Argenta Bank- en Verzekeringsgroep nv

IFRS Annual Financial Statements 2017

Financial statements for the 2017 financial year (covering the period from 1 January 2017 to 31 December 2017) of Argenta Bank- en Verzekeringsgroep nv, prepared in accordance with the International Financial Reporting Standards (IFRS).

The IFRS financial statements and tables are always in euros, unless explicitly stated in the tables concerned.

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The Statutory Auditor’s report

Statutory auditor’s report to the shareholders’ meeting of Argenta Bank en Verzekeringsgroep NV on the consolidated financial statements for the year ended 31 December 2017

In the context of the statutory audit of the consolidated financial statements of Argenta Bank-en Verzekeringsgroep NV/SA (“the company”) and its subsidiaries (jointly “the group”), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders’ meeting of 29 April 2016, in accordance with the proposal of the board of directors issued upon presentation of the works council. Our mandate will expire on the date of the shareholders’ meeting deliberating on the financial statements for the year ending 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Argenta Bank-en Verzekeringsgroep NV for 17 consecutive periods.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet (before profit distribution), as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement balance sheet shows total assets of 44.068.268 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 193.446 (000) EUR.

In our opinion, the consolidated financial statements of Argenta Bank- en Verzekeringsgroep NV give a true and fair view of the group’s net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the “Responsibilities of the statutory auditor for the audit of the consolidated financial statements” section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company’s officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal, regulatory and professional requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, as well as to report on this matter.

Aspects regarding the directors' report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement. We do not express any kind of assurance on the directors' report on the consolidated financial statements.

The non-financial information as described by article 119, § 2 of the Companies Code, has been disclosed in a separate report, attached to the directors' report on the consolidated financial statements. This statement on non-financial information includes all the information required by article 119, § 2 of the Companies Code and is in accordance with the consolidated financial statements for the financial year then ended. The non-financial information has been established by the company in accordance with the Global Reporting Initiative standards. We do however not express any opinion on the question whether this non-financial information has been established, in all material respects, in accordance with this Global Reporting Initiative standards. Furthermore, we do not express any form of assurance conclusion on individual elements that have been disclosed in this non-financial information.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Zaventem, 10 April 2018

The statutory auditor

DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Dirk Vlaminckx

Consolidated balance sheet (before profit distribution)

Assets	Note	31/12/2016	31/12/2017
Cash, cash balances and deposits at (central) banks	11	919,220,829	1,082,339,452
Financial assets held for trading	12	9,322,870	11,472,666
Financial assets designated at fair value with valuation changes through profit or loss	13	1,838,776,145	2,157,057,436
Available-for-sale financial assets	14	10,697,092,080	10,818,154,521
Loans and receivables	16	27,493,503,668	28,704,074,945
Loans to and receivables from credit institutions		3,386,000	25,166,000
Loans to and receivables from other customers		27,490,117,668	28,678,908,945
Financial assets held to maturity	15	614,660,002	651,172,929
Derivatives used for hedging	17	49,455,484	102,427,643
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	17	310,184,988	122,822,732
Property, plant and equipment	18	14,502,513	14,272,763
Buildings, land, equipment		12,510,766	12,721,727
Investment properties		1,991,747	1,551,036
Goodwill and other intangible assets	19	158,015,549	163,925,015
Goodwill		98,150,460	98,150,460
Other intangible assets		59,865,089	65,774,555
Tax assets	20	6,149,310	8,166,268
Current tax assets		1,386,286	8,111,725
Deferred tax assets		4,763,024	54,543
Assets under insurance and reinsurance contracts	21	6,955,954	16,001,856
Other assets	22	174,083,744	216,379,445
Available-for-sale assets	18	17,709,200	0
Total assets		**42,309,632,336**	**44,068,267,670**

Liabilities and equity			
Deposits from central banks	11	0	0
Financial liabilities held for trading	12	4,434	3,408,123
Financial liabilities designated at fair value with valuation changes through profit or loss	13	1,839,774,645	2,157,057,436
Financial liabilities measured at amortised cost	23	34,338,350,794	35,743,060,891
Deposits from credit institutions		273,689,986	246,406,219
Deposits from other than credit institutions		31,548,613,376	32,348,444,684
Debt securities, including retail savings certificates		1,209,485,536	1,911,606,586
Subordinated liabilities		660,464,000	596,596,220
Non-current financial liabilities		646,097,896	640,007,181
Derivatives used for hedging	17	557,592,276	384,310,450
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	17	0	0
Provisions	24	12,050,566	4,817,537
Tax liabilities	20	162,347,157	88,943,036
Current tax liabilities		17,777,256	1,376,128
Deferred tax liabilities		144,569,901	87,566,909
Liabilities under insurance and reinsurance contracts	21	2,593,229,768	2,699,732,551
Other liabilities	25	208,085,710	229,252,193
Total liabilities		**39,711,435,352**	**41,310,582,218**
Equity attributable to shareholders of the company	3	2,598,167,691	2,757,673,371
Equity attributable to the minority interests	4	29,293	12,082
Total equity and minority interest		**2,598,196,984**	**2,757,685,453**
Total liabilities, minority interest and equity		**42,309,632,336**	**44,068,267,670**

Consolidated income statement

	Note	31/12/2016	31/12/2017
Financial and operational income and expenses		**686,916,886**	**627,470,356**
Net interest income	28	666,410,810	575,021,489
Interest income		1,053,001,389	953,654,296
Interest expenses		-386,590,579	-378,632,807
Dividend income	29	3,333,497	3,404,169
Net income from commissions and fees	30	-41,664,437	-44,833,631
Income from commissions and fees		97,302,330	116,803,309
Expenses related to commissions and fees		-138,966,767	-161,636,940
Realised gains and losses on financial assets and liabilities not designated at fair value through profit or loss	31	12,516,840	30,142,016
Gains and losses on financial assets and liabilities held for trading	32	-7,331,988	-1,253,896
Realised gains and losses on financial assets and liabilities designated at fair value through profit or loss		0	0
Gains and losses from hedge accounting	33	4,084,285	2,873,055
Gains and losses on derecognition of assets other than held for sale	34	539,705	43,023
Income and expenses from insurance contracts	35	666,417	12,012,919
Income from issued insurance contracts		375,087,329	385,139,989
Expenses relating to insurance contracts		-374,420,912	-373,127,069
Other operating income	36	48,361,757	50,061,211
Income from operations		50,240,247	52,060,430
Expenses from operations		-1,878,489	-1,999,219
Administrative expenses	**37**	**-319,935,354**	**-348,988,064**
Employee expenses		-71,339,284	-75,352,357
General and administrative expenses		-248,596,070	-273,635,706
Depreciation		**-27,901,341**	**-24,902,106**
Property, plant and equipment	18	-6,239,733	-5,299,355
Investment properties	18	-38,883	-35,783
Intangible assets	19	-21,622,725	-19,566,968
Provisions (additions and reversals)	**24**	**-1,643,778**	**9,337,951**
Impairments	**38**	**-753,756**	**6,121,295**
Available-for-sale financial assets		4,212,714	-222,504
Loans and receivables		-4,966,470	6,343,799
Goodwill		0	0
Result on assets classified as held for sale	**19**	**-3,710,057**	**565,005**
Net profit or loss before taxes		**332,972,600**	**269,604,438**
Income tax expense	39	-86,624,091	-76,158,278
Net profit or loss		**246,348,508**	**193,446,160**
Net profit or loss attributable to shareholders	4	246,347,347	193,445,301
Net profit or loss attributable to minority interests	4	1,161	858

Consolidated statement of comprehensive income

Note 'other elements of comprehensive income'	Note	31/12/2016	31/12/2017
Net profit or loss		**246,348,508**	**193,446,160**
Attributable to shareholders		246,347,347	193,445,301
Minority interests		1,161	858
Other comprehensive income that cannot be subsequently reclassified to the income statement			
Actuarial results on liabilities under defined benefit pensions system		0	-1.415.782
Other comprehensive income that can be subsequently reclassified to the income statement			
Revaluation at fair value		2,832,592	-15,561,960
Available-for-sale financial assets	3	-266,282	-68,892,008
Deferred taxes		3,098,874	53,330,048
Cash flow hedging		299,086	3,038,690
Fair value of the portfolio	26	398,781	4,051,587
Deferred taxes		-99,695	-1,012,897
Total other comprehensive income		**3,131,678**	**-13,939,052**
Total profit or loss		**249,480,186**	**179,507,107**
Attributable to shareholders		249,479,013	179,506,279
Minority interests		1,172	828

Consolidated statement of changes in equity

The table can be found on the next page.

The change in fair value recognised in the 'revaluation reserve in respect of available-for-sale financial assets' comprises several aspects, including the transfer of part of this reserve to income as a result of sales, fair value hedge adjustments and amortisation of a frozen revaluation reserve in respect of an MBS portfolio that was reclassified in 2011.

Notes 3, 4 and 31 provide further information on all changes to the various equity positions in the above table.

	Paid-in share capital	Issue premium	Revaluation reserve of available-for-sale financial assets	Cash flow hedge	Pensions reserve	Retained earnings	Profit of current year	Shareholders equity	Minority interests	Total equity
Equity 31 December 2015	**631,469,800**	**230,876,339**	**299,481,543**	**-14,278,778**	**0**	**986,326,490**	**244,817,798**	**2,378,693,191**	**28,246**	**2,378,721,437**
Capital increase	14,648,000	29,482,030	0	0	0	0	0	44,130,030	0	44,130,030
Profit (loss)	0	0	0	0	0	0	246,347,347	246,347,347	1,161	246,348,508
Declared dividends	0	0	0	0	0	-74,134,554	0	-74,134,554	0	-74,134,554
Change in revaluation reserve for AFS financial assets										
- Change in fair values	0	0	-266,282	0	0	0	0	-266,282	-43	-266,325
- Change in deferred taxes	0	0	3,098,874	0	0	0	0	3,098,874	20	3,098,894
Cash flow hedging	0	0	0	299,086	0	0	0	299,086	0	299,086
Other changes	0	0	0	0	0	0	0	0	-92	-92
Transfer to retained earnings	0	0	0	0	0	244,817,798	-244,817,798	0	0	0
Equity 31 December 2016	**646,117,800**	**260,358,368**	**302,314,134**	**-13,979,693**	**0**	**1,157,009,734**	**246,347,347**	**2,598,167,691**	**29,293**	**2,598,196,984**
Capital increase	17,276,100	38,577,531	0	0	0	0	0	55,853,631	0	55,853,631
Profit (loss)	0	0	0	0	0	0	193,445,301	193,445,301	858	193,446,159
Declared dividends	0	0	0	0	0	-75,854,229	0	-75,854,229	0	-75,854,229
Change in revaluation reserve for AFS financial assets										
- Change in fair value	0	0	-68,891,871	0	0	0	0	-68,891,871	-137	-68,892,008
- Change in deferred taxes	0	0	53,329,933	0	0	0	0	53,329,933	115	53,330,048
Cash flow hedging	0	0	0	3,038,690	0	0	0	3,038,690	0	3,038,690
Other changes	0	0	0	0	-1,415,774	0	0	-1,415,774	-18,047	-1,433,821
Transfer to retained earnings	0	0	0	0	0	246,347,347	-246,347,347	0	0	0
Equity 31 December 2017	**663,393,900**	**298,935,899**	**286,752,196**	**-10,941,003**	**-1,415,774**	**1,327,502,852**	**193,445,301**	**2,757,673,372**	**12,082**	**2,757,685,454**

Consolidated cash flow statement

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

	31/12/2016	31/12/2017
Cash and cash equivalents at beginning of period	**617,398,984**	**922,606,830**
Operating activities		
Net profit or loss	246,348,508	193,446,160
Payable and deferred tax expense recognised in the income statement	86,624,091	76,158,278
Depreciation	27,901,341	24,902,106
Net provisions (reversals)	1,643,778	-9,337,951
Net gain (loss) on the sale of investments	-539,705	-43,023
Impairment losses	4,463,813	-6,686,301
Changes in assets/liabilities in framework of hedging derivatives	12,254,768	-35,853,039
Other adjustments (including interest expenses on financing activities)	21,026,103	23,095,837
Cash flows from operating profits before changes in operating assets and liabilities	**399,722,697**	**265,682,106**
Changes in operating assets (except cash and cash equivalents)		
Changes in loans and receivables	-2,308,554,506	-1,182,447,478
Changes in available-for-sale assets	233,857,784	-136,846,883
Changes in financial assets held for trading	19,469,754	-2,149,797
Changes in financial assets designated at fair value with valuation changes through profit or loss	-175,515,253	-318,281,291
Changes in financial assets held to maturity	-22,492,978	-36,512,927
Changes in assets under insurance and reinsurance contracts	-32,274	-9,045,902
Changes in other assets	46,411,648	-44,312,658
Changes in operating liabilities (except cash and cash equivalents)		
Changes in deposits from central banks	0	0
Changes in deposits from credit institutions	-149,554,583	-27,283,767
Changes in deposits from other than credit institutions	2,069,948,898	793,740,594
Changes in debt certificates	-156,397,562	-491,525,858
Changes in financial liabilities held for trading	-10,312,927	3,403,689
Changes in financial liabilities designated at fair value with valuation changes through profit or loss	169,662,253	317,282,791
Changes in liabilities under insurance and reinsurance contracts	112,911,363	106,502,783
Changes in other liabilities	2,915,070	-35,836,510
Changes in working capital, net	-167,683,314	-1,063,313,237
Cash flow from operational activities	399,722,697	265,682,085
(Paid) Refunded income taxes	-101,983,827	-92,559,406
Net cash flow from operating activities	**130,055,557**	**-890,190,537**
Investing activities		
(Cash payments to acquire property, plant and equipment)	-6,077,389	-6,041,797
Cash proceeds from disposal of property, plant and equipment	1,997,663	1,134,572
Cash proceeds from sale of AFS assets	0	18,810,300
(Cash payments to acquire intangible assets)	-28,403,623	-25,537,444
Cash proceeds from disposal of intangible assets	0	61,012
Changes concerning consolidated companies	0	0
Net cash flow from investing activities	**-32,483,349**	**-11,573,357**

	31/12/2016	31/12/2017
Financing activities		
(Paid dividends)	-74,134,554	-75,854,229
Cash proceeds from the issuing of subordinated liabilities	497,950,000	0
(Cash repayments of subordinated liabilities)	-239,455,253	-63,867,780
Cash proceeds from the issuing of bonds	0	1,213,080,000
(Cash repayments of bonds)	0	-19,433,092
Interest paid	-20,854,585	-23,116,015
Cash proceeds from a capital increase	44,130,030	55,853,631
Net cash flow from financing activities	**207,635,638**	**1,086,662,515**
Cash and cash equivalents at the end of the period	**922,606,830**	**1,107,505,451**

Components of cash and cash equivalents		
Cash in hand	34,203,673	49,278,157
Cash balances at agents	12,479,557	12,623,026
Current accounts with central banks	0	0
Central bank reserves	832,289,847	949,284,468
Current accounts at other financial institutions	40,247,753	71,153,800
Other advances	3,386,000	25,166,000
Total cash and cash equivalents at the end of the period	**922,606,830**	**1,107,505,451**
Cash flow from operating activities		
Received interest income	1,053,001,389	953,654,296
Dividends received	3,333,497	3,404,169
Paid interest expenses	-365,735,994	-355,516,792
Cash flow from financing activities		
Paid interest expenses	-20,854,585	-23,116,015

Components of cash and cash equivalents

The cash in hand, cash balances at authorised agents, monetary reserve assets and cash balances at central banks can be found under the balance sheet item 'cash, cash balances at (central) banks (see Note 11).

The amount of 'other advances' can be found under the balance sheet item 'loans to and receivables from credit institutions'. This relates to paid (collateral) advances to financial institutions.

Cash flows from operating and financing activities

Further information can be found in Note 28 on interest amounts received and paid, and in Note 29 on dividends received.

Notes

1. General information

Argenta Bank- en Verzekeringsgroep nv, abbreviated form: BVg, (hereinafter *the Company*) is established in Belgium under Belgian law. Its legal form is that of a public limited liability company (*naamloze vennootschap*). The Company has been established for an unlimited term.

The Company has its registered office at 2018 Antwerp, Belgiëlei 49-53.

The Company has the status of a mixed financial holding company. It is a parent company which is not a regulated company and which is at the head of a financial conglomerate pursuant to Art. 3, 39 of the Banking Act.

The Company consolidates and is responsible for the joint control of its subsidiaries Argenta Spaarbank, a Belgian credit institution, and Argenta Assuranties, a Belgian insurance company (together with its subsidiaries and branches referred to below as *Argenta* or *Argenta Group*).

The Company is the management holding company of the Argenta Group. Its operations consist of Internal Audit, Compliance & Integrity, Risk & Validation, Legal Affairs, Organisation & Talent, Operational Risk & Supervisory Office and Procurement & Facilities. These activities are organised centrally for all Argenta Group companies.

The Bank Pool has Argenta Spaarbank as a parent entity and Argenta Asset Management as a subsidiary. Argenta Spaarbank also has a branch office in the Netherlands.

The Insurance pool consists of Argenta Assuranties with a branch office in the Netherlands.

All shareholdings within the Argenta Group are (quasi) 100% shareholdings, so that no (other than purely formal) minority interests need to be reported.

The Bank Pool concentrates primarily on the following activities: attracting funds in the retail market in the form of savings and term accounts, current accounts, and bonds, and reinvesting these funds in mortgage loans.

Besides this, it continues to work on expanding its lending activities to local governments. This activity will help reinforce its local presence and make optimal use of existing knowledge and infrastructure. It also represents a diversification of assets.

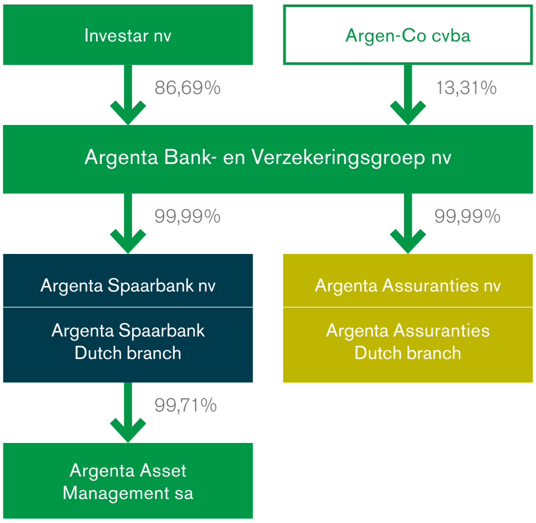
A second core activity is offering units in undertakings for collective investment (UCIs).

The activities of the Insurance Pool comprise both life insurance, where Argenta actively sells branch 21 and branch 23 products, and non-life (i.e. casualty, property and health) insurance, and in particular car insurance, private civil liability, fire, hospitalisation and legal assistance insurance.

