Argenta Spaarbank

IFRS FINANCIAL STATEMENTS

Financial statements for the 2011 financial year of Argenta Spaarbank PLC (Public Limited Company), covering the period from 1 January 2011 to 31 December 2011, prepared in accordance with the international Financial Reporting Standards (IFRS)

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THE STATUTORY AUDITOR'S REPORT

Report of the statutory auditor concerning the consolidated financial statements for the year closed on 31 december 2011

To the shareholders,
In accordance with provisions of law and the articles of association, we present to you this report, in the capacity of statutory auditor, a mandate entrusted to us. This report contains our opinion about the consolidated financial statements as well as the required additional reports and disclosures.

Unqualified audit opinion on the consolidated financial statements
We have conducted the audit of the consolidated financial statements of Argenta Spaarbank PLC (hereafter the Company) and its subsidiaries (jointly the Bank Pool), prepared in accordance with the International Financial Reporting Standards (IFRS) as approved in the European Union and with the provisions of administrative law applicable in Belgium. These consolidated financial statements consist of the consolidated balance sheet as of 31 December 2011, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, a summary of the most significant accounting policies used and notes. The consolidated balance sheet total amounts to EUR 34.021.683.730 and the consolidated profit (share of the group) for the financial year amounts to EUR 70.225.611.

The preparation of the consolidated financial statements is the responsibility of the Company's board of directors. This responsibility includes, among other things: the design, implementation and maintenance of an internal control concerning the preparation and the fair presentation of the consolidated financial statements in order to avoid material misstatements as result of fraud or of errors; the selection and application of suitable accounting policies; and the making of accounting estimates which are reasonable under the given circumstances.

It is our responsibility to express an opinion about these financial statements on the basis of our audit. We conducted our audit in accordance with the statutory provisions and audit standards applicable in Belgium, as enacted by the Belgian Institute of Auditors. These auditing standards require that our audit is planned and completed in such way that a reasonable degree of assurance is obtained that the consolidated financial statements do not contain any material misstatements.

In accordance with these auditing standards, we have carried out audit procedures to obtain auditing information about amounts and notes incorporated in the consolidated financial statements. The selection of these audit procedures is dependent on our assessment that includes an risk estimation that the consolidated financial statements contain material misstatements as result of fraud or of errors. When making our risk accounting estimate, we take into account the Group's existing internal control on the preparation and the fair presentation of the consolidated financial statements in order to determine the appropriate activities under the circumstances, but not to give an opinion about the effectiveness of the internal control of the company. We have also assessed the soundness of the accounting policies, the reasonability of the accounting estimates made by the Company, and the presentation of the consolidated financial statements as a whole. Finally, we have obtained the required clarifications and information for our audit procedures from the Company's board of directors and the people responsible from the Company. In our opinion, the audit information we obtained, forms a reasonable basis for the publication of our opinion.

In our opinion, and based on the reports of the other auditors, the consolidated financial statements give a true and fair view of the Group's financial position as of 31 December 2011 and of the result and cash flows for the year then ended in accordance with the International Financial Reporting Standards as approved in the European Union and the provisions of administrative law applicable in Belgium.

Additional statements
The preparation and the contents of the consolidated annual report are the responsibility of the Company's board of directors.

Our responsibility is to include in our report the following additional statements that are not of such a nature that would modify the scope of our report concerning the consolidated financial statements:

- The consolidated annual report contains the information required by law and is in accordance with the consolidated financial statements. We cannot, however, provide any opinion on the description of the main risks and uncertainties with which the Group is confronted, or on its position, its foreseeable trend, or the considerable influence of specific facts on its future development. We can, however, confirm that the information provided does not show any clear contradictions with the information that we have access to as part of our mandate.

Antwerp, 20 March 2012
The statutory auditor

Deloitte Bedrijfsrevisoren
BV o.v.v.e. CVBA
Represented by Jurgen Kesselaers

CONSOLIDATED BALANCE SHEET
(prior to profit appropriation)

Assets		31/12/10	31/12/11
Cash and cash balances with central banks	11	32.969.511	32.579.251
Financial assets held for trading	12	222.759.436	214.480.884
Available-for-sale financial assets	13	13.962.960.795	14.207.095.790
Loans and receivables	14	18.478.747.543	18.817.450.016
• Loans to and receivables from credit institutions		856.023.133	790.825.276
• Loans to and receivables from other clients		17.622.724.410	18.026.624.740
Derivatives, hedge accounting	15	5.550.236	0
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	15	350.394.320	380.807.554
Property, plant and equipment	16	34.030.907	35.001.122
• Buildings, land, equipment		33.667.358	34.584.696
• Investment properties		363.549	416.426
Goodwill and other intangible assets	17	22.273.818	29.607.916
• Other intangible assets		22.273.818	29.607.916
Tax assets	18	2.965.393	73.324.142
Other assets	19	142.624.268	231.337.055
Total assets		**33.255.276.227**	**34.021.683.730**

Liabilities, equity and minority interest			
Deposits from central banks	11	0	200.050.000
Financial liabilities held for trading	12	263.776.596	215.737.789
Financial liabilities measured at amortised cost	20	31.474.760.868	31.952.390.948
• Deposits from credit institutions		1.987.454.479	1.894.988.426
• Deposits from other than credit institutions		20.821.129.467	21.899.423.659
• Debt certificates, including bonds		8.060.307.283	7.554.948.688
• Subordinated liabilities		605.869.639	603.030.175
Derivatives, hedge accounting	15	365.523.974	549.769.673
Fair value changes of the hedged items in a portfolio hedge	15	0	0
of interest rate risk			
Provisions	21	9.311.628	8.119.190
Tax liabilities	18	3.416.271	2.347.104
Other liabilities	22	181.238.848	183.526.470
Total liabilities		**32.298.028.185**	**33.111.941.174**
Equity attributable to the shareholders	3	957.161.208	909.649.134
Equity attributable to the minority interests	4	86.834	93.422
Total equity		**957.248.042**	**909.742.556**
Total liabilities, equity and minority interest		**33.255.276.227**	**34.021.683.730**

CONSOLIDATED INCOME STATEMENT

		31/12/2010	31/12/2011
Financial and operation income and expenses		**243.365.721**	**213.980.638**
Net interest income	25	270.317.833	306.601.933
• Interest income		1.162.850.458	1.227.251.974
• Interest expenses		-892.532.625	-920.650.041
Dividends	26	82.375	67.750
Net income from commissions and fees	27	-55.292.973	-64.697.607
• Income from commissions and fees		64.578.777	62.802.448
• Expenses related to commissions and fees		-119.871.750	-127.500.055
Realised gains and losses on financial assets and liabilities that are not measured at fair value in the income statement	28	55.141.311	45.050.757
Gains and losses on financial assets and liabilities held for trading	29	-34.361.806	-88.022.692
Gains and losses from hedge accounting	30	2.064.152	2.471.706
Gains and losses on derecognition of assets other than held for sale	31	-13.326	46.766
Other net operating income	32	5.428.155	12.462.025
Administration expenses	33	**-116.698.867**	**-127.351.164**
• Employee expenses		-23.125.989	-24.306.021
• General and administrative expenses		-93.572.878	-103.045.143
Depreciation		**-11.239.190**	**-12.001.966**
• Property, plant and equipment	16	-4.385.043	-3.469.298
• Investment properties	16	-3.432	-17.776
• Intangible assets	17	-6.850.715	-8.514.892
Provisions	21	**-1.900.960**	**1.192.437**
Impairments	34	**-3.289.246**	**-8.002.894**
• Available-for-sale financial assets		0	-3.578.926
• Loans and receivables		-3.289.246	-4.423.968
Total profit before taxes and minority interest		**67.817.051**	**67.817.051**
Income tax expenses	35	-28.261.896	2.415.916
Net profit or loss		**81.975.562**	**70.232.967**
Minority interests	4	-15.760	-7.356
Total profit after taxes and before minority interest		**81.959.802**	**70.225.611**
Per share data	3		
Basic earnings per share		485,04	415.60
Diluted earnings per share		485,04	415.60

CONSOLIDATED STATEMENT OF REALISED AND UNREALISED RESULT (OCI)

Note on the realised and unrealised result (OCI)		31/12/2010	31/12/2011
Total profit after taxes and before minority interest		81.959.802	70.225.611
• Change in revaluation reserve			
- Available-for-sale financial assets	3	-205.610.501	-149.027.984
- Deferred taxes		75.801.979	44.669.888
• Cash flow hedge			
- fair value hedged item	24	0	-5.119.814
- deferred taxes		0	1.740.225
Total other comprehensive income		-129.808.522	-107.737.685
Total realised and unrealised result		**-47.848.720**	**-37.512.074**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid in Capital	Revaluation reserve on Available For Sale financial assets	Cash flow hedge	Reserves	Income from the current year	Shareholders' equity	Minority interest	Total
Equity 31 December 2009	**303.255.000**	**108.166.422**	**0**	**408.467.457**	**68.000.490**	**887.889.369**	**194.892**	**888.084.261**
• Profit (loss)					81.959.802	81.959.802	15.760	81.975.562
• Capital raise	118.000.000					118.000.000		118.000.000
• Declared dividends				-882.000		-882.000		-882.000
• AFS changes (OCI)								
• fair value adjustment	0	-205.610.501		0	0	-205.610.501	-16.338	-205.626.839
• tax adjustment	0	75.801.979		0	0	75.801.979	4.924	75.806.903
• Transfer to retained earnings				68.000.490	-68.000.490	0		0
• Change merger CBHK					0	0	-109.846	-109.846
• Other movements				2.558		2.558	-2.558	0
Equity 31 December 2010	**421.255.000**	**-21.642.099**	**0**	**475.588.505**	**81.959.802**	**957.161.208**	**86.834**	**957.248.042**
• Profit (loss)					70.225.611	70.225.611	7.356	70.232.967
• Declared dividends				-10.000.000		-10.000.000		-10.000.000
• AFS changes (OCI)								
• fair value adjustment	0	-149.027.984		0	0	-149.027.984	-1.100	-149.029.084
• tax adjustment	0	44.669.888		0	0	44.669.888	332	44.670.220
• cash flow hedge	0	0	-3.379.589	0	0	-3.379.589	0	-3.379.589
• Transfer to retained earnings				81.959.802	-81.959.802	0		0
Equity 31 December 2011	**421.255.000**	**-126.000.194**	**-3.379.589**	**547.548.306**	**70.225.611**	**909.649.134**	**93.422**	**909.742.556**

CONSOLIDATED CASH FLOW STATEMENT

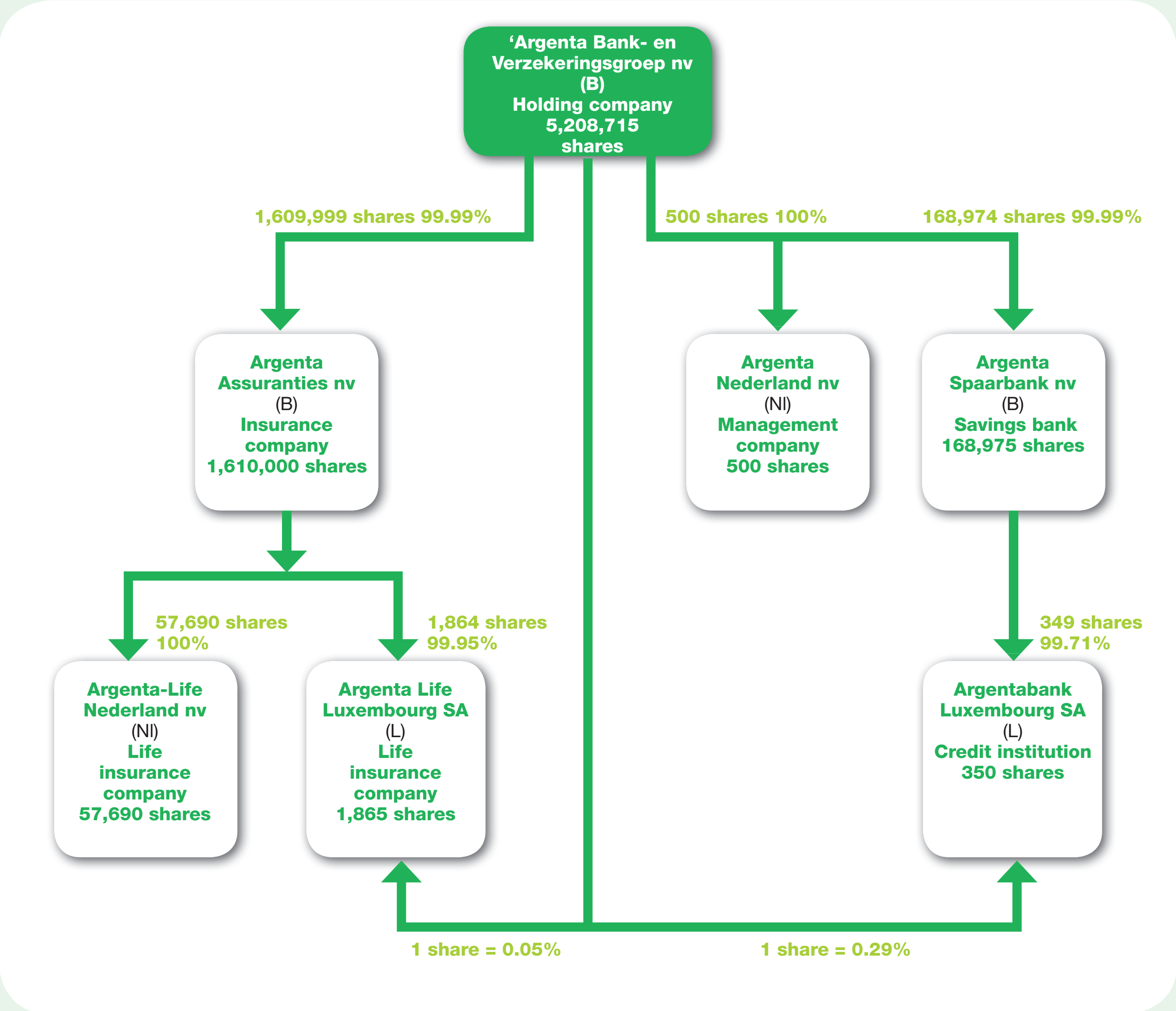
	31/12/2010	31/12/2011
Cash and cash equivalents at the start of the period	**322.874.607**	**346.072.260**
Operating activities		
Net profit (loss)	81.959.802	72.225.611
Payable and deferred tax expenses, recognised in the income statement	28.261.896	-2.415.916
Minority interests recognised in the group's income statement	15.760	7.356
Amortisation	11.239.190	12.001.966
Net provisions (reversals)	1.900.960	-1.192.437
Net income (loss) on the sale of investments	-13.326	-46.766
Net income (loss) on the sale of cash flow hedge	0	-3.379.589
Net unrealised gains on available-for-sale investments	-129.819.935	-104.358.864
Other adjustments	4.143.219	8.002.894
Cash flows from operating profits before changes in operating assets and liabilities		
Changes in operating assets (except cash and cash equivalents)		
Changes in loans and receivables	1.282.739.508	-330.568.206
Changes in available-for-sale assets	-2.893.200.217	-247.713.923
Changes in financial assets held for trading	-97.089.466	8.278.552
Derivatives, hedge accounting	-36.851.748	-24.862.998
Changes in other assets	-16.734.034	-159.071.536
Changes in operating liabilities (except cash and cash equivalents)		
Changes in deposits from central banks	0	200.050.000
Changes in deposits from credit institutions	1.545.802.795	-92.466.053
Changes in deposits from other than credit institutions	544.366.886	1.078.294.192
Changes in debt certificates (including saving bonds)	-339.627.579	-505.358.595
Changes in financial liabilities held for trading	20.560.603	-48.038.807
Changes in derivatives, hedge accounting	67.564.634	184.245.699
Changes in other liabilities	-117.145.176	3.634.371
Changes in working capital, net	-39.613.794	66.422.696
Cash flow from operational activities	-41.899.576	45.266.951
(Paid) Refunded income taxes	-1.140.272	0
Net cash flow from operating activities	**-43.039.848**	**45.266.951**
Investing activities		
(Cash payments to acquire property, plant and equipment)	-2.999.088	-5.384.841
Cash proceeds from disposal of property, plant and equipment	801.187	974.318
(Cash payments to acquire intangible assets)	-9.908.445	-15.849.380
Cash proceeds from disposal of intangible assets	233.739	390
Changes concerning consolidated companies	-109.846	0
Net cash flow from investing activities	**-11.982.453**	**-20.259.513**

	31/12/2010	31/12/2011
Financing activities		
(Paid dividends)	-882.000	-10.000.000
Cash proceeds from the issue of subordinated liabilities	111.164.007	175.935.712
(Cash repayments of subordinated liabilities)	-150.062.053	-178.775.176
Cash proceeds from a capital raise	118.000.000	0
Net cash flow from financing activities	**78.219.954**	**-12.839.464**
Cash and cash equivalents at the end of the period	**346.072.260**	**358.240.234**
Components of cash and cash equivalents:		
Cash in hand	16.319.391	14.171.873
Cash balances at agents	15.707.084	17.664.209
Cash balances with central banks	943.036	743.169
Loans and receivables	313.102.749	325.660.983
Total cash and cash equivalents at the end of the period	**346.072.260**	**358.240.234**
Additional disclosures for cash flows from operating activities		
Received interest income	1.162.850.458	1.227.251.974
Dividends received	82.375	67.750
Paid interest expenses	-866.219.741	-894.016.310

For the preparation of the consolidated cash flow statement above the indirect method was applied.

The cash in hand, cash balances at authorised agents, and cash balances with central banks can be found under the balance sheet item 'cash and cash balances with central banks'. The amount of 'loans and receivables' can be found under the balance sheet item 'loans to and receivables from credit institutions'. This concerns term deposit accounts and the associated pro rata interest amounts.

NOTES


‘Argenta Bank- en Verzekeringsgroep nv (B) Holding company 5,208,715 shares
1,609,999 shares 99.99%
500 shares 100%
168,974 shares 99.99%
Argenta Assuranties nv (B) Insurance company 1,610,000 shares
Argenta Nederland nv (Nl) Management company 500 shares
Argenta Spaarbank nv (B) Savings bank 168,975 shares
57,690 shares 100%
1,864 shares 99.95%
349 shares 99.71%
Argenta-Life Nederland nv (Nl) Life insurance company 57,690 shares
Argenta Life Luxembourg SA (L) Life insurance company 1,865 shares
Argentabank Luxembourg SA (L) Credit institution 350 shares
1 share = 0.05%
1 share = 0.29%

1. General Information

Argenta Spaarbank PLC (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 company has an unlimited term.

The Company's registered office is at Belgiëlei 49-53, 2018 Antwerp.

The Company has the statute of a Belgian credit institution. The Company's core activities are attracting retail savings funds, offering mortgages to retail clients and providing payment services. In addition, shares of the Argenta Pension Saving Fund, shares of Argenta-Fund sicav, as well as shares of other local and foreign institutions for collective investment and structured notes of third parties are offered.

Argenta Bank- en Verzekeringsgroep PLC (hereafter referred to as **BVg**) is the holding company of the Argenta Group. BVg's operating activities are limited to Internal Audit, Compliance, Inspection, Group Risk Management, Distribution support, Human Resources Management, Facilities, Central Staff and Communications, which are organised at group level.

BVg has the statute of a mixed financial holding in accordance with article 49-49 bis of the Law of 22 March 1993 regarding the legal status and the supervision of credit institutions.

BVg consolidates and is responsible for the joint management of the insurance activities of its subsidiary Argenta Assuranties PLC (hereafter referred to as Aras), which has the statute of a Belgian insurance company, and the banking activities of the Company.

Since 21 December 2007, Argenta Netherlands PLC (hereafter referred to as **Arne**), a Dutch SPV for issuing bond notes, was also included on this level in the consolidation.

The subsidiaries of BVg, namely the Company and **Aras**, have several subsidiaries in their consolidation. Aras and its subsidiaries are hereafter referred to as **the Insurance Pool**. The Company and its subsidiaries are hereafter referred to as the **Bank Pool**. Arne has no subsidiaries. The Insurance Pool, the Bank Pool, BVg and Arne are hereafter jointly referred to as the Argenta Group.

In September 2007 and December 2008, securitisation transactions were performed by which Dutch mortgage loans with an NHG (*Nationale Hypotheek Garantie* - national mortgage guarantee) were sold to an SPV (Special Purpose Vehicle) called Green Apple.

