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Update: Argenta Spaarbank N.V.

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Update: Argenta Spaarbank N.V.

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A/Stable/A-1
Resolution Counterparty Rating
A+/-/A-1

SACP: bbb+ → Support: +2 → Additional factors: 0

Anchor	bbb+	
Business position	Moderate	-1
Capital and earnings	Very strong	+2
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment	0	

ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A/Stable/A-1
Resolution counterparty rating
A+/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

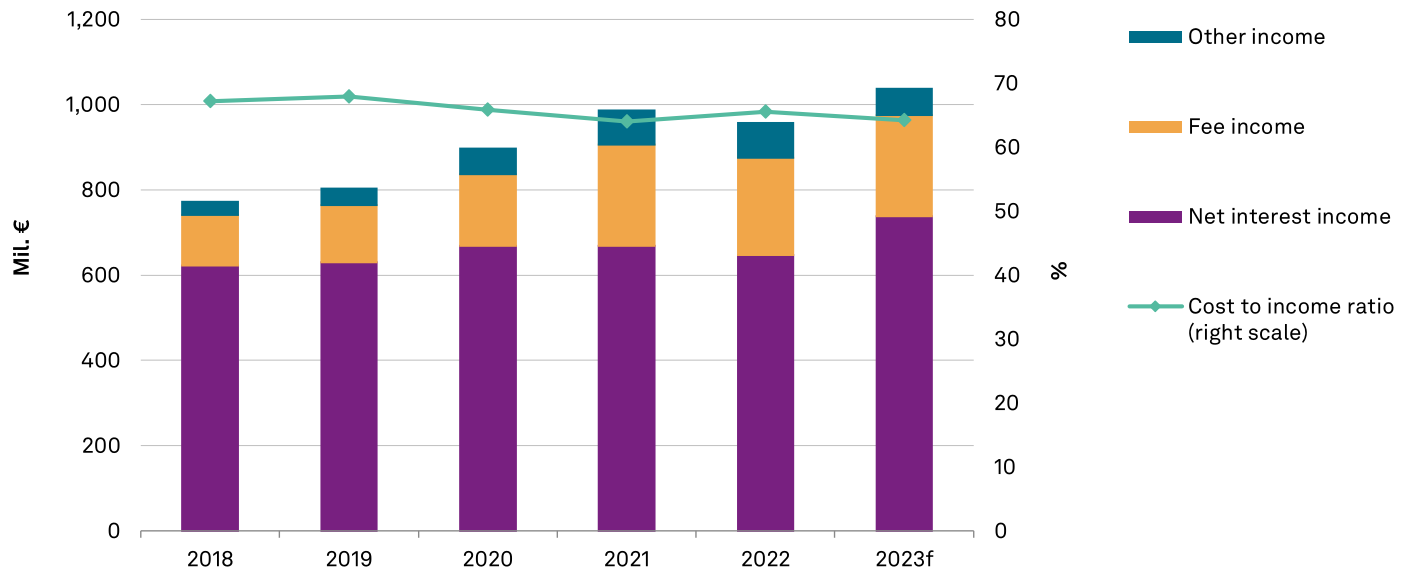
Overview	
Key strengths	Key risks
Very strong capitalization and large additional loss-absorbing capacity (ALAC) buffers.	Retail business concentration and limited geographical reach compared with its largest peers.
Low credit risk profile in the regions where it operates.	Still higher reliance on net interest income than larger and more diversified peers.
Focused retail-banking strategy, with the insurance and asset management businesses gradually gaining more importance.	Inflation pressures weigh on the bank's cost base

S&P Global Ratings expects Argenta Spaarbank N.V. (Argenta)'s preprovision operating income to increase in 2023, despite information-technology-related investments and inflationary pressure weighing on costs. Preprovision operating income could increase 10%-12% in 2023, compared to the €330 million recorded at year-end 2022. The increase would mostly reflect the benefits to the bank's net interest income resulting from higher interest rates, representing about 70% of revenue. We also expect the bank's initiatives to diversify the revenue base--particularly the introduction of daily banking packages and the focus on assets under custody--will support a 3% increase in fee income in 2023. In our view, revenue growth will offset the 6% increase in the cost base we expect due to the bank's

digital agenda and inflationary pressures, especially in Belgium, where salaries are indexed to inflation.

Chart 1

Higher interest rates and focus on revenue diversification will continue to support Argenta's profitability, despite increasing costs



f--Forecast. Source: S&P Global Ratings.

