosures of the Company. Determining whether accounting policies are material or not requires use of judgement. The Company will assess whether 'standardised' information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.
- Amendments to IAS 8 (accounting policies, changes in accounting estimates and errors) applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The Company does not expect a significant impact resulting from this amendment.
- Amendments to IAS 12 (income taxes) applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company does not expect a significant impact resulting from this amendment.
- Annual Improvements to IFRS Standards 2018–2020 applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU. The amendments are related to IFRS 1 (first time adoption of IFRS) with regards to cumulative translation differences (no impact for the Company), IFRS 9 (financial instruments: recognition and measurement) clarifying the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability (10% test) (no significant impact for the Company), IFRS 16 (leases) clarifying several illustrative examples (no impact for the Company) and IAS 41 (agriculture) regarding taxation in fair value measurements (no impact for the Company).

Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

Practical expedient for changes in the basis for determining the contractual cash flows

The amendments include a practical expedient to account for contractual changes, or changes to cash flows that are directly required by the reform, by updating the effective interest rate. This practical expedient only applies when the change in the basis for determining the contractual cash flows is necessary as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. After an entity applies the practical expedient to the changes required by the IBOR reform, it would separately assess any other changes to the contractual terms that are not necessary as a direct consequence of the IBOR reform, to determine if they result in derecognition of a financial instrument. If they do not result in derecognition, the entity would adjust the carrying amount of a financial instrument and recognise an immediate gain or loss in the statement of profit or loss.

Relief for hedging relationships

The amendments permit that changes to hedge designations and hedge documentation that are required by IBOR reform do not result in the discontinuation of the hedging relationship. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Any gains or losses that could arise on transition are recognised in hedge ineffectiveness.

Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR. The cash flow hedge reserve is released to profit or loss in the same period or periods in which the hedged cash flows based on the RFR affect profit or loss.

For the retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

The amendments provide relief for items within a group which is designated as a hedged item and that are impacted by the IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued. As items within the hedged group transition at different times from IBORs to RFRs, they will be transferred to sub-groups of instruments that reference RFRs as the hedged risk.

As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform. The phase two reliefs cease to apply once all changes have been made to financial instruments and hedging relationships, as required by IBOR reform.

The amendments provide temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.

Transition and progress

A working group has been set up within the Company to monitor developments and impact on a periodical basis. The working group's activities include:
- Monitoring the legal framework, accounting framework and practical implementation;
- Monitoring the new benchmark interest rates and deviations ('spreads') from the existing benchmark interest rates;
- Inventorying and classifying the floating rate exposures;
- Analysing and monitoring the potential impact on interest rate risk management and measurements (including hedge accounting);
- Drawing up a written plan with elaboration of alternatives and where necessary communication to customers;
- Monitoring the adjustment of contracts.

The main benchmark interest rates to which the hedging derivatives are exposed are Euribor (mainly 3 months) and Eonia/Estr for discounting (OIS). For cash collateral exchanged under these derivative contracts the interest payments are based on Eonia or Estr. More specifically, the following volumes are involved:
- Cleared swaps: EUR 6.23 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr;
- Uncleared swaps: EUR 4.16 billion notional with Euribor reference interest rate, discounted according to Eonia, and interest for exchanged collateral in Eonia;
- Caps and swaption (non-cleared): EUR 7.85 billion notional with Euribor reference interest rate, discounted according to Eonia, and interest for exchanged collateral in Eonia;
- Caps and swaption (non-cleared): EUR 1.30 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr + spread (8.5 basis points).

For derivatives cleared through a central counterparty, the calculation of the interest on cash collateral exchanged under these contracts was adjusted from an Eonia to an Estr basis in 2020. For these derivatives, the discounting curve used was switched simultaneously. To compensate for the decrease in fair value, a payment of EUR 2,368,062 was received, which was accounted for in the profit or loss statement under 'Gains or losses from hedge accounting'.

In addition, the Company has an exposure of EUR 1.50 billion in debt securities and EUR 0.34 billion in loans to non-retail counterparties. The debt securities issued by the Company under the securitisation transactions have interest payments based on Euribor (3 months).

The Company uses the amendment to IFRS 9 with regard to the consequences of the reform on the hedge relationship in respect of fair value hedge accounting contracts. For the uncleared derivatives, the Eonia curve is still used, as the bilateral counterparties have not yet made any adjustments. For the bilateral ISDA/CSAs, negotiations for the necessary adjustments will take place in the course of the second half of 2021.

Note 2: Summary of significant accounting policies (Note 2 in the annual statements of 2020)

A summary of the main accounting policies is provided in the annual financial statements as of 31 December 2020.

Note 3: Changes in significant accounting policies

No other significant changes were made to the accounting policies used for preparing the 2021 interim financial statements compared to the policies applied as of 31 December 2020.

Notes on operating segments (in EUR)

Note 4: Operating segments (Note 10 in the annual statements of 2020)

The operational segmentation is based on geographical areas where the Company is active. The Company delivers services under the heading of 'retail banking' which 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 gives an indication of the breakdown by geographical region.

Assets	Belgium	The Netherlands	Luxembourg	31/12/2020
Cash, cash balances at central banks and other demand deposits	2,729,174,133	291,899,766	1,477,879	3,022,551,779
Financial assets held for trading	488,933	471,330	0	960,263
Non-trading financial assets mandatorily at fair value through profit or loss	68,169,997	0	0	68,169,997
Financial assets at fair value through other comprehensive income	3,667,290,214	0	0	3,667,290,214
Financial assets at amortised cost	20,871,635,687	17,402,148,720	1,100,234	38,274,884,641
Derivatives used for hedge accounting	3,248,972	0	0	3,248,972
Fair value changes of the hedged items in portfolio hedge of interest rate risk	701,614,824	66,950,648	0	768,565,472
Investments in subsidaries, joint ventures and associates	90,000	0	0	90,000
Tangible assets	78,035,442	1,339,950	1,065	79,376,457
Intangible assets	48,046,728	1,217	17,114	48,065,059
Tax assets	6,463,707	10,779,804	0	17,243,511
Other assets	123,583,578	149,974,950	7,848,743	281,407,271
Total Assets	**28,297,842,215**	**17,923,566,385**	**10,445,036**	**46,231,853,637**

Assets	Belgium	The Netherlands	Luxembourg	30/06/2021
Cash, cash balances at central banks and other demand deposits	3,035,449,415	280,697,665	1,604,863	3,317,751,943
Financial assets held for trading	1,113,853	7,826,313	0	8,940,166
Non-trading financial assets mandatorily at fair value through profit or loss	47,407,059	0	0	47,407,059
Financial assets at fair value through other comprehensive income	3,625,586,437	0	0	3,625,586,437
Financial assets at amortised cost	21,976,245,452	17,739,298,638	1,100,234	39,716,644,325
Derivatives used for hedge accounting	39,099,625	0	0	39,099,625
Fair value changes of the hedged items in portfolio hedge of interest rate risk	483,919,873	53,301,340	0	537,221,213
Investments in subsidiaries, joint ventures and associates	90,000	0	0	90,000
Tangible assets	75,854,209	1,180,925	534	77,035,667
Intangible assets	41,803,198	915	16,360	41,820,472
Tax assets	15,517,918	40,005,605	0	55,523,523
Other assets	126,698,074	152,807,374	9,359,195	288,864,643
Total Assets	**29,468,785,112**	**18,275,118,776**	**12,081,185**	**47,755,985,073**