The Insurance Pool, Bank Pool and BVg are hereinafter collectively referred to as the Argenta Group.

The subsidiaries and branch offices of the Company

The presentation below gives an overview of the global structure of the Argenta Group and operational Bank Pool and Insurance Pool.



In accordance with IFRS, the entities below are included in the consolidated Argenta Group.

	%	31/12/2016	31/12/2017
Argenta Bank- en Verzekeringsgroep		consolidating entity	consolidating entity
Bank Pool			
Argenta Spaarbank nv	99.99%	full consolidation	full consolidation
Argenta Asset Management (AAM)	99.71%	full consolidation	full consolidation
Green Apple bv (SPV)	0.00%	full consolidation	full consolidation
Insurance Pool			
Argenta Assuranties NV	99.99%	full consolidation	full consolidation

Note on the number of personnel

In 2017, the average number of employees in the Company was 948 (893.2 in 2016). A breakdown of personnel costs for the year can be found in note 37 (administrative expenses).

Development of the Company in 2017

The Company's total assets rose by EUR 1.7 billion (4.25%) from EUR 42.3 billion to 44.1 billion.

This evolution comes primarily from the loans to and receivables from customers, which increased by 4.32% or EUR 1.2 billion.

On the liabilities side, we see an increase in deposits of EUR 800 million (2.54%) to EUR 32.3 billion and of 'debt certificates, including retail savings certificates' of EUR 702 million (58%). This increase can be explained by the inclusion under this latter heading of the A notes of October's securitisation issue.

In a context of low interest rates, increasing economic growth and continuing regulatory pressure, the Company is able to present good results.

The consolidated result (including minority interests) of the Company for the year ending on 31 December 2017 was EUR 193,446,160, compared with EUR 246,348,508 for the year ending on 31 December 2016.

The result of the company is determined here by the result of the underlying Bank Pool and the Insurance Pool.

Developments in the Bank Pool

The consolidated result (excluding minority interests) for the year ending on 31 December 2017 was EUR 138,986,275, compared with EUR 190,010,420 for the year ending on 31 December 2016.

EUR 4.1 billion of mortgage loans were granted to customers compared to EUR 6 billion in 2016, a year with a high volume of refinancing. The credit portfolio savings increased to EUR 27.6 billion.

The company's own investment portfolio grew by 2.9% in 2017 to EUR 7.9 billion. In managing its investment portfolio the Company pursues a cautious investment policy. This includes extending the diversification into loans to local governments and into real estate.

The growth of previous years in traditional savings products slowed, but the growth in the investment pillar was buoyed by the favourable and low- volatility investment climate in 2017.

All this leads to the following general observations:

- The reported profit has decreased but remains healthy, bearing in mind the low interest rates and the increased investment in digitisation. The risk cost has fallen and fee income is rising. The return on equity is 7.5%.
- With the adding of a large part of the profit of the year to reserves, equity continues to rise, and the capital ratios remain healthy.
- The liquidity rations remain comfortable.

Developments in the Insurance Pool

At the Insurance Pool the net result evolved from EUR 58,992,170 for the year ending on 31 December 2016 to EUR 57,002,001 for the year ending on 31 December 2017.

This positive and continuing high result is the outcome of several factors, including a good operational result in life and non-life combined with a healthy diversified investment policy and earnings.

As part of this investment policy, Dutch mortgage loans with a National Mortgage Guarantee (NHG) were taken in past years into the balance sheet of the Insurance Pool. This strategy was continued in 2017. The mortgage loans also include a reducing portfolio of loans to Belgian private individuals where the risk per loan is also limited.

The result for 2017 allowed the Insurance Pool again to increase its equity, both for non-life and life.

2. Financial reporting principles

The Argenta Group has drawn up its consolidated financial statements as of 31 December 2017 in accordance with the IFRS standards - including the *International Accounting Standards* (IAS) and interpretations - as adopted by the European Union.

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

Estimates and key sources of estimation uncertainty

The preparation of financial statements on the basis of IFRS requires a number of accounting estimates. Furthermore, 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;
- estimate of the adequacy of the insurance liabilities based on best estimates and assumptions, embedded options and guarantees and related investments, using a discount rate that takes into account the asset mix of the investments;
- provisions for claims (including IBNR *(incurred but not reported)* and claims settlement costs);
- estimate of the existing liabilities resulting from past events in the recognition of provisions.

Assumptions are made principally in the following areas:
- classification of financial instruments;
- level of hierarchical attribution of financial instruments;
- existence of active markets for financial instruments;
- existence of loss events and impairment triggers;
- actuarial assumptions;
- existence of obligations resulting from past events (provisions);
- existence of control over companies.

Management has also decided that the Green Apple SPV needs to 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 2017 consolidated financial statements are consistent with those applied as of 31 December 2016.

The following standards and interpretations came into application during 2017:

- Annual improvements to IFRS, 2014-2016 cycle: Changes to IFRS 12 (effective for annual periods beginning on or after 1 January 2017, but not yet approved by the European Union)
- Amendments to IAS 7 – Statement of Cash Flows - Initiative on disclosures (effective for annual periods commencing on or after 1 January 2017)
- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods commencing on or after 1 January 2017).

The application of these new provisions had no material impact on the Company's results for the 2017 financial year or on equity or on the presentation of the financial statements.

Standards and Interpretations published but not yet effective for the annual period commencing on 01 January 2017:

- Annual improvements to IFRS, 2014-2016 cycle: Changes to IFRS 1 and IFRS 28 (effective for annual periods beginning on or after 1 January 2018, but not yet approved by the European Union)
- IFRS 9 Financial Instruments and subsequent amendments (effective for annual periods commencing on or after 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods commencing on or after 1 January 2016, but not yet adopted in the European Union)
- IFRS 15: Revenue from Contracts with Customers (effective for annual periods commencing on or after 1 January 2018
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (effective for annual periods commencing on or after 1 January 2021, but not yet adopted in the European Union)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for annual periods commencing on or after 1 January 2018, but not yet adopted in the European Union)
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective for annual periods commencing on or after 1 January 2019, but not yet adopted in the European Union)
- Amendments to IFRS 10 and IAS 28 - Sale or transfer of assets between investor and the associated participation or joint venture (effective date postponed for an indefinite period, and for this reason also not yet adopted in the European Union)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (effective for annual periods commencing on or after 1 January 2019, but not yet adopted in the European Union)
- Amendments to IAS 40 Transfers of Investment Property (effective for annual periods commencing on or after 1 January 2018, but not yet adopted in the European Union)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods commencing on or after 1 January 2018, but not yet adopted in the European Union).
- IFRS 23 Uncertainty over Income Tax Treatments (effective for annual periods commencing on or after 1 January 2019, but not yet adopted in the European Union)
- Amendments to IAS 19: 'Plan Amendment, Curtailment or Settlement (effective for annual periods commencing on or after 1 January 2019, but not yet adopted in the European Union)

The Company will implement all the aforementioned standards, amendments and interpretations when they come into force. With the exception of IFRS 17 and IFRS 9, it does not expect them to have a material impact.

For IFRS 16 Leases, a project was launched in 2017 to embed this in the Argenta Group. Contracts that can potentially fall within the scope of IFRS 16 at the Group include f.e. leased buildings and car leasing contacts.

The analysis with regard to IFRS 15 has been mapped out and any adjustments will be made.

Implementation of IFRS 9

IFRS 9 'Financial Instruments' replaces IAS 39 and imposes new obligations for (a) the classification and measurement of financial instruments (b) impairments and (c) hedge accounting.

The IFRS standard applies from 1 January 2018 and the adjustments will be incorporated into the opening balance sheet and equity on 1 January 2018 (without the compilation of comparative figures).

Classification and measurement

In order to arrive at a correct classification and measurement of financial instruments, the prescribed two steps were applied here:

1. The BM (business model) test was used to determine how a portfolio of financial instruments is managed in its entirety.

2. The SPPI (solely payments of principal and interest) tests were performed to determine the characteristics of the contractual cash flows of financial instruments.

This entire process for arriving at a correct classification and measurement, was described in the applicable policy documents.

Impairments

The most important amendment to the IFRS 9 standard relates to the creation of impairments. Each entity is now required to record impairments for ECL (expected credit losses) based on a three-stage approach, while IAS 39 still used an incurred loss model.

The ECL model applies to financial assets recorded at amortised cost or fair value through "Other Comprehensive Income" ("FVOCI").

The definition of ECL depends partly on the size of the 'significant increase' of the credit risk since initial recognition. During the implementation process, the concepts and assumptions essential for the new impairment model, such as a definition of 'significant deterioration', were determined.

The Company will apply the three-stage approach to IFRS 9 to determine the expected credit losses:

Stage 1: for performing assets (application of a 12 months ECL)

These relate to financial instruments where there has been no significant increase in the credit risk since initial recognition. For these an ECL provision is set up for expected credit losses in connection with the probability of default over the next 12 months.

Stage 2: for underperforming assets (application of a lifelong ECL)

In the event of a significant increase in the credit risk since initial recognition, a provision is set up for ECL over the expected lifetime (lifetime probability of default) of the financial instruments.

Triggers to classify financial instruments in stage 2 are determined per asset category, based on both quantitative and qualitative elements (e.g. period of arrears).

Stage 3: non-performing

Individual calculations are made for these financial assets.

Hedge accounting

For hedge accounting, the Company continues to apply the IAS 39 principles for the "portfolio fair value hedge of interest rate risk" (macro hedge) and the IAS 39 principles for micro hedge, in conformity with the accounting policy option provided for in IFRS 9.

Impact of IFRS 9 on the Company

Based on the data as of 31/12/2017, the following observations can be made:

(a) A lower amount of unrealised gains will be included in the Other Comprehensive Income (OCI) in equity through the transfer of part of the AFS portfolio to the 'amortised cost' classification.
(b) Since at the end of 2017, 80% of these latent values could be included in the qualifying equity, a lower amount of OCI will be included in the qualifying equity.
(c) There is a significant increase in impairments for retail loans due to the change from 'incurred' to 'expected' methodology. This will result in a decrease of the equity capital in the 'initial application' as of 1/1/2018. Because these impairments mainly relate to loans that are processed in the equity calculation according to the IRB[1] method , the so-called IRB deficit will decrease (because more impairments will be applied). In this way the impact of these impairments on the qualifying equity will be limited.
(d) Impairments are created for the investment portfolio and non-retail lending. In the past no impairments were recognised since no defaults have ever occurred until now. The vast majority of these financial instruments are also processed in the equity calculation according to the IRB approach, which means that the impact on qualifying equity is expected to be limited.

Based on the above elements, we see a fall in the Common Equity Tier 1 equity ratios of between 25 and 35 basis points, mainly due to the decrease in the "Other Comprehensive Income" line (consisting of latent capital gains or losses on available-for-sale assets) in the qualifying equity. This will be partly offset by the mentioned decrease in the IRB deficit.

At the insurance pool, the impact on the qualifying equity is even more limited because Solvency II already takes into account the latent values of all financial instruments. In this way there is no impact as a result of another classification and measurement of these instruments.

By comparison, in the Insurance Pool, there has been a greater shift of the securities included in the "available-for-sale" portfolio to a Hold to Collect classification with an "amortised cost" processing. In total, the line "Other Comprehensive Income" in the equity at the BVg full IFRS level will therefore fall by more than half.

IFRS 17 Insurance contracts

In autumn 2017, an analysis was carried out for the new IFRS 17 standard that relates to the method of measuring insurance liabilities. An implementation project will get under way in 2018.

The fact that IFRS 9 and IFRS 17 do not come into effect on the same date has implications for the preparation of the IFRS balance sheet and income statement of the mixed financial holding BVg. To maintain maximum transparency it has been decided to apply IFRS 9 also in full to the insurer.

[1] The Company calculates the equity requirement of certain categories of exposures according to the Basel II IRB (internal rating based) method. Whenever this method can be applied, the difference between the impairments calculated according to the 'Expected Expected Losses' method and the impairments effectively recorded in the balance sheet and P&L - if this difference is negative - needs to be deducted from the qualifying equity.

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 Argenta Group companies are eliminated.

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

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

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

Because all companies recognised in the Company's consolidated financial statements close their financial years 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 are identified on the basis of existing reporting structures. This segmentation corresponds to the internal reporting and the segmentation used in the past.

Foreign currencies

The consolidated financial statements are stated in euros, which is 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, that are 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 time 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 taken into the Company's balance sheet on the settlement date.

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 any impairments.

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.

For financial assets, the following classification applies:
a. Loans and receivables;
b. Helt-to-maturity financial assets ;
c. Financial assets designated at fair value through profit or loss;
d. Available-for-sale financial assets .

- 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, with the regular amortisation recognised in the income statement.

  Where necessary, impairment losses are charged.

- Held-to-maturity financial assets: all non-derivative financial assets with fixed maturities 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, with the regular amortisation recognised in the income statement.

  Where necessary, impairment losses are charged.

- 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 on acquisition 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 then at fair value through profit or loss.

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

- 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 designated 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 (including transaction costs) and the redemption value based on the effective interest method is taken into the income statement pro rata temporis over the securities' residual term to maturity as an component 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 (including transaction costs) plus or minus the portion of the difference mentioned above that is taken to the result, and (b) the fair value.

Financial liabilities are designated as (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 then at fair value with changes in value through profit or loss.

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

b. Other financial liabilities: these are all other non-derivative financial liabilities that do not fall into 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, with the regular amortisation recognised in the income statement.

Income and expenses arising from financial instruments measured at amortised cost and from fixed-income securities classified in 'available-for-sale financial assets' are recognised in the income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash flows (including paid and received commissions and fees that are an integral part of the effective interest rate, along with transaction costs and all other premiums or discounts) over the expected life of the debt instrument, or, if more appropriate, a shorter period, in order to arrive at the net carrying amount of the asset or liability in the balance sheet.

The method used to recognise service-related commission income and expenses depends on the nature of the service. Commissions which are treated as an additional component of interest are included in the effective interest rate and recognised under net interest income. Paid and received commissions for which the underlying transaction is completed, are recognised in the commission income and expenses.

Cash and cash equivalents

'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.

Property, plant and equipment

Property, plant and equipment
All property, plant and equipment is recorded at cost (i.e. acquisition value including directly allocable acquisition costs), less accumulated depreciation and any impairments.

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

When property, plant or equipment is sold, the realised gains or losses are recognised immediately in the result for the financial year.

Investment properties
Investment properties are those properties held to earn rental income or for capital appreciation or for both. The accounting rules outlined for property, plant and equipment apply also to investment property (application of the cost price model).

Specific valuation rules

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

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

The building is depreciated over its estimated useful life, i.e. at a rate of 3% per annum on a monthly basis.

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

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

IT
The purchase price and purchase costs of hardware are depreciated at 33.33% per annum on a monthly 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 fair value of the identifiable assets, liabilities and contingent liabilities acquired. It 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.

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.

Where the criteria for capitalisation are met, acquired software is recognised at acquisition 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.

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

Other intangible assets are amortised at 10% per annum.

Impairment losses

The Company tests all its assets at each balance sheet date for indications of impairment.

The carrying amount of an impaired asset is reduced to its estimated recoverable value, and the amount of the change during 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 owing to an event occurring after the write-down, the amount of the reduction is recognised in the income statement.

Financial assets
An impairment loss shall be recorded on an individual basis on any asset (or group of financial assets), if (1) there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset, and (2) that the loss event or events have an impact on the estimated future cash flows from the financial asset 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,
- based on the fair value of the collateral obtained.

Investments in equity instruments

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

This situation will be assessed individually in each case, but in the absence of additional assessment elements, the Company considers an unbroken period of 24 months as long-term, and a fall of at least 30% as significant.

If one of the criteria is met, a quantitative and qualitative analysis of the relevant position shall be undertaken to judge whether an impairment exists.

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 non-equity instruments

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

Assets go into 'default' status where the arrears (of interest and/or capital) have reached 90 days or repayment is unlikely.

Objective indicators used by the Company to consider setting up a provision include significant financial difficulties of the issuer/debtor, payment arrears, the likelihood that the issuer/debtor could be declared bankrupt or be subject to financial restructuring, renegotiation of the terms of the asset due to financial difficulties of the issuer/debtor including any concessions, the disappearance of an active market for a financial asset as a result of financial difficulties, changes in the credit rating, and observable data that will negatively affect the future cash flows of a financial asset.

Whenever the status of an asset changes to default, an assessment is made on a case by case basis on whether or not an impairment is to be recorded. An impairment loss will be considered if the objective data show that one or more events are likely to affect negatively the future cash flows of a financial asset.

Also taken into account, in addition to the above indicators, are other market information about the liquidity and solvency of the issuer/debtor, the trends for similar financial assets, and local economic trends and conditions.

- **Available-for-sale financial assets**

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

  The amount of the cumulative loss that is reclassified from equity to the income statement is equal to the difference between the acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment losses on that asset that have been previously taken into the income statement.

  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 recognised through profit and loss.

- **Loans and receivables - individual impairments**

  - *Specific measurement rules for mortgage loans, investment loans, instalment sales and loans*

    The asset is deemed to be in default if either the payment arrears are greater than the sum of three monthly instalments or, where another repayment frequency applies, when the payment arrears amount to more than three months, both in capital and in interest. This also applies to an outstanding claim at maturity exceeding EUR 25 or if available indicators show the claim to be possibly wholly or partially irrecoverable ('unlikely to pay').

The list of mortgage loans, investment loans, sales and instalment loans in default status is produced monthly.

For all mortgage loans, investment loans, sales and instalment loans in default status, the necessary information is collected for measurement. The outstanding portion is reduced, in the case of mortgage loans, by the forced sale value of the mortgage property, and/or the forced sale value of the movable assets, including including pledged securities, accounts, life insurance (Branch 23) and funds.

For mortgage loans granted in the Netherlands the following elements are taken into account in calculating the valuation: the forced sale value of the mortgage property; the surrender value of life insurance; the value of the investment account; the total value at the end of the month of the building deposit; the total value at the end of the month of the savings deposit.

If a mortgage loan granted in the Netherlands has been concluded with an NHG guarantee, the calculation of the value for this loan takes into account the annuity decrease in the NHG guarantee. Where the measurement as described above leads to a residual debt, an impairment loss will be recognised to the extent of the remaining debt.

If, however, if the mortgage loan granted in the Netherlands is covered by an NHG guarantee, the impairment will not exceed the amount of the annuity reduction in the guarantee amounts.

All mortgage loans, investment loans, sales and instalment loans in default status, the monthly measurements take place fully automatically. This can give rise to an upward or downward value adjustment.

All imputed interest, penalties and costs are taken through the income statement, given that the individual value adjustment takes this into account.