Although there is no capital link with the Company, the management decided that the SPV should be consolidated as result of which the transferred loans continue to be recognised on the Group's balance sheet

The average number of people employed by the companies consolidated in the Bank Pool in the 2011 financial year was 385.97 (372.26 in 2010). This entails an average of 367.47 administrative staff (356.46 in 2010) and 18.5 managerial staff (15.8 in 2010) in full-time equivalents (FTEs). These figures for the number of staff can give a rather distorted picture, since there is a cost-sharing arrangement at group level. The number of staff shown include only those actually on the payroll of the relevant companies.

A breakdown of the staff costs for the financial year can be found in Note 33.

Companies in the IFRS consolidation.

	participating interest	31/12/2010	31/12/2011
Argenta Spaarbank PLC	-	consolidating entity	consolidating entity
Argentabank Luxemburg SA (ABL)	99.71 %	full consolidation	full consolidation
CBHK PLC (credit provider)	-	merger with the company in 2010	
Green Apple BV (SPV)	0 %	full consolidation	full consolidation

2. Accounting policies

On 19 July 2002, the European Parliament and the Council issued Regulation (EC) No. 1606/2002/EC. This Regulation requires that all consolidated financial statements concerning financial years that start on or after 1 January 2005, published by companies listed on regulated markets in the European Union, must be prepared in accordance with the International Financial Reporting Standards **(IFRS)** as determined by the International Accounting Standards Board **(IASB)**.

These standards and interpretations consist of (a) International Financial Reporting Standards, (b) International Accounting Standards and (c) Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

These standards are subject to approval by the Council of Europe as recommended by the regulatory committee for financial accounting of the European Union, the EU Accounting Regulatory Committee (ARC).

Moreover, on the basis of the aforementioned Regulation No. 1606/2002, the EU member states can permit or oblige companies, other than listed enterprises, to prepare their consolidated financial statements in accordance with the IFRS approved by the Council. The Belgian Royal Decree of 5 December 2004, amending the Royal Decree of 23 September on the consolidated financial statements of credit institutions (hereinafter referred to as the Royal Decree of 5 December 2004), introduced the requirement for credit institutions to prepare their consolidated financial statements in accordance with IFRS with effect from 1 January 2006.

General

In accordance with the stipulations of the Royal Decree of 5 December 2004, the Company's consolidated financial statements have been prepared in accordance with IFRS - including the International Accounting Standards **(IAS)** and Interpretations - as of 31 December 2011, as accepted by the European Union.

Accounting principles that are not mentioned specifically in these financial statements correspond with IFRS as accepted by the European Union.

Estimates and assumptions

The preparation of financial statements on the basis of IFRS requires a number of accounting estimates. Furthermore, the management was asked to provide its assessment during the process of applying these accounting principles. Actual results may differ from these accounting estimates and assumptions.

Accounting estimates are made principally in the following areas:

- accounting estimate of the recoverable amount of impairments
- assessment of the fair value of unlisted financial instruments
- assessment of the expected useful life of tangible and intangible assets
- accounting estimate of the current liabilities resulting from past events in the recognition of provisions.

Assumptions are made principally in the following areas:

- classification of financial instruments
- existence of active markets for financial instruments
- existence of loss events and impairment triggers
- existence of obligations resulting from past events (provisions)
- existence of control over companies.

The management also decided that the Green Apple SPV should be consolidated and that consequently the transferred loans should remain on the group's balance sheet.

2.1. Changes in accounting policies

The accounting policies used for preparing these 2011 consolidated financial statements are consistent with the policies applied as of 31 December 2010.

The following Standards and Interpretations applied in the 2011 financial year:

- Improvements to IFRS (2009-2010) (normally applicable for annual periods beginning on or after 1 January 2011)
- Amendment to IFRS 1 *First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions* (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IAS 24 *Related Party Disclosures* (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 *Related Party Disclosures* as issued in 2003.
- Amendments to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (applicable for annual periods beginning on or after 1 February 2010
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum*

Funding Requirement (applicable for annual periods beginning on or after 1 January 2011)

The application of these new Standards and Interpretations had no material impact on the Company's results and equity or on the presentation of the financial statements.
Standards and Interpretations published but not yet applying to the financial year commencing 1 January 2011:

- IFRS 9 *Financial Instruments* and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015)
- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 1 July 2011)
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Derecognition* (applicable for annual periods beginning on or after 1 July 2011)
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2012)
- Amendments to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual periods beginning on or after 1 January 2013)

The Company will implement all the aforementioned standards, changes and interpretations when they come into force and, with the exception of IFRS 9, does not expect them to have a material impact.

Inter alia, IFRS 9 imposes new classification and measuring requirements for financial instruments. No decision has yet been made regarding the date of implementation of this standard at the Company. It is also worth noting that the European Union has not yet approved all changes.

2.2. Accounting policies – accounting rules

Consolidation principles

The consolidated financial statements include those of the Company and its subsidiaries (hereinafter: **Subsidiaries**). Subsidiaries are those companies in which the Company, directly or indirectly, has the power to govern the entity's financial and operational policies in order to obtain benefits from these activities (hereinafter referred to as **Control**).

Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date on which that control ceases.

The Subsidiaries are consolidated using the full consolidation method.

This method implies the Subsidiary's shares held by the Company being replaced in the Company's balance sheet by this Subsidiary's assets and liabilities.

Intercompany transactions, balances and results on transactions between the Argenta Group companies are eliminated.

Minority interests in the net assets and net results of consolidated Subsidiaries are shown separately on the balance sheet and income statement.

These minority interests are measured at the fair value of the net asset on the date of acquisition. Subsequent to the date of acquisition, minority interests comprise the amount calculated at the date of acquisition and the minority's share of changes in equity since the date of acquisition.

Before proceeding with the consolidation of the individual financial statements, the principles applying to the measurement of the assets and liabilities components were harmonised on the basis of the accounting principles that apply to the Company.

Because all companies recognised in the Company's consolidated financial statements close the financial year on 31 December of each calendar year, this date is also taken as the year-end closing date for the consolidation.

Operating segments

Operating segments were identified on the basis of existing reporting structures. This segmentation matches internal reporting and the segmentation applied in the past.

Foreign currency

The consolidated financial statements are stated in euro, the functional currency of all Argenta Group entities. Foreign currency transactions are stated at the exchange rate applicable on the date of the transaction.

On the balance sheet date, outstanding balances in foreign currencies, are translated at the year-end closing exchange rates for monetary items.

Non-monetary items carried at historical cost, are translated using the historical exchange rate that applied at the date of the transaction.

Non-monetary items that are carried at fair value, are translated using the exchange rate on the date that the fair values were determined.

Transaction date and settlement date accounting

Financial assets and liabilities are recognised on the balance sheet at the moment the Company becomes a party to the contractual provisions of the instruments.

Purchases and sales of financial assets settled by cash transactions according to standard market convention, are recognised by the Company as of the settlement date on the balance sheet.

Netting

Financial assets and liabilities are netted and the net amount is recognised on the balance sheet when (a) there is a legally enforceable right to net the recognised amounts and (b) there is an intention to settle the obligation on a net basis, or realise the asset and settle the liability simultaneously.

Assets are recognised after deduction of accumulated impairment losses, if applicable.

Financial assets and liabilities

All financial assets and liabilities – including derivatives – are recognised according to the IFRS classification system. Each classification is subject to its own specific measurement rules.

The following classifications exist for financial assets: (a) loans and receivables, (b) held-to-maturity assets, (c) financial assets designated at fair value through profit or loss, and (d) available-for-sale assets.

(a) Loans and receivables: all non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method, in which the regular amortisation is recognised in the income statement.

If necessary, impairments are accrued.

All unlisted loans to and receivables from banks and clients are recognised under this classification by the Company.

(b) Held-to-maturity assets: all non-derivative financial assets with a fixed maturity and fixed or determinable payments that the Company fully intends and is able to hold to maturity.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method, in which the regular amortisation is recognised in the income statement.

If necessary, impairments are accrued.

(c) Financial assets designated at fair value through profit or loss include:

- financial assets held for trading, including derivative instruments that are not designated as effective hedging instruments
- financial assets that are designated at initial recognition or first-time adoption of IFRS as held at fair value through profit or loss.

These are measured on acquisition at fair value, excluding transaction costs, and subsequently at fair value, with all changes in fair value recognised in the income statement.

All derivatives with a positive fair value are considered by the Company as assets held for trading unless they are designated as effective hedging instruments.

(d) Available-for-sale financial assets: all non-derivative financial assets that are not classified as (a) loans and receivables, (b) held-to-maturity assets, or (c) financial assets designated at fair value through profit or loss.

These assets are measured at fair value, with all fair value changes being recognised on a separate line in equity until the assets are sold or until they are impaired. In this case, the cumulative fair value changes are transferred from equity to profit or loss for the financial year.

For the investments in instruments other than equity instruments, the difference between the acquisition price and the redemption value based on the effective interest method is taken to the result in proportion to the securities' residual term to maturity as an item of the interest income from these securities.

The changes in fair value of these securities, which are recognised on a separate line in equity, are the result of calculating the changes between (a) their acquisition price plus or minus the portion of the difference mentioned above that is taken to the result, and (b) the fair value.

The Company classifies the complete portfolio of shares and interest-bearing securities under this category, with exception of the interest-bearing securities that are classified as loans and receivables.

The following classifications exist for financial liabilities: (a) financial liabilities designated at fair value through profit or loss and (b) other financial liabilities.

This IFRS classification determines the measurement and recognition in the income statement as follows:

(a) financial liabilities designated at fair value through profit or loss include:

- financial liabilities held for trading, including derivative instruments that are not designated as effective hedging instruments;

- financial liabilities that are designated at initial recognition or first-time adoption of IFRS as held at fair value through profit or loss.

These are measured on acquisition at fair value, excluding transaction costs, and subsequently at fair value, with all changes in fair value recognised in the income statement.

All derivatives with a negative fair value are considered by the Company as liabilities held for trading, unless they are designated as effective hedging instruments.

(b) Other financial liabilities: these are all other non-derivative financial liabilities that do not fall under the previous category.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method, in which the regular amortisation is recognised in the income statement.

Cash and cash equivalents

The 'cash and cash equivalents', as used in the cash flow statement, include cash in hand, freely available balances at central banks and other non-derivative financial assets with a maturity of less than or equal to three months from the date of acquisition.

Tangible assets

Property, plant and equipment

All property, plant and equipment assets are recognised at cost, which is the value at acquisition, including directly attributable acquisition costs, less accumulated depreciation and any impairments.

The rates of depreciation are determined on the basis of the anticipated useful life of the assets and are applied according to the straight-line method from the moment the assets are available for use.

When property, plant or equipment is sold, the realised gains or losses are recognised immediately in the income statement.

Investment property

Investment properties are those properties held to earn rental income or for capital appreciation or to realise both. The accounting policy outlined for property, plant and equipment also applies to investment property.

Specific accounting policies

Land and buildings for own use and investment property

The purchase price and purchase costs of land are not depreciated, regardless of whether the site has been developed or not.

With the purchase of a property site with a building, the values of the land and of the building are calculated, and the transaction costs are divided on a pro rata basis between the land and the building.

The building's value will be depreciated over the estimated useful life of the building, i.e. at a rate of 3 % per annum on a pro rata basis.

For the registered office and adjoining buildings, the Company has chosen to recognise the reassessed value that, according to previously applied Belgian accounting principles, is stated at deemed cost on the date of the revaluation on or before the date of transition to IFRS, because this was generally comparable with the fair value.

The purchase price and purchase costs of renovations are depreciated at 10 % per annum on a proportional basis.

The purchase price and purchase costs of the interior of rented buildings are depreciated over the term of the rental contract.

IT equipment

The purchase price and purchase costs of hardware are depreciated at 33.33 % per annum on a pro rata basis.

Other equipment (including vehicles)

The purchase price and purchase costs of furnishings and equipment are depreciated at 10 % per annum on a pro rata basis.

The purchase price and purchase costs of vehicles are depreciated at 25 % per annum on a pro rata basis.

Goodwill and intangible assets

Goodwill

Goodwill is defined as the portion of the cost of the acquisition of a business combination that exceeds the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, and is calculated as of the date of acquisition.

It is recognised as a non-current intangible asset and is carried at cost less any impairment. Goodwill is not amortised, but is tested at least once a year for impairment.

With the first application of IFRS, the Company opted not to apply IFRS 3 'Business Combinations' retroactively to business combinations that existed before the date of transition to IFRS.

Intangible assets

An intangible asset is an identifiable non-monetary asset with no physical form. It is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

If the capitalisation criteria are met, acquired software is recognised at cost under intangible assets. The acquisition price and acquisition cost are amortised according to the straight-line method from the moment that the software is available for use.

No internally generated intangible assets are capitalised.

Specific accounting policies

The purchase price and purchase costs of acquired software are amortised at 20 % per annum on a proportional basis.

Other intangible assets are amortised at 10 % per year.

Recognition of impairment losses

An impairment is recognised for an asset when its carrying amount exceeds its recoverable amount. The Company tests all its assets at each balance sheet date for impairment indications.

The carrying amount of an impaired asset is reduced to its estimated recoverable amount, and the amount of the change in the current reporting period is recognised in the income statement.

If, in a subsequent period, the amount of the impairment on assets other than goodwill or available-for-sale equity instruments is reduced due to an event occurring after the write-down, the reduced amount is reversed by adjusting the impairment and recognising it in the income statement.

Financial assets

A financial asset, or a group of financial assets is considered to be impaired if (1) there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and (2) that loss event or events had an impact on the estimated future cash flows from the financial asset, or group of financial assets, which can be reliably estimated.

Depending on the type of financial asset, the recoverable amount can be estimated as follows:

- the fair value using an observable market price
- the present value of expected future cash flows discounted at the financial asset's original effective interest rate, or
- based on the fair value of the collateral obtained.

Impairments to available-for-sale equity instruments cannot be reversed through the income statement in subsequent periods.

Besides the impairments that are determined on an individual basis, also collective – portfolio-based – impairments are created in the form of IBNR (incurred but not reported) provisions.

"Incurred but not reported" provisions are justified for assets for which no special impairments are created on an individual basis.

This collective evaluation of impairments includes the implementation of a 'loss confirmation period' with regards to the probability of non-payment. The 'loss confirmation period' is a concept that takes into account the fact that there is a period between the moment that indicators for impairments occur and the moment at which these are included in the credit risk systems of the Company.

The implementation of the 'loss confirmation period' thus assures that the impairments, which have already occurred but have not been indentified as such, are sufficiently included in the created impairments.

The IBNR is calculated and created for all credit portfolios for which credit risk models were developed in Basel II. Based on the probability of default (hereafter referred to as PD), the portfolios are divided into risk classes. For each risk class, the chance of a credit in this class becoming default within three months is calculated. To limit the impact of seasonal changes, a long term PD is used.

Other assets

For non-financial assets, the recoverable amount is measured as the higher of the fair value less cost to sell and the value in use.

Fair value less cost to sell is the amount obtainable from the sale of an asset in an at arm's-length transaction between knowledgeable, willing parties, after deduction of disposal costs.

Value in use is the discounted value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

Goodwill

Goodwill is tested at least once a year for impairment. An impairment loss is recognised if the carrying amount of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment on goodwill cannot be reversed.

Specific rules of 'available-for-sale financial assets'

If a drop in the fair value of an available-for-sale financial asset has been recognised directly in the equity, and there are objective indications that the asset has suffered impairment, the accumulated loss that has been directly booked to equity, is recognised in the income statement, even though the financial asset has not been removed from the balance sheet.

The amount of the accumulated loss that is transferred from equity to the income statement is equal to the difference between the acquisition price (after deducting any redemptions on the principal amount and amortisation) and the current fair value, less any write-down losses on the asset previously recognised in the income statement.

- Investments in equity instruments

A considerable or long-term fall in the real value of an investment in an equity instrument below the cost price constitutes an objective indication for impairment.

This situation will be assessed individually each time, but if there are no additional assessment elements available, the Company considers an unbroken period of 24 months as long term, and a fall of at least 30 % as considerable.

Impairments recognised in the income statement on investments in equity instruments classified as available for sale cannot be reversed via the income statement.

- Investments in other non-equity instruments

Impairments are applied in cases of sustained lower value or loss of value attributable to financial difficulties of the debtor.

If the fair value of an available-for-sale debt certificate increases in a subsequent period, and the increase can be objectively related to an event that occurred after the impairment was recognised in the income statement, the impairment must be reversed, with the amount of the reversal being recognised in the income statement.

Derivatives

Derivatives are financial instruments, such as swaps, forward contracts and options. Such financial instruments have values that change in response to changes in various underlying variables, require little or no net initial investment, and are settled at a future date. They are classified as held-for-trading derivatives, unless they are designated as effective hedging instruments.

NOTES

The Company applies hedge accounting (effective hedging instruments) if all the required conditions have been met (according to the requirements of hedging transactions of IAS 39 as approved by the EU).

Those conditions are as follows:
- the hedge relationship must be formally designated and documented on the inception of the hedge;
- the hedge must be expected to be highly effective and this effectiveness must be able to be measured reliably;
- the measurement of hedge effectiveness must take place on a continuous basis during the reporting period in which the hedge can be considered to be effective.

For fair value hedges, both the derivatives hedging the risks and the hedged positions are measured at fair value, with all fair value changes being taken to the income statement. Accrued interest income from interest rate swaps are included in net interest income. Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold. In this case, the gain or loss recorded in equity on the hedged position (for fixed-income financial instruments) will be taken to profit or loss on an accruals basis until maturity.

Fair value hedges for a portfolio of interest rate risk (portfolio hedge of interest rate risk) are applied by the Company to hedge the interest rate risk for a portfolio of loans with interest rate swaps. The interest rate swaps are measured at fair value, with fair value changes reported in profit or loss. Accrued interest income from these swaps is included in net interest income. The fair value of the hedged amount is presented as a separate line item of the assets on the balance sheet.

In case of hedge ineffectiveness, the cumulative change in the fair value of the hedged amount will be amortised through profit or loss over the remaining lifetime of the hedged assets or immediately removed from the balance sheet if the ineffectiveness is due to the fact that the corresponding loans have been derecognised.

For cash flow hedges, derivatives hedging the risks are measured at fair value, with those fair value gains or losses determined to be an effective hedge being recognised separately in equity. Accrued interest income from interest rate swaps is included in net interest income. The ineffective portion of the hedge is recognised in income for the financial year. Hedge accounting will be discontinued if the hedge accounting criteria are no longer met. In this case, the derivatives will be treated as held-for-trading derivatives and measured accordingly.

Held-for-trading derivatives are recognised on the balance sheet at fair value on the transaction date. Subsequently, they are measured at fair value, with fair value changes being recognised as profit or loss for the financial year on the income statement.

Held-for-trading derivatives with a positive fair value are recorded on the asset side of the balance sheet, and those with a negative fair value on the liabilities side.

Embedded derivatives

Financial assets or liabilities can include derivatives embedded in a contract. Such contracts are often referred to as hybrid financial instruments.

If the host contract of the hybrid financial instrument (1) is not carried at fair value through profit or loss, and (2) the characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative should be separated from the host contract and measured at fair value as a separate derivative.

Fair value changes are recognised in the income statement. The host contract is accounted for and measured by applying the rules of the relevant category of the financial instrument.

If the host contract of the hybrid financial instrument (1) is carried at fair value through profit or loss, or (2) if the characteristics and risks of the embedded derivative are closely related to those of the host contract, the embedded derivative is not separated from the host contract and the hybrid instrument is measured at fair value as one single derivative.

Fair value of financial instruments

The fair value of a financial instrument, which is any contract that leads to both a financial asset for an entity and a financial liability or equity instrument at another entity, is the amount for which the asset could be exchanged, or the liability could be settled, between knowledgeable, willing parties in an at-arm's-length transaction.

The Company uses the following hierarchy of tests to determine the fair value of financial instruments: first, published prices in an active market and then the use of valuation techniques.

The fair value of a financial instrument is measured on the basis of quoted prices in active markets. If there is no active market available for the financial instrument, the fair value is measured using valuation techniques.

These valuation techniques make maximum possible use of market inputs, but are affected by the assumptions used, such as risk spreads and accounting estimates of future cash flows.
The fair value of the loans and receivables in particular are obtained using the discounted cash flow technique, in which the future cash flows are discounted on the swap curve plus a spread, which is systematically re-examined.

In the rare case where it is not possible to determine the fair value of an unlisted equity instrument, it is recognised at cost.

On initial recognition, the fair value of a financial instrument is the transaction price, unless the fair value is evidenced by observable recent market transactions in the same instrument, or is based on a valuation technique that only includes data from observable markets.

Lease contracts

The Company only enters into operating leases for the rental of equipment and buildings. Payments made under such leases are recognised in the income statement on a straight-line basis over the period of the lease.

Repurchase agreements

Securities subject to a repurchase agreement (repo) continue to be recognised on the balance sheet. The liability that arises from the obligation to repurchase the asset is recognised in amounts owed to banks or amounts owed to clients, depending on the counterparty.