Liabilities	Belgium	The Netherlands	Luxembourg	31/12/2020
Financial liabilities held for trading	0	465,526	0	465,526
Financial liabilities at amortised cost	37,838,758,931	4,954,000,540	0	42,792,759,471
Derivatives used for hedge accounting	808,404,707	81,140,927	0	889,545,635
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	1,877,482	1,642,523	0	3,520,005
Tax liabilities	0	10,731,112	5,477,152	16,208,264
Other liabilities	119,896,230	120,102,099	1,464,598	241,462,927
Total liabilities	**38,768,937,351**	**5,168,082,726**	**6,941,750**	**43,943,961,827**

Liabilities	Belgium	The Netherlands	Luxembourg	30/06/2021
Financial liabilities held for trading	0	7,796,389	0	7,796,389
Financial liabilities at amortised cost	39,601,989,194	4,832,210,780	0	44,434,199,974
Derivatives used for hedge accounting	584,527,816	61,750,598	0	646,278,414
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	1,648,209	1,587,888	0	3,236,097
Tax liabilities	4	10,268,764	8,037,992	18,306,760
Other liabilities	207,496,311	103,958,034	1,756,789	313,211,135
Total liabilities	**40,395,661,534**	**5,017,572,454**	**9,794,781**	**45,423,028,769**

Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	30/06/2020
Net interest income	154,500,672	132,826,266	-1,502	0	287,325,436
Dividend income	0	0	0	0	0
Net fee and commission income	-30,243,831	1,015,313	17,580,372	-848,597	-12,496,743
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	255,407	243,318	0	0	498,725
Gains or losses on financial assets and liabilities held for trading	2,189,729	0	0	0	2,189,729
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-133,004	8,346	0	0	-124,658
Gains or losses from hedge accounting	-256,276	225,683	0	0	-30,592
Gains or losses on derecognition of non-financial assets	108,698	0	0	0	108,698
Net other operating income	23,395,880	939,445	-100	-185,767	24,149,459
Administrative expenses	-190,393,373	-26,307,882	-1,447,240	1,034,363	-217,114,132
Depreciation	-13,897,888	-226,018	-2,496	0	-14,126,402
Modification gains or losses	-3,255,967	0	0	0	-3,255,967
Provisions or reversal of provisions	39,917	41,789	0	0	81,706
Impairments or reversal of impairments	-11,116,537	-3,975,695	0	0	-15,092,232
Profit or loss before tax	**-68,806,573**	**104,790,566**	**16,129,034**	**0**	**52,113,027**
Tax expense	19,819,879	-29,331,825	-4,021,400	0	-13,533,345
Profit or loss after tax	**-48,986,693**	**75,458,741**	**12,107,634**	**0**	**38,579,681**

Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	30/06/2021
Net interest income	120,677,118	162,948,693	-3,877	0	283,621,934
Dividend income	234,580	0	0	0	234,580
Net fee and commission income	-21,730,887	1,462,816	26,203,729	-691,319	5,244,340
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	169,992	-178,373	0	0	-8,381
Profit or loss before tax	-418,660	0	0	0	-418,660
Gains or losses on financial assets and liabilities held for trading	624,920	-181,881	0	0	443,039
Gains or losses from hedge accounting	2,425,255	8,198	0	0	2,433,453
Gains or losses on derecognition of non-financial assets	227,128	0	0	0	227,128
Net other operating income	80,644,702	-57,696,863	-2,556	-68,820	22,876,463
Administrative expenses	-199,532,845	-25,648,810	-1,603,184	760,138	-226,024,700
Depreciation	-14,223,966	-169,566	-1,286	0	-14,394,819
Modification gains or losses	-113,534	0	0	0	-113,534
Provisions or reversal of provisions	229,273	54,634	0	0	283,908
Impairments or reversal of impairments	-572,311	2,332,096	0	0	1,759,785
Profit or loss before tax	**-31,359,237**	**82,930,945**	**24,592,826**	**0**	**76,164,535**
Tax expense	4,323,476	-20,914,256	-6,123,306	0	-22,714,087
Profit or loss after tax	**-27,035,761**	**62,016,689**	**18,469,519**	**0**	**53,450,448**

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.

The most important transaction between the operating segments consists of:
- The profit allocation between the Company's head office (located in Belgium) and the branch office (in the Netherlands). More information is included below.
- The retrocession of part of the management fees from asset management activities performed in Luxembourg to the head office of the Company as compensation for the distribution of these investment products.

The result in the Netherlands is realised by the Company's branch office, whereby the head office of the Company provides financing to the branch office and carries out a number of activities (mainly in the context of general strategy and risk management) for the branch office. The Company applies a ruling (pending approval from the tax authorities) or the allocation of the results to the branch office. The profit allocation in the ruling mechanism consists of:
- An interest compensation for the provided funding by which a share of the head office total interest expenses is allocated (based on the funding provided) to the branch office (fungibility approach), which is recorded under the heading 'Net interest income'.
- A compensation for the responsibilities carried out by the head office of the Company for the value chain and key entrepreneurial risk taking functions, which is recorded under 'Net other operating expenses'.

On 31 December 2019, the existing ruling expired and a new application was filed for a period of 3 years. The mechanism as in the filed application, which was not yet approved by the date of this report, has been applied in preparing the balance sheet and results as of 31 December 2020. Application of the changed ruling mechanism to the reference period of the first half of 2020 would result in a shift from the Netherlands (branch office) to Belgium (head office) of approximately EUR 22.0 million of operating income.

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 2020)

Balance sheet	31/12/2020		30/06/2021	
	Parent company	Other related parties	Parent company	Other related parties
Financial assets at amortised cost	0	537,305	0	511,746
Other assets	3,326,823	5,893,576	3,200,546	2,394,840
Total assets	**3,326,823**	**6,430,881**	**3,200,546**	**2,906,586**
Financial liabilities at amortised cost	124,985,175	121,775,283	110,603,060	74,460,103
Other liabilities	390,297	52,247,435	995,420	54,173,694
Total liabilities	**125,375,472**	**174,022,718**	**111,598,480**	**128,633,797**

Statement of profit or loss	30/06/2020		30/06/2021	
	Parent company	Other related parties	Parent company	Other related parties
Interest expenses	3,854	81,443	111,386	1,593
Fee and commission expenses	0	8,200,525	0	9,998,743
Other operating expenses	5,151,766	0	5,235,403	81,312
Other administrative expenses	1,357,292	0	2,164,429	0
Total expenses	**6,512,912**	**8,281,968**	**7,511,218**	**10,081,648**
Interest income	0	277,648	0	3,707
Fee and commission income	0	0	0	288,411
Other operating income	189,725	26,327,384	258,621	20,411,689
Tax expense	0	0	0	0
Total income	**189,725**	**26,605,032**	**258,621**	**20,703,807**

The majority shareholder of the Company is Argenta Bank- en Verzekeringsgroep (BVg). Above this is the holding Investeringsmaatschappij Argenta (Investar) as the majority shareholder of BVg. The column with parent company contains the positions of both holding companies. Other related parties contains positions from the Company's sister company Argenta Assuranties NV and not consolidated joint ventures and associates and group entities (daughters).

The decrease in financial liabilities at amortised cost is due to a lower outstanding of term deposits from the parents of the Company, and a decrease in outstanding on settlement accounts with daughter companies (insurance).

