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## HEALTHY FINANCIAL PERFORMANCE 1H 2017 WITH PRESSURE ON BANKING NET INTEREST INCOME PARTIALLY COMPENSATED BY STRONG PERFORMANCE IN THE INSURANCE BUSINESS

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Antwerp, 31 August 2017

Argenta continues its strategy of supporting families and households in maintaining financially healthy lives resulting in unique client loyalty and a strong brand. At group level the net profit for the first half of 2017 reached 109 million euros, compared to 119 million euros in the first half-year of 2016<sup>1</sup>. Client funds under management (banking and insurance combined) grew by 3 % to 43.6 billion euros.

In the six months to 30 June 2017, the client base of Argenta Spaarbank grew further with client funds under management up to 38.6 billion euros. New lending volumes reached 2.1 billion euros, 14 % more in Belgium than in 1H 2016, 31 % less in the Netherlands, reflecting increased competition.

As expected, the persisting low interest rate environment reduced the interest margin for the bank (to 254 million euros from 290 million euros in 1H 2016), partially offset by strong fee income generation (to 43 million euros from 34 million euros in 1H 2016). 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 2017 was 77 million euros, compared to 97 million euros in 1H 2016<sup>1</sup>. The liquidity position and capital base remains very strong.

Argenta Assuranties posted a net result of 33 million euros, compared to 23 million euros in the first half-year of 2016<sup>1</sup>. A favourable claims evolution and increased production in Branch 23 supported this increase.

*Marc Lauwers, CEO: "Clients' confidence in Argenta remains strong. Client funds under management continued their growth in the first half of the year, with a very strong growth in investment products. Mortgage production reached 2.1 billion euros in Belgium and the Netherlands, a solid performance compared to a record first half of 2016. Underwriting discipline remained strong despite a very competitive environment in the Belgian and Dutch mortgage markets. At the same time, we continue our investments in upgrading our ICT base platforms as a condition precedent for the digitalisation and professionalisation of services."*

*Geert Ameloot, CFO: "As expected, and after a strong performance in the first half of 2016, the effects of the persisting low interest rate environment really started to show in the first half of 2017. The net result of the bank of 77 million euros<sup>1</sup> is the result of a drop in net interest income of 36 million euros partially offset by an increase in fee income to 43 million euros and 8.5 million of gains in the investment portfolio. Our excellent solvency and liquidity position are confirmed with a*

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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.



fully-loaded<sup>2</sup> CET1 ratio of 18.8 % and LCR of 167 % at bank level. Finally, S&P maintained our A- / A-2 rating at its rating committee this month.”

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

Income statement (consolidated) Argenta Spaarbank (in millions of EUR)	1H2016	1H2017
Net interest income	290	254
<i>Interest income</i>	478	426
<i>Interest expenses</i>	-189	-172
Fee income	34	43
Commissions to agents	-64	-69
Financial gains and losses	3	18
Other net income	23	19
Financial and operational income and expenses	284	265
Operating expenses	-188	-196
Impairments	-1	3
<i>on loans and receivables</i>	-3	3
<i>on available-for-sale assets</i>	1	0
Result before tax	95	72
Income tax expense	-21	-18
Net result	74	54
Adjusted net result <sup>1</sup>	97	77
<i>ROE<sup>1</sup></i>	11.6 %	8.3 %
<i>Cost/Income<sup>1</sup></i>	54 %	61 %

Key elements in the result of the first half of 2017, compared to the first half of 2016:

- Adjusted net income<sup>1</sup> of 77 million euros and ROE of 8.3 %.
- Net interest income of 254 million euros, with a net interest margin of 1.39 %. Decrease in interest revenue due to the persistent low interest rate environment and increased hedging costs, only partly offset by decrease of funding costs as a result of rates reductions on saving deposits.
- Fee income up 29 % to 43 million euros reflecting higher transaction and management fees. At the end of June 2017, total investment products under custody amounted to 6.2 billion euros.
- Net realised gains from available-for-sale financial assets of 17 million euros (+166 %), due to the sale of mainly government bonds maturing in September 2017, resulting in a decrease in interest income of 9 million euros for the six months to 30 June 2017.

<sup>2</sup> Without application of the transitional provisions set out in part 10 of the directive (EU) Nr. 575/2013.

<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.



- Operating expenses up primarily because of staff expense and ICT investments in both digitalisation and in professionalisation of services. Cost/income ratio of 61 % including bank levies<sup>1</sup>.
- Increase in new retail mortgage loan production in Belgium (+14 %) and decrease in the Netherlands (-31 %). Retail mortgage loan production market shares are at 5.8 % for Belgium and 1.7 % for the Netherlands.
- High quality of mortgage loan book results in 3 million euros reversal of impairment for loans and receivables. The annualised cost of risk ratio stands at -0.02 %.

### Overview of balance sheet Argenta Spaarbank<sup>4</sup>

Balance sheet key items (consolidated) Argenta Spaarbank (in millions of EUR)	31 Dec. 2016	30 June 2017
Balance sheet total	36,156	36,685
Loans and advances to customers	26,522	27,253
Financial assets (held-to-maturity)	426	461
Financial assets (available-for-sale)	7,679	7,132
Deposits from customer and debt certificates	32,826	33,335
Equity	1,841	1,884
<b>Selected ratios</b>		
Solvency		
<i>CET-1 (transitional)</i>	18.9 %	18.7 %
<i>CET-1 (fully loaded)<sup>2</sup></i>	19.7 %	18.8 %
<i>Leverage (transitional)</i>	4.7 %	4.8 %
<i>Leverage (fully loaded)<sup>2</sup></i>	4.8 %	4.8 %
Liquidity		
<i>Net stable funding ratio (NSFR)</i>	145 %	145 %
<i>Liquidity coverage ratio (LCR)</i>	179 %	167 %
Credit risk (loans and receivables)		
<i>Cost of risk ratio</i>	0.02 %	-0.02 %
<i>Non-performing loans ratio</i>	0.81 %	0.56 %
<i>Coverage ratio</i>	12.61 %	14.54 %

Key evolutions in the balance sheet of the first half of 2017:

- High quality of mortgage loan book results in low NPL ratio of 0.6 %.
- Funds under management increased to 38.6 billion euros of which 6.1 billion euros related to investment products. Investment fund production of 576 million euros.
- Total equity increases 43 million euros to 1.9 billion euros, reflecting the inclusion of current year profit (+54 million euros), the lower fair value of available-for-sale financial assets (-13 million euros) and the higher valuation of cash flow hedges (+2 million euros).

<sup>4</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.

## PRESS RELEASE

Argenta Bank- en Verzekeringsgroep nv



- Strong solvency with fully-loaded<sup>2</sup> CET1 of 18.8 %.
- Robust liquidity position with LCR of 167 % and NSFR of 145 %.

### Key Performance Indicators Argenta Group

Overview (consolidated) Argenta Group (in millions of EUR)	1H2016	1H2017
Financial and operational result	331	330
Operating expenses	-206	-218
Impairments	0	4
Income tax expense	-31	-31
Net result	94	85
Adjusted net result <sup>1</sup>	119	109
<i>ROE</i> <sup>1</sup>	10.0 %	8.4 %
<i>Cost/Income</i> <sup>1</sup>	51 %	55 %

### 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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END PRESS RELEASE

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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 1.65 million customers. Banking activities are provided by Argenta Spaarbank and insurance activities by Argenta Assuranties.

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

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