Where it is determined that the mortgage loan, investment loan or instalment sale or loan is uncollectible, the impairment amount is applied against it.

A loan is uncollectible whenever the following conditions are met: (a) all possible procedures have been conducted and/or the necessary legal costs outweigh the possible recoverable benefits, all guarantees have been applied and/or legal costs of exercising the guarantee are disproportate to the potential benefits; (b) based on the available data, no further remedies exist against the borrowers and no recovery of any size is expected in the future, (c) after execution of guarantees, the incoming payments (both payment settlements and/or payments of salary or other attachments) do not guarantee the full repayment of the debt in the short term (<1 year).

The above rules do not have to be cumulatively fulfilled, but may each on its own be reason to deem the loan to be uncollectible.

- *Specific measurement rules fo non-mortgage credit lines and overdrafts on giro, golden, internet and brokers accounts.*

Non-mortgage credit lines and giro, golden, internet and brokers' accounts are in default when scheduled (re)payments are more than 3 months in arrears or the account has been overdrawn continuously for more than 3 months or where other indicators point to an 'unlikely to pay' situation.

The indicators that can give rise to a default status are the same as for mortgage loans, investment loans, instalment sales and instalment loans.

The provisions relating to measurement, the charging of impairment losses, periodicity, taking through the income statement of interest, penalties and costs, and writing off are the same as for mortgage loans, investment loans, instalment sales and instalment loans.

- **Loans and receivables - collective value adjustments**

  In addition to individual impairments, collective - portfolio-based - value adjustments are recorded in the form of an IBNR (incurred but not reported) provision.

  An 'incurred but not reported' value adjustment on loans is recognised for mortgage receivables that are not in default and on which no impairment losses have been recorded on an individual basis (performing loans).

  This collective evaluation of impairment losses includes the application of a 'loss confirmation period'.

  This loss confirmation period represents a time interval (expressed in months) between the occurrence of the impairment-causing event (i.e. a 'loss event') and the date it is identified in the entity's credit system.

  The application of the 'loss confirmation period' ensures that impairments that have already de facto occurred but have not yet been identified as such are included in the provisions.

  The 'loss confirmation period' is continuously evaluated and can be changed depending on market developments (including house prices, transactions, taxation), portfolio characteristics and macro-economic indicators (such as unemployment, GDP growth, debt, divorce rates).

  The IBNR provision is calculated and set up for all retail credit portfolios based on adapted IRB models used to determine the minimum prudential capital requirements. These adjustments relate essentially to the introduction of the above-mentioned loss confirmation period and an economic adjustment that reflects the actual losses on the portfolio in place of the average historical losses. The loss confirmation period amounts here to at least 3 months for the different risk categories.

  In addition to the IBNR provision, an impairment is also recognised for collectively assessed financial assets. This portfolio-based impairment is recorded solely for an mortgage-backed securities (MBS) portfolio classified under loans and receivables.

Other assets

For non-financial assets, the recoverable amount is defined as the higher of fair value less cost to sell and 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 selling costs.

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

Annual goodwill impairment test

Goodwill is tested at least annually for impairment. Impairment losses are recognised if the carrying amount of the cash generating unit to which the goodwill belongs exceeds its realisable valuable. Impairment losses on goodwill cannot be reversed.

Derivatives

Derivatives are financial instruments such as swaps, forwards 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 designated as effective hedging instruments.

The Bank Pool 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).

These conditions are: the hedge relationship must be formally documented at the inception of the hedge; the expectation that the hedge will be effective; the ability to measure reliably the effectiveness of the hedge, and continuous measurement during the reporting period in which the hedge can be considered as effective.

- For fair value hedges, the derivatives hedging the risks are measured at fair value, the hedged positions are adapted for changes in the fair value of the hedged item, with all these fluctuations in fair value recognised in the income statement. The pro-rated interest of interest rate swaps is included in the interest income or expense of the hedged positions. 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 revaluation gain or less on the hedged position (for fixed-income financial instruments) will be taken to the profit or less of the financial year until final maturity, based on the effective interest rate at the time of disposal of the hedged position.

- Fair value hedges covering the interest rate risk of a portfolio are applied by the Company in order to hedge the interest rate risk of a portfolio of loans by means of interest rate swaps. The interest rate swaps are measured at fair value, with fluctuations in the fair value recognised in the income statement. The changes in the fair value of the hedged amount are presented as a separate assets line on the balance sheet.

  The Company applies the carve-out version of IAS 39. In this way no ineffectiveness arises owing to unexpected levels of prepayments, as long as underhedging exists. In case of hedge ineffectiveness, the cumulative fluctuation 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 derecognition of the corresponding loans.

- For cash flow hedges, the derivatives hedging the risks are measured at fair value, with the fluctuations in fair value attributable to the effective part of the hedge being recognised in a separate equity item. The pro-rated interest of interest rate swaps is included in the interest income or expenses of the hedged positions. The ineffective portion of the hedge is recognised in income for the financial year. Hedge accounting is discontinued once the hedge accounting criteria are no longer met. In this case, the derivatives are 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 valued at fair value, with fluctuations in the fair value recognised in the profit or loss for the financial year.

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 referred to as ‘hybrid instruments’.

If the host contract of the hybrid financial instrument (1) is not carried at fair value with changes in value taken 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 designated 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 for the relevant category of the financial instrument.

If (1) the host contract is carried at fair value through profit or loss, or if (2) 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 a single derivative.

Fair value of financial instruments

The fair value is the price that would be received/paid on the sale of an asset or transfer of a liability in an 'orderly' transaction between market participants at the reporting date.

The Company uses the following hierarchy of tests in determining the fair value of financial instruments: first, the quoted price in an active market and then valuation techniques.

The fair value of a financial instrument is measured on the basis of quoted prices in active markets. Where 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 value technique, in which the future cash flows are discounted at 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 recent market transactions in the same instrument, the variable elements of which consist only of data from observable markets.

Lease contracts

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

Repurchase agreements

Securities subject to a repurchase agreement (repo) remain on the balance sheet. The debt resulting from the obligation to repurchase the assets is included in liabilities to banks or liabilities to customers, depending on the counterparty.

Securitisation

Securitisations can take the form of a sale of the assets involved to a special purpose vehicle (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 in the financial statements whenever the Company transfers virtually all the risks and income from the assets (or parts thereof).

Employee benefits

Pension obligations
The Company has mainly pension obligations based on defined contribution schemes.

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 of the provision is the best possible accounting estimate at 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.

Current taxes consist of those that are payable on the taxable income of the year, on the basis of the applicable tax rates at balance sheet date, as well as each revision of the taxes 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 expected to be in effect at the time of the 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.

Product classification of insurance products

An insurance product is classified under IFRS as an insurance contract where one party (the insurer) accepts a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder should the latter be affected by a specified uncertain future event (the insured event). Reinsurance contracts are also included here. These contracts are measured in accordance with the 'Technical provisions for (re) insurance contracts' as set out below.

The 'deposit accounting' rules apply to insurance without discretionary profit-sharing and for the deposit component of branch 23 insurance products. This means that the deposit component (IAS 39) and the insurance component are measured separately. Through 'deposit accounting' the portion of the premium that is related to the deposit component is - just like the resulting recording of the liability - not included in the result.

Technical provisions for (re)insurance contracts

IFRS 4 allows a company to record (re)insurance contracts according to local accounting standards if they are qualified as such under IFRS 4. For this reason the Company has opted to apply local accounting policies for measuring the technical provisions for contracts falling under IFRS 4 and for measuring investment contracts with discretionary profit-sharing features. Only the reserves recognised under IFRS are recorded here.

The possibility of applying shadow accounting, as provided under IFRS 4 (Phase 1) has not been availed of by the company.

Provisions for unearned premiums and outstanding risks

The provision for unearned premiums is calculated daily on the basis of the net premiums. The provision for outstanding risks is calculated periodically on the basis of a liability adequacy test.

Provisions for life insurance

This provision is calculated according to current actuarial principles ('universal life' technique) and for each insurance contract separately.

Each separate agreement includes an insurance account, to which cash inflows and from which cash outflows are booked. Cash inflows are, for example, premium payments by the policyholder. Cash outflows include settlements at maturity and payments resulting from the occurrence of the insured risks.

The assets on the insurance account (also referred to as the 'insurance account reserves') are invested in one or more forms of investment and so generate a necessary return.

The reserves are calculated generically for all underwritten risks (death from whatever cause, premium waiver in disability cases). In this way risk reserves are created structurally on top of the reserves callable by the policyholder.

Additionally, a complementary provision is set up as required by law.

Provisions for claims

The provisions for claims are determined individually by the claims manager as a function of the characteristics of the claim. When compensation involves periodic payments, the provision is calculated as the present value of the expected future benefit payments. Furthermore, IBN(E)R provisions and provisions for the internal cost of settling claims are set up on the basis of a validated system.

Provisions for profit-sharing and rebates

Provisions for profit-sharing and rebates are created in accordance with the undertaking's profit-sharing plan and the applicable legislation.

Provisions - health insurance

The health insurance provision (ageing reserve) is determined on an individual basis by the responsible department. Starting from the actual portfolio situation at financial year-end, with the actual distribution of ages, genders and contract types, expected future benefit payments and premium income are calculated on the basis of certain assumptions.

Liability adequacy test

At the end of each reporting period a 'Liability Adequacy Test' (LAT) is carried out to determine whether the recorded insurance liabilities are adequate. Any inadequacy in the recognised insurance liabilities are fully recognised in the income statement.

Reinsurance

Funds from reinsurers are recognised as an asset in the balance sheet. Where there are objective indications that not all amounts will be received under the reinsurance contract, the carrying amount of the reinsurance asset is reduced correspondingly and an impairment loss is recognised in the income statement.

Equity attributable to shareholders

Share capital
No shares have been repurchased by the Company.

Compound financial instruments
Components of compound financial instruments (liability and equity portions) 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 shareholders of the company

The Company is the consolidating company. 86.69% of its shares are owned by Investar and 13.31% by ArgenCo.

The IFRS equity attributable to the shareholders as of 31 December 2017 is EUR 2,757,673,371, compared to EUR 2,598,167,691 as of 31 December 2016.

Overview of composition of IFRS equity	31/12/2016	31/12/2017
Paid-in capital	646,117,800	663,393,900
Issue premium	260,358,368	298,935,900
Revaluation reserves on available-for-sale assets	302,314,134	286,752,196
Retained earnings	1,157,009,734	1,327,502,851
Profit current year	246,347,347	193,445,301
Group insurance reserves	0	-1,415,774
Cash flow hedge	-13,979,693	-10,941,002
Equity attributable to shareholders	**2,598,167,691**	**2,757,673,371**
Minority interests	29,293	12,082
	2,598,196,984	**2,757,685,453**

The increase in equity is the combined result of several factors. Equity has increased as a result of, inter alia, the addition of the profit for the year of EUR 193,445,301, a limited decline due to a cash-out of part of the optional dividend paid out via the profit distribution and a limited decrease in the 'revaluation reserve on available-for-sale assets'. The elements of the IFRS equity are further discussed in the text below.

Paid-in capital

The fully paid-in capital, represented by 6,633,939 shares, is EUR 663,393,900 (EUR 646,117,800 as of 31 December 2016). In 2017 a capital increase took place following the distribution of the optional dividend.

Capital increases in the Company

On 8 June 2016, Investar subscribed a capital increase in the Company through a contribution in kind of part of the receivable, amounting to EUR 14,648,000, which it had against the Company by virtue of a stock dividend.

As a result of this capital increase, the share capital of the Company was increased from EUR 631,469,800 to EUR 646,117,800. In this process, 146,480 new shares were created for Investar.

Investar also paid an issue premium of EUR 29,482,030. In total - share capital and issue premium together - the equity capital of the Company was increased by EUR 44,130,030.

On 14 June 2017, Investar and ArgenCo subscribed a capital increase in the Company through a contribution in kind of part of the receivable, which it had against Company by virtue of a stock option dividend.

Investar contributed EUR 14,182,600 to capital, plus an issue premium of EUR 31,669,746. Argenta contributed EUR 3,093,500 to capital, plus an issue premium of EUR 6,907,785.

As a result of this capital increase, the share capital of the Company was increased from EUR 646,117,800 to EUR 663,393,900. In the process, 141,826 new shares were created for Investar and 30,935 for ArgenCo.

In total - share capital and issue premium together - the equity capital of the Company was increased by EUR 55,853,631.

Capital increases at the Argenta Group

On 30 November 2016, the Company subscribed a capital increase of Argenta Spaarbank by a contribution in kind of part of the receivable of EUR 45,622,980. The share capital of Argenta Spaarbank was increased in this way, with no issue of new shares, from EUR 616,252,150 to EUR 661,875,400. Investar subscribed the remainder of the capital, amounting to EUR 270.

On 13 December 2017, the Company subscribed a capital increase of Argenta Spaarbank by a contribution in kind of part of the receivable of EUR 54,071,680. The share capital of Argenta Spaarbank was increased in this way, with no issue of new shares, from EUR 661,875,400 to EUR 715,947,400. Investar subscribed the remainder of the capital, amounting to EUR 320.

Acquisition of the company's own shares

Neither the Company, nor a direct subsidiary, nor any person acting in their own name but on behalf of the Company or the direct subsidiary, acquired shares of the Company during the 2016 or 2017 financial years.

Revaluation reserve on available-for-sale assets

Available-for-sale (AFS) financial assets are designated at fair value, with all fluctuations in fair value recognised on a separate line in equity until the assets are sold or until an impairment occurs.

The reported fluctuations in fair value are found in shareholders' equity under 'revaluation reserve for available-for-sale financial assets'. This reserve evolved from EUR 302,314,791 as of 31 December 2016 to EUR 286,752,835 as of 31 December 2017.

	31/12/2016	Market value to P&L	Additional delta	Delta taxes	31/12/2017
Total unrealised gains and losses on fixed-income securities	519,267,111	-21,752,325	-81,956,070	0	415,558,716
Latent value included in the context of the micro hedges	-93,208,307	0	27,636,407	0	-65,571,900
Latent taxes on fixed-income securities	-144,796,899	0	0	55,719,098	-89,077,801
Total unrealised gains and losses on non-fixed-income securities	25,279,776	-8,389,691	14,347,276	0	31,237,361
Latent taxes on non-fixed income securities	-106,747	0	0	-1,522,322	-1,629,069
Unrealised loss on reclassified assets	-6,241,695	0	1,222,399	0	-5,019,296
Latent taxes on reclassified assets	2,121,552	0	0	-866,728	1,254,824
Total revaluation reserve	**302,314,791**	**-30,142,016**	**-38,749,988**	**53,330,048**	**286,752,835**

A total profit of EUR 30,142,016 was realised in 2017 on the latent values of the 'available-for-sale assets'. In 2016, EUR 12,516,840 was realised (further details on these realised results can be found in Note 31).

In 2017 there was a fair value hedge adjustment of EUR 65,571,900. This can be found in the latent value line included in the context of micro hedges in the above table. There is also a historical AFS reserve of EUR 3,764,472 (after taxes).

Composition of revaluation reserve	31/12/2016	31/12/2017
Revaluation reserve for available-for-sale financial assets	306,434,934	290,517,307
Frozen revaluation reserve, reclassified assets	-4,120,143	-3,764,472

The total revaluation reserve consists of in this way of a 'revaluation reserve in respect of available-for-sale assets' and a so-called 'frozen revaluation reserve for a limited MBS portfolio' that in 2011 was reclassified to the loans and receivables portfolio.

Note 16.3 contains further information on the 'latent capital loss on reclassified assets' and the frozen AFS reserve.

Note 17 gives further information on the processing of the latent value recognised on micro hedges. These are the cumulative value adjustments in connection with fair value hedges.

Cash flow hedge

The Company has concluded an interest rate swap in the context of hedge accounting, which is treated as a cash flow hedge. In this way the effective portion of the changes in market value of the swap (net of tax) is shown in a separate line in equity. The clean price, the deferred tax asset and the total can be found below in the OCI compenent of equity.

	31/12/2016	delta in 2017	31/12/2017
Clean price swap cash flow hedge	-18,639,700	4,051,611	-14,588,089
Tax asset	4,659,925	-1,012,903	3,647,022
Total OCI cash flow hedge	**-13,979,775**	**3,038,708**	**-10,941,067**

This cash flow hedge is described in more detail in Note 27.

Reserves (retained earnings)

The reserves (retained earnings) position (EUR 1,327,502,851 as of 31 December 2017) contains the statutory reserves of the Company along with the consolidation reserves of the consolidated Bank and Insurance Pool.

Profit current year

The consolidated result (excluding minority interests) for the year ending on 31 December 2017 was EUR 193,445,301, compared with EUR 246,347,347 for the year ending on 31 December 2016.

Dividend proposal for the financial year

In 2016, an dividend of EUR 11.74 per share (with stock dividend option) was distributed to shareholders (EUR 75,854,230 in total). This was followed by a capital increase of EUR 55,853,631 in the Company, subscribed by shareholders Investar and ArgenCo.

As last year, a proposal will be made to distribute a dividend of EUR 11.74 per share (with stock dividend option) from the profit (EUR 77,882,444 in total).

4. Minority interests

In the overall structure, BVg holds 99.9% of Argenta Spaarbank and of Argenta Assuranties. One share of each of these entities and of all the insurance and banking pool subsidiaries is held by Investar.

In 2017, EUR 12,082 was attributable to the minority interests, compared to EUR 29,293 in 2016. Of the EUR 12,082 for 2017, EUR 567 consisted of OCI components. The other part related to the capital, the reserves and the results.

5. Risk management

The Company operates as a bank-insurer and asset manager. As such it is exposed to various risks. The Company's risk management distinguishes here between credit risk, market risk, liquidity risk, subscription risks, operational risk and other risks.

The Company's risk management policy and attendant organisational structuring are designed to ensure that the identified risks are always properly identified, analysed, measured, monitored and managed. The risk management framework is constantly being updated and adapted to reflect new regulations, daily experience and changes in the Company's activities.

Professional, comprehensive risk management is an essential prerequisite for achieving sustainable growth. Demonstrating that adequate risk management procedures are in place is a key condition for acquiring and retaining the trust of all stakeholders: customers, investors, branch managers, supervisory authorities and rating agencies, as well as directors, management and employees.