Other operating income decreased as no fiscal consolidation was used in 2021. The group contribution scheme (fiscal consolidation) was introduced by the act of 25 December 2017 reforming corporate income tax and applies from the 2020 assessment year. The group contribution scheme is a system whereby one group company can transfer (part of) its taxable result via a purely fiscal group contribution to another loss-making group company. In 2020 the head office of the Company transferred part of the tax losses to a daughter (Argenta Assuranties) through the EUR 27.8 million group contribution (for which a compensation of EUR 6.9 million was received).

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 2020)

	31/12/2020	30/06/2021
Cash	58,712,247	56,679,320
Cash balances with central banks	2,803,109,816	3,119,952,928
Cash balances with other financial institutions	160,729,715	141,119,695
Total	**3,022,551,779**	**3,317,751,943**

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. In the first half of 2021 additional liquidity was collected with the issue of EUR 500,000,000 covered bond in February 2021 and a fourth securitisation transaction of Dutch mortgages of EUR 650,000,000 (after retention), in part compensated by the call of the EUR 500 million Tier 2 instrument.

Note 7: Non-trading financial assets mandatorily at fair value through profit or loss (Note 13 in the annual statements of 2020)

The SPPI (Solely Payments of Principal and Interest) test was 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 30/06/2021, there was EUR 47,407,059 under this classification, consisting of securities failing the SPPI test. The decrease compared to 31/12/2020 relates to a matured debt security (EUR -20 million).

	31/12/2020	30/06/2021
Total portfolio	**68,169,997**	**47,407,059**
Breakdown by interest rate type		
Variable	51,743,866	31,037,957
Fixed	16,426,131	16,369,101
Undefined	0	0

Note 8: Financial assets at fair value through other comprehensive income (Note 14 in the annual statement of 2020)

	31/12/2020	30/06/2021
Total portfolio	**3,667,290,214**	**3,625,586,437**
of which hedged via micro-hedges	942,066,357	915,558,905

Breakdown by instrument type		
Equity instruments	8,010,057	15,833,296
Debt securities	3,659,280,157	3,609,753,141
Breakdown by interest rate type		
Variable	906,475,847	886,067,004
Fixed	2,752,804,309	2,723,686,137
Undefined	8,010,057	15,833,296
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	3,659,280,157	3,609,753,141
Stage 2	0	0
Stage 3	0	0
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-3,023,603	-1,121,504
Stage 2	0	0
Stage 3	0	0

The amortised cost, unrealised gains or losses and the fair value of instruments measured at fair value through other comprehensive income per 31 December 2020 and 30 June 2021 are as follows:

31/12/2020	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair value
Debt securities				
General governments	931,408,000	102,360,777	-835,815	1,032,932,962
Credit institutions	1,095,756,083	17,304,485	-622,737	1,112,437,831
Other Financial corporations	404,772,102	990,274	-134,486	405,627,890
Non-Financial corporations	1,079,266,902	30,445,137	-1,430,566	1,108,281,473
Equity instruments				
Shares and other	7,904,178	105,879		8,010,057
Total	**3,519,107,265**	**151,206,552**	**-3,023,603**	**3,667,290,213**

30/06/2021	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	948,883,512	81,557,580	-312,057	1,030,129,035
Credit institutions	1,116,774,300	13,362,985	-242,404	1,129,894,880
Other Financial corporations	445,680,406	1,188,821	-41,816	446,827,411
Non-Financial corporations	981,097,414	22,329,629	-525,227	1,002,901,816
Equity instruments				
Shares and other	13,438,437	2,394,859		15,833,296
Total	**3,505,874,068**	**120,833,873**	**-1,121,504**	**3,625,586,437**

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 2020)

	31/12/2020	30/06/2021
Total portfolio	**38,274,884,642**	**39,716,644,325**
Breakdown by instrument type		
Loans and advances	34,624,441,264	35,967,947,366
Debt securities	3,650,443,377	3,748,696,959
Breakdown by product type		
Loans to credit institutions	1,100,234	1,100,234
Cash collateral to financial institutions	741,105,574	531,007,802
Consumer loans	290,897,981	321,464,975
Mortgage loans	32,517,476,492	33,940,375,938
Term loans	1,041,009,340	1,123,158,851
Advances and overdrafts	4,511,041	23,592,221
Leasing	28,340,603	27,247,344
Debt securities	3,650,443,377	3,748,696,959
Breakdown debt securities by interest rate type		
Variable	695,091,081	591,732,998
Fixed	2,955,352,296	3,156,963,961
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	3,628,663,264	3,725,610,597
Stage 2	26,740,303	25,301,658
Stage 3	0	0

Loans and advances		
Stage 1	30,053,439,847	32,243,666,265
Stage 2	4,436,750,122	3,540,437,438
Stage 3	172,417,028	224,953,495
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-4,493,838	-1,779,530
Stage 2	-466,352	-435,766
Stage 3	0	0
Loans and advances		
Stage 1	-3,829,747	-2,921,544
Stage 2	-14,243,983	-8,598,826
Stage 3	-20,092,002	-29,589,462

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 higher, due to increased mortgage production in Belgium and the Netherlands. In Belgium the fiscal treatment of mortgage loans evolved unfavourably as from 1 January 2020, leading to a frontloading of mortgage loans in 2019 and a significant drop in the first half of 2020. Together with the impact of the COVID-19 lockdown (partial closing of real estate agencies, notaries and banks) mortgage production was low in the first half of 2020. In 2021 the housing market in our core markets thrived (in line with the second half of 2020) due to a demand increase (a preference for more space), and stimulated by sustained low interest rates.

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 2020, the debt securities were subject to stage 1 impairments of EUR 4,493,838 and stage 2 impairments of EUR 466,352. As per 30 June 2021 stage 1 impairments have decreased to EUR 1,779,530 and stage 2 impairments to EUR 435,766. Stage 1 and stage 2 impairments for loans and advances decreased from EUR 3,829,747 (stage 1) and EUR 14,243,983 (stage 2) to EUR 2,921,544 (stage 1) and EUR 8,598,826 (stage 2). Stage 3 impairments increased from EUR 20,092,002 (stage 3) to EUR 29,589,462 (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 2020)

	31/12/2020	30/06/2021
Deposits from central banks	236,396,243	258,752,779
Deposits from credit institutions	9,749,260	29,781,756
Deposits from other than central banks and credit institutions	38,319,344,087	39,484,245,333
Non-subordinated debt securities issued - saving certificates	0	0
Non-subordinated debt securities issued - other	3,628,658,376	4,575,834,091
Subordinated debt securities issued	511,087,585	0
Other financial liabilities	87,523,920	85,586,015
Total	**42,792,759,471**	**44,434,199,974**

Deposits from central banks and credit institutions

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

	31/12/2020	30/06/2021
Deposits from central banks	**236,396,243**	**258,752,779**
Breakdown by product type		
Targeted Long Term Refinancing Operations	236,396,243	258,752,779

	31/12/2020	30/06/2021
Deposits from credit institutions	**9,749,260**	**29,781,756**
Breakdown by product type		
Deposits on demand	8,955,533	10,781,404
Repurchase agreements	0	0
Cash Collateral from financial institutions	793,727	19,000,352

The Company participated in the third TLTRO (operation 7) program at the beginning of 2021 for EUR 23,740,000.

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:

	31/12/2020	30/06/2021
Deposits from other than central banks and credit institutions	**38,319,344,087**	**39,484,245,333**
Breakdown by product type		
Deposits on demand	6,247,511,556	6,661,066,759
Deposits on term	1,746,989,919	1,405,363,048
Regulated saving deposits	26,905,745,223	27,872,753,435
Mortgage-linked deposits	639,202,028	601,614,654
Cash collateral	0	3,880,000
Other deposits	2,779,895,360	2,939,567,437

Current accounts (deposits on demand) (EUR +414 million) and regulated savings accounts (EUR +967 million) increased further despite the low offered rates, whereas term accounts (EUR -342 million) decreased. Other deposits relates to savings and term accounts offered to Dutch clients and non-retail (non-regulated) deposits on accounts.

