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## SOLID FINANCIAL PERFORMANCE 1H 2018 WITH FURTHER STABILISATION OF NET INTEREST INCOME AND A STRONG PERFORMANCE IN INSURANCE

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Antwerp, 29 August 2018

Argenta continuously strengthens its foundations in order to improve customer's service, and this increasingly in a digital way. The first half of 2018 was marked by the launch of our new banking platform which will now allow us to accelerate further enhancements to our digital offering.

### Financial results

At group level the net profit for the first half of 2018 reached 94 million euros, compared to 109 million euros in the first half-year of 2017<sup>1</sup>. Client funds under management (banking and insurance combined) continues its growth trajectory with 3 % to 45.3 billion euros.

Argenta Spaarbank's clients' funds under management grew further to 39.3 billion euros. New loans were accorded for 2.2 billion euros, 20 % more in Belgium than in the first half-year of 2017, 9 % less in the Netherlands reflecting increased competition.

Net interest income has increased as a result of further diversification of funding sources from retail to wholesale with a second securitization of Dutch NHG mortgages as well as due to decreasing hedging cost as matured expensive hedging derivatives have been replaced. This has more than offset continued pressure on new loan margins on mortgages and lower reinvestment yields in the investment portfolio while funding cost for Belgian retail funding is at the legal floor. The roll out of the strategic diversification towards fee income continued with 13% growth in revenue to 49 million euros. Operating expenses increased with continued investment in improving the ICT base platforms, digitalisation and higher bank levies. As a result, net profit for the first half of 2018 was 71 million euros, compared to 77 million euros in 1H 2016<sup>1</sup>. The liquidity position and capital buffers remain very strong.

Argenta Assuranties posted a net result of 28 million euros, compared to 33 million euros in the first half-year of 2017<sup>2</sup>. Less favourable claims evolution with severe weather in January result in a lower profit from non-life insurance.

*Marc Lauwers, CEO: "Clients' confidence in Argenta remains strong. The introduction of the new banking platform was more difficult than expected, but the impact on results is negligible. Simultaneously this further reinforces our intention to enhance customer experience. New clients continue to find Argenta and appreciate the high-quality and competitively priced product offer, accessible via our branch network, but increasingly via mobile and internet banking. More and more Argenta customers are using these digital channels, our branch network however remains the most*

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<sup>1</sup> Adjusted for IFRIC21 (which requires full year bank levies to be recognised on 1 January): amortisation of bank levies over 12 months.

<sup>2</sup> In accordance with Belgian generally accepted accounting principles



important growth driver. Both in deposit taking, as in lending, we achieved our objectives without any compromise on our prudent risk standards.”

Geert Ameloot, CFO: “The strategic initiatives of diversification of revenue sources with fee income derived from the distribution of retail investment funds and diversification of funding sources to wholesale funding supports our financial performance in the first half of 2018. Despite the effects of the persisting low interest rate environment giving pressure on new and repricing asset yields, increased competition in the mortgage loan market and the legal floor on Belgium retail funding the net result of the bank is solid at 71 million euros<sup>1</sup>. Together with our excellent solvency and liquidity buffers, we are well positioned for further growth.”

### Overview of results Argenta Spaarbank<sup>3</sup>

Income statement (consolidated) Argenta Spaarbank (in millions of EUR)	1H2017	1H2018
Net interest income	254	265
Interest income	426	405
Interest expenses	-172	-140
Fee income	43	49
Commissions to agents	-69	-71
Financial gains and losses	18	3
Other net income	19	30
Financial and operational income and expenses	265	275
Operating expenses	-196	-217
Impairments	3	1
on loans and receivables	3	2
on available-for-sale assets	0	-1
Result before tax	72	59
Income tax expense	-18	-13
Net result	54	46
Adjusted net result <sup>1</sup>	77	71
ROE <sup>1</sup>	8.3 %	7.2 %
Cost/Income <sup>1</sup>	61 %	66 %

Key elements in the result of the first half of 2018:

- Adjusted net income<sup>1</sup> of 71 million euros and ROE of 7.2 %.
- Net interest income of 264 million euros, with a net interest margin of 1.38 %. Decrease in interest revenue due to the persistent low interest rate environment outpaced by decrease in funding cost with diversification of funding sources to wholesale in the form of 2.1 billion euros securitization transactions and lower hedging costs.