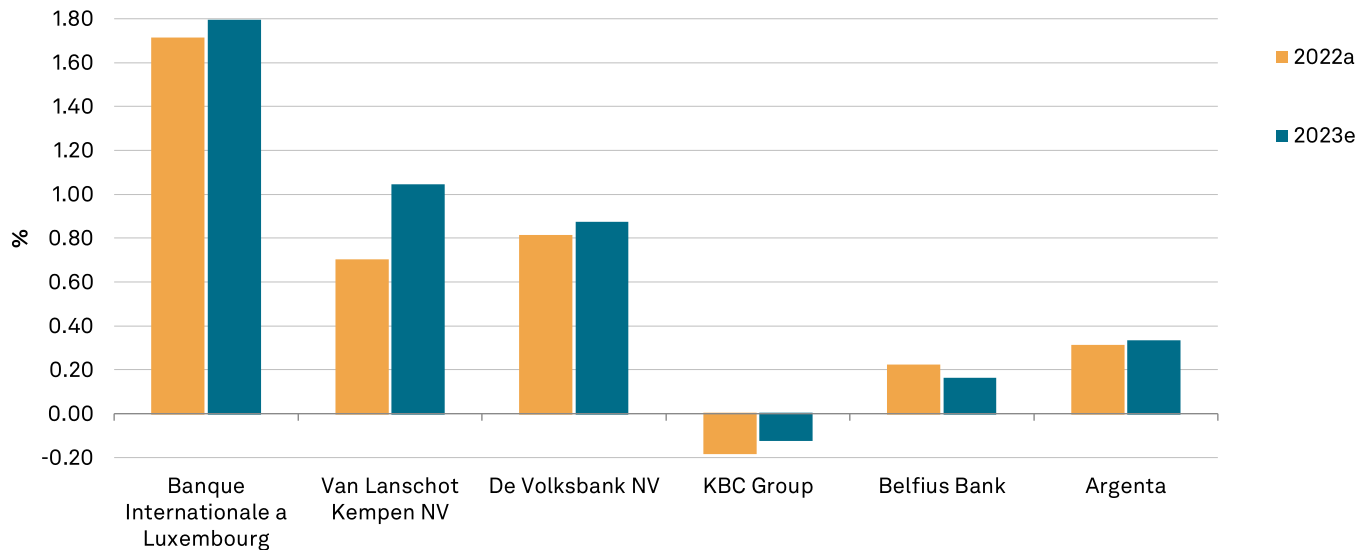
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Despite the challenging macroeconomic environment, we expect Argenta's asset quality to remain resilient over the forecast horizon. As of June 30, 2023, there are no signs of asset quality deterioration in the bank's portfolio, with nonperforming exposures (NPEs) remaining stable at 0.4% of the total customer loan portfolio. That said, we still expect a modest increase in NPEs toward year-end 2023 and into 2024 and a moderate increase in cost of risk from the 3 basis points (bps) reported as of June 30, 2023. Our assumptions reflect that:

- The bank's loan portfolio is primarily composed of fixed-rate loans less affected by higher interest rates;
- 42% of the Dutch mortgages are covered by the National Mortgage Guarantee (NHG) as of June 30, 2023, where Dutch mortgages represent about 50% of the whole lending portfolio; and
- Argenta applying rather conservative lending and underwriting standards, with the loan-to-value ratio averaging 53% as of June 30, 2023.

Chart 2**Argenta's NPAs are expected to remain relatively low in 2023, but will likely increase moderately in 2024**