Non-subordinated debt securities issued – savings certificates

The Company does not offer senior debt securities issued in the form of savings certificates.

Non-subordinated debt securities issued – bonds

The heading contains the A notes issued under the securitization transactions (by Green Apple), the notes issued under the EMTN programme and the bonds issued under the Belgian Mortgage Pandbrieven Programme.

	31/12/2020	30/06/2021
Non-subordinated debt securities issued – other	**3,628,658,376**	**4,575,834,091**
Green Apple 2017-I NHG	733,183,157	648,813,540
Green Apple 2018-I NHG	709,127,167	629,460,070
Green Apple 2019-I NHG	685,856,079	625,310,127
Green Apple 2021-I	0	667,858,951
EMTN	1,500,491,973	1,498,878,537
Belgian Mortgage Pandbrieven Programme	0	505,512,865

The Company has issued four Dutch residential mortgages backed securities that are placed with institutional investors:
- Green Apple 2017 I NHG issued on 5 October 2017 for an original notional amount of EUR 1.2 billion with a yield of Euribor 3 months plus 18 basis points;
- Green Apple 2018 I NHG issued on 26 June 2018 for an original notional amount of EUR 1.0 billion with a yield of Euribor 3 months plus 18 basis points;
- Green Apple 2019 I NHG issued on 26 June 2019 for an original notional amount of EUR 825 million with a yield of Euribor 3 months plus 25 basis points;
- Green Apple 2021 I with non NHG mortgages as collateral, issued on 23 June 2021 with a notional amount of EUR 650 million with a yield of Euribor 3 months plus 13 basis points.

Under the EUR 3.0 billion Euro Medium Term Note Programme 3 transactions are issued:
- In the first quarter of 2019 a senior preferred note for EUR 500 million was issued with coupon rate of 1% and bullet maturity date of 6 February 2024;
- In the first quarter of 2020 a senior non-preferred note for EUR 500 million was issued with coupon rate of 1% and bullet maturity date of 29 January 2027;
- In the last quarter of 2020 a second senior non-preferred note for EUR 500 million was issued with coupon rate of 1% and bullet maturity date of 13 October 2026.

In February 2021 the Company issued a covered bond for 500 million under the EUR 7.5 billion Belgian Mortgage Pandbrieven Programme with coupon rate of 0.01% and bullet maturity date 11 February 2032.

Subordinated debt securities issued

The subordinated liabilities are composed as follows:

	31/12/2020	30/06/2021
Subordinated debt securities issued	**511,087,585**	**0**
Breakdown by type		
Subordinated certificates	0	0
Tier 2 debt securities issued	511,087,585	0

The Tier 2 institutional note was called on 24th of May 2021.

Note 11: Fair value of financial instruments (Note 26 in the annual statements 2020)

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 and of financial instruments recognised at fair value are examined 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 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, commercial margin 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, deposits linked to mortgage 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 commercial margin and a capital, credit and liquidity cost. The method is analogous to those used in the sensitivity analysis of interest rate risk (see risk section 5.1 of the FY 2020 annual consolidated financial statements).

- The fair value of cash, sight deposits, regulated savings deposits and deposits of a special nature 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, are determined using valuation methods (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).

The following table presents the carrying amounts and fair values of financial assets and financial liabilities that, in the consolidated balance sheet, are not stated at their fair value. It does not include the fair value of non-financial instruments such as property, plant and equipment and other intangible assets.

	Carrying amount 31/12/2020	Fair value 31/12/2020	Carrying amount 30/06/2021	Fair value 30/06/2021
Cash, cash balances at central banks and other demand deposits	3,022,551,779	3,022,551,779	3,317,751,943	3,317,751,943
Financial assets at amortised cost				
Loans to credit institutions	1,100,234	1,100,234	1,100,234	1,100,234
Cash collateral to financial institutions	741,105,574	741,105,574	531,007,802	531,007,802
Loans and advances to other customers				
Consumer loans	290,897,981	301,092,008	321,464,975	330,945,857
Mortgage loans	32,517,476,492	35,786,905,380	33,940,375,938	36,881,407,193
Term loans	1,041,009,340	1,114,931,162	1,123,158,851	1,168,666,734
Advances and overdrafts	4,511,041	4,511,041	23,592,221	23,592,221
Leasing	28,340,603	28,340,603	27,247,344	27,247,344
Debt securities	3,650,443,377	3,759,223,789	3,748,696,959	3,837,192,448
Total financial assets	**41,297,436,420**	**44,759, 761,570**	**43,034,396,268**	**46,118,911,777**
Financial liabilities at amortised cost				
Deposits from central banks	236,396,243	236,396,243	258,752,779	258,752,779
Deposits from credit institutions	9,749,260	9,749,260	29,781,756	29,781,756

Deposits from other than central banks and credit institutions				
Deposits on demand	6,247,511,556	6,247,511,556	6,661,066,759	6,661,066,759
Deposits on term	1,746,989,919	1,840,318,486	1,405,363,048	1,478,777,445
Regulated savings deposits	26,905,745,223	26,905,745,223	27,872,753,435	27,872,753,435
Mortgage-linked deposits	639,202,028	815,356,151	601,614,654	760,275,529
Cash collateral	0	0	3,880,000	3,880,000
Other deposits	2,779,895,360	2,779,895,360	2,939,567,437	2,939,567,437
Non-subordinated debt securities issued				
Saving certificates	0	0	0	0
Other	3,628,658,376	3,678,639,379	4,575,834,091	4,617,286,596
Subordinated debt securities issued				
Subordinated certificates	0	0	0	0
Tier 2 debt securities issued	511,087,585	507,550,000	0	0
Other financial liabilities	87,523,920	87,523,920	85,586,015	85,586,015
Total financial liabilities	**42,792,759,471**	**43,108,685,579**	**44,434,199,974**	**44,707,727,751**

The table below shows the fair values of the listed IFRS classifications presented schematically by hierarchy level. A Level 2 is assigned by the Company to the very short term financial instruments - with the carrying value used as fair value.

31/12/2020	Fair value	Level 1	Level 2	Level 3
Cash, cash balances at central banks and other demand deposits	3,022,551,779	0	3,022,551,779	0
Financial assets at amortised cost	41,737,209,791	2,415,589,945	2,110,875,697	37,210,744,149
Loans and advances	37,977,986,002	0	775,057,452	37,202,928,550
Debt securities	3,759,223,789	2,415,589,945	1,335,818,245	7,815,599
Financial liabilities at amortised cost	43,108,685,579	0	36,575,198,396	6,533,487,183

30/06/2021	Fair value	Level 1	Level 2	Level 3
Cash, cash balances at central banks and other demand deposits	3,317,751,943	0	3,317,751,943	0
Financial assets at amortised cost	42,801,159,833	2,345,322,739	2,069,419,977	38,386,417,117
Loans and advances	38,963,967,386	0	582,947,602	38,381,019,784
Debt securities	3,837,192,448	2,345,322,739	1,486,472,375	5,397,334
Financial liabilities at amortised cost	44,707,727,751	2,039,190,479	37,851,388,181	4,817,149,090

Cash and balances at central banks and other demand deposits are measured at level 2 fair values (given the short-term nature). Loans and advances measured at level 3 fair value relate primarily to mortgage loans to individuals for which Argenta has calculated a market valuation based on a discounted cash flow (DCF) model. Here, certain assumptions are applied with respect to spread and prepayment rate. The spread used includes, among other things, a commercial margin a capital cost and a credit cost. The Company periodically monitors the commercial margin and compares it with the observed commercial margin in transactions in the market (in particular, the commercial margin ceded to investors in an RMBS transaction).