<sup>3</sup> For a complete overview of the consolidated income statement and balance sheet, condensed consolidated statement of comprehensive income, changes in equity and notes, reference is made to the semi-annual report.



- Fee income up 13 % to 49 million euros driven by management fees. At the end of June 2018, total investment products under custody amounted to 6.8 billion euros.
- Net realised gains from debt securities down from 17 million euros to 2 million euros.
- Operating expenses up with continued investments in digital, core banking and staff. The new banking platform for Belgium was launched in April 2018. Cost/income ratio is at 66 % including bank levies<sup>1</sup>.
- Increase in new retail mortgage loan production in Belgium (+20 %) and decrease in the Netherlands (-9 %). Retail mortgage loan production market shares are at 7.4 % for Belgium and 1.5 % for the Netherlands.
- High quality of mortgage loan book results in 2 million euros reversal of impairment for loans and receivables. The annualised cost of risk ratio stands at -0.01 %.

### Overview of balance sheet Argenta Spaarbank<sup>3</sup>

Balance sheet key items (consolidated) Argenta Spaarbank (in millions of EUR)	31 Dec. 2017	30 June 2018
Balance sheet total	37,626	39,250
Loans and advances to customers	27,637	28,529
Financial assets (amortized-cost)	463	4,422
Financial assets (fair-value-through-oci)	7,901	3,753
Deposits from customer and debt certificates	33,145	33,912
Securitizations	1,194	2,142
Equity	1,972	1,961
<b>Selected ratios</b>		
<b>Solvency</b>		
<i>CET-1 (transitional)</i>	25.7 %	24.2 %
<i>CET-1 (fully loaded)<sup>4</sup></i>	25.9 %	24.2 %
<i>Leverage (transitional)</i>	4.9 %	4.7 %
<i>Leverage (fully loaded)<sup>4</sup></i>	4.9 %	4.7 %
<b>Liquidity</b>		
<i>Net stable funding ratio (NSFR)</i>	143 %	145 %
<i>Liquidity coverage ratio (LCR)</i>	162 %	195 %
<b>Credit risk (loans and receivables)</b>		
<i>Cost of risk ratio</i>	-0.02 %	-0.01 %
<i>Non-performing loans ratio</i>	0.52 %	0.48 %
<i>Coverage ratio</i>	14.14 %	12.10 %

Key evolutions in the balance sheet of the first half of 2018:

- High quality of mortgage loan book results in low NPL ratio of 0.5 %.
- Funds under management increased to 39.8 billion euros of which 6.8 billion euros related to investment products. Investment fund net production of 331 million euros.

<sup>4</sup> Without application of the transitional provisions set out in part 10 of the directive (EU) Nr. 575/2013.

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- Total equity decreases with 11 million euros. IFRS 9 impact of -9 million euros on retained earnings due to increase in impairments (expected credit loss model) and -37 million euro on other comprehensive income due to the reclassification of available-for-sale debt securities to amortized-cost. The inclusion of current year profit (+46 million euros) and decrease of other comprehensive income related to the lower fair value of at fair-value-through-OCI debt securities (-11 million euros) brings total equity at 1.96 billion euro.
- Strong solvency with fully-loaded<sup>4</sup> CET1 of 24.2 %. The impact of IFRS 9 is around -40 basis points. The impact of the regulatory add-on (of 33% on risk-weighted-assets) for Belgian mortgages introduced in 2018 is around -65 basis points.
- Very strong liquidity position with LCR of 195 % and NSFR of 145 %.

### Key Performance Indicators Argenta Group

Overview (consolidated) Argenta Group (in millions of EUR)	1H2017	1H2018
Financial and operational result	330	327
Operating expenses	-218	-240
Impairments	4	1
Income tax expense	-31	-22
Net result	85	67
Adjusted net result <sup>1</sup>	109	94
ROE <sup>1</sup>	8.4 %	6.8 %
Cost/Income <sup>1</sup>	55 %	62 %

### Statement of risk

Risk management data are provided in our annual reports and annual dedicated risk reports, all of which are available at [www.argenta.eu](http://www.argenta.eu).

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### About Argenta

Argenta Bank- en Verzekeringsgroep nv is a bank and insurance company for families, active in Belgium and the Netherlands with 1.72 million customers. Banking activities are provided by Argenta Spaarbank and insurance activities by Argenta Assuranties.

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For more information, visit [www.argenta.eu](http://www.argenta.eu).