Net nonperforming assets to customer loans plus other real estate owned

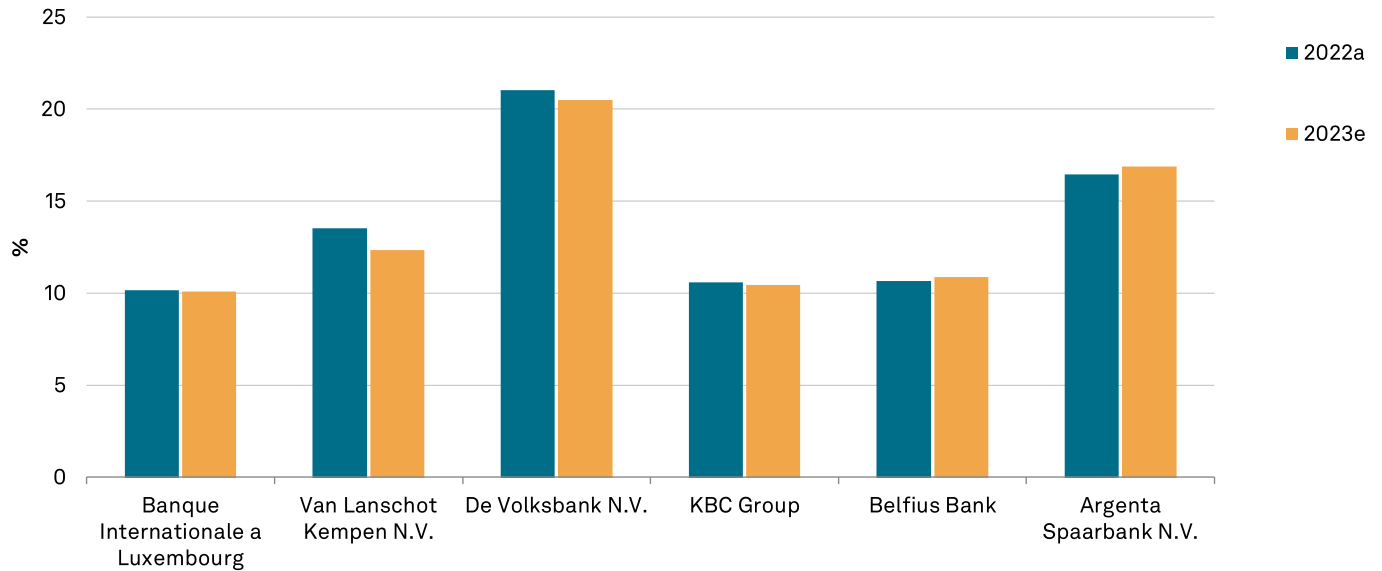


NPA--Nonperforming asset. a--Actual. e--Estimate. Source: S&P Global Ratings.
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Capitalization will remain the bank's key strength. We estimate that Argenta's risk-adjusted capital (RAC) ratio will be 16.5%-17.0% in 2023, broadly the same as the 16.5% we calculate at year-end 2022, with increasing retained profits counterbalancing the impact of balance sheet expansion. In particular, we calculate that Argenta will achieve a 7.5%-8.0% return on equity in 2023, while distributing about 45%-50% of annual net income, in line with its dividend policy. We assume that S&P Global Ratings risk-weighted assets (RWAs) could increase 4% this year, mostly reflecting the bank's organic growth.

Chart 3**Argenta's capitalization levels will remain among the highest across peers**

S&P Global Ratings' risk-adjusted capital ratio before diversification



a--Actual. e--Estimate. Source: S&P Global Ratings.

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Argenta is a deposit-funded bank but is increasing its funding diversification. Customer deposits constituted 79% of the bank's funding base as of June 30, 2023. However, it has been increasingly diversifying its funding sources by tapping the wholesale market, mainly to comply with its minimum requirement for own funds and eligible liabilities. Wholesale funding is now 13% of the bank's total funding.

Outlook

The stable outlook on Argenta reflects our view that the bank will remain financially sound despite the challenging macroeconomic environment, with a limited impact on its asset quality over the next 18-24 months. We also expect that Argenta will maintain its RAC ratio above 15% over the next 18-24 months, as well as a comfortable buffer of bail-in-able instruments of above 8% over the same period.

Downside scenario

We could lower our ratings on Argenta if the bank's capitalization weakens, with the RAC ratio falling below 15%, and it becomes less resilient to the evolving macroeconomic, operating, and competitive environment. We could also lower our ratings if the bank is unable to maintain its ALAC buffer above 8% of our projected RWAs.

Upside scenario

An upgrade is remote at this time.

Key Statistics

Table 1

Argenta Spaarbank N.V.--Key figures					
--Year-ended Dec. 31--					
(Mil. €)	2023*	2022	2021	2020	2019
Adjusted assets	53,482.2	53,361.1	48,700.3	46,183.8	42,963.2
Customer loans (gross)	40,352.1	39,505.8	36,653.4	33,920.4	31,819.7
Adjusted common equity	2,601.4	2,507.4	2,322.5	2,183.6	2,037.0
Operating revenues	428.4	698.5	644.7	608.7	550.4
Noninterest expenses	283.4	432.7	401.0	390.8	393.2
Core earnings	90.7	195.8	182.3	139.0	113.6

*Data as of June 30, not adjusted for International Financial Reporting Interpretations Committee 21.

Table 2

Argenta Spaarbank N.V.--Business position					
--Year-ended Dec. 31--					
(%)	2023*	2022	2021	2020	2019
Total revenues from business line (mil. €)	428.4	698.8	645.2	609.1	550.6
Retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Commercial & retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on average common equity	7.2	8.0	7.7	6.2	5.7

*Data as of June 30, not adjusted for International Financial Reporting Interpretations Committee 21.

Table 3

Argenta Spaarbank N.V.--Capital and earnings					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Tier 1 capital ratio	22.6	21.5	21.6	23.3	24.8
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	90.3	82.3	89.8	93.5	97.7
Fee income/operating revenues	5.9	7.2	2.6	(2.4)	(6.7)
Market-sensitive income/operating revenues	(2.2)	4.3	0.5	0.8	(0.2)
Cost to income ratio	66.2	61.9	62.2	64.2	71.4
Preprovision operating income/average assets	0.5	0.5	0.5	0.5	0.4
Core earnings/average managed assets	0.3	0.4	0.4	0.3	0.3

*Data as of June 30, not adjusted for International Financial Reporting Interpretations Committee 21.