The line item 'financial assets at amortised cost', also contains the debt instruments that are part of the securities portfolio. The relevant fair values are obtained from external sources.

Financial liabilities measured at amortised cost under level 2 relate to deposits from credit institutions, demand deposits, regulated savings deposits and other deposits. Given the short-term nature of these liabilities, they are treated as a level 2 (carrying value equivalent to fair value). The newly issued covered bond (for EUR 496 million) and EMTN issues (for EUR 1,543 million) are reported under level 1 as from 2021 as sufficient evidence is available of the existence of a liquid market for these instruments. The financial liabilities included in level 3 are the term deposits for which a market valuation is calculated based on a DCF model.

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 or 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 the individual 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.

31/12/2020	Level 1	Level 2	Level 3
Assets measured at fair value	**3,398,606,212**	**340,000,737**	**1,062,498**
Financial assets held for trading	0	960,263	0
Financial assets at fair value through other comprehensive income	3,382,180,081	284,047,636	1,062,498
Non-trading financial assets mandatorily at fair value through profit or loss	16,426,131	51,743,866	0
Derivatives used for hedge accounting	0	3,248,972	0
Liabilities measured at fair value	**0**	**890,011,160**	**0**
Financial liabilities held for trading	0	465,526	0
Derivatives used for hedge accounting	0	889,545,634	0

30/06/2021	Level 1	Level 2	Level 3
Assets measured at fair value	**3,321,412,160**	**396,558,629**	**3,062,498**
Financial assets held for trading	0	8,940,166	0
Financial assets at fair value through other comprehensive income	3,305,043,058	317,480,881	3,062,498
Non-trading financial assets mandatorily at fair value through profit or loss	16,369,101	31,037,957	0
Derivatives used for hedge accounting	0	39,099,625	0
Liabilities measured at fair value	**0**	**654,074,803**	**0**
Financial liabilities held for trading	0	7,796,389	0
Derivatives used for hedge accounting	0	646,278,414	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 2021 there were no reclassifications between Level 1 and Level 2.

The fair value of hedging derivatives on the asset side increased and on the liabilities side decreased due to the changes in the interest environment. Furthermore, the newly contracted swaptions report a positive fair value of EUR 18.2 million. The cumulative fair value changes of the hedged items in a portfolio hedge of interest rate risk decreased from EUR 791.0 million per end 2020 to EUR 537.2 million at the end of June 2021.

The following table provides a reconciliation of Level 3 fair values for the first half year of 2021 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 01/01/2020	**1,062,498**	**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 30/06/2020	**1,062,498**	**0**
Opening at 01/01/2021	**1,062,498**	**0**
Purchases and new contracts	2,000,000	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 30/06/2021	**3,062,498**	**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 3,062,498 as of 30 June 2021 (compared to EUR 1,062,498 per 30 June 2020). The position with a level 3 fair value consist of shares from an infrastructure fund where the Company receives pricing or valuation from third parties.

Note on the credit risk in the fair value of derivatives

In line with market practices, a CVA (Credit Valuation Adjustment) and a DVA (Debit Valuation Adjustment) have been taken into account in establishing the market value of derivatives. The position of CVA and DVA amounted to EUR -3.3 million CVA and EUR +4.2 million DVA in 2020. As of 30 June 2021 the CVA correction amounted to EUR -5.3 million and DVA amounts to EUR +6.2 million, and there was a net negative impact of EUR 36 thousand 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 2020)

The increase by EUR 7.5 million in other assets mainly relates to the increase in the credit and payment services suspense account.

Other liabilities have increased by EUR 71.7 million between 31/12/2020 and 30/06/2021. 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 2020)

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 total equity as of 30 June 2021 is EUR 2,332,956,304 compared with EUR 2,287,891,810 as of 31 December 2020. The elements of the equity are further described in the text below.

Overview of equity	31/12/2020	30/06/2021
Paid up capital	815,642,650	815,642,650
Share premium	0	0
Accumulated fair value changes of debt securities measured at fair value through other comprehensive income	57,472,775	46,304,744
Accumulated fair value changes of equity instruments measured at fair value through other comprehensive income	32,712	1,744,562
Accumulated cash flow hedge reserve	-1,301,570	0
Accumulated actuarial gains or losses on defined benefit pension plans	-313,749	-313,749
Reserves	1,280,020,354	1,416,028,179
Profit or loss attributable to owners of the parent	136,007,825	53,297,384
Minority interests	330,815	252,534
Total equity	**2,287,891,810**	**2,332,956,304**

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 46,304,744.

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. This swap matured in May 2021 resulting in 0 in the line “accumulated cash flow hedge reserve”.

Accumulated actuarial gains or losses on defined benefit pension plans
The accumulated actuarial gains or losses on defined benefit pension plans are revaluated on annual basis, since no significant changes were enacted on the existing plans.

Retained earnings

The retained earnings position (EUR 1,416,028,179 as of 30 June 2021) increased due to the appropriation of the profit for the financial year 2020. 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 distributed to the holding company.

Profit or loss after tax for the current period

The consolidated result (excluding minority interests) for the period ending on 30 June 2021 amounted to EUR 53,297,384.

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 2020)

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

	30/06/2020	30/06/2021
Interest income	**406,485,378**	**401,201,956**
Non-trading financial assets mandatorily at fair value through profit or loss	246,449	212,790
Financial assets at fair value through other comprehensive income	10,716,109	10,821,613
Financial assets at amortised cost - loans and advances	376,525,004	369,345,804
Financial assets at amortised cost - debt securities	18,847,284	19,394,995
Derivatives used for hedge accounting	14,686	43,290
Other assets	0	0
Interest income on liabilities	135,846	1,383,464
Interest expenses	**119,159,941**	**117,580,022**
Deposits from central banks and credit institutions	560,780	1,264,252
Deposits from other than central banks and credit institutions	34,714,456	30,244,988
Non-subordinated debt securities issued	3,779,719	6,279,338
Subordinated debt securities issued	10,277,216	8,351,434
Leasing liabilities	156,714	230,120
Derivatives used for hedge accounting	68,260,140	69,763,085
Other liabilities	0	0
Interest expenses on assets	1,410,917	1,446,805
Net interest income	**287,325,436**	**283,621,934**
of which interest-income on credit impaired financial assets	113,956	177,354

Interest income

Interest income on debt securities has stabilised in 2021 (FVOCI EUR +0.1 million and in AC EUR +0.5 million) after decreasing in previous years. Yields continue to be under pressure due to maturing debt securities at higher returns and repricing of floating rate debt securities.

The interest income from loans and advances has decreased with EUR 7.2 million. Interest income on consumer loans grew with EUR +0.5 million reflecting the growing outstanding loan portfolio. Mortgage loans decreased with EUR -8.2 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. Refinancing levels and prepayment fees were in line with 2020. 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 from term loans increased with EUR 0.5 million in line with the growing outstanding loan portfolio.

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

Interest expenses

The increase of interest expenses on deposits from central banks relates to the higher levels of central bank reserves held at negative rates.