The risk management system

The Company's risk management system is based on:

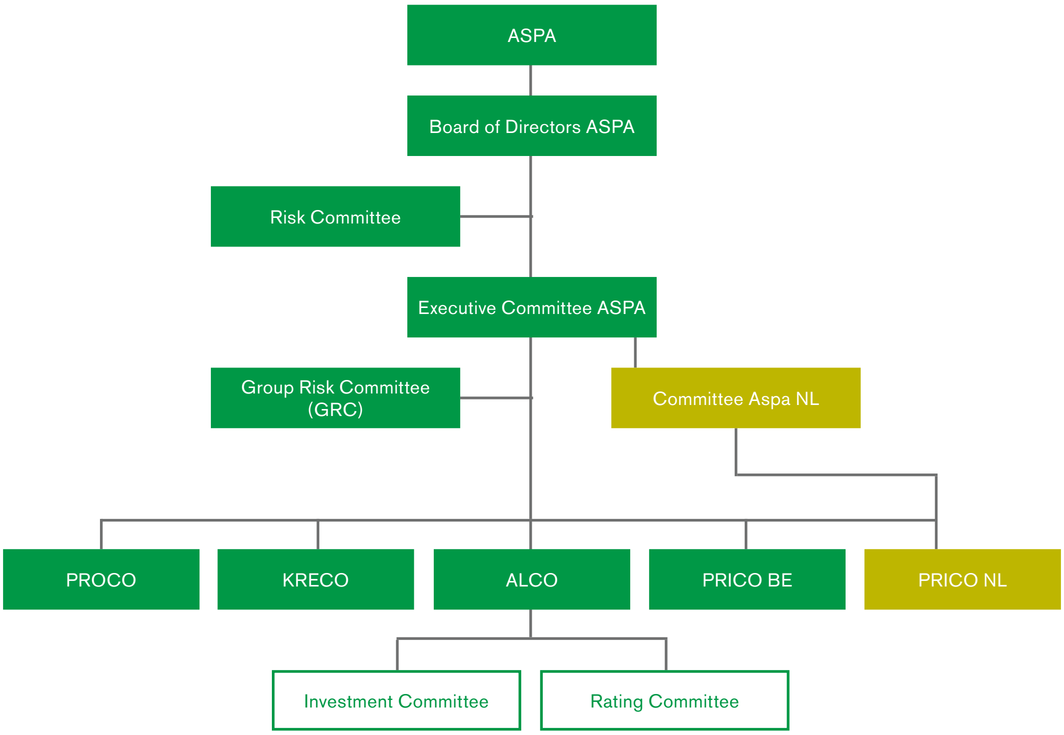
- A risk management strategy that is consistent with the overall corporate strategy of the Company. The objectives and fundamentals of that strategy, the approved risk tolerance limits and the division of responsibilities between all the activities of the Company are laid down in policy documents.
- Rules for the decision-making process and risk policy.
- Policies that effectively describe and classify by category the material risks to which the Company is exposed, and which specify the approved risk tolerance limits for each risk category. These policies implement the risk strategy of the Company, provide for control mechanisms and take into account the nature and scope of the business activities, as well as the associated risks.
- Reporting procedures and processes that ensure that the information on the material risks to which the Company is exposed and the effectiveness of the risk management system are actively monitored and analysed, and that appropriate changes are made to the system if necessary.
- Coordination between the independent control functions Compliance, Risk Management, Actuarial Function and Internal Audit.

Risk policy

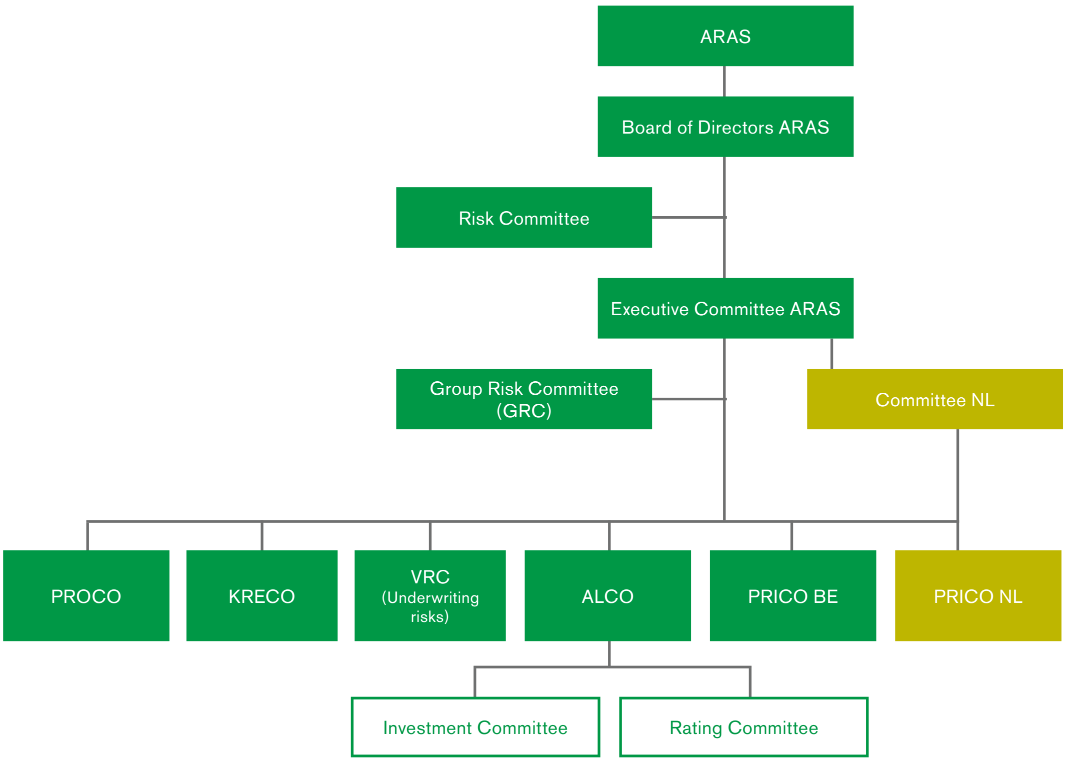
The main components of our risk policy model are:

- The Board of Directors that, with the support of the Group Risk Committee, establishes and oversees the risk appetite and general risk tolerance of the Company. The Board of Directors also approves the main risk management strategies and policies.
- The Executive Committee that implements the risk management system and links together the risk appetite, strategy and definition of the company goal. In its decision-making process, the Executive Committee takes into account the information reported in the context of the risk management system. The executive committees of the Company, Argenta Assuranties and Argenta Spaarbank are integrated, with a number of members in common: the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO). The Chief Operating Officer (COO), Chief Commercial Officer (CCO) and Chief Information and Digital Officer (CIDO) work for both Argenta Spaarbank and Argenta Assuranties. This unity of management highlights the importance of a commercial, risk and financial strategy that is harmonised group-wide, with an emphasis on the long-term relationship with both customers and self-employed branch managers.
- The Group Risk Committee and the activity-related Risk Committees in which the discussion, follow-up and management of the various risks take place.
- Risk-conscious employees who act as the first line of defence for risk management.
- The risk management function that accompanies and controls the first line in terms of risk management and advises on risks. The risk management function forms the second line of defence and Internal Audit the third line of defence.

Committee structure competent for risk management in the Bank Pool.



Committee structure competent for risk management in the Insurance Pool.



Governance of risk management

Group risk management takes place, in addition to the independent Internal Audit and Compliance control functions, mainly at Argenta Group level. The risk management function supervises and controls the first line in respect of risk management and provides supporting risk advice. This function is performed by the Risk & Validation department and the ORM & Supervisory Office department under the hierarchical responsibility and supervision of the CRO. Along with second-line control, risk model validation is one of the core activities of the Risk & Validation department

Relevant risk management bodies and control functions:

- The Group Risk Committee ("GRC") is responsible for discussing, monitoring and managing the various identified risks. The Group Risk Committee deals monthly with a number of themes to achieve better coordination, monitoring, follow-up, awareness-raising, adjustment and policy preparation at the various risk levels. The Group Risk Committee has the following tasks:
  - consolidated reporting of risks;
  - defining the risk strategy for approval by the Board of Directors;
  - defining the risk appetite (after advice from the Executive Committee and the Board of Directors);
  - annual review of the recovery plan;
  - controlling the management of key risks (together with the Executive Committees);
  - taking decisions on ways of going about certain risk assessment and control processes;
  - monitoring the model life cycle and the quality of the models as part of the model management governance framework.

  The GRC meets monthly with, every three months, a specific focus on economic capital management, model overview and operational risk (including compliance).

- The Asset & Liability Committee ("Alco") is responsible for:
  - the optimal balance sheet equilibrium by evaluating, following up and proposing actions aimed at minimising the value and result shocks caused by mismatches in the financial assets and liabilities of the Company;
  - the liquidity position, the interest rate risk and the solvency position;
  - the diversification and the risk profile of the investment portfolio;
  - providing information on risks that impact the current and future profits and capital position of the Company, with the exception of the insurance risks that are monitored in the Insurance Risk Committee.

  Alco is assisted by the Investment Committee ("IO") and the Rating Committee ("RO").

- The Insurance Risk Committee ("VRC") is responsible for discussing, monitoring and managing the underwriting risks. The following themes are discussed in this committee:
  - liability adequacy testing and reservation;
  - value new business and embedded value;
  - reporting on return of the products and actuarial follow-up reports;
  - recommendations from the Actuarial function;
  - Subscription risk and hedging insurance risks including reinsurance;
  - profit sharing;
  - solvency with regard to underwriting and reinsurance risks;
  - product-technical characteristics, adjustments and pricing;
  - coordination, follow-up and execution of management actions and follow-up of triggers that induce management actions.

- The Credit Risk Committee (“Kreco”) is a consultative body with decision-making authority on all aspects of credit risk policy regarding retail credits, i.e. credit risk analysis & control, quantification (including the embedding of the probability of default “PD”, loss given default “LGD” and exposure at default “EAD” internal models) and reporting on this. More specifically, the following themes are discussed:
  - the Key Figures for the credit portfolios;
  - monitoring the credit risk related to the retail portfolios under management via the monitoring and discussion of limits, flashing lights and key performance indicators, concentration risks;
  - proposing and deciding on actions to mitigate credit risks;
  - environment review, including the business environment and economic context, the functional environment and acceptance conditions.

- Pricing Committees (“Prico”) are responsible for:
  - the pricing of retail asset and liabilities products, the monitoring of the production objectives and the evolution of the commercial environment;
  - testing the pricing decisions against the recommendations of the risk management function;
  - testing the pricing of newly-launched products against the risk appetite approved by the Board of Directors.

- The Product Committee (“Proco”) monitors the implementation of the PARP (Product Approval and Review Process) with the aim of:
  - validating each new and updated product based on a check on whether the product meets the requirements of the company in terms of risk, strategy, profitability and legal obligations according to the “product approval and review policy”;
  - recurring review of newly launched products and of active products.

Risk appetite

Taking and converting risks is an integral part of the Company’s activities. It is not the intention to exclude all identified risks, but to identify, control and manage them within the risk appetite limits established by the Board of Directors.

The Company has formalised this policy in a risk appetite framework (“RAF”). The RAF sets standards for the main risk domains. All significant risks to which the Company is exposed are included in the risk mapping and continuously tested against the risk appetite. By means of this RAF, the Company wants to make clear how it manages its risks and respects the imposed limits, with the core objective being to manage the Company safely.

The RAF has evolved as an important part of management and provides a connection between the business strategies (commercial and financial) and risk appetite. The RAF is embedded as an active steering tool in the organisation and:

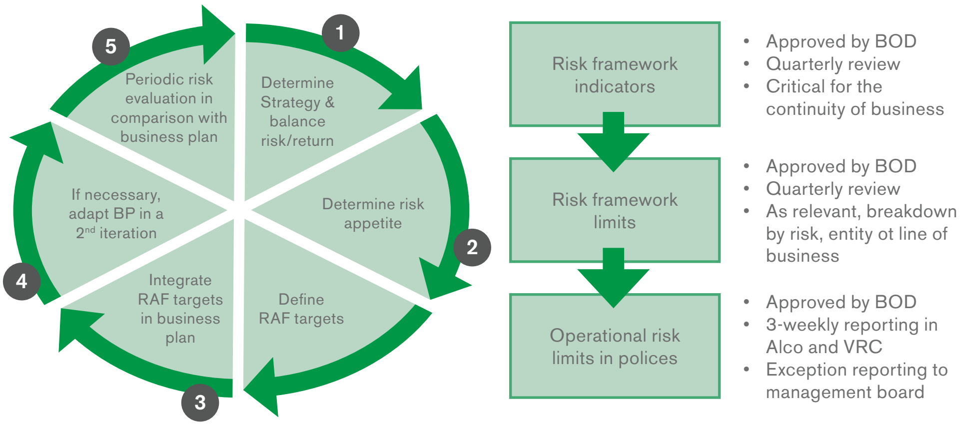
- forms the core of the risk monitoring and the escalation framework;
- translates the risk appetite into measurable criteria and objectives (indicators);
- provides senior management and Board members/the Risk Committee with a very practical tool for communicating, measuring and monitoring the risk targets;
- is embedded in the multi-year business cycle;
- is further translated into operational policies that include a broad set of operational limits/flashing lights.

The RAF indicators are known by the business, being derived from the models used in the business. The RAF indicators themselves are assessed annually as to their continuing appropriateness and calibration (and replaced/adjusted where necessary), with discussion at the Risk Committees and approval by the Boards of Directors. The quantitative and qualitative RAF on financial and non-financial risks is reported on a quarterly basis to the Risk Committees, with feedback to the Boards.

The RAF is the first line of defence against systemic risks and can be seen as a synthetic dashboard to give management a consolidated and integrated view of the material risks of the Company. In this way the RAF facilitates the identification, assessment and supervision of the risks incurred by the Company and the limits that are grafted onto them.

The RAF provides the basis for the risk-escalation framework. It forms the set of highest limits and indicators, which are further translated into the policy lines, with the setting of operational limits, flashing lights and early warning indicators.

Embedded in business governance | **Embedded in policies**



Reporting and business plan process

The risk profile of the Bank Pool and the Insurance Pool is mapped out at every quarter/year-end. The risk profile is determined by assigning a colour to each risk indicator and by calculating an average risk score. A limited number of RAF limits are linked to these risk parameters:

The quantitative indicators are subdivided into 7 categories/risks:

- Capital adequacy
- Asset quality
- Liabilities quality
- Liquidity and interest matching
- Income and value stability
- Concentration risk
- Strategic risk

The qualitative indicators are subdivided into 4 categories/risks:

- Reputation risk
- Regulatory (compliance) risk
- Operational risk and internal control
- Market indicator

In addition, a pro-active (in preparation for the business plan) and a budgeted RAF (for evaluating the business plan) are drawn up. In this way the RAF is reported from 3 perspectives and is strongly embedded within the business plan.

Interaction with ICAAP[2], ORSA[3] and ILAAP[4]

The risk mapping as identified in the RAF therefore provides an overview of the risks identified within the Company together with a uniform definition of these risks.

In the ICAAP, ORSA and ILAAP under Pillar 2, the Company calculates its required economic capital (internal capital requirement), taking into account all risks identified by the Company. The RAF risk mapping forms the basis for this risk assessment.

This shows, among other things, that the Company is subject to a number of risks that are not included in Pillar I, such as inflation risk, liquidity risk, business risk, concentration risk, country risk, capital risk, model risk, reputational risk, regulatory risk, strategic risk and contagion risk. Either additional capital is provided in Pillar 2 or no additional capital is provided for these risks because these have already been implicitly included in the risks in Pillar I or because there are processes in place that strongly mitigate these risks.

5.1. Market risk

Market risk is the risk of a negative financial impact as a direct or indirect result of the volatility of market prices of assets, liabilities and financial instruments. Within this market risk the following 4 risks are relevant: interest rate risk, spread-widening risk, equities risk and real estate risk. The Company does not hold assets and liabilities other than in euro. Only in Branch 23 insurance products is there a risk of loss or adverse change in the financial situation, as a direct or indirect result of the volatility of exchange rates. As a result, the Company is exposed only to a limited exchange rate risk.

5.1.1. Interest rate risk

Risk position
The single largest market risk to which the activities of the Company, and particularly Argenta Spaarbank, are exposed is interest rate risk. This is caused primarily by changes in market prices, unexpected changes in investment returns and changes in the correlation of interest rates between different financial instruments.

The Company's results and capital position display a certain sensitivity to changes in interest rates. This is because a principal component of the business strategy consists of attracting short to medium-term funds, mainly via savings and term deposits of retail customers, and reinvesting these in loans and investments of various kinds. Via the interest rate differentials between the various maturities this gives rise to a transformation result.

Risk management
Alco is responsible for monitoring the interest rate risk. It carries specific responsibilities for monitoring the daily management of the financial position, on which it reports to the Executive Committee. It has a permanent remit to maintain both the income sensitivity of the net interest income and the market-value sensitivity of equity within set limits.

In its risk measurement and management, Alco takes into account the various components of the interest rate risk contained in the balance sheet of the Company. These include the repricing risk (risk from interest rate mismatch between assets and liabilities), the yield curve risk (risk from non-parallel movement of the interest rate curve), the option risk (risk from the implicit and explicit options on the balance sheet) and the basic risk (risk arising from the use of various reference indexes on the basis of which the asset and liabilities products are repriced).

[2] ICAAP : Internal Capital Adequacy Assessment Process.

[3] ORSA : Own Risk & Solvency Assessment Process

[4] ILAAP : Internal Liquidity Adequacy Assessment Process

This latter option risk includes both the risk deriving from explicit options (interest rate caps and interest rate swaps to hedge the interest rate risk) and implicit options (related to the residential loan portfolio). In the ALM department these risks are monitored and managed by means of scenario analysis.

In order to keep market sensitivity within the risk appetite approved by the Board of Directors for the Bank Pool and within the legal limits, endogenous and exogenous ALM hedges are concluded. In endogenous hedging, the control is exercised via the duration of the asset and liability balance sheet items. Exogenous hedging involves using derivative instruments to manage the interest rate risk. This exogenous hedging serves to supplement the permanent aim of a maximally endogenous management of the balance sheet. The combination of endogenous and additional exogenous ALM hedging ensures that the Company's commercial strategy fits entirely within the approved RAF.

Further information on the applied fair value hedges for covering the interest rate risk of a portfolio and on the other hedges can be found in Notes 17 and 27.

The ALM policy of the Insurance Pool seeks to maximise the alignment of the interest rate profile between the investment portfolio and the balance sheet liabilities, with the aim of optimally hedging the interest rate risk.

The table below shows (as an indication of the interest rate structures) the existing interest guarantees attached to the technical provisions linked to the branch 21 products.

	31/12/2016	31/12/2017
Over 4.25% up to 4.99%	0.61%	0.45%
Over 3.50% up to 4.25%	4.29%	2.53%
Over 3.00% up to 3.50%	17.46%	12.76%
Over 2.50% up to 3.00%	15.00%	12.76%
Over 2.00% up to 2.50%	24.47%	20.82%
Over 1.50% up to 2.00%	18.63%	25.20%
Over 1.00% up to 1.50%	18.63%	24.81%
1.00% and less	0.90%	0.67%
Total	**100.00%**	**100.00%**

Sensitivity analysis – interest rate risk in the banking book

The following table shows the interest rate sensitivity of the results over 12 months and of the equity of the Company in the event of a parallel interest rate shock of 100 bp.