Securitisation

Securitisations can take the form of a sale of the assets involved to a special purpose vehicle, abbreviated to SPV, or a transfer of the credit risk by means of credit derivatives. An SPV issues tranches of securities to fund the purchase of the assets.

The financial assets involved in a securitisation are no longer fully or partially accounted for if the Company transfers virtually all the risks and income from the assets, or part of the assets.

Employee benefits

Pension obligations

The Company only has pension obligations based on defined contribution plans. The Company's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

Employee entitlements

Employee entitlements to annual leave and long-service leave are accounted for in the year on which these days are based.

Provisions

Provisions are recognised on the balance sheet if (1) an obligation exists on the balance sheet date that is based on a past event, and (2) it is probable that an outflow of funds will be required to settle the obligation, and (3) if the amount of the obligation can be estimated reliably.

The amount formed as provision is the best possible accounting estimate on the balance sheet date of the outflow of funds that will be required to settle the existing obligation, taking into account the probability of the event occurring and its possible result.

Income taxes

Income taxes on the result of the financial year include both the current and deferred taxes. These taxes are calculated in accordance with the tax laws that apply in each country where the group operates.

The current taxes include those that are payable on the taxable income of the tax year, on the basis of the applicable tax rates on the balance sheet date, as well as each revision of taxes that are payable or refundable for previous years.

Deferred taxes are calculated for all taxable temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the financial statements.

These taxes are measured using the tax rates in effect on realisation of the assets or settlement of the liabilities to which they relate.

Deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable profit will be available from which the temporary differences can be deducted.

Deferred tax assets and liabilities are compensated and presented netted solely and exclusively if they are taxes levied by the same tax authorities on the same taxable entity.

Equity attributable to the shareholders

Share capital

The Company's share capital consists of 168,975 shares, of which 168,974 shares are held by BVg and one share is held by Investar nv.

No shares have been repurchased by the Company.

Compound financial instruments

Components of compound financial instruments, portions of liability and equity, are recognised in their respective classifications on the balance sheet.

Other equity components

Other elements recognised in shareholders' equity include those related to the available-for-sale assets.

3. Equity attributable to the shareholders

The Company is the consolidating company and 99.99 % of its shares are owned by BVg (the holding company of the Argenta Group).

The fully paid capital, represented by 168,975 no-par-value shares, is EUR 421,255,000 (likewise EUR 421,255,000 as of 31 December 2010).

The IFRS equity as of 31 December 2011 is EUR 909,649,134, compared to EUR 957,161,208 as of 31 December 2010. There are several factors behind the decrease in equity.

There is an increase in equity from the addition of the EUR 70,225,611 profit for the financial year, a decrease as a result of the change in the fair value of available-for-sale financial assets, a reduction in declared dividends (EUR 10 million) and the inclusion of the valuation of a cash flow hedge (with a negative impact of EUR 3,379,589 on equity).

AFS fair value changes in the IFRS equity

The available-for-sale (AFS) financial assets are measured at fair value and all the fluctuations in fair value are recognised on a separate line in equity until the assets are sold or until an impairment occurs.

These changes in fair value are found under the 'revaluation reserve for available-for-sale financial assets'.

This reserve changed from minus EUR 21,642,099 as of 31 December 2010 to minus EUR 126,000,194 as of 31 December 2011. The decline in market value of the financial assets in question occurred mainly in the second half of the 2011, and the value recovered in the early part of 2012.

	31/12/2010	31/12/2011
Unrealised gains and losses on fixed-income securities	-59,593,502	-88,327,954
of which used in micro-hedges	17,560,527	-79,199,204
Deferred taxes on fixed-income AFS portfolio	20,282,103	56,953,888
Unrealised capital gains and losses on non-fixed income securities	110,132	106,315
Unrealised gains and losses on minority interests	-1,359	-590
Unrealised loss on reclassified assets	0	-15,532,649
Total revaluation reserve on available for sale financial assets	-21,642,099	-126,000,194
Other breakdown of revaluation reserve		
Standard AFS reserve	-21,642,099	-110,467,545
Frozen AFS reserve	0	-15,532,649

Further information on the 'unrealised loss on reclassified assets' and the frozen AFS reserve in the above table are given in Note 14, and further information on the treatment of micro-hedges is given in Note 15.

Reserves

The reserves position (EUR 547,548,306 as of 31 December 2011) includes the statutory reserves of the Bank Pool's parent company - i.e. the Company - which has reserves available for distribution of EUR 509,707,220 and statutory reserves of EUR 30,738,253.

Capital increase

On 29 December 2010, a capital increase took place in the amount of EUR 118 million, without the issue of new shares subscribed to by existing shareholders. There were no capital increases in 2011.

Profit per share

The consolidated result, excluding minority interests, was a profit of EUR 70,225,611 as of 31 December 2011. Taking into account the 168,975 shares, this represents a profit per share of EUR 415.60.

There was a profit per share of EUR 485.04 in 2010 (profit of EUR 81,959,802 divided by 168,975 shares).

Dividend proposal for the 2011 financial year

The Company's Board of Directors will submit a proposal for the distribution of a dividend of EUR 14.5 million (EUR 85.81 per share) to the general meeting of shareholders.

In 2011, a dividend of EUR 10 million (EUR 59.18 per share) was paid through the appropriation of 2010 profit.

4. Minority interests

The Company's minority interests concern the shares of its subsidiary, Argenta Bank Luxembourg SA (hereinafter referred to as ABL), not held by the Company.

These shares are held directly by the coordinating holding company of the Argenta Group (BVg).

Furthermore, the minority interests include the entire capital (EUR 18,000) of the Green Apple SPV. Although there is no capital link with the Company, this company is however consolidated on the basis of the IFRS rules (SIC 12).

5. Risk management

Professional, comprehensive risk management is an essential prerequisite for achieving sustainable, profitable growth. The Argenta Group recognises this and considers risk management as one of its core competencies.

The risk management framework is therefore updated and adjusted in accordance with day-to-day experience with risk management. Demonstrating that adequate risk management procedures are in place is a key criterion for gaining and retaining the confidence of all the stakeholders: customers, investors, agents, supervisory authorities and credit rating agencies.

The strategy and policy of the Argenta Group and of the composite entities in this area, including the internal governance structure of the subsidiary financial institutions, are determined by BVg's decision-making bodies (executive committee and board of directors, in accordance with the division of tasks and responsibilities as specified in the Articles of Association). The main subsidiaries - in particular the Company and Aras - are responsible for the operational management within the guidelines specified by BVg.

Risk management at the Company

The Executive Committees of the Company, Aras and BVg were integrated in 2010, with a number of members in common: the CEO (Chief Executive Officer), CFO (Chief Financial Officer) and CRO (Chief Risk Officer).

The unity of management highlights the importance of a commercial, risk and financial strategy that is harmonised group-wide, with the emphasis on the long-term relationship with both customers and independent agents.

The Argenta Group continued to develop its conservative and transparent risk management in 2011. In this regard, matters were further clarified in the area of risk management and risk appetite as follows:

- the further development of the Risk Appetite Framework (RAF) with a concrete guideline and limits and a clear link to the business plan;
- a revised Treasury and Asset and Liability Management (ALM) guideline for the company, with improved risk input in each of the core business lines;
- the continued development of the Internal Capital Adequacy Assessment Process (ICAAP);
- the development of standard policy documents within Argenta;
- integration of the Validation Unit within the Risk Department (without any autonomy loss).

The importance of rigorous risk management, now and in the future, is substantiated by the following risk governance tools.

- The RAF is a transparent risk indicator system', in which the daily risk management for each risk category is monitored based on three indicators (a green, yellow and red light).
- The Company's conservative risk appetite is managed using five risk categories: capital adequacy, asset quality, income and value stability, liquidity and concentration.
- Since 2010, Argenta Group's risk management has also benefited from considerable cross-over between banking and insurance risk expertise. This resulted in the BVg holding company adopting an ICAAP approach in the first quarter of 2011.

Besides the independent Internal Audit and Compliance control functions, group risk management is organised at the level of the Argenta Group. The Risk and Validation department at BVg level deals with the specific second-line business risks. The first-line risk management is organised and handled autonomously within each entity, and hence comes under the auspices of the various group companies' management bodies.

However, in this regard, the Bank Pool can rely on support services at group level, and there is an assessment at group level of whether the risks fit within the framework of the Argenta Group's RAF.

Furthermore, significant efforts are made to define and distinguish between the roles and responsibilities in these specialist fields.

- The Risk and Validation department provides the independent first-line control.
- The basic principle - 'identify, report, monitor and mitigate' - remains explicitly applicable to all material risk factors (including interest rate and business risk), which are then capitalised in ICAAP.
- The Risk and Validation department therefore has a detection function, i.e. further proactive identification of risks that have not yet been fully identified. It is also responsible for taking part in steering the (economic) capital management.
- The Risk and Validation department also plays an important role in policy and testing (validating) any risk models (including prepayment hypotheses, replicating portfolio process).
- The department also carries out the requisite official risk checks (including the interest rate risk statement) and, as the final decision-maker, plays an active role in the Group Risk Committee and Alco. The agenda of the monthly Group Risk Committee alternates among ICAAP topics, retail credit risk and operational risk.

Along with the second-line risk control, validation of the risk models is one of the essential core activities of financial institutions. Basel II requires financial institutions to have the risk models they develop confirmed by an independent validator.

In 2011, the Validation Unit continued to monitor and validate the development of requirements for operation under F-IRB (Foundation - Internal Rating Based system). In addition, models were developed for the credit risk of the Company's investment portfolio under the F-IRB. More specifically, this relates to the exposure to financial institutions, companies and covered bonds. An internal assessment system was implemented for this purpose in 2010. Validation of this system began in late 2010 and continued in Q1 2011.

The Company's risk profile

This annual report discusses the activities of the Bank Pool and below, in compliance with the provisions of Article 119.5 of the Belgian Companies Code, a summary of the objectives and the policy concerning management of the banking risks is provided.

The Company's policy and the organisational structure with regard to risk management are designed in order for the known risks to always be properly identified, analysed, measured, monitored and managed.

Due to its activities, the Company is exposed to various risks. The Company's risk management distinguishes, inter alia, between the following risk categories: financial risk (primarily the interest rate risk), liquidity risk, credit risk (including concentration and sovereign risk), operational risk and other risks.

These risks are managed in a uniform way for the entire Argenta Group, using the Risk Appetite Framework, the guidelines and the established procedures.

5.1. Financial risk

The financial risk (market risk) is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The market risk includes three types of risk: interest rate risk, currency risk and other price risks.

Interest rate risk

The interest rate risk is the main market risk to which the Bank Pool's banking activities are exposed. It involves the financial risk resulting from the impact of a change in interest rates on the interest margin and on the fair value of interest-bearing instruments.

This risk is systematically monitored by means of a limit that is defined in terms of the duration gap. This limit is based on the maximum acceptable loss in the event of a 1% (100 basis points) change in interest rates.

The Argenta Group and the Company focus mainly on standard investments, such as government bonds, bank and non-bank bonds and mortgage loans, as a result of which market risk can be more easily managed.

The Company has implemented and applied risk management methods to reduce and control the market risks to which it is exposed. Exposure to such risks is permanently monitored and controlled using professional software programs. In this way, all material sources of interest rate risk are identified.

When assessing the interest rate risk, reports are drawn up from both an income perspective (earnings at risk perspective, net interest income) and from an economic value perspective (economic value, assessment according to the value of equity).

In its risk management procedures, the Company gives much attention on a consistent internal structure, which enables it to perform these activities judiciously, objectively and efficiently and to provide the various competent management bodies with timely, comprehensive reports in this respect.

First and foremost, this involves the Asset and Liability Committee (Alco), a management body that directly supervises the active positions in interest rate risk, with specific responsibilities in monitoring the day-to-day management of the financial positions and reporting to the Executive Committee. The Alco's permanent remit is to optimise net interest income (and its sensitivity) and to maintain the market-value sensitivity of equity within set limits. In addition, reports containing the data in question are submitted to the Boards of Directors of the Argenta Group every month.

Sensitivity analysis – interest rate risk in the banking book

The following analysis of the assets and income sensitivity shows the impact of a parallel interest rate shock on the net interest income and on the other components of equity.

Since the Company has only a banking book, these figures reflect the entire Bank Pool. The calculation method was adjusted slightly in order to calculate the comparative figures using this method.

Income sensitivity	delta 2010	delta in %	delta 2011	delta in %
Interest rate increase by 100 basis points	39,421,203	18.26%	40,843,847	15.13%
Interest rate decrease by 100 basis points	-22,876,353	-10.60%	-18,378,018	-6.81%

Economic value	delta 2010	delta in %	delta 2011	delta in %
Interest rate increase by 100 basis points	-94,473,531	-4.83%	-97,225,783	-4.00%
Interest rate decrease by 100 basis points	5,654,084	0.29%	-70,167,901	-2.89%

A 100 basis point increase in interest rates would cause interest income to rise by EUR 40.84 million (+15.13 %). A 100 basis point fall in interest rates would cause income to decrease by EUR 18.37 million (-6.81 %).

A 100 basis point increase in interest rates would have a negative impact of EUR 97.22 million (-4%) on the economic value of the banking book. A 100 basis point decrease in interest rates would have a negative impact of EUR 70.16 million (-2.89 %).

The economic value of the banking book is calculated, for the purposes of internal monitoring, on the basis of discounted contractual cash flows on the IRS flat curve.

The outstanding positions in the calculations are always held constant as of 31 December (static balance sheet).

Strategies for reducing risks

In order to keep market sensitivity within the risk appetite guidelines approved by the Company's Board of Directors and not to exceed the supervisor's levels, interest rate caps were acquired in 2011. This exogenous hedge serves to supplement the permanent aim of an optimal endogenous management of the balance sheet..

For the endogenous hedging, the whole range of adjustments to on-balance-sheet products is available, varying from price changes, new products and adjustment of product characteristics. Endogenous actions can have a significant impact, which will only manifest itself relatively slowly and gradually.

The size of the exogenous hedge is determined from an assets and liabilities perspective. Firstly, the amount of liabilities sensitive to repricing (less the amount of assets sensitive to repricing) must be able to follow rising interest rates.

Thanks to a capped interest rate hedge, the price-setting for the savings account can partially follow a potential future interest rate increase, whereas without a hedge this would be difficult to do because of the less frequent changes in the price of the assets.

On the other hand, it must be possible to make the long-term fixed-rate assets floating when interest rates are rising.Thanks to an interest rate hedge, the projected long-term fixed-interest mortgage business can be given a floating rate character in the event of any future rise in interest rates. This provides protection in terms of both income and value.

Under IFRS, strict regulations are applicable to the financial processing of hedging, and not every economic hedge that is used to hedge the interest rate risk is regarded as a hedge under IFRS, which implies a degree of volatility in the IFRS result.

More information on the applied fair value cover to hedge the interest risk of a portfolio and other hedges can be found in Notes 12, 15 and 24.

Risk focuses on setting a framework for the financial risks, and more especially the interest rate risk, in order to provide an adequate level of stability in income and value.

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in the exchange rate.

The Bank Pool only operates in the Benelux countries and does not make investments in currencies other than the euro, as a result of which it is not exposed to any currency risk.

Other price risks

The risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices other than changes that ensue from interest rate risk or currency risk.

This is regardless of whether these changes are caused by factors that apply specifically to the individual financial instrument or the issuer or by factors that affect all similar financial instruments traded on the market.

Equities risk

The Bank Pool does not invest in individual equities. On 31 December 2011, the limited number of investment funds (in the legal form of beveks or sicavs - open-ended investment companies) were historically recognised on the balance sheet on the issue by the Company of new sub-funds in existing equity funds.

The equity fund item is limited and in 2010 and 2011 positions were only sold; consequently no additional equity funds were posted to the balance sheet.

5.2 Liquidity risk

The liquidity risk is the risk of the Company not being able to honour its financial commitments at a reasonable cost on the due date. It should therefore be able to satisfy the liquidity requirements of deposit or other contract holders, without suffering unacceptable losses as a result of freeing up assets that should be used to pay the financial liabilities in normal and difficult circumstances.

The increased attention to the liquidity risk originates from the globalisation of the financial markets, the greater volatility of funding, the strong growth of new products and structured transactions such as securitisation operations. Although these factors primarily affect multinational financial institutions, the Bank Pool also focuses more on the liquidity issue.

In order to measure, monitor, check and report on the liquidity risk, the Argenta Group has a specially adapted management information system (MIS), including a contingency plan to be able to adequately carry out liquidity management under both normal and exceptional circumstances.

The liquidity risk is monitored using two risk indicators, i.e. the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio). The LCR tests the liquidity buffer against a defined outflow of the funds deposited over one month, and the NSFR tests the available liquidity against the required liquidity over one year. Both standards should be above a minimum of 100 %.

In addition, it was stipulated that (as part of liquidity management) at least 66 % of the investment portfolio should be comprised of ECB eligible bonds.

The daily liquidity management, the definition of early warning indicators (EWIs) and the organisation of stress tests are described in a Liquidity Contingency Plan (LCP).

Every day, reports on funding are distributed amongst a broad target audience. In addition, discussion of the warning indicators is a fixed item on the agenda of the (at least) bi-weekly Alco. In other words, senior management is continuously involved in the liquidity management.

The Company's liquidity model can be described as follows:

- a sizeable base of customer deposits (see liquidity sources below, with customer deposits (66.14 %) and by bank savings certificates purchased by retail customers (17.43 %));
- total independence of interbank funding: the Company does not have to rely on the interbank market for funding - a low loan to deposit ratio, which reflects the fact that, to a large extent, loans granted are lower than the total amounts of customer deposits;
- securities portfolios that are readily tradeable and can readily be converted to cash (can be used as collateral with the European Central Bank (ECB) or saleable - see supplementary Note).

From the summary of the sources of funding can be deduced that the Company also holds deposits from credit institutions. This entails funding by means of repo transactions that were not entered into for the purposes of liquidity management, but in the context of investment opportunities on the financial market.

Liquidity sources

The funding policy focuses on the individual customers through the issue of current and savings accounts and term deposits and securities. Customer deposits constitute the most important primary funding source of the Bank Pool's banking activities.

These deposits can be considered as both sources of liquidity and sources of liquidity risk. Amounts held in private individuals' current and savings accounts can be withdrawn on demand or at short notice, but nevertheless provide an important contribution to the stability of the long-term funding base. This stability therefore depends on maintaining the account holders' confidence in the Company's solvency, profitability and risk management.

The group's financing structure is managed in such a way that a substantial diversification is maintained and that the level of dependency on capital market funding remains very limited.

The table below shows the financing mix of the Bank Pool.

NOTES

Sources of funding	2010	2011
Deposits from central banks	0.00%	0.60%
Deposits from credit institutions	6.15%	5.72%
Retail customer deposits	64.48%	66.14%
Bank savings certificates sold to retail customers	19.42%	17.43%
Bonds sold to retail customers	0.92%	0.89%
Bonds sold to institutional customers	4.61%	4.50%
Subordinated instruments sold to retail customers	1.56%	1.52%
Subordinated debt instruments sold to institutional customers	0.31%	0.30%
Other liabilities	2.55%	2.90%
Total liabilities	100.00%	100.00%
Total liabilities in EUR	32,298,028,185	33,111,941,174

Maturity analysis

Notes 13 and 14 include further details of the residual maturity of the available-for-sale financial assets and loans and receivables.

The table below shows a maturity analysis for the category of 'financial liabilities held for trading', the financial liabilities measured at amortised cost, derivatives for hedging purposes and the 'other liabilities' category.

2010 financial year	< 3 months	< 12 months	2-5 years	> 5 years
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	5,288,326	20,141,712	51,272,056	5,970,056
Financial liabilities measured at amortised cost	20,319,367,317	2,725,069,526	6,757,541,484	1,672,782,541
- Deposits from credit institutions	0	1,987,454,479	0	0
- Retail funding - deposits	19,236,867,644	0	0	
- Retail funding - deposits with fixed maturity	139,883,897	177,498,481	1,214,966,427	51,913,018
- Retail funding - debt certificates – saving bonds	865,242,819	450,141,270	3,442,862,621	1,520,364,362
- Debts certificates - bonds	0	8,017,047	1,773,679,164	0
- Subordinated loans	77,372,957	101,958,249	326,033,272	100,505,161
Derivatives for hedging purposes	25,733,331	77,199,994	341,823,163	171,724,667
Other liabilities	181,238,848	3,416,271	9,311,628	0
Total	20,531,627,822	2,825,827,503	7,159,948,331	1,850,477,264

2011 financial year	< 3 months	< 12 months	2-5 years	> 5 years
Deposits from central banks	0	50,000	200,000,000	0
Financial liabilities held for trading	4,301,646	12,904,938	2,469,333	0
Financial liabilities measured at amortised cost	21,787,926,186	4,487,290,380	5,505,971,191	171,203,191
- Deposits from credit institutions	0	1,894,988,426	0	0
- Retail funding - deposits	20,332,790,266			
- Retail funding - deposits with fixed maturity	96,342,348	337,786,400	1,088,245,225	44,259,420
- Retail funding - debt certificates – saving bonds	1,317,073,478	2,144,681,292	2,282,924,616	26,212,334
- Debts certificates - bonds	0	9,608,834	1,774,448,134	0
- Subordinated loans	41,720,094	100,225,428	360,353,216	100,731,437
Derivatives for hedging purposes	28,235,305	84,705,914	336,281,871	129,768,167
Other liabilities	183,526,470	2,347,104	8,119,190	0
Total	22,003,989,607	4,587,298,336	6,052,841,585	300,971,358

The interest results of the swaps posted under the category 'financial liabilities held for trading', and 'derivates for hedging purposes' are included in the totals.