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 saving certificates decreased with lower interest expenses of EUR -3.6 million and were replaced by savings deposits at relatively lower funding cost (EUR +0.3 million) and wholesale funding (securitization, covered bonds and EMTN notes) (EUR +2.4 million).

Funding cost of subordinated debt decreased with the maturing of subordinated retail certificates and the call of the tier 2 note (EUR -1.9 million).

The hedging interest cost increased with EUR 1.5 million. In general the level of the hedging book increased compared with the previous periods as additional micro and macro hedge derivatives were entered into. The Alco (asset - liability committee) pursues a hedging strategy in order to maintain adequate market value and net interest income stability.

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 2020)

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

	30/06/2019	30/06/2020
Fee and commission income	**82,409,086**	**111,970,527**
Securities: issuances and transfer orders	11,138,608	13,935,322
Asset management, including central administrative services for collective investment	47,464,490	67,409,637
Customer resources distributed but not managed	12,631,782	13,393,553
Payment services	5,752,939	8,657,386
Other	5,421,267	8,574,629
Fee and commission expenses	**-94,905,829**	**-106,726,188**
Acquisition charges	-77,309,826	-88,114,512
Asset management	-3,647,136	-4,212,236
Custody	-776,825	-987,365
Payment services	-11,005,669	-11,269,669
Other	-2,166,373	-2,142,406
Net fee and commission income	**-12,496,743**	**5,244,339**

Commission income on issuances and transfer orders relates to acquisition charges received from retail clients for funds and shares transactions. The strong sales of Argenta funds over the first half of 2021 were the main drivers of the increase of EUR +2.8 million of commission income.

The asset management fees (including administrative fees) received continue to grow (EUR +19.9 million) as outstanding assets under management were higher compared to the first half of 2020. The increase is due to strong production in the second half of 2020 and in 2021. 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 2020)

The result on sale of financial instruments amounted to EUR -8,381 in the first six months of 2021 (EUR 498,725 in the first six months of 2020). 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 2020)

Employee expenses consist of the following components:

	30/06/2020	30/06/2021
Wages and salaries	28,646,061	30,709,162
Social security charges	7,341,578	7,432,394
Pension expenses	3,127,011	3,477,411
Share-based payments	0	0
Other	3,697,575	2,346,650
Staff expenses	**42,812,225**	**43,965,618**

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:

	30/06/2020	30/06/2021
Marketing expenses	1,552,506	1,896,609
Professional fees – ICT	18,969,237	20,588,613
Professional fees (including legal and fiscal)	7,884,015	9,170,047
IT expenses	32,665,424	31,620,312
Rental expenses	5,042,705	2,656,490
Other taxes and bank levies	77,272,036	86,409,980
Servicing charges	9,572,958	10,063,866
Utilities	2,836,478	3,913,248
Supervisor	2,818,388	3,076,935
Postage	1,898,790	1,962,448
Interim labour	905,145	723,192
Other	12,884,225	9,977,343
Other administrative expenses	**174,301,907**	**182,059,082**

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) increased with EUR 2.9 million after a strong decrease in 2020 of EUR 11.3 million, reflecting further investments in digitalization and digital offering. IT run expenses decreased (EUR -1.0 million), expenditures to comply with various regulatory requirements (supervisor) and bank levies (other taxes and bank levies) increased (EUR +9.4 million) as the taxable base of the bank levies is based on (covered) deposits, which have further increased.

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 43.0 million (before taxes) would have been recognised in the second half of 2021.

Note 18: Modification gains or losses (Note 38 in the annual statements of 2020)

	30/06/2020	30/06/2021
Financial assets at fair value through other comprehensive income	0	0
Financial assets at amortised cost	-3,255,967	-113,534
Modification gains or losses	**-3,255,967**	**-113,534**

The Belgium government measures to support the economy during the COVID-19 crisis (and relevant for the Company) included 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 households with a disposable income of less than EUR 1,700 euro. For the latter group no interest is payable (and accrued) over the deferral period, resulting in a modification loss. As per 30/06/2021 all measures have ended.

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 31/12/2020			
	Performing	of which forbearance	of which stage 2	Non-performing
Active EBA-compliant moratoria of COVID-19 forbearance measures	**4,477,124**	**4,477,124**	**4,477,124**	**3,322,026**
Belgian mortgage loans	0	0	0	0
Belgian consumer loans	0	0	0	0
Dutch mortgage loans	4,477,124	4,477,124	4,477,124	3,322,026
Expired EBA-compliant moratoria of COVID-19 forbearance measures	**752,703,851**	**20,906,528**	**364,420,227**	**18,406,385**
Belgian mortgage loans	737,022,847	5,683,934	349,193,421	14,080,525
Belgian consumer loans	458,410	0	4,212	23,354
Dutch mortgage loans	15,222,594	15,222,594	15,222,594	4,302,506

	Gross carrying amount 30/06/2021			
	Performing	of which forbearance	of which stage 2	Non-performing
Active EBA-compliant moratoria of COVID-19 forbearance measures	**163,005**	**163,005**	**163,005**	**209,309**
Belgian mortgage loans	0	0	0	0
Belgian consumer loans	0	0	0	0
Dutch mortgage loans	163,005	163,005	163,005	209,309
Expired EBA-compliant moratoria of COVID-19 forbearance measures	**744,177,418**	**26,616,493**	**199,137,636**	**35,307,956**
Belgian mortgage loans	728,396,540	11,177,033	183,695,882	24,392,778
Belgian consumer loans	341,418	0	2,294	25,186
Dutch mortgage loans	15,439,460	15,439,460	15,439,460	10,889,992

Note 19: Impairments (Note 39 in the annual statements of 2020)

There was a positive impact of EUR 1.8 million in the first half year of 2021, compared to EUR -15.1 million in the first half of 2020.

	30/06/2020	30/06/2021
Goodwill	0	0
Debt securities at amortised cost	-2,867,858	2,744,895
Loans and advances at amortised cost	-9,929,385	-2,887,209
Debt securities at fair value through other comprehensive income	-2,294,988	1,902,099
Impairments	**-15,092,232**	**1,759,785**

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 2021 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. Recovery expectations differ under the scenario's with the baseline scenario including a moderate recovery (U-shape), the up scenario projecting a sharp 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, 20% up and 20% down to 50% baseline, 25% up and 25% 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 2021 compared to the end of 2020.

	As at 31/12/2020				As at 30/06/2021			
	2020E	2021E	2022E	>2022E	2021E	2022E	2023E	>2024E
Retail								
Unemployment BE (%)	5.6	7.4	7.1	6.7	5.8	6.0	5.9	5.7
Unemployment NL (%)	4.0	6.5	6.0	5.5	3.6	4.5	4.1	3.9
House Price Index BE (%, YoY)	2.0	-1.0	1.8	1.9	2.0	1.6	1.6	1.6
House Price Index NL (%, YoY)	7.1	2.0	1.1	1.4	10.0	5.5	1.8	1.4
Non-retail								
GDP Eurozone (%, YoY)	-7.3	3.9	4.2	2.1	4.6	4.7	2.1	1.0
Energy Index (%, YoY)	-25.0	1.9	1.9	1.9	27.1	1.9	1.9	1.9
Non-energy Index (%, YoY)	-5.0	1.9	1.9	1.9	8.3	1.9	1.9	1.9
Unemployment Eurozone (%)	8.0	9.3	8.2	7.5	8.2	7.9	7.4	7.5

The net impairments for non-retail positions (debt securities and limited public and corporate loans under loans and advances at amortized cost of EUR 1.1 billion) for the first half of 2021 equals EUR +6.3 million in comparison to EUR -6.5 million in the first half of 2020. The negative impact in the first half of 2020 was the result of rating downgrades and the impact of the worsening scenario-weighted forward looking indicators. In 2021 macro-economic indicators were adjusted upward, with a steeper recovery expected in 2021 as compared to the projections made in 2020. The impact of the improved scenario-weighted forward looking indicators is approximately EUR +6.7 million. The remainder of the net impairments is related to the increased outstanding portfolio at the end of the first half of 2021.