We note that Argenta Spaarbank does not have a trading book in the economic meaning of the term and that the interest rate risk in the banking book therefore represents Argenta Spaarbank's entire interest rate risk.

	31/12/2016		31/12/2017	
	+100bp	-100bp	+100bp	-100bp
Impact on earnings over 12 months	44,858,227	-3,103,049	64,240,297	212,248
Impact on equity	-32,813,630	72,614,271	-61,664,447	261,401,753

The interest-income simulations are reported from 2017 onwards according to the internal methodology.

This means that the repricing of the savings accounts is determined on the basis of the business-economic replicating model and no longer according to the NBB methodology. This gives a more realistic estimate of the repricing behaviour of savings accounts in a changing interest rate environment based on a strongly substantiated replicating portfolio technique. The figures for 31/12/2016 have been adjusted to this internal methodology to permit a comparison between the years.

The NBB methodology is used for regulatory purposes, the internal method for interest rate risk management.

In calculations, both of the sensitivity of the equity capital and of income sensitivity, a floor of 0% is used, or else the current interest rate where this is negative.

Furthermore, the following elements are taken into account in these interest income simulations:
- Static balance sheet where the outstanding positions and balance sheet mix are kept constant;
- The interest rate shock takes place in four stages of 25bp (immediately, after 3 months, after 6 months, and after 9 months);
- Loan prepayments (impact of interest rates on the expected Constant Prepayment Rate and the reinvestment fee to be received);
- Expected draw-downs of approved, but not yet fully drawn-down credit facilities at position date;
- Interest rate caps and floors on loans with revisable interest rates;
- Call options in the securities portfolio (weighted average life);
- A floor of 0% or the current interest rate if negative.

The interest rate sensitivity of equity shows the total economic interest rate risk by taking the interest rate sensitivity of the economic value of all balance sheet items into account. The interest rate sensitivity of equity to an interest rate increase of 100bp rose in 2017 for the endogenous balance sheet owing to:
- The new mortgage production at longer fixed-rate maturities;
- The repricings in the Dutch mortgage portfolio with longer fixed-rate periods;
- The increased volume of the credit pipeline in the Netherlands;
- The increased gradient of the yield curve as a result of which the expected number of prepayments fell and the embedded cap risk within the Belgian variable mortgage portfolio increased.

This was partly mitigated by bringing into use an optimal replicator for the savings accounts - with no restriction on the duration.

These risks were adjusted through the exogenous hedging strategy with additional hedges (payer swaps, forward starting payer swaps and swaptions).

Sensitivity analysis – interest rate risk in the Insurance book

The following asset and income sensitivity analysis shows the impact within Argenta Assuranties of a parallel interest rate shock on the net interest result and on the other components of equity.

	31/12/2016		31/12/2017	
	+100bp	-100bp	+100bp	-100bp
Impact on earnings over 12 months	933,827	-91,337	414,196	-437,243
Impact on equity	-7,577,535	-17,603,781	-21,684,858	10,639,602

The calculation of income sensitivity is based on:

- Balance sheet position with production as foreseen in the business plan;
- Flat rates.

An increase or decrease in interest rates by 100 basis points over the first year has hardly any impact on interest income (EUR + 0.25/-0.27 million).

In 2017, a 100 basis points increase in interest rates would have a negative impact of EUR 21.6 million on the economic value of equity. A 100 basis points fall in interest rates would have a negative impact of EUR 10.6 million. Thus, the interest rate risk lies fully in an up-shoc and is slightly higher than last year.

5.1.2. Spread widening risk

Risk position

The return on the investment portfolio is largely determined by the credit spread earned on the investments made. The evolution and fluctuations of the credit spread are often market driven and determined by factors other than those relating to the creditworthiness of the issuer. These market risk factors induce spread widening risk.

Alongside the pure interest rate, they are the main driver of asset returns and the economic value of the investment portfolio.

Risk management

The pursuit of a cautious investment policy, frequent monitoring of the fluctuations in the economic value of the investment portfolio and measuring the sensitivity of changes in credit spreads are therefore important pillars of healthy portfolio management.

The conduct of sound investment policy is guided by a strict investment framework that determines, based on the creditworthiness of the issuer, the permissible investment level and maximum maturity. This investment policy is shaped by a thorough analysis of the credit sectors and investment files and an active screening of market opportunities.

The evolution of the market value of the investment portfolio is monitored in the Asset and Liability committee. Credit spread sensitivity is calculated and monitored in the ICAAP and ORSA framework and is checked against the RAF.

Sensitivity analysis - spread widening risk

Argenta Spaarbank calculates the spread risk on the totality of the investment portfolio. The spread sensitivity is calculated according to a modified duration (no convexity).

As of 31/12/2016, the impact for Argenta Spaarbank of a 1 bp increase in the credit spread was EUR -2,798,819, as of 31/12/2017 it was EUR -3,205,420 per 1 bp increase. The increase in spread-widening risk is due to the short-term reinvestment of the funds received from the securitisation transaction, which are largely invested in floating-rate bonds. For Argenta Assuranties, the sensitivity is EUR -1,407,868 per 1 bp increase in the credit spread, as of 31/12/2016 the sensitivity was EUR -1,547,369. Since the vast majority of the investment portfolio is classified as available-for-sale financial assets, this impact will largely be accounted for in equity unless it gives rise to a sustainable impairment.

5.1.3. Equities risk

Risk position

From a strategic allocation perspective, equities complement the existing bond and loan portfolios and are intended to optimise the risk return profile of the portfolio. Within the investment framework and subject to compliance with strict investment criteria, the Company has the possibility to take equity positions into its investment portfolio.

Risk management

This portfolio of individual shares is being built up gradually over time and is managed within a rigorous risk management framework, including limits on size, permitted sectors, market capitalisation and concentration.

The price risk is controlled by subjecting the equity investments to a thorough analysis of underlying fundamentals and by framing the investment policy within the approved risk appetite and assigned limits.

Sensitivity analysis - equity risk

The sensitivity analysis below shows the impact on the Company of a 10% fall in the market value of non-fixed income securities.

	31/12/2016	31/12/2017
	-10%	-10%
Impact on earnings over 12 months	0	0
Impact on equity	-13,709,964	-13,116,874

The non-fixed-income securities amount to EUR 131,912,068 (market value) as of 31 December 2017, with the unrealised gains representing EUR 28,312,505 (21.6% of the total market value). These unrealised gains are recorded in equity under revaluation surplus on AFS assets. In a market downturn of 10%, the amount in equity would decrease to EUR 13,116,874 without giving rise to impairment losses recorded through the income statement.

The Insurance Pool sells and distributes branch 23 insurance contracts. These insurance contracts invest, on behalf of the customer, in various funds that invest primarily in shares and bonds. The equity risk relating to these insurance contracts is borne by the policyholder and has no direct impact on the result and the equity of the Company.

Further information on the individual write-downs on shares (under variable interest securities) is included under the notes on credit risk.

5.1.4. Property risk

Risk position

The evolution of real estate prices has an influence on lending to individuals and also influences the credit risk through the giving of property as collateral. The Company has here a concentration in lending to private individuals in Belgium and the Netherlands, more particularly in the form of retail mortgage lending. This makes the company dependent on developments in the housing market.

In addition, the investment framework allows a portfolio of indirect investment properties to be maintained. These are not investments in buildings but loans to counterparties operating in real estate, within the context of a cautious credit policy. Within this limited framework, a number of loans were made to real estate counterparties.

Risk management

This real estate investments are managed within a rigorous risk management framework, including limits type of investment and concentration.

The real estate investment portfolio consists of properties purchased under the mortgage enforcement policy and a 1% investment in office buildings. These are accounted for using the cost price model.

These properties are managed passively and resold on the market once market conditions have improved.

The unrealised capital gains and gains on these investment properties are not included in equity.

The real estate investment portfolio (EUR 1,551,036 in 2017) consists of properties purchased under the mortgage enforcement policy and a 1% investment in office buildings.

The buildings (or parts of the office builtdings) are accounted for using the cost price model. The latent values of these investment properties are not included in equity. The market values are only used for disclosure purposes.

5.2. Liquidity risk

Risk position

Liquidity risk is the risk of loss, or of adverse change in the financial situation, as a direct or indirect consequence of insufficient liquidity being available to meet financial obligations. This may be the result of:

- an unexpected prolongation of the outstanding receivables, e.g. a loan default;
- the risk, in the Bank Pool, of a greater portion of credit lines being drawn down or more savings deposits being withdrawn;
- the risk, in the Insurance Pool, that payment obligations increased owing to a rising number of claim events, or early retirements or surrenders, as a result of which Argenta is unable to meet its payment obligations;
- the risk that the necessary financing transactions cannot be undertaken (or can be undertaken only at disadvantageous conditions);
- the risk that assets can be liquidated only at a severe mark-down, owing to a shortage of interested counterparties on the market.

Liquidity sources of the Bank Pool

Argenta Spaarbank's liquidity model can be summarised as follows:

- a substantial base of customer deposits;
- a spread over the Belgian and Dutch markets;
- total funding independence from the interbank market;
- a low loan-to-deposit ratio;
- a liquid securities portfolio.

In this way Argenta Spaarbank does not have to go to the interbank and professional market to fund itself. It has, however, developed the capabilities to do this, either i) if yield considerations make it appropriate to do so, or ii) out of a desire to diversify its financing sources (RMBS securitisation) or iii) where new legal requirements are imposed in the future to have certain types of debts on the balance sheet (Tier 2 issue). Repurchase agreements are concluded as and when appropriate as part of liquidity management or to take advantage of investment opportunities in the financial market.

Funding policy is directed at obtaining funding from individual customers through current and savings accounts and term deposits. Retail savings certificates and subordinated certificates are still part of funding, but are no longer offered to customers. 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 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 Argenta Spaarbank's solvency, profitability and risk management.

Sources of funding	2016	2017
Deposits from central banks	0.00%	0.00%
Deposits from credit institutions	0.00%	0.21%
Retail customer deposits	92.13%	90.95%
Bank savings certificates sold to retail customers	3.53%	2.01%
Bonds sold to retail customers	0.00%	0.00%
Bonds sold to institutional investors	0.00%	3.35%
Subordinated debt sold to retail customers	0.44%	0.24%
Subordinated debt sold to institutional investors	1.49%	1.43%
Other liabilities	2.41%	1.80%
Total liabilities	100.00%	100.00%
Total liabilities in EUR	**34,315,068,573**	**35,654,603,852**

Risk management in the Bank Pool

The liquidity management and the liquidity risk management of the Bank Pool are centralised at Argenta Spaarbank.

The Asset and Liability Committee (Alco) monitors the liquidity indicators on a permanent basis. The management framework is clearly defined and detailed in the financial policy. First-line responsibility for the measuring, monitoring, checking and reporting of the liquidity risk lies with the ALM department. The second-line responsibility lies with the Risk department. The management of the liquidity position falls under the authority of the Treasury department.

For measuring, monitoring, checking and reporting on the liquidity risk, the Company has a specially adapted management information system (MIS), including a contingency plan, in order to be able to adequately manage its liquidity in both normal and exceptional circumstances. In addition to the extensive regulatory reporting, extensive internal reporting has also been developed. In this way, management and stakeholders are aware of the evolving situation.

The daily liquidity management, the definition of additional Early Warning Indicators (EWIs), operational limits or flashing lights, and the organisation of stress tests are included in the Liquidity Contingency Plan. Daily funding reports are distributed to a broad target group within the Company.

The liquidity risk appetite is managed in the Bank Pool's RAF by flashing light levels on three risk indicators, namely:

- The LCR (Liquidity Coverage Ratio) tests the liquidity buffer against a pre-defined outflow of financial liabilities over a 30 day period.
- The NSFR (Net Stable Funding Ratio) compares available liquidity against required liquidity over at least one year, and
- The AER (Asset Encumbrance Ratio) compares the amount of unencumbered assets with the volume of protected deposits.

In addition to the aforementioned RAF indicators, further EWIs, operational limits and flashing lights have been defined internally.

The LCR and the underlying components can be found in the table below. This table was drawn up in accordance with EBA guidelines EBA/GL/2017/01. This directive seeks to obtain greater transparency and comparability of LCRs through the reporting of data in harmonised tables.

Consolidated EUR miljoen		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on		31/03/ 2017	30/06/ 2017	30/09/ 2017	31/12/ 2017	31/03/ 2017	30/06/ 2017	30/09/ 2017	31/12/ 2017
Number of data points used in calculating averages		3	3	3	3	3	3	3	3
High quality liquid assets									
1	Total high quality liquid assets (HQLA)					4,443	4,574	4,376	4,825
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	27,951	28,295	28,580	28,823	1,908	1,931	1,956	1,969
3	Stable deposits	17,769	18,006	18,079	18,304	888	900	904	915
4	Less stable deposits	10,183	10,289	10,501	10,519	1,020	1,031	1,052	1,054
5	Unsecured wholesale funding	414	353	358	334	257	237	247	221
6	Operation deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	414	353	358	334	257	237	247	221
8	Unsecured debt	0	0	0	0	0	0	0	0
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	224	316	312	326	142	202	228	239
11	Outflows related to derivative exposures and other collateral requirements	114	170	199	202	114	170	199	202
12	Outflows related to loss of funding on debt products	0	0	0	8	0	0	0	8
13	Credit and liquidity facilities	110	146	114	116	29	32	29	29
14	Other contractual funding obligations	28	34	28	24	8	13	7	2
15	Other contingent funding obligations	1,127	1,119	856	1,251	372	369	282	413
16	**Total cash outflows**					2,688	2,753	2,720	2,845
Cash - inflows									
17	Secured lending (eg. reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	166	163	163	173	116	111	109	113
19	Other cash inflows	74	84	36	106	74	84	36	106
EU 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU 19b	(Additional inflows from an affiliated specialist credit institution)					0	0	0	0
20	**Total cash inflows**	240	247	198	279	190	195	145	219
EU 20a	*Completely exempt inflows*	0	0	0	0	0	0	0	0
EU 20b	*Inflows subject to 90% cap*	0	0	0	0	0	0	0	0
EU 20c	*Inflows subject to 75%cap*	240	247	198	279	190	195	145	219
						Total corrected value			
21	**Liquidity buffer**					4.135	4.303	3.979	4.310
22	**Total net cash outflows**					2.498	2.558	2.574	2.625
23	**Liquidity coverage ratio (%)**					166%	168%	155%	164%

As indicated above, the focus of the funding model is on private customers. In addition, funds were raised in 2017 via a third Green Apple (RMBS) issue. The readily available liquidity sources consist of high-quality assets. These are mainly central bank reserves, government bonds, securitisations and corporate bonds. These are diversified in terms of both counterparty type and individual counterparty. In addition to the liquid assets eligible for the LCR, Argenta Spaarbank also has a portfolio of ECB-eligible securities.

All liabilities and assets are denominated in euros, so that there is no currency mismatch between the liquidity and financing sources.

Argenta Spaarbank maintains a derivatives portfolio with a view to hedging the interest rate risk. The value of this portfolio is hedged with collateral. There are no other sources of collateral outflow. The assets used as collateral are excluded from the LCR liquid buffer. The LCR also takes into account potential collateral outflows due to fluctuations in the valuation of the portfolio and a negative rating evolution of Argenta Spaarbank. Only a limited portion of the liquid assets serve as collateral. Despite this, the evolution of the collateral is closely monitored.

The overview of the ratios and legal limits can be found in the following table:

	Legal limits	31/12/2016	31/12/2017
LCR	100%	178%	162%
NSFR	100%	145%	143%
AER strict (RAF limit)		106.40%	106.40%
AER broad (RAF flashing light)		110.10%	110.50%

For the limits on the AER, we also have to mention that the Company was 90% funded for both periods by ‘eligible deposits as referred to in Article 389 of the Law of 25 April 2014’. This gives an indication of the relationship of these ratios to the legal flashing light and recovery plan thresholds.

Risk management in the Insurance Pool

Future liquidity is monitored and limited by comparing the cash flow profile of the assets and liabilities against each other on a quarterly basis and taking action to adjust the balance sheet if needed.

The existing gap between the portfolio and the opposing insurance contracts is monitored systematically. This monitoring is part of the periodic liquidity gap analysis. These management measures include adjusting the balance sheet through proactive initiatives to keep the funds released from the insurance contracts with the Company and setting up lines of credit with financial institutions.

For the Insurance Pool a LCR (Liquidity Coverage Ratio) is calculated with subsequent monitoring of the cumulative maturity gap. The LCR amounts to 9.424% in 2016 and increased to 11.695%.

Maturity analysis - Bank Pool

Notes 14,15 and 16 give further details of the residual maturities of the available-for-sale financial assets and loans and receivables. The table below shows a maturity analysis for the financial liabilities held for trading, the financial liabilities measured at amortised cost, derivatives used for hedging purposes and other liabilities.

2016 financial year	< 3 months	< 12 months	1-5 years	> 5 years
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Financial liabilities at amortised cost				
• Deposits from credit institutions	1,389,829	0	0	0
• Retail funding - deposits with no fixed term	28,604,515,155	0	0	0
• Retail funding - fixed-term deposits	209,721,961	543,910,425	1,899,912,202	357,223,215
• Retail funding - savings certificates	60,659,878	425,410,939	724,413,218	0
• Debt certificates - bonds	0	0	0	0
• Subordinated loans	10,330,735	54,704,402	595,428,863	0
Derivatives for hedging purposes	65,466,436	86,692,881	419,348,826	379,192,006
Other liabilities	46,945,768	140,837,303	0	0
Totals	**28,999,029,761**	**1,251,555,950**	**3,639,103,109**	**736,415,221**

2017 financial year	< 3 months	< 12 months	1-5 years	> 5 years
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Financial liabilities at amortised cost				
• Deposits from credit institutions	76,393,437	0	0	0
• Retail funding - deposits with no fixed term	29,520,194,067	0	0	0
• Retail funding - fixed-term deposits	462,787,457	474,801,928	1,619,373,584	350,258,196
• Retail funding - savings certificates	177,076,061	117,080,921	417,670,671	0
• Debt certificates - bonds	23,655,174	66,098,131	311,031,029	798,994,599
• Subordinated loans	11,804,765	10,380,191	574,411,263	0
Derivatives for hedging purposes	69,930,749	92,953,469	384,649,258	392,550,901
Other liabilities	54,377,333	163,131,999	0	0
Totals	**30,396,219,042**	**924,446,641**	**3,307,135,805**	**1,541,803,696**

The interest streams of the swaps posted under 'financial liabilities held for trading', and 'derivatives for hedging purposes' are included in the totals. The fixed and variable rates as of 31 December 2017 are used in calculating this interest for the respective fixed and variable parts of the interest rate swaps concerned.