The fixed and variable rates as of 31 December 2011 are used in calculating this interest for the respective fixed and variable parts of the interest rate swaps concerned.

Deposits (available on demand, special deposits and regulated savings deposits) have been classified in the < 3 months time bracket in this report.

The debts certificates - bonds' category includes an amount of EUR 1,486,500,000 of notes issued by the Green Apple SPV. These notes were issued in September 2007 to fund the Company's securitisation of EUR 1.5 billion worth of Dutch mortgage loans.

The 'subordinated liabilities' category includes the Tier 1 loan of a nominal amount of EUR 100 million issued in 2006. This loan is included in the > 5 years time bracket in the table above.

Reporting to the supervisory authority

The significant efforts which have been made in recent years in the area of liquidity management were continued in 2011.

Under the requirements of Basel II Pillar 2, liquid (or disposable) financial assets and cash inflows and outflows are systematically reported to the supervisory authority. The table below shows the Bank Pool's liquid financial assets as reported.

Breakdown of liquid financial assets	31/12/2010	31/12/2011
Cash and cash equivalents with central banks	32,969,511	488,440,375
ECB eligible securities	10,378,129,813	10,774,870,294
Securities that can be liquidated through sale	1,284,880,445	1,161,371,526
Balance sheet total	33,255,276,227	34,021,683,730

The Company satisfied all statutory and internal liquidity standards in 2010 and 2011.

5.3. Credit risk

Generally speaking, credit risk arises when a customer or counterparty is no longer able to meet its contractual obligations. This can be the result of the insolvency of a customer or counterparty. This risk arises both with traditional lending and with investment activities (other interest-bearing assets). As regards the latter, widening spreads and rating downgrades are indicators of credit risk.

For the Company, there are essentially two sub-areas of importance regarding credit risk: the market for mortgage lending to individuals on the one hand, and the investment portfolio on the other.

Credit risk management

The management of credit risks within the Bank Pool is governed by the credit risk management guidelines (retail lending) and the treasury and ALM guideline (other interest-bearing assets). The guidelines set out the basic principles, rules, instructions and procedures for identifying, measuring, approving and reporting credit risks.

All the Bank Pool's entities and departments have adequate measurement instruments, guidelines and procedures available to manage the credit risk, including a fully independent credit approval process with set limits for creditworthiness and supervisory procedures.

Lending to individuals

The Company has a concentration in lending to private individuals in Belgium and the Netherlands, and more specifically residential mortgage loans to individuals. This makes the Company sensitive to developments in the housing market and to the repayment capacity of individual borrowers in Belgium and the Netherlands.

The Bank Pool generally endeavours to maintain a low risk profile in its lending. This strategic option is confirmed in, among other things, the Company's credit acceptance conditions and procedures, of which security requirements (mainly mortgage registrations on buildings) is one of the basic terms and conditions, together with the strategic focus on lending to retail customers.

The ongoing financial crisis in Europe was the predominant feature in 2011. This had little, if any, impact on Argenta's mortgage portfolio, as evidenced by the stable arrears rates and low default rates.

Investment portfolio

A strict rating allocation that has been refined in-house plays a major role in the process of monitoring the quality of Argenta's securities portfolio. For instance, the asset quality of the various portfolio components is closely monitored using the average rating concept based on 1) internal ratings and 2) agreed rating factors.

There is a clear management framework, details of which are given in the revised Treasury and ALM guideline based, among other things, on the following principles:

- A country limit has been introduced; besides the sovereign risk, this also measures the risk of all counterparties/borrowers for each country.
- A separate limit has been introduced for repos, derivatives and covered bonds, in addition to the bond limit.
- Counterparty limits are now based on the term as well as the rating.
- ABS and RMBS are only permitted under strict conditions: 5 % retention by the issuer/initiator; permanent monitoring of the underlying exposure for arrears, default, known underlying and clear view of the structure:

no RMBS on RMBS/ABS on ABS but direct underlying collateral.

Within this policy framework, there was a focus in 2011 on developing and applying the limit framework, where the ratios regarding country concentration and asset quality also play an important role.

The Company has a widely diversified investment portfolio, with a concentration of a nominal EUR 5.8 billion in Belgian government paper. The Company's portfolio does not contain any Greek government securities.

On 31 December 2011, the portfolio included a nominal EUR 600 million exposure in government paper issued by Portugal, Italy, Spain and Ireland, of which EUR 419 million relates to Italy. The exposure to these countries has a short residual term, so the outstanding amount will decrease to EUR 236 million on 31 December 2012.

The unrealised capital losses on this exposure amounted to EUR 38.7 million on 31 December 2011. These unrealised capital losses only have a minor potential impact on equity, which means the strength of the Company's equity is safeguarded. A simulation of the capital adequacy ratio shows that if these capital losses were realised (which is not likely at the moment), the Tier 1 ratio would fall from 16.18 % to 15.79 %, which is still well above the requirement under Basel II.

Credit risk and the Basel II Capital Accord

The Bank Pool has many years' experience in granting and managing **mortgage loans to retail customers**, which resulted in a history of low loan losses.
Retail customers include private individuals and self-employed professionals with their usual place of residence in Belgium (for the Belgian business) or in the Netherlands (for the Dutch business), who use the Company for their standard, non-professional credit requirements.
Because of this policy option and long experience, the Bank Pool has therefore opted to perform its retail lending under the Basel II Capital Accord on the basis of internal ratings and to calculate the capital adequacy requirements according to the IRB(F) method, subject to exceptions that are not material. This means that when a loan is granted, each counterparty is assigned a rating, which can be either an internal or external rating. To this end, the Company has, as appropriate, developed one or more models itself.
A distinction is made between models for PD (probability of default) and LGD (loss given default). An internal rating system (IRB) has been selected for the retail portfolios, for which both a PD model and an LGD model have been developed.
In the PD model, credit files are divided into various credit rating classes, depending on the risk of default calculated using the model. The credit rating classes are divided on the basis of variables with associated terms and conditions, which include both product criteria and criteria relating to the borrower. Each rating class has lower and upper limits for the risk of default and is assigned an average default rate. The files in default are placed in a separate rating class.

The LGD pooling also takes place on the basis of several variables. Each LGD pool is assigned an average LGD rate. In this way, each outstanding loan in the portfolio is placed in a specific LGD pool and that loan is assigned the average LGD rate for the pool.

Every month, the total retail loan portfolio is linked to the PD and LGD models in order to calculate the capital requirement for unforeseen losses.
The decision to use this Internal Rating Based method resulted in changes to the operational credit risk management, the authorisation procedure, the valuation rules, price setting, internal monitoring and reporting and the responsibilities of the Executive Committees and Boards of Directors.

As of September 30th, 2009, the reported equity requirement for the retail mortgage portfolios is calculated using the IRB method. As a result of the transitional provisions of Basel II, the so-called 80% floor (equity calculated according to Basel I principles) determines the ultimate equity requirements.

More intensive use was made of the rating tool for the **investment portfolio** during 2011. This is the tool used by Argenta to determine the internal ratings of the counterparties within the Company's securities portfolio.
For instance, in the past year all borrowers in the Bank Pool's banking and corporate portfolio were assigned a rating. In this way, around one hundred counterparties were thoroughly screened according to a specific method in accordance with the internal governance procedure. In addition to a thorough first-line analysis, this procedure also includes a second-line risk check and validation of this internal rating. All these proposed ratings are also ratified or decided by a rating committee. This approach is part of the continued roll-out of the Foundation Internal Rating Based approach under the Basel framework.

However, the investment portfolio remains a major topic of regular reporting to, and discussion within, the Alco, the Executive Committee and the Board of Directors.

Impairments

Impairments for loan losses that are determined on an individual basis are recognised when a loan is considered as being in default, which means that there are objective indications that the Company might not be able to collect all due and payable amounts in accordance with the contractual conditions. The amount of the impairment is the difference between the carrying value and the recoverable amount.

NOTES

Specifically, a loan is considered as being in default when the following events have occurred:

- The Company considers it unlikely that the debtor will be able to fully honour its loan commitments without the Company having to resort to actions such as seizure of collateral;

- The debtor is more than 90 days in arrears with meeting a material loan commitment.

Loans considered as being in default are consequently reviewed, including taking the collateral into account, to see whether impairment should be recognised.

Besides the impairments that are determined on an individual basis, collective - portfolio-based - impairments are also recognised. These collective impairments may only be recognised for 'loans and receivables'.

For the mortgage portfolio, this is in the form of an incurred but not reported (IBNR) provision. 'Incurred but not reported' provisions are justified for receivables for which no special impairments are recognised on an individual basis.

The Company constantly assesses its portfolio for payment arrears. The table below provides a summary of the financial assets 'loans to and receivables from other customers' for which payment arrears have been ascertained but for which no impairments have been recognised on an individual basis. This relates to the total amount of outstanding loans (total exposure) rather than the total amount of arrears.

These amounts also include loans which are only one or two days in arrears or which, due to a potential delayed processing of instalment payments (including by direct debit), are temporarily in arrears.

As of 31 December 2010	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	6,456,914	480,847	218,325	100,611
Mortgage loans	1,440,400,768	70,648,028	58,495,126	150,405,369
Long term loans	30,851,567	3,000,356	1,615,366	3,051,026
Demand deposits/advances	12,626,882	791,488	363,864	548,221
Other loan receivables	0	0	0	0
	1,490,336,131	**74,920,719**	**60,692,681**	**154,105,227**

As of 31 December 2010	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	11,303,200	471,133	278,103	49,983
Mortgage loans	3,718,788,028	65,315,464	42,450,667	130,716,951
Long term loans	106,515,952	2,096,191	1,348,403	3,029,881
Demand deposits/advances	17,301,771	750,239	207,845	675,019
Other loan receivables	0	0	0	0
	3,853,908,951	**68,633,027**	**44,285,018**	**134,471,834**

Either these loans and receivables are not yet considered as being in default or there were sufficient guarantees that no impairments needed to be recognised on an individual basis.

The tables below provide a summary of the actual amounts in arrears (capital and interest).

'Demand deposits/advances' primarily include overdraft facilities for which the entire amount becomes in arrears if the amount of the line of credit is exceeded.

As of 31 December 2011	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	1,836,983	38,885	18,210	6,373
Mortgage loans	11,126,561	1,267,812	730,430	1,622,541
Long term loans	350,226	44,205	28,438	40,915
Demand deposits/advances	12,626,881	791,488	363,864	548,221
Other loan receivables	0	0	0	0
	25,940,651	**2,142,390**	**1,140,942**	**2,218,050**

As of 31 December 2011	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Consumer loans	1,184,436	32,359	60,194	4,761
Mortgage loans	29,039,322	951,591	562,014	1,574,824
Long term loans	1,098,988	34,057	20,510	39,335
Demand deposits/advances	17,301,771	750,239	207,845	675,019
Other loan receivables	0	0	0	0
	48,624,517	**1,768,246**	**850,563**	**2,293,939**

There are no arrears in any other categories of financial assets or the distinguished sub-categories.

Impairments determined on an individual basis

The following summary shows the amounts involved for the financial asset categories, and the respective sub-categories, for which impairments have been recognised on an individual basis.

As of 31 December 2010	gross carrying value of the impaired assets	impairments assets assessed on an individual basis
Available-for-sale assets	0	0
Loans and receivables		
Consumer loans	3,173,612	2,903,719
Mortgage loans	86,935,468	29,595,998
Long term loans	917,942	745,424
Demand deposits/advances	10,969,171	10,065,762
Other loan receivables	452,340	452,340
Total loans and receivables	**102,448,533**	**43,763,243**

NOTES

As of 31 December 2011	gross carrying value of the impaired assets	impairments assets assessed on an individual basis
Available-for-sale assets		
Other loans	8,622,772	3,578,926
Total available-for-sale assets	8,622,772	3,578,926
Loans and receivables		
Consumer loans	3,084,886	2,929,170
Mortgage loans	103,268,334	27,988,081
Long term loans	1,018,881	795,309
Demand deposits/advances	9,440,971	8,594,814
Other loan receivables	456,535	381,342
Total loans and receivables	**117,269,607**	**40,688,716**

As of the end of 2011, there were EUR 40,688,716 of impairments determined on an individual basis for the loans and receivables portfolio and an impairment of EUR 3,578,926 was recognised for one fixed-income security under the 'available-for-sale' assets.

The following tables show the changes to the individual impairments for the 2010 and 2011 financial years.

As of 31 December 2010	Opening balance 31/12/2009	Increase via P&L	Decrease via P&L	Closing balance 31/12/2010
Available-for-sale assets				
Other loans	0	0	0	0
Investment funds	1,105,953	0	-1,105,953	0
Total available-for-sale assets	1,105,953	0	-1,105,953	0
Loans and receivables				
Consumer loans	3,442,681	849,682	-1,388,644	2,903,719
Mortgage loans	29,443,522	19,871,232	-19,718,756	29,595,998
Term loans	482,325	298,450	-35,351	745,424
Demand deposits/advances	11,143,629	5,587,156	-6,665,023	10,065,762
Other loan receivables	441,469	236,548	-225,677	452,340
Total loans and receivables	**44,953,626**	**26,843,068**	**-28,033,451**	**43,763,243**

As of 31 December 2010	Opening balance 31/12/2009	Increase via P&L	Decrease via P&L	Closing balance 31/12/2011
Available-for-sale assets				
Other loans	0	3,578,926	0	3,578,926
Investment funds	0	0	0	0
Total available-for-sale assets	0	3,578,926	0	3,578,926
Loans and receivables				
Consumer loans	2,903,719	1,045,597	-1,020,146	2,929,170
Mortgage loans	29,595,998	23,865,034	-25,472,951	27,988,081
Term loans	745,424	465,271	-415,386	795,309
Demand depositis/advances	10,065,762	3,605,754	-5,076,702	8,594,814
Other loan receivables	452,340	237,924	-308,922	381,342
Total loans and receivables	**43,763,243**	**29,219,580**	**-32,294,107**	**40,688,716**

Impairments determined on a portfolio basis

Collective IBNR impairments are calculated and recognised for all retail loan portfolios for which credit risk models have been developed in Basel II. Based on the probability of default (PD), the portfolios are divided into risk classes. For each risk class, an assessment is made of the probability that a loan in this class may be in default within three months.

The table below gives an overview of the EAD (exposure at default) and the collective impairments recognised at year-end.

Portfolio		31/12/2010		31/12/2011
	EAD	IBNR	EAD	IBNR
portfolio Aspa Belgium	5,175,962,383	270,861	5,257,249,989	312,505
portfolio The Netherlands	7,748,567,887	760,593	8,018,499,065	861,381
Green Apple	3,069,016,559	276,550	2,918,156,809	260,021
portfolio CBHK	951,420,036	1,628,738	809,459,665	905,348
Total		**2,936,742**		**2,339,255**

In addition, a collective impairment of EUR 1,340,000 was recognised for the RMBS portfolio included under loans and receivables in 2011. This on a portfolio basis determined impairment is also based on the PD and LGD parameters.

Collateral

The granting of mortgage loans always includes requests for personal or commercial collateral. The lower the creditworthiness of a borrower, the higher the guarantee required from the customer. Under the foreclosure policy, it may occasionally occur that certain collateral is acquired and recognised on the balance sheet.

For such collateral (in especially, the properties on which a mortgage or power of attorney to take a mortgage is registered), new individual estimates are made if the loans to which the collateral were attached were considered to be in default (see definition of this concept in the above description of impairments). The value of the commercial collateral is reviewed periodically using a statistical method.

Foreclosure policy

If all other means of obtaining financial settlement for a loan in default have been exhausted, the Company will proceed to a public sale when a property is involved.

There were 42 public sales in 2011 (compared with 52 in 2010), including sales relating to loans with an NHG guarantee in the Netherlands, but excluding sales at Green Apple, for which the sale proceeds did not cover the full amount receivable. The total residual liability was EUR 2,179,970 (as against EUR 2,434,055 in 2010).

Pursuant to this policy, two properties were acquired for EUR 281,940 in 2010. In 2011, three properties were acquired for EUR 314,130; these are included under the ‘real estate investments’.

As a result of the conservative loan policy and the strict underwriting strategy, loan losses within the Company’s various fields of activity were low in recent years.

Credit risk exposure

The total credit risk exposure comprises the carrying value of financial assets on the balance sheet (where financial derivatives are mentioned separately) and specific off-balance-sheet items (including financial guarantees and loan commitments) as specified in the relevant legislation. Note 37 contains more information on the off-balance-sheet items.

The following table provides a summary of fully paid and not fully paid loan protection for the Company (which is processed by the standard method in calculating equity).

	not fully paid loan protection	fully paid loan protection	Total inflow 2010	not fully paid loan protection	fully paid loan protection	Total inflow 2011
Central governments or central banks	98,389,730	0	8,648,566,854	0	0	8,948,331,437
Institutions	2,131,240,382	0	0	1,650,793,873	0	186,671,897
Corporates	114,563,567	0	0	231,681,628	0	142,221,879
Retail	0	545,478	545,478	0	0	0
Secured by real estate	6,304,373,175	61,129,251	61,129,251	7,394,749,712	90,087,454	90,087,455
Past due exposures	24,450,250	266,888	24,717,138	25,720,696	169,395	25,890,092
Total exposure	**8,673,017,104**	**61,941,617**	**8,734,958,721**	**9,302,945,909**	**90,256,849**	**9,393,202,760**

The credit protection that is not fully paid primarily comprises government guarantees to (financial) institutions and the Nationale hypotheekgarantie (NHG - national mortgage protection scheme) for Dutch mortgage loans (included under 'secured by real estate' and 'past due exposures').

Concentration of credit risk

Concentration may relate to various factors:

- concentration of lending to an individual counterparty or a group of inter-related counterparties (single name concentration or counterparty concentration);
- concentration of lending through an uneven distribution among sectors or countries/regions (sector concentration).

The latter may arise due to significant exposure to groups of counterparties where the probability of default is due to common underlying factors.

The credit risk management guideline includes limits for the concentration risk. These limits are systematically monitored and reported on. One of these limits relates to the maximum exposure per counterparty in retail lending, and stipulates that this maximum exposure to a single retail counterparty may never exceed EUR 1 million (other than in the event of an explicit decision by the Credit Committee and the Executive Committee).

The table below shows the concentrations by type of loan or receivable in the 'loans to and receivables from other customers' category.

	2010	%	2011	%
Consumer loans	86,042,692	0.49%	170,751,313	0.95%
Mortgage loans	17,358,673,690	98.50%	17,588,986,758	97.57%
Term loans	164,180,242	0.93%	180,637,879	1.00%
Demand deposits/advances	13,827,786	0.08%	16,211,359	0.09%
Other loan receivables	0	0.00%	70,037,431	0.39%
	17,622,724,410	**100.00%**	**18,026,624,740**	**100.00%**

Possible concentration risks resulting from the presence on just two mortgage markets (Belgium and the Netherlands) are mitigated by a limitation of the credit risk per individual dossier, as well as a strict monitoring of developments on the Dutch and Belgian mortgage and residential real estate markets.

In addition, the risk is diversified by granting a large number of loans for a limited amount, spread across Belgium and the Netherlands (also regionally). By spreading the credit provision in time (credit facilities are granted every week/month), the risks are reduced (after all, loans are granted in both high and low economic times).

Finally, securitisation can also be used in addition to a funding and liquidity tool to manage the risk volume of loans and thus to manage the level of concentration. Both of the two securitisation operations implemented involved Dutch mortgage loans.

The basis for the quantitative assessment is the analysis of the portfolio composition's balance in economic sectors (governments - public administrations, credit institutions, other loans including corporate bonds, mortgage lending and other retail lending) and countries.