There are currently no stage 3 impairments for non-retail.

The impact of net impairments for retail positions (mainly mortgage loans and consumer loans) for the first half of 2021 equals EUR -4.5 million compared to EUR -8.6 million in 2020. The impairment evolution is the result of: (1) improved forward looking indicators, (2) update of the probability weight of the scenarios, (3) collateral revaluation (index); (4) inflow in stage 2 and stage 3 of COVID-19 moratorium instruments, (5) inflow in stage 3 of forborne loans with NPV losses above 1%, and (6) portfolio growth.

The most important contribution to the decrease of impairments relates to the improved forward looking indicators in the macro-economic scenarios. Especially the positive adjustment in unemployment rates and positive evolution in house price weigh positively on the expected credit losses. The impact is approximately EUR +4.7 million of which EUR 0.3 million is related to Belgian mortgages and EUR 4.4 million to Dutch mortgages. The impact on Dutch mortgages is more significant since a larger part of loans migrated back to stage 1.

The update of the probabilities of the scenarios had a compensating effect of EUR -0.4 million (of which EUR -0.1 million for Belgian mortgages and EUR -0.3 million for Dutch mortgages).

The inflow of mortgages to stage 3 generates an additional EUR -8.4 million of impairments and relates primarily to loans with COVID-19 measures or forbearance measures (with more than 1% NPV loss) and subsequent pull-through of linked exposures. The stage 3 impairments increased more than proportionally because the mandates for Covid-19 or forborne loans could not be immediately converted. More information on COVID-19 measures is included in Note 18.

The remainder of the net impairments of approximately EUR -0.3 million at the end of the first half of 2021 is related to the increased outstanding portfolio, seasonality and PD recalibration.

Growth of the outstanding portfolio in consumer loans and mortgage loans represents an increase of EUR 0.9 million.

The below table gives an overview of the carrying amounts and accumulated impairments per stage compared to the end of 2020.

	31/12/2020			30/06/2021		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost	**33,682,103,157**	**4,463,490,425**	**172,417,028**	**35,969,276,861**	**3,565,739,096**	**224,953,495**
Debt securities	3,628,663,264	26,740,303	0	3,725,610,597	25,301,658	0
Loans and advances	30,053,439,893	4,436,750,122	172,417,028	32,243,666,265	3,540,437,438	224,953,495
of which leasing receivables	28,340,603	0	0	27,247,344	0	0
Financial assets at fair value through other comprehensive income	**3,662,303,760**	**0**	**0**	**3,610,874,645**	**0**	**0**
Debt securities	3,662,303,760	0	0	3,610,874,645	0	0
Equity instruments						
Total financial assets	**37,344,406,916**	**4,463,490,425**	**172,417,028**	**39,580,151,507**	**3,565,739,096**	**224,953,495**
Loan commitments, financial guarantees and other commitments given	**2,688,424,830**	**51,004,485**	**0**	**2,676,732,378**	**27,703,516**	**0**
of which purchased credit-impaired financial assets	0	0	0	0	0	0

31/12/2020	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Financial assets at amortised cost	**2,830,146,225**	**514,375,583**	**61,350,551**	**20,004,884**	**42,057,798**	**700,584**
Debt securities	26,269,583	36,911,900	0	0	0	0
Loans and advances	2,803,876,642	477,463,683	61,350,551	20,004,884	42,057,798	700,584
of which leasing receivables	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
Debt securities	0	0	0	0	0	0
Equity instruments						
Total financial assets	**2,830,146,225**	**514,375,583**	**61,350,551**	**20,004,884**	**42,057,798**	**700,584**
Loan commitments, financial guarantees and other commitments given	**7,633,952**	**1,892,136**	**0**	**0**	**0**	**0**

30/06/2021	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Financial assets at amortised cost	**428,157,273**	**1,115,488,025**	**44,414,536**	**17,831,688**	**20,132,039**	**77**
Debt securities	0	1,252,684	0	0	0	0
Loans and advances	428,157,273	1,114,235,341	44,414,536	17,831,688	20,132,039	77
of which leasing receivables	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
Debt securities	0	0	0	0	0	0
Equity instruments						
Total financial assets	**428,157,273**	**1,115,488,025**	**44,414,536**	**17,831,688**	**20,132,039**	**77**
Loan commitments, financial guarantees and other commitments given	**6,900,205**	**12,627,081**	**0**	**0**	**0**	**0**

The mutation table below gives an overview of the stage 1, 2 and 3 impairments.

	01/01/2020	Origination and acquisition	De-recognition	Changes in credit risk (net)	Modifications without dere-cognition (net)	Write-offs	Other	31/12/2020
Stage 1	**-5,450,292**	**-4,318,879**	**1,922,066**	**-2,360,589**	**488**		**-1,139,983**	**-11,347,189**
Debt securities	-2,513,409	-2,638,851	569,788	-2,934,970	0		0	-7,517,442
Loans and advances	-2,936,883	-1,680,028	1,352,278	574,381	488		-1,139,983	-3,829,747
Stage 2	**-9,469,499**	**-1,732,290**	**2,227,009**	**-2,247,634**	**-103,343**		**-3,384,578**	**-14,710,335**
Debt securities	-361,092	0	70,648	-175,908	0		0	-466,352
Loans and advances	-9,108,407	-1,732,290	2,156,361	-2,071,726	-103,343		-3,384,578	-14,243,983
Stage 3	**-12,273,057**	**-820,723**	**3,003,626**	**-11,988,501**	**235,097**	**1,751,558**	**0**	**-20,092,002**
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-12,273,057	-820,723	3,003,626	-11,988,501	235,097	1,751,558	0	-20,092,002
Provisions on loan commitments, financial guarantees and other commitments given	**-921,933**	**-3,533,567**	**3,076,706**	**-64,171**	**309**	**0**	**501,715**	**-940,941**
Stage 1	-872,003	-3,453,757	2,883,018	76,193	0		515,982	-850,567
Stage 2	-49,930	-79,810	193,688	-140,364	309		-14,267	-90,374
Stage 3	0	0	0	0	0	0	0	0
Total	**-28,114,781**	**-10,405,459**	**10,229,406**	**-16,660,895**	**132,063**	**1,751,558**	**-4,022,846**	**-47,090,467**