Table 4

Argenta Spaarbank N.V. Risk-Adjusted Capital Framework Data					
	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government & central banks	13,603,518,525	122,721,098	1	408,388,329	3
Of which regional governments and local authorities	736,716,892	75,644,068	10	29,574,381	4
Institutions and CCPs	3,838,565,443	717,636,697	19	608,344,876	16
Corporate	5,580,126,777	2,316,721,248	42	4,292,694,435	77
Retail	32,668,237,700	6,103,631,284	19	8,704,724,659	27
Of which mortgage	31,660,191,153	5,806,281,557	18	8,038,690,856	25
Securitization§	636,497,306	91,340,643	14	128,352,634	20
Other assets†	512,034,070	375,371,192	73	(493,621,864)	(96)
Total credit risk	56,838,979,820	9,727,422,161	17	13,648,883,069	24
Credit valuation adjustment					
Total credit valuation adjustment	--	41,457,344	--	0	--
Market Risk					
Equity in the banking book	22,031,369	22,011,282	100	165,235,271	750
Trading book market risk	--	0	--	0	--
Total market risk	--	22,011,282	--	165,235,271	--
Operational risk					
Total operational risk	--	1,245,666,895	--	1,535,479,355	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification	--	11,689,406,055	--	15,349,597,695	100
Total Diversification/Concentration Adjustments	--	--	--	2,259,942,273	15

Table 4

Argenta Spaarbank N.V. Risk-Adjusted Capital Framework Data (cont.)					
RWA after diversification	--	11,689,406,055	--	17,609,539,968	115
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio		Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA
Capital ratio before adjustments		2,566,787,180	22.0	2,486,796,220	16.2
Capital ratio after adjustments†		2,566,787,180	22.0	2,486,796,220	14.1

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions.

‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets.

RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'Dec. 31 2022', S&P Global Ratings.

Table 5

Argenta Spaarbank N.V.--Risk position					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Growth in customer loans	4.3	7.8	8.1	6.6	6.8
Total managed assets/adjusted common equity (x)	20.6	21.3	21.0	21.2	21.1
New loan loss provisions/average customer loans	0.0	0.1	(0.0)	0.1	0.0
Net charge-offs/average customer loans	0.0	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	0.4	1.4	0.5	0.5	0.4
Loan loss reserves/gross nonperforming assets	28.7	8.0	19.8	22.1	21.7

*Data as of June 30, not adjusted for International Financial Reporting Interpretations Committee 21.

Table 6

Argenta Spaarbank N.V.--Funding and liquidity					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Core deposits/funding base	83.1	83.6	88.5	89.5	90.7
Customer loans (net)/customer deposits	96.1	93.5	90.9	88.4	87.8
Long-term funding ratio	96.3	96.1	99.1	98.0	99.0
Stable funding ratio	113.7	111.6	113.2	117.9	119.2
Short-term wholesale funding/funding base	3.8	4.1	1.0	2.1	1.1
Regulatory net stable funding ratio	141.4	141.9	145.2	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	4.0	3.4	12.7	8.0	15.5
Broad liquid assets/total assets	14.4	13.0	11.5	15.5	15.4
Broad liquid assets/customer deposits	18.4	16.5	13.9	18.7	18.3
Net broad liquid assets/short-term customer deposits	14.0	11.8	13.0	16.8	17.9
Regulatory liquidity coverage ratio (LCR) (x)	192.4	186.0	164.3	N/A	N/A
Short-term wholesale funding/total wholesale funding	22.7	24.8	8.4	20.0	11.6
Narrow liquid assets/3-month wholesale funding (x)	N/A	N/A	N/A	N/A	45.2

*Data as of June 30, not adjusted for International Financial Reporting Interpretations Committee 21. N/A--Not applicable.

Argenta Spaarbank N.V.--Rating component scores

Issuer Credit Rating	A/Stable/A-1
SACP	bbb+
Anchor	bbb+
Economic risk	2
Industry risk	3
Business position	Moderate
Capital and earnings	Very strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+2
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria | Structured Finance | Covered Bonds: Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Dec. 9, 2014
- Criteria | Structured Finance | Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (As Of November 7, 2023)***Argenta Spaarbank N.V.**

Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Senior Secured	AAA/Stable
Senior Subordinated	BBB
Senior Unsecured	A
Subordinated	BBB-

Issuer Credit Ratings History

25-Oct-2022	A/Stable/A-1
26-Oct-2020	A-/Stable/A-2
23-Apr-2020	A-/Negative/A-2
28-Jun-2019	A-/Stable/A-2

Sovereign Rating

Belgium	AA/Stable/A-1+
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*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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