For this table, demand deposits, special deposits and regulated savings deposits have been classified in the < 3 months bracket.

The bulk of the 'subordinated liabilities' as of 31 December 2017 consists of the nominal EUR 500 million Tier 2 loan offered to institutional investors. The balance consists of subordinated certificates.

In October 2017, an RMBS (Residential Mortgaged-Back Securities) transaction in an amount of EUR 1.2 billion was successfully placed on the market. The RMBS transaction - Green Apple 2017 I NHG - securitises Dutch mortgage loans benefiting from the Dutch Mortgage Guarantee.

Maturity analysis - Insurance Pool

The Insurance Pool does not use derivatives and therefore has no derivative obligations. The maturity analysis of the categories, 'financial liabilities designated at fair value through profit and loss', 'financial liabilities measured at amortised cost', 'liabilities under insurance and reinsurance contracts', and the category 'other liabilities' is shown in the table below.

2016 financial year	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities designated at fair value with value changes through P&L	39,612,538	118,260,035	620,395,017	1,061,507,055
Financial liabilities at amortised cost price				
• deposits from credit institutions	95,225,400	177,074,758	0	0
• retail funding – deposits without fixed terms	72,674	0	0	0
• retail funding – deposits coupled to mortgage loans	8,247,363	218,758	200,159	342,687,299
• other financial liabilities	0	2,978,261	625,393,318	17,726,318
Liabilites under insurance and reinsurance contracts				
• life	29,267,531	86,147,909	812,287,332	1,459,729,360
• none-life	19,982,360	59,895,712	66,470,819	59,451,233
Other liabilities	14,480,005	43,440,014	0	0
Totals	**206,887,872**	**488,015,477**	**2,124,746,645**	**2,941,101,264**

2017 financial year	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities designated at fair value with value changes through P&L	48,401,277	151,896,659	650,874,558	1,305,884,942
Financial liabilities at amortised cost price				
• deposits from credit institutions	0	40,012,860	129,999,922	0
• retail funding – deposits without fixed terms	100,300	0	0	0
• retail funding – deposits coupled to mortgage loans	8,977,706	208,784	2,825,717	352,825,057
• other financial liabilities	0	21,048,349	618,365,816	593,016
Liabilites under insurance and reinsurance contracts				
• life	30,291,042	90,846,861	1,352,354,071	1,021,594,292
• none-life	20,416,860	61,130,510	64,792,870	58,308,446
Other liabilities	98,519,664	295,558,991	0	0
Totals	**206,706,848**	**660,703,015**	**2,819,212,954**	**2,739,205,753**

The outstanding reserves of the financial liabilities designated at fair value through profit and loss (branch 23) are classified according to the remaining contractual term.

With the other financial liabilities and the liabilities arising out of insurance and reinsurance contracts, the outstanding reserves are recognised according to the remaining contractual term, including the guaranteed interest flows of the outstanding contracts. For non-life insurance and reinsurance liabilities and life insurance contracts, the maturity analysis has been prepared on the basis of expected payment patterns for premium, claims and claims settlement costs.

Deposits from credit institutions relate to repos. Deposits with no fixed maturity were classified for this report under less than 3 months. The other liabilities consist mainly of a current account between Argenta Assuranties and Argenta Spaarbank.

5.3. Credit risk

Risk position
Credit risk is the risk of loss, or of adverse change in the financial situation, as a direct or indirect result of a decline in the creditworthiness of issuers (or guarantors) of securities, of counterparties and of debtors.

This risk arises in both traditional lending and in investment activities (other interest-bearing assets). It is linked to a large part of the Argenta Group's activities. For the insurer there is also the reinsurer default risk.

For the Company, there are essentially three segments of importance for credit risk: the retail market and in particular the retail mortgage lending market (in both Belgium and the Netherlands), the investment portfolio, the portfolio of loans to local and regional authorities and (selectively) to corporates. Credit risk management is therefore focused on these three segments.

In the Insurance Pool, the Company is also exposed to additional risks of failure, for example in relation to the reinsurer, future profits in branch 23 funds, receivables and the assets backing the mortgages in the Netherlands.

Risk management retail
In the retail segment, Argenta's target group consists of individuals, families, self-employed persons and professions having their usual place of residence in Belgium or the Netherlands and wishing to take out loans for mainly non-professional purposes.

The financing may also include professional investments, insofar as these are combined with private investments. The permitted private/professional relationship is determined in the specific Acceptance and Authorisation Framework.

As a general principle, the borrowers are natural persons. In certain cases, companies can act as borrowers, but then also with related natural persons as co-borrower(s).

The most important elements of risk management are the Acceptance and Authorisation Framework for the granting of loans, including set limits for creditworthiness, monitoring procedures and a monthly follow-up of the credit risk indicators.

This governance is supported by the operation of the Retail Credit Risk Committee, reporting to the Executive Committee and to the Risk Committee of the Board of Directors.

Risk management - non-retail
The non-retail investment framework focuses on strong counterparty quality, with a focus on diversification into investments in companies, in indirect real estate and in positions in securities issued by or loans to local authorities.

The application and practical implementation of the investment policy is also supported by the Investment Committee, in which representatives of the Executive Committee (in the case of escalation), Treasury and Investment Management and the Credit Risk Analysis department in the first line, and Risk in the second line, discuss and decide on investment issues.

The internal investment framework 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 ALCO and the Rating Committee (RC). ALCO, and consequently the Company's Executive Committee, must then make an explicit judgement on whether or not to maintain the position. The positions maintained are also reported to the Risk Committee of the Board of Directors.

Every year, credit analysis of the banking and corporate counterparties is carried out. The results of rating reviews are discussed in the monthly RC, which reports to Alco. This Committee ratifies proposed ratings or decides on the assignment of internal ratings, following a well-defined governance framework and with two separate decision levels. The internal ratings are relevant in the acceptance framework and are also used for monitoring, with the investment portfolios subjected to a thorough analysis on a quarterly basis. This analysis forms the basis of regular reporting to, and discussion within, Alco, the Executive Committee and the Risk Committee of the Board of Directors.

Internal models for credit risk

Argenta Spaarbank has opted, for its mortgage lending, subject to non-material exceptions, and for banking and corporate counterparties, to use internal ratings and to calculate its own capital requirements using the IRB(F) method. This means that a risk category is assigned to each loan when granted. To this end, the bank has, where applicable, itself developed one or more models. A distinction is made between models for PD (probability of default) and LGD (loss given default). For the retail credit portfolios, for which an internal rating based system has been selected, both a PD model and an LGD model have been developed. Every month, the PD and LGD models are applied to the total mortgage loan portfolio in order to calculate the capital requirement for unforeseen losses. For banking and corporate counterparties, this is a FIRB approach, where only a PD model has been developed.

The internal rating models are subjected to appropriate internal review on an at least annual basis.

Risk management of reinsurer default

The Company uses the services of a reinsurance broker to place the reinsurance treaties on the market. The contract concluded with reinsurance broker stipulates that all reinsurers are required to maintain a minimum A+ rating. This limits the reinsurer default risk. The concentration risk too is limited given that the coverage is placed with multiple re-insurance companies. Further information about reinsurance is included in the notes regarding the insurance risk.

Maximum credit risk

The total credit risk exposure comprises the carrying value of financial assets on the balance sheet (the major part of the asset side of the balance sheet), the calculated exposure to financial derivatives, and specific off-balance-sheet items (including financial guarantees and loan commitments) as specified in the Capital Regulation (Basel). The table below shows the outstanding credit risk of the Bank Pool as reported in the prudential COREP tables The Pillar 3 Disclosures give further information and interpretation of the total exposure.

Total exposure to credit risk	31/12/2016	31/12/2017
Total on-balance sheet	35,996,526,393	37,411,433,657
Total off-balance sheet	1,787,783,451	2,224,458,672
Total derivatives	185,611,883	287,056,458
	37,969,921,727	**39,922,948,786**

Concentration of credit risk

Concentration is caused by excessive lending to an individual counterparty or a group of related counterparties (single name concentration or counterparty concentration) or by an uneven distribution of lending across sectors or countries/regions (sector concentration). The latter occurs when significant risk positions are taken on groups of counterparties whose probability of default and/or loss in case of default is driven by common underlying factors.

The table below shows the percentage of the different types of loans and receivables within the 'loans and receivables from other customers' heading. The 'other loan receivables' contains a limited MBS portfolio.

	31/12/2016		31/12/2017	
	Carrying values	Percentage distribution	Carrying values	Percentage distribution
Consumer loans	97,669,919	0.36%	114,057,678	0.40%
Mortgage loans	26,830,072,433	97.60%	27,833,108,686	97.05%
Long-term loans	536,848,529	1.95%	711,808,956	2.48%
Advances/overdrafts	3,925,891	0.01%	2,902,447	0.01%
Other loan receivables	21,600,896	0.08%	17,031,178	0.06%
	27,490,117,668	**100.00%**	**28,678,908,945**	**100.00%**

Potential concentration risks resulting from the presence in only two mortgage markets (Belgium and the Netherlands) are tempered (i) by the granular nature of these portfolios consisting of a very large number of loans each individually carrying a very limited credit risk, (ii) by the day-to-day monitoring of the evolutions in the Dutch and Belgian mortgage and residential real estate markets, and (iii) by the diversification in the age of the credit, the demographic spread and the regional spread within Belgium and the Netherlands.

The Company classifies most of the investment portfolio as 'available-for-sale financial assets'. A main part of this portion of the investment portfolio consisted as of 31 December 2017 of bonds of 'public authorities' (36.23% in 2017 versus 42.36% in 2016) . The 'credit institutions' category represents 22.62% as of 31 December 2017. The 'securities – other counterparties' category has risen from 34.22% to 39.93%.

The 'held-to-maturity assets' item contains securities amounting to EUR 651,172,929 (EUR 614,660,002 as of 31 December 2016), issued mainly by the Belgian federal and regional authorities.

	31/12/2016		31/12/2017	
	Carrying values	% distribution	Carrying values	% distributions
Available-for-sales financial assets	**10,697,092,080**	**100.00%**	**10,818,154,521**	**100.00%**
Fixed-income securities				
public authorities	4,530,987,182	42.36%	3,919,546,315	36.23%
credit institutions	2,389,603,913	22.34%	2,446,568,143	22.62%
securities other counterparties	3,660,802,854	34.22%	4,320,127,996	39.93%
Non-fixed-income securities				
investment funds/equities	115,698,131	1.08%	131,912,068	1.22%
Held-to-maturity financial assets	**614,660,002**	**100.00%**	**651,172,929**	**100.00%**
Fixed-income securities				
public authorities	584,173,312	95.04%	621,233,701	95.40%
credit institutions	0	0.00%	0	0.00%
securities other counterparties	30,486,690	4.96%	29,939,228	4.60%
Total	**11,311,752,082**		**11,469,327,450**	

The following table shows the geographic breakdown (%) of the government bonds classified as 'available-for-sale'. The table below documents a large exposure to Belgium (Company head office location).

	31/12/2016	31/12/2017
Belgium	57.51%	52.62%
Ireland	7.88%	9.67%
Spain	5.15%	8.46%
Poland	3.99%	4.57%
Slovenia	3.15%	3.46%
Austria	2.42%	2.80%
Czech Republic	2.40%	2.64%
Italy	2.45%	2.47%
Latvia	2.32%	2.16%
Lithuania	2.04%	1.91%
France	1.40%	1.58%
Germany	1.11%	1.29%
Romania	0.42%	1.08%
Iceland	0.95%	0.96%
Slovakia	1.42%	0.81%
Sweden	0.56%	0.65%
Mexico	0.47%	0.55%
The Netherlands	3.01%	0.53%
Indonesia	0.00%	0.38%
Other	1.37%	1.42%
Total	**100.00%**	**100.00%**

The Company applies concentration limits per counterparty expressed as % of CET1 regulatory core capital. The size of the limit is a function of the creditworthiness of the issue and of the type of counterparty. The diversification and internal ratings of all fixed-income securities are systematically reported and monitored at individual and at portfolio level.

Security and enforcement policy

Personal guarantees or collateral are always required when granting mortgage loans. Under the foreclosure policy it occasionally happens that certain collateral item is acquired and is recorded in the balance sheet.

For such collateral (the properties on which a mortgage or mortgage mandate is registered) new individual estimates are made periodically using a statistical method whenever loans to which the collateral is attached are deemed in default.

If all other means have been pursued to settle a credit which is in default. a private or public sale of the property will be effected and any secondary securities enforced. Secondary collateral commonly exists in Dutch credit files. This relates to concerns insurance policies pledged to Argenta and the National Mortgage Guarantee (NHG).

There were 134 private and public sales in 2017 (compared with 222 in 2016) including sales relating to loans with an NHG guarantee in the Netherlands of which the sale proceeds did not cover the full amounts receivable. The total remaining debt amounted here to EUR 2,930,383 (compared with EUR 4,641,850 in 2016).

Thanks to the conservative loan policy and the strict monitoring strategy. loan losses in Argenta's various fields of activity have been low in recent years.

Credit quality

The credit quality of the non-retail portfolios is included in the table below which shows the rating level of the entire 'available-for-sale assets' portfolio. More than 98% of the portfolio has an 'investment grade' rating.

	31/12/2016	31/12/2017
Investment grade	98.11%	98.07%
Below investment grade	1.84%	1.51%
Not rated	0.05%	0.41%
Total	**100.00%**	**100.00%**

Loans and advances in arrears

The Company reviews its portfolio on a regular basis for payment arrears. The table below summarises the financial assets in the 'loans to and receivables from other customers' on which payment arrears have been ascertained but for which no impairments have been recognised on an individual basis. The figures here relate 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 are temporarily in arrears due to the possible delayed operational processing of instalment payments (including by direct debit).

Per 31/12/2016	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Belgium				
Consumer loans	4,398,888	110,654	16,391	18,416
Mortgage loans	790,344,059	15,108,664	2,071,009	4,507,106
Long term loans	14,547,928	141,125	476,955	5,918
Demand deposits	2,281,635	87,309	55,708	1,174,160
Other loan receivables				
Total Belgium	**811,572,510**	**15,447,752**	**2,620,063**	**5,705,600**
The Netherlands				
Mortgage loans	96,576,489	21,114,805	11,643,228	6,096,921
Total The Netherlands	**96,576,489**	**21,114,805**	**11,643,228**	**6,096,921**
Total	**908,148,999**	**36,562,557**	**14,263,291**	**11,802,521**

Per 31/12/2017	<= 90 days	90 days <> 180 days	180 days <> 1 jaar	> 1 year
Belgium				
Consumer loans	2,266,073	16,617	0	13,937
Mortgage loans	756,287,808	19,439,225	3,392,848	1,752,955
Long term loans	14,682,029	272,754	125	0
Demand deposits	1,441,977	52,000	78,787	1,037,343
Other loan receivables	0	0	0	0
Total Belgium	**774,677,887**	**19,780,596**	**3,471,760**	**2,804,235**
The Netherlands				
Mortgage loans	99,920,774	19,659,084	10,107,773	5,050,971
Total The Netherlands	**99,920,774**	**19,659,084**	**10,107,773**	**5,050,971**
Total	**874,598,661**	**39,439,680**	**13,579,533**	**7,855,206**

Effective arrears (capital and interest)

The tables below summarise the effective arrears (principal and interest), in other words, which arrears are effective (i.e. without mentioning the total amount of the loan in question).

The 'demand deposits/advances' category consists primarily of overdraft facilities for which the entire amount goes into arrears if the credit line is exceeded.

Per 31/12/2016	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Belgium				
Consumer loans	384,324	4,793	1,963	1,098
Mortgage loans	8,399,376	201,884	321,970	196,833
Long term loans	189,035	8,936	12,162	1,438
Demand deposits	2,281,635	87,309	55,708	1,174,160
Other loan receivables				
Total Belgium	**11,254,370**	**302,922**	**391,803**	**1,373,529**
The Netherlands				
Mortgage loans	803,083	753,547	495,319	686,438
Total The Netherlands	**803,083**	**753,547**	**495,319**	**686,438**
Total	**12,057,453**	**1,056,469**	**887,122**	**2,059,967**

Per 31/12/2017	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Belgium				
Consumer loans	67,289	788	0	5
Mortgage loans	6,866,381	258,022	79,573	86,811
Long term loans	195,024	9,407	125	0
Demand deposits	1,441,977	52,000	78,787	1,037,343
Other loan receivables	0	0	0	0
Total Belgium	**8,570,671**	**320,217**	**158,485**	**1,124,159**
The Netherlands				
Mortgage loans	469,899	331,705	325,018	348,894
Total The Netherlands	**469,899**	**331,705**	**325,018**	**348,894**
Total	**9,040,570**	**651,922**	**483,503**	**1,473,053**

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

Impairments determined on an individual basis

The following table gives an overview of the financial asset categories (and respective classes) in which individually determined impairments have been recognised.

A loan receivable is considered to be in default as from 90 days in arrears for a material exposure (in practical terms 3 monthly instalments for the retail credit portfolios), and also where there are a number of signals, other than arrears, that the borrower will be unable to meet his obligations. Impairments are determined based on the difference between outstanding defaulted receivables and the expected recoveries.

	Gross book value of impaired assets 2016	Individually assessed impairments on assets in 2016	Gross book value of impaired assets 2017	Individually assessed impairments on assets in 2017
Available-for-sale financial assets				
Fixed-income securities	5,309,693	375,066	3,904,542	17,371
Public institutions	0	0	0	0
Credit institutions	0	0	0	0
Securities of other counterparties	5,309,693	375,066	3,904,542	17,371
Non-fixed-income securities	15,860,242	2,282,178	23,043,293	2,937,442
Total for available-for-sale financial assets	**21,169,935**	**2,657,244**	**26,947,835**	**2,954,813**
Loans and receivables				
Consumer loans	1,994,982	2,019,249	1,646,124	1,669,253
Mortgage loans	190,704,467	23,211,571	142,341,561	18,065,469
Long-term loans	3,415,567	398,600	2,057,197	337,798
Advances/overdrafts	1,060,064	938,951	1,083,189	956,965
Other loan receivables	0	0	0	0
Total loans and receivables	**197,175,080**	**26,568,371**	**147,128,071**	**21,029,485**

At the end of 2016, EUR 26,568,373 of impairments had been recorded on individual items in the loans and receivables portfolio. At the end of 2017, EUR 21,029,485 of impairments had been recorded on individual items in the loans and receivables portfolio. There were also individual impairments of EUR 2,954,813 in the AFS portfolio.