The Company classifies most of the investment portfolio as 'available-for-sale financial assets'. As of 31 December 2011, the majority of the investment portfolio was made up of bonds from public bodies (54.37% in 2011, compared to 49.05% in 2010). 'Credit institutions' accounted for 31.92% as of 31 December 2011. 'Other loans' decreased from 14.91% to 13.66%.

	Carrying values	2010 Percentage Distribution	Carrying values	2011 Percentage Distribution
Fixed-income securities				
- public institutions	6,849,853,931	49.05%	7,725,149,692	54.37%
- credit institutions	5,024,638,716	35.99%	4,534,594,354	31.92%
- other loans	2,082,055,100	14.91%	1,940,922,484	13.66%
Variable-yield securities				
- investment funds/equities	6,413,048	0.05%	6,429,260	0.05%
	13,962,960,795	**100.00%**	**14,207,095,790**	**100.00%**

The Treasury and ALM guideline referred to above establishes which bonds and which ratings may be considered for investment. The ratings of all fixed-income securities are then systematically monitored. If (after purchase) the rating of a bond drops below the set minimum rating requirement, the bonds concerned will be discussed again by the Alco and the Rating Committee (RC).

In this regard, the Alco, and therefore the Company' s Executive Committee, must also make an explicit judgement on whether or not to keep a position. Finally, reports on the positions maintained are also submitted to the Board of Directors.

5.4. Operational risk

Since risks are an inherent part of all operating activities and decisions, all enterprises, including financial institutions, are faced with operational risk.

Operational risks arise as a consequence of either inadequate or faulty internal processes, personnel and systems, or as a result of external events. The impact may consist of financial or reputational loss.

Operational risk policy

The management of operational risks within the Argenta Group is covered by the Operational Risk Management Guideline, which was approved by the Executive Committee and the Board of Directors at the end of 2010. The guideline establishes the principles, rules, instructions and procedures for identifying, monitoring, assessing and reporting on operational risks. It also defines the lines of reporting by the various subsidiaries, which remain accountable for the management of their own operational risk.

The risk department of the Argenta Group ensures that each subsidiary manages the operational risk in a uniform manner, and that each subsidiary manages every risk that could have an impact on the business or on other subsidiaries within the Argenta Group.
All (operational) risks that have been identified in with first-line, second-line or third-line responsibility, and all incidents that have been noted, are registered in the risk database. The risks are scored by all parties using the same scorecard, thus ensuring that the scoring is uniform. The recommendations put forward by Audit, Compliance, Risk and Information Risk Management and Validation during the performance of their second or third line control function in the resultant actions are monitored through this database and the status of the actions is assessed periodically and reported to the relevant control function.

Bringing all information together and agreeing on the approach to operational risk enables the Argenta Group to provide for more efficient steering of the management actions, which is a clear means of focusing on qualitative management of the operational risk.

This striving for quality is a core objective of everyone at the Argenta Group and will be reflected in, among other things, an increased maturity level of the internal control.

In order to align with the standard corporate policy in this regard and good practice in risk management, the responsibilities for information security and continuity policy (BCM) were split into first-line and second-line responsibilities in 2011. The second-line responsibilities were transferred from the Information Risk Management department to the Operational Risk division in the Risk and Validation department.

In 2011, the focus was on integrating information security and BCM in operational risk management. A lot of time was assigned to updating the BCM documentation and the performance of business impact analyses by all departments. The BCM and information security guidelines were approved by the Executive Committee and the Board of Directors in 2011.

Operational risk and the Basel II Capital Accord

The Company uses the standard method for calculating the requirements for operational risk.

5.5. Other risks

Without trying to be exhaustive, in this section a few other risks are mentioned.

5.5.1. Strategic risk

The strategic risk to which the Company is exposed is the risk of the effect on current and future earnings and capital of poor policy or operational decisions, poor implementation of decisions or a lack of responsiveness to changing market conditions (both commercial and financial).

In order to achieve the strategic objectives, as defined in the business strategy, the Company makes resources available (including communication channels, systems, personnel, networks, managerial time and managerial capacities).

Execution of the business strategy ultimately depends on the adequacy of the resources made available and the way in which these resources are used and are permanently assessed.

5.5.2. Business risk

The business risk is the risk that current and future earnings and capital will be affected by changes in business volumes, or by changes in margins and costs; both are caused by changing market conditions or the organisation's inability to take advantage of such changes. This risk also refers to a poor diversification of earnings or the inability to maintain a reasonable level of profitability.

In order to diversify the business risk to which the Company is exposed, the Argenta Group has made a strategic choice to sell products that generate fee income alongside its traditional activities. Alongside the other lines of insurance, loans, savings and payments, this fourth business line should give rise to greater diversification of earnings. Another important factor in this regard is the attention given to cross-selling, in order to attract as many customers as possible into several business lines concurrently.

As to the profitability of the Bank Pool's products, price setting must take account of fund transfer pricing in order to determine the earnings contribution of each product.

5.5.3. Reputational risk

Reputational risk is the risk of damage (loss) through a deterioration of the reputation or standing caused by a negative perception of the image of the organisation by its customers, counterparties, shareholders and/or regulatory bodies.

This is a second-order risk; in other words, a risk that results from another risk but which has its own impact. The Company considers this risk as a vertical risk, i.e. a risk that runs through all other risks. By monitoring and managing the other risks, the reputational risk is also kept under control.

5.5.4. External service providers

The Company is exposed to the risk of termination of large contracts with external service providers. Termination of one of these contracts could result in an interruption to business or delays in important business processes, against which the Company covers itself as far as possible through an appropriate business continuity policy and transitional arrangements in the relevant contracts.

6. Solvency and capital management

6.1. Capital management

The dynamic growth of the financial markets and the increased use of more complex banking products have brought about major changes in the Company's business environment. These challenges require appropriate personnel, processes and systems for the limitation and the targeted control of the Company's risk position.

Apart from the description of methods for the calculation of the regulatory capital requirements (quantitative requirements), the Basel II agreement puts increased stress on risk management and integrated group-wide management (qualitative requirements).The Company is obliged to implement adequate procedures and systems aimed at guaranteeing its long-term capital adequacy, taking into account all material risks.

Internationally, these procedures are referred to as the Internal Capital Adequacy Assessment Process (ICAAP).

The goal of the Argenta Group's risk management is to have the best possible capital structure and risk control to match the major market players, and with which it continues to meet the statutory capital requirements.

Implementing the business plan to ensure that sufficient capital is available to enable pursuit of the projected growth is a key factor here.

The Company has always pursued a policy of self-financing. To retain a level of capital that provides sufficient scope to support growth and make it possible to meet the financial and operational risks, the Company aims to satisfy the potential capital requirements with (a) retained earnings, (b) capital increases (similar to the capital increase in 2010) and (c) subordinated (Tier 2) loans.

In addition, for example, it may be decided to shrink the balance sheet through securitisation of part of the private loans portfolio.

The table below provides a overview of the regulatory capital at year-end.

Composition of the regulatory capital	31/12/2010	31/12/2011
Equity sensu stricto	981,340,558	1,064,481,267
Total additional components	258,338,672	334,723,528
first part additional components	13,872,229	13,468,652
subordinated loans	244,466,443	321,254,876
Total useful capital	**1,239,679,230**	**1,399,204,795**

In addition to management actions the Company's financial risk policy also takes into account prudential 'Internal Capital Adequacy Assessment Policy' (ICAAP).

ICAAP and economic capital

The risks to which the Company is exposed require a risk buffer in the form of equity. The ongoing development of its business as a conventional savings bank, and hence as a bank involved in transformation (a bank whose activity is to convert (transform) funds deposited short-term into longer-term investments) means that this required equity must be permanently monitored (and supplemented when necessary).

ICAAP incorporates all the bank's procedures and calculations used to ensure the following:

- correctly identifying and measure the risks of the group;
- keep adequate capital in line with the bank's risk profile;
- use, and continuously develop risk management systems.

This means that in all circumstances (stress scenarios), the Bank Pool's equity requirements are satisfied with an adequate degree of certainty. This is expressed by the economic capital, whereby the various risks are taken into account.

In 2011, further investment was made in the economic capital models, particularly as regards developing stress and scenario tests. Together with the economic capital calculations based on simulation models, the Company therefore obtains an overall picture of all material risks to which the group is exposed.

The assessment of the capital adequacy shows that the stress test and scenario analysis results are the compulsory factors for the required amount of capital. As a result, the Company aims for a minimum tier 1 ratio of 10 % for the banking business.

The calculations according to the Basel II rules (Pillar 1) for capital management were submitted to the supervisory authority and used in-house, but the so-called 80%

floor for the required regulatory capital will continue to be the statutory basis after 2011. In its ICAAP under Pillar 2, Argenta calculates the required economic capital on the basis of Basel II IRB risk parameters. These are lower than the minimum 80 % floor.

In December 2010, the Bank for International Settlements (BIS) published details on banks' capital and liquidity, and the timetable, in respect of the Basel III rules. Basel III imposes stricter rules on capital adequacy, liquidity and leverage, which will be implemented gradually. The Basel III rules are part of the RAF.

In addition, all material risk factors are entered in models in ICAAP so that the total ICAAP provides a more comprehensive picture of capital requirements.

In 2011 regular consultations were held with the supervisory authority as part of the Supervisory Review and Evaluation Process (SREP).

6.2. Regulations and solvency

As a financial institution, the Company is subject to prudential supervision. In Belgium, the Company is supervised by the NBB. The branch in the Netherlands is subject to the supervision of both the NBB and Dutch central bank (De Nederlandsche Bank - DNB). The banking subsidiary, ABL, in Luxembourg is subject to the supervision of the *Commission de Surveillance du Secteur Financier* (CSSF).

All entities of the Bank Pool should comply with the guidelines of the various supervisory authorities in the countries where they operate. According to these guidelines, financial institutions must maintain minimum equity in relation to the credit commitments on and off the balance sheet.

The credit commitments are weighted according to the risks they involve (risk-weighted commitments). A minimum of 8% of the total risk-weighted commitments applies for total equity.

The total regulated core capital increased from EUR 1,239,679,230 in 2010 to EUR 1,399,204,795 in 2011. This increase is primarily due to the following factors.

An increase in core capital through the addition of EUR 55,725,611 retained earnings (profit for the period minus the planned dividend of EUR 14.5 million) and a decrease in a deductible item relating to 'potential and foreseeable losses and costs' of EUR 38 million.

The amount of used (and useable portion of) subordinate loans in supplementary equity increased from EUR 244,466,443 as of 31 December 2010 to EUR 321,254,876 as of 31 December 2011 due to the sale of subordinated loan certificates.

The Company calculates its capital ratios in accordance with Basel II, which comprises three pillars. Information on pillar 1 (minimum capital requirements) and pillar 2 (supervisory review process, including details of the interest rate, liquidity and concentration risk) is included in these financial statements.

The Notes on pillar 3 are a supplement to the first two pillars and are intended to provide market operators with the opportunity to assess the capital adequacy of a financial institution through access to more extensive information. These Notes on pillar 3 are published separately on the Company's Internet site, including some of the information in these financial statements.

The summary below shows the most important capital requirements, calculated according to the relevant Basel (pillar 1) regulations.

Composition of the regulatory equity	31/12/2010	31/12/2011
Total core capital	1,239,679,230	1,399,204,795
Required on the basis of the fixed assets	34,030,907	35,001,122
General solvency coefficient	640,175,371	655,941,223
Application of IRB floor for transition period	80% rule	80% rule
Total required after applying Basel I floor	532,915,705	526,227,092
Tier 1 ratio	14.73%	16.18%
Cooke ratio	18.61%	21.27%

The calculations as of 31 December 2011 take into account the specific Basel II regulations for the calculation of weighted risks for which the Company has obtained approval. The Company uses the (F)IRB method for the retail mortgage portfolios and the MBS portfolio, and the standard STA method for the other exposure.

As a result of the Basel II rules applicable to the transition from the STA to the IRB method, core capital should be 80% of the required capital, calculated according to Basel I principles. The required capital as of 31 December 2011 is therefore EUR 526,227,092 (80% of EUR 657,783,865).

The Tier 1 ratio of 16.18% as of 31 December 2011 is obtained by dividing the equity sensu stricto - Tier 1 capital (EUR 1,064,481,267 as of 31 December 2011) by the weighted risk volume (EUR 6,577,838,650 as of 31 December 2011).

In 2010 and 2011, the total regulatory capital was at all times greater than each of the three mentioned requirements, so that the Company complied fully with all capital requirements.

7. Remuneration of Board Members and directors

Below are shown the details of the composition of the Boards of Directors and there remuneration.

7.1. Composition of the Board

The Boards of Directors of the other companies of the Argenta Group have a similar structure.

They always include:

- the members of the Executive Committee of the company concerned (***executive directors***);
- a number of independent directors;
- a number of directors that represent the family shareholder (together with the independent directors, the ***non-executive directors***).

The Chairman is selected from among the directors that represent the family shareholder.

The number of directors for each Board of Directors should, preferably, not exceed fifteen.

In principle, the directors' mandates are for a period of six years.

The following age limit applies to directors:
- executive directors are legally resigning when they reach the age of 65;
- non-executive directors are legally resigning when they reach the age of 70.

The Board of Directors may permit exceptions to this rule on a case-by-case basis.

The Boards of Directors are composed in such a way that none of the three groups (the directors representing the family shareholder, independent directors and directors who are members of the Executive Committee) are in the majority.

However, non-executive directors are always in the majority in the Board of Directors.

7.2. Remuneration of the non-Executive directors

Remuneration policy

The remuneration of non-executive directors is determined by the general meeting of shareholders on the basis of a proposal from the Board of Directors.

The amount and composition of the remuneration of the non-executive directors are determined in line with their general and specific responsibilities.

Non-executive directors receive no annual bonuses or share options and accrue no pension rights. Non-executive directors are not entitled to a termination bonus.

Remuneration of non-executive directors who represent the family shareholder

Mr. Karel Van Rompuy, Advaro bvba, Raco nv and J.N. Cerfontaine bvba do not receive any remuneration for their mandates with the Company. With the exception of Mr Karel Van Rompuy, they are paid by the holding company BVg.

Remuneration of the independent directors

The remuneration of the non-executive directors include a fixed base payment for membership of the Board of Directors. No fees are payable for attendance and participation in meetings of the Board.

In addition, if they were members of the audit committee or remuneration committee, non-executive directors received a remuneration of EUR 1,120 for each meeting of the committee that they attended up to and including 31 May 2011. This remuneration was increased to EUR 1,500 as from 1 June 2011. The chairman of the audit committee or remuneration committee received a fee of EUR 1,500 for each meeting they attended up to and including 31 May 2011. This remuneration was increased to EUR 2,000 as from 1 June 2011. The aforementioned fees are paid by the holding company, BVg.

During 2011, the independent directors received a total remuneration of EUR 67,363 (EUR 41,650 in 2010) from the Company.

Details of the remuneration in 2011 are listed in the table below.

Non-executive directors	Permanent representative	Position	2010	2011
Eersbeke cva	De Smet M.	Director	5,950	0
Parus Beheer bvba	Van Keirsbilck J.P.	Director	17,850	22,950
Ter Lande Invest nv	Van Pottelberge W.	Director	17,850	22,950
MC Pletinckx sprl	Pletinckx M.C.	Director	0	21,463
		Total	**41,650**	**67,363**

As from 1 January 2012, the remuneration of all non-executive directors (both the fixed base remuneration and any attendance remuneration) are paid by the holding company BVg.

The remunerations were, and shall be, divided among the Group's three core companies in accordance with the rules stipulated in the Cost-sharing Association Agreement entered into by these companies.

7.3. Remunerations of the Executive directors

Remuneration policy

Remuneration granted to executive directors - members of the Executive Committee - are determined on the basis of the hours served. There is an annual cap on the amount of hours that qualify for payment.

The members are granted monthly advances. At the end of the financial year a settlement is made on the basis of the hours actually served.

Members of the Executive Committee are obliged to participate in two group policies (supplementary pension and disability), for which the premiums are paid by the Company, but which are set off against their remuneration.

Upon termination of the mandate of a member of the Executive Committee for reasons other than retirement, and except in the event of resignation or dismissal for cause, a payment is made that was set at the start of the mandate and in normally equals eighteen months' remuneration.

Remuneration of the executive directors

The composition and division of tasks within the Executive Committees of the Argenta Group's three core companies (the Company, Aras and BVg) are integrated. The remuneration of the members and the Chairman of the Executive Committees are therefore set at group level and distributed among the three core companies in accordance with the rules stipulated in the Cost-sharing Association Agreement entered into by these companies.

The following report provides information on the remuneration of members of the Executive Committee paid directly by the Company and the Chairman of the Executive Committee (CEO of the Argenta Group).

In 2011, John Heller (CEO of the Argenta Group and Chairman of the Executive Committees of the Company, Aras and BVg) received a base salary of EUR 305,809. In 2010, the Chairman, Léon Heymans (until 30 September 2010) received a base salary of EUR 253,198 and Mr John Heller received remuneration of EUR 75,661.85 (final quarter).

John Heller's supplementary pension and disability contributions amounted to EUR 40,950.35 in 2011 (EUR 27,608 in 2010).

In 2011, the total direct remuneration of the members of the Executive Committee paid by the Company (excluding the Chairman of the Executive Committee) was EUR 1,279,837.21 (EUR 1,110,245.21 in 2010).

The supplementary pension and disability contributions of members of the Executive Committee amounted to EUR 97,641.04 in 2011 (EUR 96,332.67 in 2010).

No termination bonuses were paid out in either 2011 or 2010.

The summary below shows the composition of the Boards of Directors of the Bank Pool's companies.

BOARDS OF DIRECTORS	ASPA	ABL
Chairman:		
J.N. Cerfontaine bvba (1)	■	
Heller J.		■
Members:		
Advaro bvba (2)	■	
Ameloot G.	■	■
De Haes G.	■	■
De Moor M.	■	
Duchateau S.		■
Heller J.	■	
MC Pletinckx bvba (3)	■	
Parus Beheer bvba (4)	■	
Raco nv (5)	■	
Ter Lande Invest nv (6)	■	
Van Dessel D.	■	
Van Rompuy K.	■	
Wauters G.	■	

(1) with J. Cerfontaine as permanent representative (2) with D. Van Rompuy as permanent representative; (3) with M.C. Pleinckx as permanent representative, sitting as an independent member (4) with J.-P. Van Keirsbilck as permanent representative, sitting as an independent member (5) with B. Van Rompuy as permanent representative (6) W. Van Pottelberge as permanent representative, sitting as an independent member.

8. Remuneration of the statutory auditor

The audit of the Company's financial position and of the financial statements is assigned to the statutory auditor, Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Mr Jurgen Kesselaers.

The remuneration received by Deloitte (excluding VAT) for the years 2010 and 2011 breaks down (in accordance with Article 134 of the Belgian Companies Code) into:

- fees for audit engagements: this includes the fees for the auditing of the statutory and consolidated financial statements as well as other reports (EUR 295,850 in 2011 and EUR 299,375 in 2010).

- fees for other engagements :

EUR 196,425 in 2011 for reports on liquidity, changes in IFRS and smaller ad hoc tasks (including tax inspections)

EUR 229,653 in 2010 relating to Basel II (IRB modelling), changes in IFRS and smaller ad hoc tasks (including tax inspections)

9. Transactions with related parties

The Company regularly conducts transactions with related parties as part of its operations. The transactions relate primarily to loans, deposits and insurance contracts. They are in all cases carried out at arm's length.

The tables below provide a summary of the financial scope of the activities which were contracted with the related parties.

2010 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances			
Demand deposits	270	0	0
Instalment loans	0	0	17,375
Consumer loans	0	0	188,232
Mortgage loans	0	0	262,978
Other receivables	1,453	0	31,405,550
Total assets	1,723	0	31,874,135
Liabilities: Deposits			
Deposits	19,965,699	115,094	140,427,972
Debts evidenced by certificates	0	0	104,845,600
Subordinated liabilities	0	0	60,000,000
Other liabilities	1,382,686	0	2,820,475
Total liabilities	21,348,385	0	308,094,047
Guarantees issued by the group	0	0	85,099,202
Guarantees received by the group	300,047,100	0	0

2011 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances			
Demand deposits	0	0	374,292
Instalment loans	0	0	4,604
Consumer loans	0	0	175,125
Mortgage loans	0	0	0
Other receivables	2,987	0	30,614,142
Total assets	2,987	0	31,168,163
Liabilities: Deposits			
Deposits	23,923,553	342,415	161,809,285
Debts evidenced by certificates	0	0	104,845,600
Subordinated liabilities	0	0	60,000,000
Other liabilities	798,458	0	2,698,642
Total liabilities	24,722,011	342,415	329,353,527
Guarantees issued by the group	0	0	85,097,826
Guarantees received by the group	300,047,100	0	0

As already mentioned, the holding company, BVg, is the Company's parent company. The item 'managers in key positions' includes details of executive and non-executive directors (Note 7) and the close relatives of directors who are natural persons.
Close relatives of a natural person are those who could be expected to be able to exert influence on the natural person (these include the natural person's partner and children residing in his/her household).