	01/01/2021	Origination and acquisition	De-recognition	Changes in credit risk (net)	Modifications without dere-cognition (net)	Write-offs	Other	30/06/2021
Stage 1	**-11,347,189**	**-1,394,658**	**721,291**	**6,522,052**	**1,833**		**-325,906**	**-5,822,577**
Debt securities	-7,517,442	-564,865	289,140	4,892,132	0		2	-2,901,033
Loans and advances	-3,829,747	-829,793	432,151	1,629,920	1,833		-325,908	-2,921,544
Stage 2	**-14,710,335**	**-476,000**	**1,185,387**	**7,318,435**	**-32,378**		**-2,319,701**	**-9,034,592**
Debt securities	-466,352	0	0	30,586	0		0	-435,766
Loans and advances	-14,243,983	-476,000	1,185,387	7,287,849	-32,378		-2,319,701	-8,598,826
Stage 3	**-20,092,002**	**-2,659,498**	**1,185,115**	**-8,820,817**	**17,346**	**780,394**	**0**	**-29,589,462**
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-20,092,002	-2,659,498	1,185,115	-8,820,817	17,346	780,394	0	-29,589,462
Provisions on loan commitments, financial guarantees and other commitments given	**-940,941**	**-1,189,517**	**1,100,249**	**115,904**	**15**	**0**	**-43,503**	**-957,793**
Stage 1	-850,567	-1,166,703	1,042,071	94,629	0		-26,941	-907,511
Stage 2	-90,374	-22,814	58,178	21,275	15		-16,562	-50,282
Stage 3	0	0	0	0	0	0	0	0
Total	**-47,090,467**	**-5,719,673**	**4,192,042**	**5,135,574**	**-13,184**	**780,394**	**-2,689,109**	**-45,404,423**

Note 20: Tax expense (Note 40 in the annual statements of 2020)

The details of current and deferred taxes are shown below:

	30/06/2020	30/06/2021
Current taxes		
Current tax expenses for the financial year	35,646,102	29,177,350
Current tax expenses for prior periods	6,021	-7,958
Current tax income related to fiscal consolidation	-6,945,210	0
Deferred taxes		
Deferred taxes relating to fiscal losses and DRD	-4,611,786	0
Deferred taxes for prior periods	0	0
Deferred taxes relating to accounting timing differences	-10,561,782	-6,455,306
Total taxes	**13,533,346**	**22,714,087**
Effective tax rate	25.97%	29.82%

As reflected in the table above, the effective tax rate was 29.82% for the first six months of 2021, compared to 25.97% for the first six months of 2020.

Part of the taxable basis is realized in the Netherlands and Luxembourg. In the Netherlands the tax rate is at 25.0%, in Luxemburg it is at 24.94% and in Belgium the tax rate is 25.00%.

The effective tax rate in the first half of 2021 stands at 29.82% as no deferred tax assets have been recognised on the unused dividend received deduction (from the intragroup dividend of the asset management company). In light of the current uncertainties caused by the Covid-19 crisis, the Company decided not to recognise additional deferred tax assets as from December 2020.

Note on capital management (in EUR)

Note 21: Solvency and capital management (Note 6 in the annual statements of 2020)

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 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 2020 financial statements. The Pillar 3 disclosures for 2020 of the parent 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 P2R needs to be composed out of at least 56.25% CET1 and 75% Tier 1 capital. The CET1 (Common Equity Tier 1) requirement under IRB for 2021 amounts to 13.02%, including 1.5% Tier 1 and 2.0% Tier 2 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 (unaudited)

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 relevant ratios.

		RAF limit	31/12/2020	30/06/2021
Available capital				
1	Tier 1 core capital (CET1)		2,265,275,494	2,239,902,755
2	Tier 1 capital (T1)		2,265,275,494	2,239,902,755
3	Total capital (TC)		2,769,655,153	2,239,902,755
Risk-weighted items				
4	Total risk-weighted items		9,712,247,223	9,889,043,136
Solvency ratios				
5	Common Equity Tier 1 core capital (%)	15%	23.32%	22.65%
6	Tier 1 capital ratio (%)		23.32%	22.65%
7	Total Capital Ratio (%)	17%	28.52%	22.65%
Additional CET1 buffer requirements				
8	Capital Conservation Buffer requirements (2.5% in 2020) (%)		2.50%	2.50%
9	Countercyclical capital buffer requirements (%)		0.01%	0.02%
10	O-SII (Other Systemically Important Institution) buffer requirements (%)		0.75%	0.75%
11	Total of CET1 buffer requirements (%)		3.26%	3.27%
12	% CET1 available to fulfill buffer requirement above the minimum capital requirements of 4.5%		18.82%	18.15%
Leverage ratio				
13	Leverage exposure		46,491,410,438	46,291,379,213
14	Leverage ratio (%)	4%	4.87%	4.84%
Liquidity Coverage Ratio (LCR)				
15	Total high quality liquid assets		5,883,643,926	6,129,629,569
16	Total net cash outflow		3,704,525,626	3,817,620,543
17	LCR ratio (%)	125%	158.82%	160.48%
Net Stable Funding Ratio (NSFR)				
18	Total available stable funding		41,109,508,694	43,401,471,868
19	Total required stable funding		30,318,865,652	29,665,712,268
20	NSFR ratio (%)	120%	135.59%	146.30%

The Common Equity Tier 1 (CET) ratio amounts to 22.65% as of 30 June 2021. The decrease of the CET1 ratio is the result of a decrease of Tier 1 capital due to a negative evolution of other comprehensive income (EUR -8.15 million) in the first six months of 2021, an increased deduction of deferred tax assets (EUR -4.10 million) and increased deduction of IRB shortfall (with the decrease of specific impairments). Total capital is equal to Tier 1 capital after the call of the T2 instrument in May 2021.

Risk weighted assets of central and regional government exposures decreased (EUR -106.23 million) with the introduction of the temporary treatment for exposures to central governments and central banks of Member States, where those exposures are denominated and funded in the domestic currency of another Member State. Institutions decreased (EUR -262.52 million) due to shift of UK banks exposures to corporates after brexit, the introduction of the new framework for derivatives and the positive evolution of the fair value of derivatives exposures and related posted collateral. Corporates increased (EUR +315.43 million) following the above shift of UK exposures and a global increase of the outstanding portfolio. Risk weighted assets for mortgages increased (EUR +201.08 million) in line with the increase of the portfolio.

Liquidity risk

The Company's liquidity risk appetite is monitored with 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 calculation of the NSFR ratio as at 30 June 2021 is based on the CRR2, where the calculation of the NSFR ratio as at 31 December 2020 was based on the requirements of Basel III (BIS). This has led to an increase in NSFR ratio as at 30 June 2021 compared to 31 December 2020.

The above table includes the internally established Risk Appetite Framework (RAF) 'green traffic light' targets that the Company management has set for the relevant ratios. The Risk Appetite Framework (RAF) and ICAAP (Internal Capital Adequacy Assessment) are embedded in the business plan process cycle.

Note on subsequent events

Note 22: Post-balance sheet events (note 45 in the annual statements of 2020)

Important events after balance sheet date

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 2021.

The ECB 2021 stress test results wee published on 30 July and reconfirmed the strong capital position of the Company.

In the week of 15 July, many Belgian citizens were affected by severe flooding due to extreme rainfall, especially in the region of Liège. This event is considered a non-adjusting material event and therefore does not necessitate a restatement of the interim consolidated financial statements at the date on which these statements have been released for issue.

At this time, we cannot yet estimate the financial impact of this event, since we do not have a complete picture of affected clients and we expect the majority of affected clients, in most of the cases, will still be in the process of clearing water, waste and debris. As soon as the situation improves, more information will become available on claims and expertises. Potential losses on exposures (mortgage and car loans) of the Company will depend on the level of insurance coverage, and potential interventions of the disaster funds and regional governments. However at this stage, we estimate the impact to be minor, as the global level of loan exposures in the affected region is not significant for the Company and we expect the damages incurred for the majority of claims will be covered through the existing insurance contract and should largely be recoverable. In line with the sector a 'case by case' approach is followed, whereby a deferral of capital on mortgage loans can be granted upon request.

Approval for publication

On 24 August 2021, the Board of Directors reviewed the interim financial statements and gave its approval for their publication.

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