The following tables show the changes to the individual impairments for the 2016 and 2017 financial years. These consist of additions to and appropriations of the impairments.

Further details on the overall earnings impact (including direct write-downs and recoveries) can be found in Note 38.

	Opening balance 31/12/2015	Increase via P&L	Decrease via P&L	Closing balance 31/12/2016
Available-for-sale financial assets				
Fixed-income securities	4,207,085	0	3,800,079	407,006
Public institutions	0	0	0	0
Credit institutions	0	0	0	0
Securities of other counterparties	4,207,085	0	3,800,079	407,006
Non-fixed-income securities	2,675,545	698,202	1,091,569	2,282,178
Total for available-for-sale financial assets	**6,882,630**	**698,202**	**4,891,648**	**2,689,184**
Loans and receivables				
Consumer loans	2,613,224	235,689	829,664	2,019,249
Mortgage loans	26,089,716	19,336,224	22,214,368	23,211,572
Long-term loans	339,962	344,556	285,918	398,600
Advances/overdrafts	1,277,134	-1,178,726	-840,544	938,952
Other loan receivables	899	0	899	0
Total loans and receivables	**30,320,935**	**18,737,743**	**22,490,305**	**26,568,373**

	Opening balance 31/12/2016	Increase via P&L	Decrease via P&L	Closing balance 31/12/2017
Available-for-sale financial assets				
Fixed-income securities	407,006	0	389,635	17,371
Public institutions	0	0	0	0
Credit institutions	0	0	0	0
Securities of other counterparties	407,006	0	389,635	17,371
Non-fixed-income securities	2,282,178	1,341,491	686,227	2,937,442
Total for available-for-sale financial assets	**2,689,184**	**1,341,491**	**1,075,862**	**2,954,813**
Loans and receivables				
Consumer loans	2,019,249	71,155	421,151	1,669,253
Mortgage loans	23,211,572	12,841,194	17,987,297	18,065,469
Long-term loans	398,600	3,306	64,108	337,798
Advances/overdrafts	938,952	474,198	456,185	956,965
Other loan receivables	0	0	0	0
Total loans and receivables	**26,568,373**	**13,389,853**	**18,928,741**	**21,029,485**

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.

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

Portfolio	31/12/2016		31/12/2017	
	EAD	IBNR	EAD	IBNR
Port. Aspa Belgium	9,937,803,067	1,414,297	10,845,960,462	968,861
Port. Aspa the Netherlands	15,457,089,202	8,236,332	14,181,923,351	4,642,805
Green Apple	0	0	1,329,145,108	347,087
Port. CBHK	300,604,257	346,454	250,951,386	281,944
Port. ARAS	787,994,573	383,740	861,744,379	314,506
Total		**10,380,823**		**6,555,203**

The IBNR impairments have fallen from EUR 10,380,823 as of 31 December 2016 to EUR 6,555,203, due to the better economic situation and the further improvement of market prices in the Netherlands.

Forbearance

On the basis of the EBA definition of forbearance, the necessary policy documents have been developed at the Company. The loans in question are flagged in the credit systems.

Forbearance loans relate in particular to refinancing and extensions due to financial difficulties of the borrower.

	31/12/2016	31/12/2017
Total exposures with forbearance measures	47,496,688	78,261,801
Performing exposures with forbearance measures	24,319,665	39,010,389
Non-performing exposures with forbearance measures	23,177,022	39,251,412
Accumulated impairments and provisions for these exposures	2,202,705	3,309,741
Collateral received on exposures with forbearance measures	44,689,537	73,230,818

The forbearance files designated as non-performing are always subject to 'individual assessment'. This table includes, for all forbearance files, the amount of collateral received. This demonstrates the existence here of significant collateral back-up.

5.4. Subscription risks

Risk position

The underwriting risk includes generally all risks associated with the nature of the subscription of insurance activities. It is the risk of loss of future earnings and capital caused by the difference between expected and actual payments.

For property and casualty insurance, the company's results depend mainly on the degree to which actual claims payments correspond to the principles applied in pricing products and in determining the level of the technical provisions. For life insurance, the subscription risk includes changes in surrender behaviour, differences between expected and actual (death) benefit payments and policy processing costs. In health insurance both types of risk - those specific to life insurance and those specific to casualty insurance - exist together.

The main subscription risks are mortality and longevity risk, morbidity risk, risks arising from charges, release risk, premium and reserve risk and catastrophe risk.

The mortality risk is the risk of loss or of adverse change in the value of insurance liabilities caused by changes in the level, trend or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities. The major part of the mortality risk arises out of outstanding balance insurance. The longevity risk is the risk of loss or of adverse change in the value of insurance liabilities caused by changes in the level, trend or volatility of mortality rates, where a fall in the mortality rate leads to an increase in the value of insurance liabilities.

The morbidity risk is the risk of loss or of adverse change in the value of insurance liabilities caused by changes in the level, trend or volatility of disability, sickness and morbidity rates. The morbidity risk is largely formed by the endorsement of hospitalisation insurance policies.

The cost-related risk is the risk of loss or of adverse change in the value of insurance liabilities caused by changes in the level, trend or volatility of the costs of fulfilling insurance or reinsurance contracts. The development and pricing of insurance policies is based, among other things, on assumptions about the cost of selling and processing policies and of managing claims, and about expected retention rates. Reasons for increased cost-related risk include having a larger portion of long-term contracts, deviations from the assumptions used and a rise in cost inflation.

The release risk is the risk of loss or of adverse change in the value of insurance liabilities caused by changes in the level or volatility of the percentages of (early) terminations, extensions or surrenders. With an increase in policy costs the insurance company runs the risk that the initial policy handling costs can not be recovered in time and of losing the profits contained in future premiums. A lower number of surrenders of loss-making contracts can pose the same risk.

The premium and reserve risk is the risk of loss or adverse change in the value of insurance liabilities due to volatility in the timing, the frequency and severity of claim events, and in the timing and amount of claim settlements. Premium risk relates to claims arising after reporting date (i.e. during the remaining life of the contract), reserve risk to claims occurring before reporting date.

Catastrophe risk is the risk of loss or of adverse change in the value of insurance liabilities caused by significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events Catastrophe risk relates mainly to natural or man-made disasters. This risk occurs mainly in property and casualty insurance. For life insurance this includes the risk of increased mortality due to a pandemic. In life insurance, this risk affects primarily outstanding balance insurance.

Risk management

The Insurance Pool applies a number of procedures in order to maintain control of the subscription risk.

The Company applies a clearly defined acceptance policy that is focused on well-defined target groups. In developing new products all identifiable components of the underwriting risk are taken into account for determining the acceptance, pricing and reservation policy.

Policies covering acceptance, remediation, pricing and reserve-setting are determined and adjusted by continuously monitoring the technical results, product profitability and portfolio profile, and evaluating the mortality tables and the adequacy of the technical provisions.

In its reservation policy, a distinction is made between 'frequency files' with smaller claim amounts and heavy claims above EUR 125,000. The policy for frequency files is situated upfront, in the annual determination by the actuarial department of the standard opening reserves, based on the historical cost of claims. This is a 'best' estimate (realistic estimate) of the average cost of claims.

The policy with regard to heavy files (files with a total claims cost of over EUR 125,000) requires a customised approach. These are mapped by a process of constant evaluation of the interventions by the insurance undertaking, with analysis of the application of the insurance contract, of the conventions and exclusions, the approach taken to the claim, liability, the various liability allocation mechanisms, the deduction of the policyholder's own portion and the addition of costs. The base is a fair estimate of the heavy files (based on all the above items) plus a risk margin, given the potential heavy fluctuations. This precision approach, with frequent revisions, is intended to minimise upward and downward fluctuations.

The adequacy of the reserves or Liability Adequacy Test (hereinafter LAT) is tested in accordance with the same policy. These are systematically examined for adequacy. If the reserves are considered inadequate, a decision is made in most cases to assign supplementary provisions and/or adjust the pricing and risk acceptance strategies or to take other initiatives. With the exception of the provisions set aside for outstanding risks, these tests did not identify any shortfalls giving rise to additional insurance liabilities.

The Insurance Pool also uses reinsurance to limit, to mitigate claims volatility and to improve the solvency rations. The retention levels and limits of the reinsurance treaties are determined based on Argenta's acceptance policy and risk appetite and are enshrined in the 'Reinsurance' policy. The Insurance Risk Committee ('VRC') tracks these risks on a permanent basis.

Reinsurance is used in:

- Fire: excess of loss per risk and per event;
- Liability: excess or loss per risk in branches CL (civil liability), CL Motor, Passengers, CL Buildings and CL Private Life;
- Fire and Motor Fully Comprehensive: annual aggregate excess of loss per event and Top&Top XL layer;
- Life Excess sums in individual life insurance.

The table below gives an overview of the paid reinsurance fees.

	31/12/2016	31/12/2017
Fire	1,278,166	1,270,452
Motor	1,408,751	1,439,924
Family	144,812	174,893
Life	2,119,963	11,229,663
Total	**4,951,692**	**14,114,932**

The income and value stability of the products is monitored by the following RAF indicators:

- Earnings at risk 80%: income volatility across all risks / net income before taxes (in a 1-year-in-5 perspective)
- Value at risk 95%: value volatility across all risks / available economic capital (in a 1 year in 20 perspective)
- NII margin (Net Interest Income margin): interest margin compared to the limits required for 8% ROE and 0% ROE taken from the Business Plan
- New Business Margin Life and Value New Business Life: Value of Life production for the financial year if 8% ROE target is achieved against discounted premiums
- Combined Ratio General Non-Life including reinsurance
- Combined Ratio Health

Sensitivity analysis

For life we consider the following scenarios with regard to the three main risks:

- Release: 40% reduction in the number of policies for natural persons
- Costs: 10% relative increase in costs together with a 1% absolute increase in cost inflation
- Mortality risk: 15% relative increase in mortality probabilities.

The following table shows the impact of the scenarios on the result and on equity. It is clear that equity is the most sensitive to changes in release. This is driven mainly by the outstanding balance insurance policies and the large portfolio of branch 23 savings products (Argenta Life Plan). For both portfolios, a sharp decline in the number of policies implies a large decrease in future profits (in particular fee income for the branch 23 investment funds). Note that in relative terms the impact is much greater on the outstanding balance insurance than on the branch 23 savings product.

The costs scenario generates a 2.6% decrease in equity, with all products being impacted. Outstanding insurance policies and the branch 21 savings product Argenta Flexx are sensitive here given the long term nature of these products. Note that the savings product Argenta Life plan (both branch 21 and branch 23) contributes strongly to the impact due to the size of the portfolio but shows a relatively small impact.

Finally, the impact of the mortality scenario on equity is negligible - note that again the outstanding insurance policies make the largest contribution.

	31/12/2016	31/12/2017
Sensitivity	**Equity**	**Equity**
Release	-49,941,003	-65,169,085
Costs	-17,969,854	-22,707,918
Morbidity	-1,424,469	-4,425,245

For the hospitalisation insurance portfolio life we consider the following scenarios with regard to the three main risks:

- Release: 40% reduction in the number of policies for natural persons
- Costs: 10% relative increase in administration costs together with an 1% absolute increase in cost inflation
- Morbidity risk: reduction of claims costs (5% relative reduction of medical payments and 1% absolute reduction in medical cost inflation).

The table below sets out the results.
For the hospitalisation portfolio too, the release scenario also shows the greatest impact on equity. This is driven by the profitability of the portfolio, as a result of which the release of contracts reduces future profits.

An increase in administration costs again implies a decrease in future profits.

The morbidity scenario generates a negligible impact on equity, driven by the statutory limits on the premium/claims ratio, whereby a reduction of claims costs also results in a reduction of the premiums in the following year. The profitability of the portfolio therefore decreases (to a limited extent).

	31/12/2016	31/12/2017
Sensitivity	**Equity**	**Equity**
Release	-24,880,081	-19,205,334
Costs	-16,525,052	-16,789,643
Morbidity	-1,542,177	-2,175,185

For General non-life, we consider the following scenarios with regard to the three main risks:

- Premium and reserve risk: each branch uses the 1 in 200 scenario, calibrated according to the principles of the Solvency II standard model.
- Catastrophe risk: a combination of different catastrophe risks is applied according to the nature of the non-life insurance; this includes both natural disasters (flooding, hail, earthquake, storm) and human effects (motor, marine, fire, liability).

The premium and reserve scenario has a greater impact on equity than the catastrophe risk. This is mainly driven by the CL Motor and fire branches.

In catastrophe risk, the following scenarios contribute in particular to the impact, all of them on the fire portfolio: storm, flood, hail and fire. For all catastrophe scenarios reinsurance plays an important role with interventions of 30% to 90% of claims.

	31/12/2016	31/12/2017
Sensitivity	**Equity**	**Equity**
Premium and reserve	-33,724,409	-33,553,048
Catastrophe	-13,506,646	-13,570,215

Development of loss reserves

The table below illustrates the claims triangle and includes the evolution of total cost of claims per event occurrence year, with the cost of claims equal to the sum of the payments and the loss reserves (excl. IBNR) with deduction of the recoveries and the recovery reserves. Both payments and recoveries are cumulative. What we have therefore are settlement payments from 1 January of the year of occurrence of an event until the final settlement year.

A claims triangle breaks down as follows:

- on the vertical axis are the settlement years;
- on the horizontal axis the event occurrence years and
- diagonally the accounting years.

The more developed the claims history, the more reliable the valuation of the cost of claims.

The amounts in the table below were reconciled with the accounting figures.

In EUR millions	< 2002	2002-2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Estimate at the end of the year of event occurrence	0	368	46	44	49	53	57	74	73	72	70
1 year later	0	363	42	46	47	52	58	78	71	70	0
2 year later	0	357	44	44	45	51	57	73	68	0	0
3 year later	0	351	43	43	44	49	56	72	0	0	0
4 year later	0	345	43	43	44	48	57	0	0	0	0
5 year later	0	344	43	42	44	49	0	0	0	0	0
6 year later	0	337	43	42	44	0	0	0	0	0	0
7 year later	0	336	43	41	0	0	0	0	0	0	0
8 year later	0	334	40	0	0	0	0	0	0	0	0
9 years and later	0	319	0	0	0	0	0	0	0	0	0
Current estimate	229	319	40	41	44	49	57	72	68	70	70
Cumulative payments	222	311	40	41	42	45	48	61	51	54	36
Current provisions	7	9	0	0	2	3	9	12	17	16	35

Analysis of movement of technical provisions

The table below analyses the technical provisions for branch 21 contracts. An overview of the total technical provisions can be found in Note 21.

	31/12/2016	31/12/2017
Opening balance, technical provisions - branch 21	2,230,711,542	2,351,515,945
Incoming payments	230,676,148	223,180,624
Surrenders, death, arrival at term, annuities	-135,815,340	-130,769,378
Interest cost	52,292,292	50,441,985
Profit sharing	1,648,914	1,198,875
Other changes	-27,997,611	-40,484,111
Ending balance, technical provisions - branch 21	2,351,515,945	2,455,083,940
Other	0	0
Supplementary provisions, life insurance	20,960,449	20,962,406
Total	**2,372,476,394**	**2,476,046,346**

Branch 23 contracts included in financial liabilities at fair value with valuation charges through profit or loss gives the following evolution.

	31/12/2016	31/12/2017
Starting balance, technical provisions - branch 23	1,670,112,392	1,839,774,645
Incoming payments	222,444,166	360,462,915
Surrenders and deaths	-97,380,932	-100,748,249
Value fluctuations	37,178,125	36,464,387
Other changes	7,420,894	21,103,738
Ending balance, technical provisions - branch 23 -	1,839,774,645	2,157,057,436
Other	0	0
Total	**1,839,774,645**	**2,157,057,436**

Additional disclosures on branch 23 insurance can be found in Note 13.

5.5. Operational risk

All businesses carrying out activities of any kind have to contend with an operational risk. Financial institutions and groups are no exception.

Argenta's activities depend on the ability to process a very large number of transactions efficiently, accurately and in accordance with internal policies and external legislation and regulations. Operational risks and losses result from inadequate or failed internal processes (such as processes not aligned with the legal requirements), human actions (including fraud and employee errors) and systems (such as system failure) or due to external events (such as natural disasters or malfunctions of external systems, including those of the Company's suppliers or counterparties). The impact may consist of financial or reputational loss.

Argenta's fairly limited number of products and services allows the operational risks to be kept limited. Although the Company has taken measures to control the risks and limit any losses, as well as earmarking substantial funds for the development of efficient procedures and staff training, it is impossible to implement procedures that allow Argenta to exclude all these operational risks in a completely effective manner. Within the overall risk appetite framework, these risks too are managed in a structured way.

The risk appetite for operational risks with risk limits is an integral part of the ORM policy (including the calculation of capital requirement for operational risks, with complementary scenario analyses performed here).

The quarterly reporting on operational risks includes at least the following elements:

- Operational incidents occurring and producing financial and/or reputational loss are recorded in an incident & loss database (Pentana), classified by department, sub-domain, activity, Basel risk category and cause. The measuring process, collection of loss data and reporting of operational losses is done in a uniform manner for the various Argenta Group entities.
- Operational risks are moreover actively tracked using a set of Key Risk Indicators, which are evaluated quarterly at the Operational Risk Committee (Orco). These also form the basis for one of the qualitative RAF limits.

Risk & Control Self Assessments (RCSAs) are also organised on a periodic basis for identifying and assessing the main risks for a specific process. The results may lead to specific action plans, or for example setting up a KRI).

At least once a year each department formally evaluates its internal control maturity ('COSO evaluation'). The maturity score is obtained by completing the COSO questionnaire (supported by requested supporting documents). The questionnaire is based on the international COSO framework and asks questions about the various COSO components, including control environment, risk management and control measures. This COSO maturity score also forms the basis for one of the qualitative RAF limits.

In addition, every year a scenario analysis is done, where Executive Committee members define general business-wide scenarios that can have a major impact on Argenta. These scenarios are used for the calculation of capital under ICAAP and ORSA.

5.6. Other risks

The risks of Argenta for which no capital requirement is calculated are classified in the "other" risks category. These include, for example, the following risks: concentration risk, country risk, capital risk, model risk, reputational risk, regulatory risk, strategic risk and contagion risk. The risk mapping is submitted annually to the Risk Committee of the Board of Directors. The risks were assessed during workshops with the Executive Committee and the management teams. The risks arising from these assessments are always included in other defined risks, or are sufficiently mitigated by means of processes, as a result of which no additional risk capital needs to be created in respect of them. For Argenta Spaarbank, capital is set aside for business risk under ICAAP.

5.6.1. Strategic risk

Strategic risk is the risk of loss or of adverse change in the financial situation as a direct or indirect result of business decisions, implementation of decisions, or lack of responsiveness to changing market conditions (both commercial and financial).