'Other related parties' includes details of the Company's affiliated companies, i.e. the aforementioned Insurance arm.

2010 income statement	Parent company	Managers in key positions	Other related parties
Expenses			
Interest expenses	52,925	1,127	5,330,913
Fees and commissions	0	0	538,205
Insurance premiums	0	0	1,171,948
Rendering services	0	0	18,926,350
Other	10,597,677	0	150,402
Total expenses	10,650,602	1,127	26,117,818
Income			
Interest income	524	0	1,103,084
Fees and commissions	0	0	4,239,589
Other	560,969	0	11,417,479
Total income	561,493	0	16,760,151

2011 income statement	Parent company	Managers in key positions	Other related parties
Expenses			
Interest expenses	417,317	3,788	5,378,767
Fees and commissions	0	0	813,014
Insurance premiums	0	0	67,978
Rendering services	0	0	13,211,299
Other	11,270,655	0	728,607
Total expenses	11,687,972	3,788	20,199,665
Income			
Interest income	174	0	1,122,042
Fees and commissions	0	0	2,287,308
Other	302,359	0	13,675,223
Total income	302,533	0	17,084,573

The Bank Pool received EUR 300,047,100 in guarantees in 2010, of which EUR 300 million related to a guarantee issued by the parent company, BVg, for ABL. As of the end of 2011, guarantees worth EUR 300,047,100 had been received.

The guarantees issued by the group amounted to EUR 85,099,202 in 2010, of which EUR 85,095,000 relates to a guarantee by the Company for the management company Arne. As of the end of 2011, guarantees still amounted to EUR 85,097,826, of which EUR 85,095,000 still related to Arne.

No impairments were recognised in balance sheet items concerning related parties in 2010 and 2011. Finally, the executive directors' remuneration has already been described in Note 7.

10. Operational segments

The Company is required to provide information on operational segments to enable users of its financial statements to assess the nature and financial consequences of the business activities it performs and the economic environment in which it operates.

An operational segment is a component of the Company that performs business activities that may generate income or expenses, for which factors such as the results or performance are assessed separately at regular intervals by the management and for which separate financial information is available.

Information on geographical regions

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 provides an indication of the breakdown by geographical region.

2010 consolidated balance sheet	Belgium	The Netherlands	Luxembourg	Eliminations	31/12/2010
Assets					
Cash and cash balances with central banks	28,919,379	0	4,050,132	0	32,969,511
Financial assets held for trading	57,597,241	165,162,195	0	0	222,759,436
Available-for-sale financial assets	15,650,299,738	16,946,708	30,323,402	-1,734,609,053	13,962,960,795
Loans and receivables	7,589,198,018	10,871,702,173	345,305,903	-327,458,551	18,478,747,543
Derivatives, hedge accounting	5,550,236	0	0	0	5,550,236
Fair value changes of the hedged items	144,047,105	206,347,215	0	0	350,394,320
Buildings, land, equipment	32,513,670	964,251	189,437	0	33,667,358
Investment properties	363,549		0		363,549
Goodwill and other intangible assets	21,659,699	413,333	200,786	0	22,273,818
Tax assets	2,533,014	432,379	0	0	2,965,393
Other assets	119,335,300	90,716,041	7,240,739	-74,667,812	142,624,268
Total assets	**23,652,016,949**	**11,352,684,295**	**387,310,399**	**-2,136,735,416**	**33,255,276,227**
Liabilities, equity and minority interests					
Financial liabilities held for trading	94,507,967	169,268,629	0	0	263,776,596
Financial liabilities measured at amortised cost	28,924,386,240	4,303,399,171	348,504,649	-2,101,529,192	31,474,760,868
Derivatives, hedge accounting	365,523,974	0	0	0	365,523,974
Fair value changes of the hedged items	0	0	0	0	0
Provisions	8,103,589	8,039	1,200,000	0	9,311,628
Tax liabilities	281,036	0	3,135,235	0	3,416,271
Other liabilities	2,470,363,485	-2,258,780,906	4,862,493	-35,206,224	181,238,848
Total liabilities	**31,863,166,291**	**2,213,894,933**	**357,702,377**	**-2,136,735,416**	**32,298,028,185**
Shareholders' equity	751,990,234	178,464,377	26,707,956	0	957,162,567
Minority interests	0	18,000	67,475	0	85,475
Total liabilities, equity and minority interests	**32,615,156,525**	**2,392,377,310**	**384,477,808**	**-2,136,735,416**	**33,255,276,227**

2011 consolidated balance sheet	Belgium	The Netherlands	Luxembourg	Consolidation	31/12/2011
Assets					
Cash and cash balances with central banks	31,832,593	0	746,658	0	32,579,251
Financial assets held for trading	40,586,005	173,894,879	0	0	214,480,884
Available-for-sale financial assets	15,710,495,726	18,312,853	21,381,059	-1,543,093,848	14,207,095,790
Loans and receivables	7,724,824,844	11,096,164,508	310,265,296	-313,804,632	18,817,450,016
Derivatives for hedging purposes	0	0	0	0	0
Fair value changes of the hedged items	156,283,420	224,524,134	0	0	380,807,554
Buildings, land, equipment	33,587,980	842,434	154,282	0	34,584,696
Investment properties	416,426		0		416,426
Goodwill and other intangible assets	27,570,471	1,905,613	131,832	0	29,607,916
Tax assets	73,324,142	0	0	0	73,324,142
Other assets	159,545,878	129,762,178	7,950,011	-65,921,012	231,337,055
Total assets	**23,958,467,485**	**11,645,406,599**	**340,629,138**	**-1,922,819,492**	**34,021,683,730**
Liabilities, equity and minority interests					
Deposits from central banks	200,050,000	0	0	0	200,050,000
Financial liabilities held for trading	39,076,916	176,660,873	0	0	215,737,789
Financial liabilities measured at amortised cost	29,421,844,497	4,123,620,126	304,793,711	-1,897,867,386	31,952,390,948
Derivatives for hedging purposes	549,769,673	0	0	0	549,769,673
Changes in the fair value of hedged positions	0	0	0	0	0
Provisions	7,768,735	344,355	6,100	0	8,119,190
Tax liabilities	652,325	563,898	1,130,881	0	2,347,104
Other liabilities	2,428,938,699	-2,223,650,225	3,190,102	-24,952,106	183,526,470
Total liabilities	**32,648,100,845**	**2,077,539,027**	**309,120,794**	**-1,922,819,492**	**33,111,941,174**
Shareholders' equity	705,507,528	175,246,202	28,896,314	0	909,650,044
Minority interests	0	18,000	74,512	0	92,512
Total liabilities, equity and minority interests	**33,353,608,373**	**2,252,803,229**	**338,091,620**	**-1,922,819,492**	**34,021,683,730**

NOTES

2010 income statement	Belgium	The Nether-lands	Luxembourg	Eliminations	31/12/2010
Financial and operating income and expenses	90,855,075	139,477,021	13,355,500	-321,875	243,365,721
Net interest income	119,388,798	145,565,841	5,363,194	0	270,317,833
Dividends	82,375	0	0	0	82,375
Net income from commissions and fees	-51,932,572	-5,923,687	2,885,161	-321,875	-55,292,973
Realised gains and losses on financial assets and liabilities that are not measured at fair value in the income statement	50,278,191	0	4,863,120	0	55,141,311
Gains and losses on financial assets and liabilities held for trading	-34,050,329	-311,477	0	0	-34,361,806
Gains and losses from hedge accounting	2,064,152	0	0		2,064,152
Gains and losses on derecognition of assets other than those held for sale	-13,326	0	0	0	-13,326
Other net operating income	5,037,786	146,344	244,025	0	5,428,155
Administrative expenses	-102,883,548	-9,901,748	-4,235,446	321,875	-116,698,867
Depreciation	-9,917,457	-1,183,988	-137,745	0	-11,239,190
Provisions	-700,960	0	-1,200,000	0	-1,900,960
Impairments	-733,845	-2,555,401	0	0	-3,289,246
Total profit before taxes and minority interests	-23,380,735	125,835,884	7,782,309	0	110,237,458
Tax on profits	6,092,360	-32,088,150	-2,266,106	0	-28,261,896
Total profit after taxes and before minority interests	-17,288,375	93,747,734	5,516,203	0	81,975,562
Minority interests	0	0	-15,760	0	-15,760
Net profit or loss	**-17,288,375**	**93,747,734**	**5,500,443**	**0**	**81,959,802**

2011 income statement	Belgium	The Nether-lands	Luxembourg	Eliminations	31/12/2011
Financial and operating income and expenses	78,705,681	129,511,857	6,067,379	-304,279	213,980,638
Net interest income	114,693,582	189,425,683	2,482,668	0	306,601,933
Dividends	67,750	0	0	0	67,750
Net income from commissions and fees	-56,026,215	-10,124,348	1,757,235	-304,279	-64,697,607
Realised gains and losses on financial assets and					55.141.311
liabilities that are not measured at fair value					-34.361.806
in the income statement	45,297,580	0	-246,823	0	45,050,757
Gains and losses on financial assets and liabilities					-13.326
held for trading	-37,813,175	-50,209,517	0	0	-88,022,692
Gains and losses from hedge accounting					
	2,471,706	0	0		2,471,706
Gains and losses on derecognition of assets other than held for sale					-1.900.960
	48,599	0	-1,833	0	46,766
Other net operating income	9,965,854	420,039	2,076,132	0	12,462,025
Administrative expenses	-110,274,785	-13,762,976	-3,617,682	304,279	-127,351,164
Depreciation	-10,814,274	-1,078,352	-109,340	0	-12,001,966
Provisions	-1,463	0	1,193,900	0	1,192,437
Impairments	-4,231,936	-3,770,958	0	0	-8,002,894
Total profit before taxes and minority interests	-46,616,777	110,899,571	3,534,257	0	67,817,051
Tax on profits	31,653,135	-28,279,391	-957,828	0	2,415,916
Total profit after taxes and before minority interests	-14,963,642	82,620,180	2,576,429	0	70,232,967
Minority interests	0	0	-7,356	0	-7,356
Net profit or loss	**-14,963,642**	**82,620,180**	**2,569,073**	**0**	**70,225,611**

NOTES TO THE CONSOLIDATED BALANCE SHEET

All transactions between the segments are done at arm's length. The main transactions between the operational segments that affect the results are:

(a) the interest income from the placement of the bonds issued by ABL (Luxembourg) with the Company (Belgium) and

(b) the recharge of a funding cost by the Company (Belgium) to the branch (the Netherlands) for capital made available (so that loans can be granted in the Netherlands).

(c) the income on the reinvestment in Belgium of savings deposited in the Netherlands.

Information about products and services

This consolidated IFRS accounting only concerns the Bank Pool, which resorts entirely under retail banking, and is considered as a single operational segment for the purposes of the consolidated internal reporting.

Retail banking provides financial services to individuals, the self-employed and small and medium-sized enterprises. In the Benelux, it provides advice on daily banking, saving, lending and investment.

Information about important clients

If the income from transactions with a single external customer accounts for at least 10 % of the Company's income, this must be disclosed.

The Company applies various guidelines to limit the concentration of the credit risk (and as such, the concentration of income), so this 10 % limit would never be reached under the present guidelines.

11. Cash and cash balances and deposits with central banks

This category includes all cash and current account balances with central banks.

	31/12/2010	31/12/2011
Cash	32,026,475	31,836,082
Cash balances with central banks	943,036	743,169
Total	32,969,511	32,579,251
of which cash and cash equivalents	32,969,511	32,579,251

At the end of 2011, as part of the diversification of its funding, the Company participated in the ECB's LTRO (Long Term Refinancing Operation) for an amount of EUR 200 million.

	31/12/2010	31/12/2011
Deposits from central banks	0	200,050,000
Geographical breakdown - Belgium	0	200,050,000
Breakdown by residual term		
Up to 1 year	0	50,000
Between 1 and 5 years	0	200,000,000
More than 5 years	0	0
Effective interest rate on portfolio as of 31 Dec.	0	1.00%

12. Financial assets and liabilities held for trading

The financial assets held for trading are composed as follows:

(Unlisted) financial assets	number	notional	31/12/2010	number	notional	31/12/2011
Interest rate options - caps	6	1,600,000,000	42,041,722	12	3,300,000,000	35,197,477
Swaps	3	1,730,000,000	15,555,519	2	1,100,000,000	5,388,528
Swap securitisation transactions	2	3,049,403,888	165,162,195	2	2,995,641,136	173,894,879
Values based on measurement techniques			222,759,436			214,480,884

The financial liabilities held for trading are composed as follows:

(Unlisted) financial liabilities	number	notional	31/12/2010	number	notional	31/12/2011
Interest rate options - caps	5	1,500,000,000	11,612,041	9	3,000,000,000	8,364,224
Swaps	3	1,730,000,000	82,895,926	2	1,100,000,000	30,712,692
Swap securitisation transactions	2	3,049,403,888	169,268,629	2	2,995,641,136	176,660,873
Values based on measurement techniques			263,776,596			215,737,789

Niet beursgenoteerd (OTC) - caps

Onder financiële activa aangehouden voor handelsdoeleinden komen (vanwege hun positieve reële waarde) vooreerst de renteopties (caps) terecht. Onder de financiële verplichtingen de renteopties (caps) met negatieve reële waarde.

Deze renteopties, die over-the-counter (OTC) gekocht werden bij andere financiële instellingen worden steeds aangegaan in het kader van economische afdekkingstransacties maar waarvoor geen hedge accounting wordt toegepast.

De betrokken opties worden gebruikt als bescherming tegen het renterisico en zijn opties waarbij de verkoper zich verplicht aan de koper een renteverschil te betalen in ruil voor een door de koper betaalde premie.

Niet beursgenoteerd (OTC) - swaps

Onder deze rubriek komen de swaps (op actiefzijde diegene met een positieve reële waarde en op de verplichtingen zijde diegene met een negatieve marktwaarde) terecht die, alhoewel ze afgesloten werden in het kader van het ALM beheer, niet verwerkt worden volgens de hedge accounting principes.

Niet beursgenoteerd (OTC) – swaps effectiseringstransacties

In het kader van de uitgevoerde effectiseringstransacties werden er (op consolidatieniveau bekeken) vier swaps afgesloten. Het verschil tussen de marktwaarde van de vier swaps is verwerkt in de resultatenrekening.

13. Available-for-sale financial assets

The majority of the Company's securities portfolio (shares and bonds) is recognised under this classification.

An MBS portfolio was reclassified in 2011 under 'loans and receivables' instead of 'available-for-sale financial assets'. More comprehensive information on this reclassification is included in the following Note.

	31/12/2010	31/12/2011
Total	13,962,960,795	14,207,095,790
Of which hedged via micro-hedges	1,645,062,301	2,050,554,200
Geographical breakdown		
Belgium	4,533,829,651	6,300,057,547
Other EMU countries	6,798,470,229	5,668,512,202
Rest of the world	2,630,660,915	2,238,526,041
Breakdown by interest rate type (fixed or variable)		
Variable	3,196,777,529	3,162,387,477
Fixed	10,759,770,218	11,038,279,053
Undefined	6,413,048	6,429,260
Breakdown by residual term		
According to maturity date		
Up to 1 year	2,857,373,536	2,493,029,182
Between 1 and 2 years	1,969,875,951	2,394,693,637
Between 2 and 3 years	1,810,254,450	3,975,436,363
Between 3 and 4 years	3,542,539,780	2,132,566,316
Between 4 and 5 years	1,401,940,117	1,961,116,583
More than 5 years	2,374,563,913	1,243,824,448
Undefined	6,413,048	6,429,259
According to interest revision or maturity date, whichever is the sooner		
Up to 1 year	5,445,569,747	5,022,157,667
Between 1 and 2 years	1,595,070,257	1,856,762,427
Between 2 and 3 years	1,438,698,803	2,716,089,104
Between 3 and 4 years	2,157,191,198	1,862,695,509
Between 4 and 5 years	1,123,015,378	1,567,766,278
More than 5 years	2,197,002,364	1,175,195,546
Undefined	6,413,048	6,429,259
Impairments	0	3,578,926
Effective interest rate on portfolio as of 31 Dec.	2.80%	2.86%
Used as collateral	2,208,527,000	2,509,111,154

NOTES TO THE CONSOLIDATED BALANCE SHEET

The fair value and amortised cost and the related unrealised gains or losses as of 31 December 2010 and 31 December 2011 are:

2010 financial year	amortised cost price	pro rata interest	unrealised results	impairments	fair values
Fixed-income securities					
- public institutions	6,748,348,853	115,070,652	-13,565,574	0	6,849,853,931
- credit institutions	4,983,290,204	84,193,390	-42,844,878	0	5,024,638,716
- other loans	2,051,511,103	33,727,047	-3,183,050	0	2,082,055,100
Variable-yield securities					
- investment funds	6,302,916	0	110,132	0	6,413,048
- Other shares	0	0	0	0	0
	13,789,453,076	232,991,089	-59,483,370	0	13,962,960,795

2011 financial year	amortised cost price	pro rata interest	unrealised results	impairments	fair values
Fixed-income securities					
- public institutions	7,627,683,332	129,390,707	-31,924,347	0	7,725,149,692
- credit institutions	4,521,809,757	78,276,419	-65,491,822	0	4,534,594,354
- other loans	1,908,028,997	27,384,198	9,088,215	-3,578,926	1,940,922,484
Variable-yield securities					
- investment funds	6,322,945	0	106,315	0	6,429,260
- Other shares	0	0	0	0	0
	14,063,845,031	235,051,324	-88,221,639	-3,578,926	14,207,095,790

The external fair values used come from the same sources, i.e. Bloomberg and Euroclear (the main clearing and custody counterparty used by the Company), and are measured in the same way as in previous years. Further information on the hierarchy of the external fair values used is given in Note 23.

14. Loans and receivables

14.1. Loans to and receivables from credit institutions

The loans to and receivables from credit institutions are composed as follows:

	31/12/2010	31/12/2011
Total loans to and receivables from credit institutions	856,023,133	790,825,276
Geographical breakdown		
Belgium	634,399,390	601,683,740
Other EMU countries	166,621,571	189,141,536
Rest of the world	55,002,172	0
Breakdown by residual term: up to 3 months	855,989,323	790,825,276
Breakdown by type		
Current accounts	150,816,359	111,848,828
Term deposits	168,795,891	213,812,155
Reserves with central banks	481,410,883	456,604,293
Collateral received from financial institutions	55,000,000	8,560,000
of which cash and cash equivalents	313,102,749	325,660,983
Impairments	0	0
Effective interest rate on portfolio as of 31 Dec.	0.75%	0.76%

Under the monetary policy, the bank entities are obliged to hold deposits with the central banks in the countries where the Company operates. These deposits fell slightly, from EUR 481,410,883 to EUR 456,694,293.

14.2.Loans to and receivables from other clients

The loans to and receivables from other clients are composed as follows:

	31/12/2010	31/12/2011
Total	17,622,724,410	18,026,624,740
Geographical breakdown		
Belgium	6,634,215,324	7,356,325,136
Other EMU countries	10,979,896,627	11,461,035,210
Rest of the world	8,812,459	89,670
Breakdown by residual term		
Up to 1 year	41,849,517	49,938,415
Between 1 and 2 years	84,691,629	92,014,162
Between 2 and 5 years	351,069,429	404,235,675
Between 5 and 10 years	1,104,610,739	1,165,794,238
More than 10 years	15,929,250,959	16,215,333,371
Undefined	111,252,137	99,308,879
Impairments	46,699,985	44,367,971
Breakdown by loan type		
Consumer loans	86,042,692	170,751,313
Mortgage loans	17,358,673,690	17,588,986,758
Instalment loans	164,180,242	180,637,879
Demand deposits	13,827,786	16,211,359
Other loan receivables	0	70,037,431
Effective interest rate on portfolio as of 31 Dec.	4.22%	4.24%

Note on reclassification of MBS portfolio

In 2011, an MBS portfolio with a carrying value of EUR 72,886,764 was reclassified from ‘available-for-sale assets’ to ‘loans and receivables’ (under ‘other loan receivables’). This reclassification took place due to the absence of an active market.

The securities were reclassified at their fair value. At the time of the reclassification, after calculation of the potential tax liability, there was a EUR 15,953,789 negative revaluation reserve in equity.

As of 31 December 2011, the negative revaluation reserve amounted to EUR 15,532,650, which would have been EUR 16,706,447 if reclassification had not occurred. As of 31 December 2010, there was a negative revaluation, after tax, of EUR 12,402,600 for this portfolio.

No individual impairments were recognised for the portfolio in question. As already mentioned, a collective impairment of EUR 1.34 million was recognised for the MBS portfolio. Interest of EUR 410,266 has been charged to the result since the reclassification.

Note on securitisation of Dutch mortgage loans

Securitisation transactions involving Dutch mortgage loans were undertaken in 2007 and 2008. The Company’s management decided that the Green Apple SPV should be consolidated, as a result of which the transferred loans continue to be recognised on the Bank Pool’s balance sheet.

The loans involved in these two securitisation transactions are not included on the Company’s non-consolidated balance sheet. As a result of the IFRS consolidation, these securitised loans, which all served to satisfy the requirements for the existing Dutch NHG guarantee, are recognised on the consolidated balance sheet. They are included in the amount of EUR 17,588,986,758 under mortgage loans.

15. Derivatives, hedge accounting and fair value changes of the hedged items

This section contains additional information on 'derivatives used for hedging' and 'changes in the fair value of the hedged positions when hedging the interest risk of a portfolio'.

Hedge accounting (accountancy processing of hedging transactions in IFRS) can be used for derivatives that are intended to be used in this way, on condition that certain criteria are satisfied. These criteria for the accounting treatment of a derivative as a hedging instrument include:

- the hedging instrument, the hedged positions and the purpose and strategy of the hedging and party involved must be officially documented before hedge accounting is applied.

- the hedge must be documented, substantiating that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the fair value (or cash flows) that are related to the hedged risk during the entire reporting period; and

- the hedge is effective from the start and is continuously assessed.

Macro hedges

For the time being, the Company applies IAS 39, which was authorised by the EU, because it reflects best the way in which the Company manages its activities.

Hedging contracts target to limit the interest rate risk ensuing from the selected category of assets (or liabilities) that are proposed as qualifying hedged positions.

The Company performs an overall analysis of the interest rate risk and selects assets (and/or liabilities) that must be included in the hedging of the portfolio's interest rate risk. At the start, it defines the risk position to be hedged, the duration, the way in which the tests are conducted and the frequency thereof.

The Company has opted to hedge a portfolio of mortgage loans with a fixed interest rate, and selects within that portfolio the hedged positions according to the interest rate risk management strategy. The assessment of the effectiveness consists of checking whether the object of the hedge, i.e. limiting the interest rate risk, has been achieved.

With hedge accounting, the changes in the real value of the fixed rate component of these swaps are offset by opposite changes in the fair value of the hedged positions. The fluctuations in the fair value of the floating rate component of the swaps have a net impact on the results.

This concerns a fair value hedge, whereby the hedged risk consists of the benchmark (Euribor), which is the interest rate component of the fixed-rate mortgage loans. The gains or losses of the hedged positions as a result of the hedged risk, and the gains or losses on the hedging instruments are recognised in the income statement (see Note 30).

Micro-hedges

The Company also concludes swaps to hedge the interest rate risk of individual instruments (micro-hedges).

Firstly, there are swaps concluded to hedge the securities purchased at that time, all of which were classified under 'available-for-sale assets'. The changes in the fair value of the fixed rate component of these swaps are offset by opposite changes in the fair value of the hedged positions.

Part of the change in fair value of the relevant 'available-for-sale' securities is thus not recognised on a separate line in equity, but is treated in the income statement under hedge accounting.

In addition, a cash flow hedge was concluded for the first time in 2011. This involved taking a forward starting swap for a notional amount of EUR 100 million to hedge the interest rate risk on a future portfolio of savings certificates.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Summary of derivatives (swaps) used for hedging (macro and micro-hedges)

Macro hedge - fair value hedging	number	notional	31/12/2010	number	notional	31/12/2011
Change in the fair value of hedged positions			350,394,320			380,807,554
Derivatives with negative fair value	6	2,905,000,000	-363,172,321	6	2,905,000,000	-435,179,571

Micro-hedge - fair value hedging	number	notional	31/12/2010	number	notional	31/12/2011
Change in the fair value of hedged positions			-17,560,527			79,199,204
Derivatives with positive fair value	5	796,630,000	5,550,236	0	0	0
Derivatives with negative fair value	6	841,530,000	-2,351,653	17	2,143,042,550	-114,590,102

16. Property, plant and equipment

The property, plant and equipment (measured after recognition using the cost price model) as of 31 December 2010 and 31 December 2011 were as follows:

	31/12/2010	31/12/2011
Buildings, land, equipment	33,667,358	34,584,696
Investment properties	363,549	416,426
Total	34,030,907	35,001,122
Fair value of investment properties	741,575	701,500

2010	Land Buildings	IT Equipment	Other Equipment	Total	Investment property
Opening balance as of 1 Jan. 2010	28,044,170	5,815,199	2,223,008	36,082,377	152,428
- Investments	206,848	1,090,085	1,403,716	2,700,649	298,438
- Disposals	0	-355,093	-5,952	-361,045	-85,550
- Depreciation	-951,964	-3,046,014	-467,568	-4,385,043	-3,432
- Transfers	0	0	0	0	0
- Other changes	0	-1,606	-287,471	-289,077	1,665
Closing balance as of 31 Dec. 2010	**27,299,054**	**3,502,571**	**2,865,733**	**33,667,358**	**363,549**

2011	Land Buildings	IT Equipment	Other Equipment	Total	Investment property
Opening balance as of 1 Jan 2011	27,299,054	3,502,571	2,865,733	33,667,358	363,549
- Investments	193,322	3,003,111	1,662,407	4,858,840	526,001
- Disposals	0	-435,271	-327,266	-762,537	-462,783
- Depreciation	-937,288	-2,049,689	-482,321	-3,469,298	-17,776
- Transfers	0	0	0	0	0
- Other changes	0	0	290,333	290,333	7,435
Closing balance as of 31 December 2011	**26,555,088**	**4,020,722**	**4,008,886**	**34,584,696**	**416,426**

17. Goodwill and other intangible assets

Goodwill is defined as the portion of the cost of the acquisition of a business unit that exceeds the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, as calculated on the date of acquisition. The Company had no goodwill of this type on its balance sheet in 2010 and 2011.

As of 31 December 2011, the other intangible assets capitalised using the cost price model were composed as follows:

	Acquired software	Other intangible assets	Total
Opening balance as of 1 Jan. 2010	19,155,490	294,339	19,449,829
- Separately acquired additions	9,901,422	7,023	9,908,445
- Retirement & disposal	-233,741	0	-233,741
- Amortisation recognised	-6,756,599	-94,116	-6,850,715
- Other movements	0	0	0
Closing balance as of 31 Dec. 2010	22,066,572	207,246	22,273,818
- Separately acquired add-ons	15,827,264	22,116	15,849,380
- Retirement & disposal	-390	0	-390
- Amortisation recognised	-8,441,177	-73,715	-8,514,892
- Other movements	0	0	0
Closing balance as of 31 December 2011	29,452,269	155,647	29,607,916

The acquisition price and acquisition costs of acquired software are amortised at 20 % per year on a pro rata basis. Other intangible assets are amortised at 10% per year.

18. Tax assets and liabilities

The other assets are composed as follows:

	31/12/2010	31/12/2011
Current tax assets	0	0
Deferred tax assets	2,965,393	73,324,142
Total tax assets	2,965,393	73,324,142
Current tax liabilities	2,559,469	1,728,245
Deferred tax liabilities	856,802	618,859
Total tax liabilities	3,416,271	2,347,104

Note 24 contains more information about taxation.

19. Other assets

The other assets are composed as follows:

	31/12/2010	31/12/2011
Prepaid costs	2,670,245	2,788,743
Amounts yet to be collected	2,375,324	1,428,183
Payment card advance	31,493,112	37,762,273
Notary suspense account	2,848,312	59,684,334
Other suspense accounts	103,237,275	129,673,522
Total	142,624,268	231,337,055

Other suspense accounts includes amounts that are only on these books until definitively allocated.

20. Financial liabilities measured at amortised cost

20.1. Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2010	31/12/2011
Deposits from credit institutions	1.987.454.479	1.894.988.426
Geographical breakdown	1.858.451.008	0
Belgium	16.203.471	1.828.158.426
Other EMU countries	112.800.000	66.830.000
Rest of the world	112,800,000	66,830,000
Breakdown by residual term		
Up to 1 year	1,987,454,479	1,894,988,426
Breakdown by type		
Deposits repayable on demand	3,471	81,232
Repos	1,858,451,008	1,828,077,194
Collateral with financial institutions	129,000,000	66,830,000
Effective interest rate on portfolio as of 31 Dec.	0.86%	1.11%

20.2. Retail funding – deposits

The deposits from institutions other than credit institutions are composed as follows:

	31/12/2010	31/12/2011
Deposits from institutions other than credit institutions	20,821,129,467	21,899,423,659
Geographical breakdown		
Belgium	19,586,027,139	20,637,082,312
Other EMU countries	1,175,646,032	1,198,973,266
Rest of the world	59,456,296	63,368,081
Breakdown by type		
Retail deposits repayable on demand	1,536,204,748	1,755,783,819
Fixed-term retail deposits	1,584,261,823	1,566,633,393
Regulated retail saving deposits	16,507,615,114	17,386,952,187
Mortgage-linked retail deposits	248,647,106	318,066,968
Deposit guarantee scheme	5,158,049	3,107,274
Other retail deposits	939,242,627	868,880,018
Breakdown of fixed-term retail deposits by residual term		
Up to 1 year	316,313,964	434,128,748
Between 1 and 5 years	1,220,766,876	1,088,245,225
More than 5 years	47,180,983	44,259,420
Effective interest rate on portfolio as of 31 Dec.	1.83%	1.86%

More than 99 % of ‘other deposits’ consist of deposits on savings accounts at the branch in the Netherlands.

20.3. Retail funding - debts certificates

Debts certificates, including saving bonds, are composed as follows:

	31/12/2010	31/12/2011
Debts certificates – retail bank savings bonds	6,272,394,906	5,770,891,720
Geographical breakdown		
Belgium	6,264,279,822	5,748,862,790
Other EMU countries	5,678,108	17,611,039
Rest of the world	2,436,976	4,471,892
Breakdown by residual term		
Up to 1 year	1,315,384,089	3,461,754,768
Between 1 and 5 years	5,224,558,832	2,282,924,618
More than 5 years	1,520,364,362	26,212,334
Effective interest rate on portfolio as of 31 Dec.	3.42%	3.97%

20.4. Debts certificates - bonds

	31/12/2010	31/12/2011
Debts certificates - bonds	1,787,912,377	1,784,056,968
Geographical breakdown (other EMU countries)	1,787,912,377	1,784,056,968
Breakdown by residual term		
Up to 1 year	8,017,047	9,608,834
Between 1 and 5 years	1,773,679,164	1,774,448,134
More than 5 years	0	0
Effective interest rate on portfolio as of 31 Dec.	1.49%	1.96%

These bonds are made up of three groups: (a) EUR A notes (XS0322161026) issued by the Green Apple SPV for a nominal amount of EUR 1.486 billion. Green Apple issued these notes as part of a securitisation transaction in 2007 (b) a bond issue by Arne for a nominal amount of EUR 50 million and (c) bonds issued by ABL.

The Green Apples notes were placed with institutional investors, and the other bonds with the retail investors.

20.5. Subordinated liabilities

Standard subordinated liabilities were placed with the retail public. The EUR 100 million perpetual loan was placed with institutional investors.

The subordinated liabilities are composed as follows:

	31/12/2010	31/12/2011
Subordinated liabilities	605,869,639	603,030,175
Geographical breakdown		
Belgium	543,088,437	540,479,970
Other EMU countries	62,450,435	61,981,774
Rest of the world	330,767	568,431
Breakdown by residual term		
Up to 1 year	182,227,003	141,945,522
Between 1 and 5 years	323,137,485	360,353,216
More than 5 years	100,505,151	100,731,437
Breakdown by type		
Subordinated loans (retail funding)	505,364,488	502,452,461
Tier 1 loan (corporate funding)	100,505,151	100,577,714
Effective interest rate on portfolio as of 31 Dec.	4.24%	4.09%

In October 2006, the Company issued a Tier 1 undated deeply subordinated non-cumulative note for a nominal amount of EUR 100 million with a coupon of 5.855 % due on 31 October 2016, and afterwards a variable interest coupon of 3-month Euribor + 275 basis points (ISIN-code BE0932117444). The Company has the right (call option) to redeem the loan prior to maturity with effect from 31 October 2016.

21. Provisions

The changes in the provisions during the year are:

	Restructuring	Current Legal disputes	Other Provisions	Total
Opening balance as of 1 Jan. 2010	0	420,000	6,990,668	7,410,668
Additions	1,200,000	160	700,800	1,900,960
Amounts used	0	0	0	0
Closing balance as of 31 Dec. 2010	1,200,000	420,160	7,691,468	9,311,628
Additions	0	200,854	0	200,854
Amounts used	1,200,000		193,292	1,393,292
Closing balance as of 31 Dec. 2011	0	621,014	7,498,176	8,119,190

A provision of EUR 1.2 million was made for a restructuring operation at ABL in the last quarter of 2010. This provision was applied upon the implementation of the restructuring in 2011.

As from 2011, ABL will focus solely on its business as a fund manager and the retail banking business will cease.

The provisions for current tax and legal disputes are based on the best possible accounting estimates available at year-end, taking account of the opinions of legal and tax advisers.

The 'other provisions' item relates mainly to provisions for VAT. The relevant VAT administrations were consulted to clarify the related topics.

The timing of the cash outflows that correspond with these provisions is by definition uncertain, considering the unpredictability of the outcome of, and the time associated with, the settlement of disputes.

22. Other liabilities

The other liabilities as of 31 December 2011 are composed as follows:

	31/12/2010	31/12/2011
Social security charges	2,206,086	2,334,905
Accrued charges	724,615	1,001,874
Suspense accounts for fund transfers	20,338,030	44,147,442
Amounts to be processed	38,958,587	23,454,503
Other liabilities	22,782,394	28,706,937
Other suspense accounts	96,229,136	83,880,809
Total	181,238,848	183,526,470

Other suspense accounts primarily include the amounts that are only on these accounts for a few days (until definitively allocated).

NOTES TO THE CONSOLIDATED BALANCE SHEET

23. Fair value of financial assets and liabilities

23.1. Financial instruments not recognised at fair value

The following table shows the carrying value and the fair value of the financial assets and liabilities that were not measured at their fair value on the consolidated balance sheet.

		31/12/2010		31/12/2011
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash balances with central banks	32,969,511	32,969,511	32,579,251	32,579,251
Loans and receivables	18,478,747,543	19,309,811,617	18,817,450,016	20,288,233,971
Loans to and receivables from credit institutions	856,023,133	856,011,204	790,825,276	790,832,884
- Current accounts	150,816,359	150,816,359	111,848,828	111,848,828
- Term deposits	168,795,891	168,783,962	213,812,155	213,819,763
- Reserves with central banks	481,410,883	481,410,883	456,604,293	456,604,293
- Collateral with financial institutions	55,000,000	55,000,000	8,560,000	8,560,000
Loans to and receivables from other customers	17,622,724,410	18,453,800,413	18,026,624,740	19,497,401,087
- Consumer loans	86,042,692	91,074,688	170,751,313	181,450,491
- Mortgage loans	17,358,673,690	18,185,241,720	17,588,986,758	19,048,921,785
- Instalment loans	164,180,242	163,653,838	180,637,879	181,035,848
- Amounts repayable on demand/advances	13,827,786	13,830,167	16,211,359	16,213,318
- Other loan receivables	0	0	70,037,431	69,779,645
Total financial assets	**18,511,717,054**	**19,342,781,128**	**18,850,029,267**	**20,320,813,222**
Deposits from central banks	0	0	200.050.000	200.050.000
Financial liabilities measured at amortised cost	31,474,760,868	31,748,385,260	31,952,390,948	32,002,579,490
Deposits from credits institution	1,987,454,479	1,987,454,479	1,894,988,426	1,894,988,426
Deposits from other than credit institutions	20,821,129,467	20,858,458,963	21,899,423,659	21,895,347,727
Demand deposits	1,536,204,748	1,536,204,748	1,755,783,819	1,755,783,819
Fixed-term deposits	1,584,261,823	1,621,591,319	1,566,633,393	1,562,557,461
Deposits of a special nature	939,242,627	939,242,627	868,880,018	868,880,018
Regulated saving deposits	16,507,615,114	16,507,615,114	17,386,952,187	17,386,952,187
Mortgage-linked deposits	248,647,106	248,647,106	318,066,968	318,066,968
Deposit guarantee scheme	5,158,049	5,158,049	3,107,274	3,107,274
Debts certificates, including bank savings certificates	8,060,307,283	8,281,872,253	7,554,948,688	7,598,852,356
Bank savings certificates	6,272,394,906	6,490,447,019	5,770,891,720	5,827,525,727
Bonds	1,787,912,377	1,791,425,234	1,784,056,968	1,771,326,629
Subordinated debts	605,869,639	620,599,565	603,030,175	613,390,981
Subordinated loans	505,364,488	511,782,917	502,452,461	501,087,813
Tier 1 loan	100,505,151	108,816,648	100,577,714	112,303,168
Total liabilities	**31,474,760,868**	**31,748,385,260**	**32.152.440.948**	**32.202.629.490**

As stated in the accounting principles, the fair value is the value at which an asset could be traded, or a liability settled, between informed, willing parties at arm's length.

The Company uses the following methods, in the order listed, to determine the fair value of financial instruments: firstly, the listed price in an active market, and then the use of measurement techniques.

The fair value shown is the full fair value including accrued interest, since this was also treated under the respective items.

The calculation of the fair value of financial instruments that are not actively traded on financial markets can be summarised as follows:

(1) for short-term debt instruments or those repayable on demand, including current accounts and savings accounts, the fair value is equal to the nominal value; and

(2) for other instruments, the spot value calculation is used, in which the discount rate is based on a reference rate with a margin that is standard for the market.

23.2. Financial instruments recognised at fair value

The following tables show the fair value of the financial instruments that are recognised at their fair value on the balance sheet.

The instruments concerned are shown in the tables in accordance with the IFRS 7 fair value scale. The level of the fair value depends on the type of input used to measure the financial instruments.

Level 1 involves quoted (unadjusted) prices in active markets (externally available, observable fair values of financial instruments on liquid markets).

Level 2 includes all fair values that can be obtained directly or indirectly on the basis of observable parameters (input) using models.

Finally, level 3 relates to fair values calculated on the basis of non-observable parameters (input).

The following table provides a summary of the scale of levels of financial assets and liabilities recognised at fair value.

Data as of 31 December 2010	level 1	level 2	level 3
Financial assets recognised at fair value			
Assets held for trading	0	222,759,436	0
Available-for-sale assets	12,305,878,281	1,488,170,605	168,911,909
Derivatives for hedging purposes	0	5,550,236	0
Liabilities recognised at fair value			
Liabilities held for trading	0	263,776,596	0
Derivatives used for hedging	0	365,523,974	0

Data as of 31 December 2011	level 1	level 2	level 3
Financial assets recognised at fair value			
Assets held for trading	0	214,480,884	0
Available-for-sale assets	11,545,172,595	2,616,573,269	45,349,926
Derivatives for hedging purposes	0	0	0
Liabilities recognised at fair value			
Liabilities held for trading	0	215,737,789	0
Derivatives used for hedging	0	549,769,673	0

The following table shows the reconciliation of level three fair values between 1 January 2010 and 31 December 2011. Because there was no active market, a portfolio of MBS was reclassified from available-for-sale assets to loans and receivables in 2011.

	Fixed-income securities	Variable-yield securities
Opening total as of 1 January 2010	317,734,502	78,072
Purchases	55,144,156	0
(Partial) redemptions	-23,590,321	0
Matured	-63,744,358	0
Changes to other levels	-119,188,583	
Other changes	2,556,514	0
Closing total as of 31 December 2010	168,911,909	78,072
Sales	-34,875,784	0
(Partial) redemptions	-9,077,999	0
Changes to other levels	-6,786,570	0
Reclassified under loans and receivables	-71,084,723	0
Other changes	-1,736,907	0
Closing total as of 31 December 2011	45,271,854	78,072

24. Derivatives

Besides derivatives embedded in contracts, the Company has two types of derivatives (derived financial instruments) on its balance sheet on 31 December 2011: interest rate options (caps bought and sold) and swaps.

Under IFRS, derivatives should be part of the trading book, unless a hedging relationship is demonstrated between the asset concerned and a specifically hedged component.

Such a hedge relationship can be considered as effective if, due to market factors such as a change in interest rates, the price fluctuations or cash flows of the financial derivative almost entirely offset the price fluctuations or cash flows of the hedged component.

Due to the strict IFRS criteria that must be satisfied to classify these as hedging instruments, they are sometimes classified as derivatives held for trading.

For this, the Company uses hedging transactions that satisfy all the required criteria for hedging transactions of IAS 39, as approved by the EU. As a result, the particular hedging instruments are classified as derivatives used for hedging. The framework for including micro-hedges in the AFS portfolio and for including derivatives as cash flow hedges has also been incorporated at the Company.

Interest rate options

Interest rate options are used as protection against the interest rate risk and are options with which the seller commits to pay the buyer an interest rate difference in exchange for a premium paid by the buyer. The interest rate difference is the difference between the current interest rate and an agreed interest rate for a notional amount.

In order to reduce the cost of the hedges, caps were simultaneously bought and written for the same notional amount and the same term. The strike prices of the caps sold are higher than the strike prices of the purchased caps, so that the risk of the combined bought and sold caps concerned is limited to the net premium paid (cylinder caps).

As of 31 December 2010, there were 11 caps on the Company's balance sheet, with a notional value of EUR 3.1 billion. Of these, five were bought and sold caps combinations (10 caps in total, to hedge the interest rate risk under liabilities) and one cap to hedge the interest rate risk of the mortgage lending.

As of 31 December 2011, there were 21 caps on the Company's balance sheet, with a notional value of EUR 6.3 billion. Of these, nine were bought and sold caps combinations (18 caps in total, to hedge the interest rate risk under liabilities) and three caps to hedge the interest rate risk of the mortgage lending.

Although targeted to hedge the interest rate risk, these caps were included in IFRS as instruments held for trading.

The fair values used for the financial derivatives presented separately above were calculated solely using measurement techniques based on objectively observable market parameters.

Interest rate swaps

Interest rate swaps are contractual agreements between two parties on the basis of which interest flows in the same currency are exchanged. These obligations are calculated on the basis of various interest types. With the majority of interest rate swaps, a net exchange of cash flows takes place. This consists of the difference between the fixed and variable interest payments.

The following table provides a summary of all swaps recognised at year-end, the hedged positions and the IFRS processing method.

2010 number	notional	hedge	IFRS method
6	2,905,000,000	loan portfolio interest rate risk	macro portfolio fair value hedge
11	1,638,160,000	interest rate risk on individual AFS	micro fair value hedge AFS instruments
4	6,310,084,608	interest rate risk on securitised loans	Held for trading
6	3,460,000,000	loan portfolio interest rate risk	Held for trading

2011 number	notional	hedge	IFRS method
6	2,905,000,000	loan portfolio interest rate risk	macro portfolio fair value hedge
16	2,043,042,550	interest rate risk on individual AFS	micro fair value hedge AFS instruments
1	100,000,000	interest rate risk on bank savings certificates portfolio	micro-hedge - cash flow hedge
4	5,991,282,272	interest rate risk on securitised loans	Held for trading
4	2,200,000,000	loan portfolio interest rate risk	Held for trading

Additional information on the cash flow hedge referred to in the table above

On 3 May 2011, a forward starting swap was concluded for a notional amount of EUR 100 million (starting date 31 May 2011 and end date 31 May 2021) to hedge the interest cost of a future portfolio of retail bank savings certificates/term deposits.

This therefore entails setting the interest cost (funding cost) of bank savings certificates/time deposits with a term of five years (to be issued in 2016 and then used to fund 10-year mortgage loans granted in the second quarter of 2011).

As of 31 December 2011, the swap concerned had a negative market value of EUR 5,119,814 and after deduction of an unrealised tax claim of EUR 1,740,225 EUR an amount of EUR 3,379,589 was recorded under 'cash flow hedge' in equity.

Additional information on swaps concluded as part of securitisation transactions

With every securitisation transaction, two swaps are agreed, a front swap between the Green Apple SPV and a financial counterparty and a back swap between this counterparty and the Company. In IFRS, all these swaps (four in total) are classified under the 'assets/liabilities held for trading':

- with Green Apple 2007, two swaps with a notional value of EUR 1.5 billion; and
- with Green Apple 2008, two amortising swaps, initial notional value of EUR 1.975 billion and notional value of EUR 1.496 billion as of 31 December 2011.

Two swaps are used for each securitisation transaction, in order to create a minimum credit risk in the SPV because with the front swap, the counterparty of the SPV is a financial institution with a better rating (and thus supposedly better creditworthiness) than the Company. Via the back swap, the interest risk of the securitisation loan portfolios is reintroduced on the Company's balance sheet.

The difference in the fair values of the front and back swaps (EUR 2,765,994) reflects the residual cost price of the intermediate step of a front swap in the securitisation transactions.

The fair values used for the financial derivatives presented separately above were calculated solely using measurement techniques based on objectively observable market parameters.

Derivatives embedded in contracts

Derivatives embedded in contracts should be segregated (hence recognised as separate derivatives on the balance sheet) when there is no close relationship between their economic characteristics and risks and those of the host contract. No such derivatives needed to be segregated and classified under this category.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Notes to the consolidated income statement.

25. Net interest income

The breakdown of interest income and charges by type of financial instrument that generates an interest margin is as follows.

	31/12/2010	31/12/2011
Interest income		
Available-for-sale financial assets	347,117,905	397,145,696
Loans to and receivables from credit institutions	7,211,250	7,444,996
Loans to and receivables from other customers	776,099,856	749,846,480
Derivatives - hedge accounting, interest rate risk	32,421,447	72,814,802
Interest expenses		
Deposits from credit institutions	-7,101,522	-21,175,257
Deposits from other than credit institutions	-410,414,529	-404,089,964
Debts certificates (including bank savings certificates)	-296,750,995	-280,216,160
Subordinated liabilities	-26,312,884	-30,513,650
Derivatives - hedge accounting, interest rate risk	-151,952,695	-184,655,010
Net interest income	270,317,833	306,601,933
Interest income from impaired financial assets	1,474,382	1,237,736

26. Dividends

The table below lists dividends received.

Dividends from equity instruments from	31/12/2010	31/12/2011
Available-for-sale financial assets	82,375	67,750
Total dividend income received other shares	82,375	67,750

27. Net income from commissions and fees

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

	31/12/2010	31/12/2011
Income from commissions and fees	64,578,777	62,802,448
securities: buy and sell order and other	15,174,439	13,548,707
Management fees received	15,334,172	19,702,561
Payment services	2,894,342	3,974,428
Commissions concerning hospitalisation insurance	23,412,047	20,897,267
Other items	7,763,777	4,679,485
Expenses relating to commissions and fees	-119,871,750	-127,500,055
Acquisition costs	-85,143,570	-96,476,907
Custody	-931,302	-1,878,126
Commissions concerning hospitalisation insurance	-21,868,340	-18,270,563
Payment services	-11,928,538	-10,782,547
Other items	0	-91,912
Net commission result	-55,292,973	-64,697,607

28. Realised gains and losses on financial assets and liabilities that are not measured at fair value in the income statement

The realised gains and losses on available-for-sale assets on the one hand and loans and receivables, on the other, can be shown as follows:

Realised gains	31/12/2010	31/12/2011
Available-for-sale financial assets		
- Gains on fixed-income securities	60,198,364	53,469,044
- Gains on variable-yield securities	398,224	2,173
Realised losses		
Available-for-sale financial assets		
- Losses on fixed-income securities	-5,455,277	-8,420,460
- Losses on variable-yield securities	0	0
Total net realised result	55,141,311	45,050,757

A more detailed breakdown of the unrealised gains and losses of the 'available-for-sale financial assets' category can be found in Note 13.

There are no unrealised gains or losses for the 'financial liabilities measured at amortised cost' category. The fair values of this category of financial liabilities are given in Note 24.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

29. Gains and losses on financial assets and liabilities held for trading

The result of the assets and liabilities held for trading can be shown as follows:

	31/12/2010	31/12/2011
Gains and losses on swaps	-38,397,140	-47,242,865
Gains and losses on caps	4,035,334	-40,779,827
Total result interest rate instruments	-34,361,806	-88,022,692

The swaps and caps concerned were contracted as part of an ALM policy. The impact of the caps relates entirely to fluctuations in the market value of the instruments concerned as against the premium paid (not yet recognised in the result).

30. Gains and losses from hedge accounting

For derivatives that are part of the fair value hedge transactions to hedge the interest rate risk of a portfolio or individual securities, the relevant interest is given under net interest income. Changes in the fair value of these derivatives and changes in fair value arising from hedged risk of the hedged assets are included in the item 'gains and losses from hedge accounting'.

	31/12/2010	31/12/2011
Portfolio hedge of interest rate risk		
Changes in the fair value of the hedging instruments	-66,718,525	-75,409,993
Changes in the fair value of hedged instruments	68,569,384	77,559,530
Hedging of the interest rate risk of individual financial instruments		
Changes in the fair value of the hedging instruments	17,773,820	-96,437,562
Changes in the fair value of hedged instruments	-17,560,527	96,759,731
Gains and losses from hedge accounting	2,064,152	2,471,706

31. Gains and losses on derecognition of assets other than held for sale

The gains and losses on derecognised assets, other than held for sale, are shown in appendix.

	31/12/2010	31/12/2011
Gains on derecognition of tangible fixed assets	20,565	44,249
Gains on derecognition of investment property	31,115	44,531
Losses on derecognition of tangible fixed assets	-65,006	-22,416
Losses on derecognition of investment property	0	-19,598
Total gain or loss	-13,326	46,766

32. Other net operating income

Other net operating income consists of the following components:

	31/12/2010	31/12/2011
Total other net operating income	5,428,155	12,462,025
Exploitatiebaten		
Investment properties	73,678	106,973
Costs charged on to group companies	11,978,448	13,977,574
Portfolio acquisition fees from agents	1,228,589	1,870,220
reversal provision garantee scheme Luxembourg	0	2.050.775
received rental printers - ICT infrastructure	0	1.154.281
Other	3,373,523	8,408,751
Operating expenses		
relating to leased real estate investments	0	0
Costs charged on to group companies	-10,523,293	-11,813,441
Other	-702,790	-199,525

The costs recharged to group companies relate to costs recharged to and from entities of the Argenta Group (BVg itself) and the Insurance arm not consolidated by the Company.

33. Administrative expenses

Employee expenses consist of the following components:

	31/12/2010	31/12/2011
Total employee expenses	23,125,989	24,306,021
Wages and salaries	16,198,799	17,304,568
Social security charges	4,375,273	4,507,091
Pension expenses	1,458,391	1,635,671
Share-based payments	0	0
Other	1,093,526	858,691
Average number of employees, in FTE	372.26	385.97
Managerial staff	15.80	18.50
Clerical staff	356.46	367.47
Manual staff	0	0

The Company only has pension obligations based on defined contribution schemes. In Belgium, the insurance company/companies guarantee(s) a minimum return for group pension policies. The contributions for the group insurance policies involved are given under the pension expenses item. There are no ‘share-based payments’ at present.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

General and administrative expenses can be summarised as follows:

	31/12/2010	31/12/2011
Total general and administrative expenses	92,393,289	103,045,143
Marketing expenses	770,104	1,319,392
Professional fees and IT expenses	32,896,725	33,983,579
Rents	2,328,902	2,861,351
Business taxes	10,371,974	11,146,673
Contribution to deposit protection fund in Belgium	29,471,546	33,974,387
Other	16,554,038	19,759,761

The ‘other’ item includes: telephone costs, postage, office supplies, subscriptions to professional associations and travel expenses.

The contribution to the deposit protection scheme (including an entry fee) was EUR 29,471,546 in 2010 and EUR 33,974,387 in 2011.

34. Impairments

The impairment changes are:

Impairments losses on assets not measured at fair value in the income statement	31/12/2010	31/12/2011
Available-for-sale financial assets	0	-3,578,926
Loans and receivables	-3,289,246	-4,423,968
Total impairments losses	-3,289,246	-8,002,894
Outstanding impairments for financial assets measured on an individual basis	31/12/2010	31/12/2011
Available-for-sale assets (fixed-income securities)	0	3,578,926
Loans and receivables		
- Consumer loans	2,903,719	2,929,170
- Mortgage loans	29,595,998	27,988,081
- Instalment loans	745,424	795,309
- Demand deposits/advances	10,065,762	8,594,814
- Other loan receivables	452,340	381,342
Total loans and receivables	43,763,243	40,688,716
Total impairments recognised	43,763,243	44,267,642

The tables of changes below show the composition of impairments measured on an individual basis in the 'loans and receivables' category as of 31 December 2010 and 31 December 2011.

At the end of 2010, the total amount of impairments determined on an individual basis and a portfolio basis amounted to EUR 3,289,246.

As of 31 December 2010	Opening balance 31/12/2009	Increase via P&L	Decrease via P&L	Closing balance 31/12/2010	Recoveries via P&L	Direct derecogni-tions	Collective provision	Total impact on result
Loans and receivables								
Consumer loans	3,442,681	849,682	-1,388,644	2,903,719	-145,318	547,428	0	-136,852
Mortgage loans	29,443,522	19,871,232	-19,718,756	29,595,998	-234,291	2,172,617	-430,973	1,659,829
Instalment loans	482,325	298,450	-35,351	745,424	0	0	0	263,099
Demand deposits/advances	11,143,629	5,587,156	-6,665,023	10,065,762	-483,691	2,453,648	0	892,090
Other loan receivables	441,469	236,548	-225,677	452,340	0	600,209	0	611,080
Total loans and receivables	44,953,626	26,843,068	-28,033,451	43,763,243	-863,300	5,773,902	-430,973	3,289,246

The overall impact of impairments recognised on an individual and portfolio basis on 'loans and receivables' was EUR 4,423,968 in 2011.

If the individual impairments under 'available-for-sale assets' are included, the overall impact is EUR 8,002,894.

As of 31 December 2011	Opening balance 31/12/2010	Increase via P&L	Decrease via P&L	Closing balance 31/12/2011	Recoveries via P&L	Direct derecogni-tions	Collective provision	Total impact on result
Loans and receivables								
Consumer loans	2,903,719	1,045,597	-1,020,146	2,929,170	-148,868	314,357		190,940
Mortgage loans	29,595,998	23,865,034	-25,472,951	27,988,081	-278,933	4,416,316	-597,486	1,931,980
Instalment loans	745,424	465,271	-415,386	795,309	0	196,024	0	245,909
Deposits repayable on demand/advances	10,065,762	3,605,754	-5,076,702	8,594,814	-610,568	2,602,187		520,671
Other loan receivables	452,340	237,924	-308,922	381,342	-10,182	275,648	1,340,000	1,534,468
Total loans and receivables	43,763,243	29,219,580	-32,294,107	40,688,716	-1,048,551	7,804,532	742,514	4,423,968

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35. Income tax expenses

The details of current and deferred taxes are shown below:

	31/12/2010	31/12/2011
Current tax liabilities for the financial year	25,434,595	24,797,136
Current liabilities related to previous periods	-1,028,985	-3,160,439
Deferred taxes related to temporary differences	-2,073,692	-7,988,695
Deferred taxes related to derivatives	3,714,356	-15,685,604
Deferred tax related to amortised cost calculations	2,215,622	-378,314
Total taxes	28,261,896	-2,415,916
Reconciliation of statutory tax rate to effective tax rate		
Net Profit before taxes	110,237,458	67,817,051
Statutory tax rate	33.99%	33.99%
Income tax liability calculated using statutory rate	37,469,712	23,051,016
Tax effect of rates in other countries' jurisdictions	-9,498,780	-8,070,227
Tax effect of non-taxable income	-1,120,878	-42,935
Tax effect of expenses that are not tax deductible	553,575	-7,032,767
Tax benefit not previously recognised	0	-7,745,221
Taxes from previous periods	-1,028,985	-2,531,706
Tax effect of other changes in statutory tax rates	1,887,251	-44,076
Total tax on profits	28,261,896	-2,415,916
Effective tax rate	25.64%	-3.56%

36. Securitisation policy

The Company has implemented two securitisation transactions since 2007. The operational framework and the policy for performing securitisation transactions were developed mid-2007, resulting in a first successful securitisation transaction in September 2007. A second securitisation transaction was finalised in December 2008.

Both securitisation transactions related to the securitisation of a portfolio of Dutch residential mortgage loans covered by the NHG (Dutch mortgage guarantee scheme) via the Green Apple SPV.

The goal of the first securitisation was to attract new funding (tap into a new source of funding) aimed at improving the liquidity position.

The goal of the second securitisation transaction was to convert mortgage loans into ECB eligible assets. This was also clearly reflected in the fact that the Company itself bought all the securities (issued by the Green Apple SPV). At consolidated level, these securities issued by Green Apple are no longer included because they were eliminated during the consolidation of the Green Apple SPV.

Main characteristics of the securitisation transaction Green Apple SPV 2007-I NHG

- securitisation of EUR 1.5 billion Dutch residential NHG mortgage loans;
- issued by the Green Apple SPV of three classes of bonds (GAPPL 2007-1 A XS0322161026, GAPPL 2007-1 B XS0322161299 and GAPPL 2007-1 C XS0322161299);
- front and back swap of nominal EUR 1.5 billion with RBS as counterparty;
- purchase of tranches B (EUR 10.5 million) and C (EUR 3 million) by the Company itself.

Main characteristics of the securitisation transaction Green Apple SPV 2008-I NHG

- securitisation of EUR 1.975 billion in Dutch residential NHG mortgage loans;
- issue by Green Apple SPV of three classes of bonds (GAPPL 2008-1 A XS0406581495, GAPPL 2008-1 B XS0406581735 and GAPPL 2008-1 C XS0406582030);
- amortising front and back swap of nominal EUR 1.49 billion with RBS as counterparty;
- purchase of tranches A, B and C by the Company itself.

37. Off-balance-sheet items

In accordance with the provisions of Article 4 of the Royal Decree of 10 August 2009, amending the Royal Decree of 30 January 2001 implementing the Companies Code and the Royal Decree of 12 September 1983 determining the minimum lay-out of a general accounting system, this annual report also includes notes on the nature and commercial purpose of off-balance-sheet arrangements.

As mentioned in Note 2, the management decided that the Green Apple SPV should be consolidated and that consequently both securitisation transactions are recognised in the consolidated financial statements and the transferred loans therefore remain on the group's balance sheet.

The Bank Pool has also issued guarantees on its own financial assets. The summary below gives the grounds for and carrying values of the assets concerned, which can all be found under 'available-for-sale assets'.

In rem security provided		31/12/2010	31/12/2011
- For repos	Nominal value	1,787,154,000	1,800,002,154
- For swaps	Nominal value	421,373,000	509,059,000
In rem security received		21,651,804,643	21,950,496,650

In addition, there is a charge of EUR 200 million with the NBB for the LTRO granted by central banks.

The in rem security received relates to the security received in return for lending (including mortgage registrations and pledged securities).

Note 9 provides further information on the 'group' guarantees issued and received (see table below).

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		31/12/2010	31/12/2011
- Financial guarantees issued	88,377,340	88,423,000	1.800.002.154
- Financial guarantees received	300,047,100	300,047,100	509.059.000

Finally, there are lines of credit granted and received. The lines of credit granted relate to the aforementioned lines of credit and credit offers for retail lending. Lines of credit received relate to the lines of credit received from other financial institutions on the Company's accounts with these institutions.

		31/12/2010	31/12/2011
- Lines of credit granted	498,803,437	1,048,085,558	1.800.002.154
- Lines of credit received	6,200,000	402,150,000	509.059.000

38. Contingent liabilities

The Company is defendant in a number of disputes within the context of standard business operations.

The Company sets aside provisions for disputes when, in the management's opinion and after consultation with its legal advisers, it is probable that the Company will have to make payments and the payable amount can be estimated with sufficient reliability.

For further claims and legal proceedings against the Company of which the management is aware (and for which, in accordance with the principles described above, no provision has been set aside), the management believes, after obtaining professional advice, that these claims have no chance of success, or that the Company can defend itself successfully against the claims, or that the outcomes of these cases are not expected to result in a significant loss in the income statement.

39. Post-balance sheet events

No material events have occurred since the balance-sheet date that require an adjustment of the Company's consolidated financial statements as of 31 December 2011.

On 20 March 2012, the Board of Directors reviewed the financial statements and granted its approval for their publication. The financial statements will be presented to the General Meeting of Shareholders on 27 April 2012.

Antwerp, 20 March 2012

Additional information

The Company's IFRS financial statements are published in Dutch and English.

The Dutch version is the orginal; the English version is an unofficial translation. The Company warrants that every reasonable effort has been made to avoud any discrepancies between the different language versions. However, should such discrepancies exist; the Dutch version will take precedence.

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Office of the Ombudsman

In the event of a complaint or remark concerning Argenta Group's services, please first contact the office manager of the agency where you are a client. The office managers are always ready and willing to do all they can to help resolve your problem. If you are not satisfied with the outcome, you can then contract Argenta Group's mediation service for both Banking and Insurance issues.

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