Argenta Group makes resources available for achieving the strategic objectives as defined in the business strategy. These resources include communication channels, systems, human resources, networks, and management time and skills. The strategic goals are defined by the Executive Committee, approved by the Board of Directors, and monitored on a regular basis.

The ultimate fulfilment of the business strategy depends on the adequacy of the resources made available and on the way these resources are used.

5.6.2. Reputational risk

The Argenta Group is constantly exposed to the risk of loss or of adverse change in its financial situation resulting, directly or indirectly, from changes in its reputation or standing caused by an altered perception its image by its various stakeholders (including customers, counterparties, shareholders and regulators).

This is a second-order risk; in other words, a risk that derives from another risk but which has its own impact. The Argenta Group considers this as a vertical risk, in the sense that it is a risk that interlinks with all other risks. By monitoring and managing the other risks, reputational risk is also kept under control.

5.6.3. Regulatory risk

The regulatory risk is the risk of loss or adverse change in the financial situation, as a direct or indirect result of future legislative or regulatory changes. Wherever it operates, the Company is subject to the laws, regulations, administrative measures and policy regulations governing the provision of financial services.

Changes in the supervisory framework and regulations may affect the activities, products and services that the Argenta Group offers or the value of its assets. Although the Argenta Group works in close dialogue with the regulators and continuously monitors the situation and future changes to the regulations, policy here can be unpredictable.

6. Solvency and capital management

Capital risk or solvency risk is the risk of available capital falling short of the capital required by the activities and size of the company, and being unable to obtain the necessary additional capital at short notice and at a reasonable cost. To monitor this risk, systematic comparisons are made with the regulatory requirements and internal objectives.

6.1. Capital management

The goal of the Company's risk management is to achieve the best possible capital structure, while continuing to meet the statutory and internally-set capital objectives. The Company has implemented adequate procedures and systems to guarantee its long-term capital adequacy, while taking into account all material risks. The Company has always pursued a policy of self-financing. To retain a level of capital that provides sufficient scope for growth and to be able to carry the financial and operational risks, the Company aims to meet the potential capital requirements by (a) retained earnings, (b) capital increases and (c) subordinated loans.

6.2. Regulations

As a mixed financial holding company, the Company falls under the CRR and CRD IV legislation. The underlying Bank Pool is also subject to these rules, the underlying Insurance Pool is required to comply with the Solvency laws. Information on pillar 1 (minimum capital requirements) and pillar 2 (SREP process, including details of interest rate, liquidity and concentration risk) is included in these financial statements. The pillar 3 disclosures of the Bank Pool and the SFCR disclosure of the Insurance Pool are published separately on the Company's website, with part of this information taken from the present financial statements.

The calculation of the solvency ratio at Company level is done according to the Danish compromise method. It is a compromise that - subject to approval by the regulator - can be applied by mixed financial holding companies. According to this method, the accrued reserves and profit of the Insurance Pool are not included in equity (this is a consolidation without the insurance pool) and the value of the insurance participation must not be deducted from equity. On the other hand, the participation value of 176 million must be included in the calculation of the risk-weighted assets in the amount of 370%.

The Company uses the (F)IRB method for the retail mortgage portfolios, the MBS portfolio and the 'corporates and banks' portfolio, and the standard STA method for the remaining exposures. As a result of the Basel rules applicable to the transition from the STA to the IRB method, the qualifying equity needs to be at least 80% of the required equity, calculated according to Basel I principles (Basel floor).

In addition to the solvency ratios, the Company must also calculate its solvency position as a financial conglomerate. This means that the available capital is calculated based on the consolidated position, under the respective CRD IV rules for the banking activities and under the Solvency II rules for the insurance activities. The available capital obtained in this way is then compared with the capital requirements expressed in terms of 'risk weighted asset' exposure. The capital requirement of the insurer is multiplied by 12.5 in order to obtain the risk weighted asset equivalent.

Legal capital requirements

The Pillar I requirements impose a minimum solvency ratio of 4.5% of the common equity Tier 1 (CET1), of 6% for the total Tier 1 ratio, and of 8% for the total capital ratio. The regulators have the possibility to impose a number of additional buffers:

- A capital conservation buffer: an additional CET1 requirement of 2.50% that will be phased in until 2019. For 2017 the buffer is 1.25% (1.875% in 2018).
- A counter-cyclical capital buffer: both the Belgian and the Dutch regulator have currently set the percentage at 0%.
- A buffer for systemically important institutions: the Belgian regulator has designated the Company as O-SII or 'other system-relevant institution', as a result of which the Company is subject to an additional CET1 requirement of 0.75% that will be phased in until 2018. For 2017 the buffer is 0.50% (0.75% in 2018).
- A Pillar 2 requirement (P2Requirement) and Pillar 2 recommendation (P2Guidance).

In the framework of the SREP (Supervisory Review and Evaluation Process), the competent supervisor (in this case the ECB) can impose higher minimum ratios (Pillar 2 requirement) as a result of the assessment of the robustness of the business model, the adequacy of the risk governance and the adequacy of the capital and liquidity situation.

The ECB's SREP resulted in 2017 in a capital decision imposing a P2R (pillar 2 capital requirement) of 1.75% CET1 requirement. In the SREP, the JST also pays attention to the internal monitoring of ICT risk control / operational risk management.

The minimum solvency ratios increased by the Pillar 2 recommendation (P2Guidance) define an early warning limit with an escalation obligation to the supervisor.

Internal capital requirements

In the internal process of assessment of capital adequacy (ICAAP - Internal Capital Adequacy Assessment Process for the Bank Pool and ORSA - Own Risk and Solvencu Assessment) all material risk factors are modelled. In this way, a more complete picture is obtained of the economic capital requirement.

The ICAAP of the Company consists of the combined ICAAP of the Bank Pool and ORSA of the Insurance pool. The ICAAP/ORSA process ins intended to identify and quantify all material risks, so that the adequacy of the available capital can be assessed and the required capital can be allocated to the business and product lines.

The economic capital process consists of the following steps:

- identification and assessment of the material risks;
- calculation of the required economic capital;
- calculation of the available economic capital;
- calculation of the current and future capital adequacy of the Banking and Insurance Pool;
- allocation of the capital requirements across the business lines and product groups.

This means that in all circumstances (stress scenarios) the capital requirements of the Company are satisfied with an adequate degree of certainty.

6.3. Solvency

Solvency in the Company

The table below shows the equity requirement according to the IRB calculation and according to the applicable Basel I floor together with the current regulatory capital basis (applying the Danish Compromise (DC) method).

This latter method is a compromise that - subject to approval by the regulator - can be applied by mixed financial holding companies. In this compromise the participation value in the insurers can be included as own funds.

The accumulated reserves and profits of the insurers may not be included. The participation value (of the insurers) needs to be weighted here - as added exposure - at 370% (weighting according to the IRB (internal rating-based) approach).

	31/12/2016	31/12/2017
Common equity Tier 1 (Basel I)	1,865,881,837	2,040,697,650
Tier 1 capital	1,865,881,837	2,040,697,650
Own funds	2,174,505,400	2,307,243,136
Risk exposure amount (B1 floor)	9,293,193,325	10,597,637,130
Risk exposure amount (IRB)	7,389,802,892	8,048,061,209
CET1 ratio (B1 floor)	20.08%	19.26%
Tier 1 capital ratio (B1 floor)	20.08%	19.26%
Total capital ratio (B1 floor)	23.40%	21.77%
CET1 ratio (IRB)	25.15%	25.17%
Tier1 capital ratio (IRB)	25.15%	25.17%
Total capital ratio (IRB)	29.32%	28.48%

In addition, the Company as a financial conglomerate is also required to test its solvency position at consolidated level using the FICOD (Financial Conglomerates Directive) guidelines. In this calculation, a comparison is made between the application of the Basel legislation (CRR scope) and the so-called Building Block method.

In this method, the additional eligible equity of the insurance pool is added to the total eligible equity of the Argenta Group and this then compared with the requirements of the respective group entities.

The Company amply meets the statutory capital requirements.

Solvency in the Bank Pool

The following table shows the most important capital requirements, calculated according to the applicable rules.

The minimum requirement for the Bank Pool in the SREP is the same as that imposed on the Company. This is 8.875% for CET1. The CET1 (Common Equity Tier 1) requirement under IRB for 2018 amounts to 10.375%, including 1.5% alternative Tier 1 substitution. The TCR requirement is 12.375%.

	31/12/2016	31/12/2017
Common equity Tier 1 (IRB)	1,726,723,619	1,895,235,880
Tier 1 capital (IRB)	1,726,723,619	1,895,235,880
Own funds (IRB)	2,222,835,022	2,392,184,698
Risk exposure amount (B I - floor)	9,153,534,688	10,456,343,693
Risk exposure amount (IRB)	6,718,845,411	7,382,269,776
CET1 ratio (B I - floor)	18.95%	18.27%
Tier1 capital ratio (B I - floor)	18.95%	18.27%
Total capital ratio (B I - floor)	24.37%	23.02%
CET1 ratio (IRB)	25.49%	25.67%
Tier1 capital ratio (IRB)	25.49%	25.67%
Total capital ratio (IRB)	32.67%	32.40%

The Bank Pool therefore amply meets the statutory capital requirements.

Solvency in the Insurance Pool

The following table shows the most important capital requirements, calculated according to the applicable rules.

	31/12/2016	31/12/2017
SII balance sheet total	6,871,119,256	6,987,778,543
Excess of assets over liabilities	695,430,109	763,570,851
SCR	246,729,772	277,199,859
MCR	111,028,398	124,739,937
Ratio of Eligible own funds to SCR	2.82	2.75
Ratio of Eligible own funds to MCR	6.26	6.12

The Solvency directives require insurance undertakings to maintain a minimum own funds (100% solvency). The qualifying own funds can be subsequently used in the calculation of the solvency ratios (SCR and MCR ratio).

The solvency capital ratio requirement (SCR) is the minimum own funds that insurance and reinsurance undertakings are required to hold in order to ensure that in no more than 1 year in 200 the core equity can drop below zero (value at risk of 99.5% over one year).

The minimum capital ratio requirement (MCR) is the minimum equity that insurance and reinsurance undertakings are required to hold in order to ensure that in no more than 15% of years the core equity can drop below zero (value at risk of 85% over one year). The MCR must amount to a minimum of 25% and a maximum 45% of the SCR.

The Insurance Pool therefore amply meets the statutory capital requirements.

7. Remuneration of directors

The composition of the Boards of Directors and the remuneration paid to the directors concerned are given below.

7.1. Composition of the Boards of Directors

The Boards of Directors of the Company and of the other Argenta Group companies have similar structures. They include in each case:
- the members of the Executive Committee of the company concerned (the executive directors);
- a number of independent directors;
- a number of directors representing the shareholders (together with the independent directors, the non-executive directors).

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

Members of the Board of Directors must be natural persons. In principle, directors' mandates are for six years and are renewable.

The following age limits apply for directors:
- executive directors are legally required to resign on reaching the age of 65;
- non-executive directors resign automatically on reaching the age of 70;
- directors reaching the age limit may continue to exercise their mandates until a successor has been appointed.

The Board of Directors may permit exceptions to these rules on a case-by-case basis.

The Boards of Directors are composed in such a way that none of the three distinct groups in them (the directors representing the shareholders, the independent directors, and the directors on the Executive Committee) has a majority. The majorities of the Boards are always formed by non-executive directors.

Independent directors are appointed with a view to attracting competencies in the Argenta Group's core activities, namely banking and insurance. Independent directors need to demonstrate broad experience in at least one of these core fields on the basis of their former or current activity. They must meet all the requirements stipulated in Article 526ter of the Companies Code.

The Boards of Directors of the Company, Argenta Spaarbank and Argenta Assuranties each have a number of independent directors, with at least one independent director of Argenta Spaarbank not sitting on the board of Argenta Assuranties, and vice versa. The independent directors of Argenta Spaarbank and Argenta Assuranties may be, but are not necessarily, members of the Board of Directors of the Company.

The governance rules concerning independent directors seek to ensure an appropriate balance in the management of the various companies of the Argenta Group between the representation of the group's interest and the protection of the interests (of the stakeholders) of the individual companies making up the Group.

The division of tasks between the Boards of Directors and the interaction with the various committees are documented in the Internal Governance Memorandum.

The 'Suitability of Key Executives' Charter produced for the Argenta Group (and so including the foreign branch offices and subsidiary AAM), sets out the governance and structured framework that Argenta has put in place to ensure the suitability of its key executives.

'Suitability' means that the person in question has the expertise (fit) and professional integrity (proper), as specified in the NBB Circular of 17 June 2013 on the 'expertise' and 'professional integrity' required of executive committee members, directors, heads of independent control functions and effective senior managers of financial institutions.

'Key executives' refers to directors or statutory auditors, executive committee members, senior managers, and heads of independent control functions (internal audit, risk management, compliance, and actuarial function), in accordance with the above NBB circular.

In addition to assessing the suitability of individual directors based on the stated eligibility criteria, the Board also periodically evaluates its operation, its performance and the performance of individual directors.

An assessment of the working and effectiveness of the Board of Directors took place at the end of 2016. The results were presented in April 2017 and the necessary actions were taken. A further investigation is planned for 2018.

Each director is encouraged to organise his personal and professional activities in such a way as to avoid conflicts of interest with the Argenta Group (in line with Article 523 of the Companies Code.) The Boards of Directors of the Argenta Group companies have in their internal rules of procedure established policies, including organisational and administrative arrangements (including keeping information on the application of the same), and procedures for identifying and forestalling conflicts of interest or, where this is not reasonably possible, managing the conflicts of interest without harming the interests of customers.

The description below gives the composition of the Boards of Directors of the companies.

Composition of the board of Argenta Bank- en Verzekeringsgroep on 31/12/2017
Chair: J. Cerfontaine
Directors representing the family shareholder: B. Van Rompuy, D. Van Rompuy, E. Walkiers and M. van Heel.
a director representing the Argen-Co shareholders: C. Van Hulle
the independent directors: W. Van Pottelberge, R. Vanderstichele, C. Henriksen and
the executive directors: M. Lauwers, CEO, G. Ameloot, CFO, G. Wauters, CRO

Composition of the board of Argenta Spaarbank on 31/12/2017
Chair: J. Cerfontaine
Directors representing the family shareholder: B. Van Rompuy, E. Walkiers and M. van Heel.
a director representing the Argen-Co shareholders: C. Van Hulle
the independent directors: W. Van Pottelberge, R. Vanderstichele and C. Henriksen
the executive directors: M. Lauwers, CEO, G. Ameloot, CFO, G. Wauters, CRO, A. Coppens, CCO, A. Brands, COO and G. Van Hove, CIDO

Composition of the board of Argenta Assuranties on 31/12/2017
Chair: J. Cerfontaine
Directors representing the family shareholder: B. Van Rompuy, D. Van Rompuy, E. Walkiers and M. van Heel
a director representing the Argen-Co shareholders: C. Van Hulle
the independent directors: W. Van Pottelberge and M.C. Pletinckx
the executive directors: M. Lauwers, CEO, G. Ameloot, CFO, G. Wauters, CRO, A. Coppens, CCO, A. Brands, COO and G. Van Hove, CIDO

Composition of the board of Argenta Asset Management on 31/12/2017
Chair: M. Lauwers
Directors: S. Duchateau, G. Wauters, A. Coppens

Composition board of directors Argenta Fund / board of directors Argenta Fund of Funds on 31/12/2017
Chair: S. Duchateau
Directors: M. Waterplas, K. Van Looy
In 2018 Walter Van Pottelberge will resign his mandates on Argenta's boards of directors and in the advisory bodies and will be replaced.

7.2. Remuneration of executive management

The remuneration of the executive and non-executive directors of the Argenta Group companies is established by the respective Boards of Directors following a proposal from the Remuneration Committee. This proposal is also presented to the general meetings of the respective companies for ratification.

Remuneration of the non-executive directors

The remuneration of the non-executive members of the Board of Directors of the Argenta Group companies consists solely of a fixed remuneration established by the respective general meetings. They do not receive variable remuneration of any kind. This remuneration is the same for all independent directors and directors representing the shareholders.

Non-executive directors receive an additional fee for each meeting attended when participating in special committees set up within the Board of Directors (Audit Committee, Risk Committee, Appointments Committee, Remuneration Committee). This fee is the same for all members of such a committee, but with the chair receiving a higher fee.

The chair of the respective Boards of Directors is a director representing the family shareholder. He receives a fixed remuneration which differs from that of the other non-executive directors. He receives no additional fees per attended meeting. Besides the fixed annual remuneration, the Chairman of the Board also enjoys the benefits of an IPT (Individual Retirement Commitment).
No severance pay exists for non-executive Board members.

Remuneration of executive directors

Executive directors receive a fixed annual remuneration. They do not receive variable remuneration of any kind. In this way their pay does not contain elements that could encourage the pursuit of short-term objectives inconsistent with the Argenta Group's long-term objectives.

The remuneration meets the provisions of the CBFA Regulation of 8 February 2011 concerning the remuneration policies of financial institutions, as well as the provisions of the Banking Act. The remuneration is the same for all members of the Executive Committees, with the exception of the Chairman.

In addition to the fixed annual remuneration, executive directors also benefit from three group policies (pension capital, disability, and hospitalisation insurance).

The composition of, and the division of responsibilities within the Executive Committees of Argenta Group's three core companies (the Company, Argenta Spaarbank and Argenta Assuranties) are largely integrated.

The reporting below covers the remuneration of the executive directors of the Argenta Group, regardless of the company that actually paid the remuneration.

In 2017, the basic salary of Marc Lauwers (CEO of Argenta and chairman of the Executive Committees Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties) amounted to EUR 613,200. This is an increase of 2.2% compared with 2016. The CEO's pay is 11.26 times the median pay at Argenta. Added to this in 2017 was a contribution to the supplementary pension and disability group policies amounting to EUR 95,451 (EUR 57,655 in 2016).

In 2017, the total direct remuneration of the executive directors/Executive Committee members of the Argenta Group (excluding that of the CEO), amounted to EUR 1,562,543 (EUR 1,325,045 in 2016). Contributions to the group supplementary pension and disability policies in respect of the Executive Committee members, excluding those of the CEO, amounted to EUR 254,620 (EUR 214,325 in 2016).

The median base salary at Argenta Bank- en Verzekeringsgroep in 2017 amounted to EUR 54,410.70. The median salary increase compared to 2016 amounts to 1.73%.

In 2017 severance payments totalling of EUR 476,625 were made to Executive Committee members (EUR 656,130 in 2016).

Executive directors are entitled to a severance payment which, except for withdrawal of the mandate due to serious misconduct, is equal to 18 months' remuneration. The amount of this remuneration is based on the annual gross remuneration, calculated over the 24 months prior to the decision to terminate the contract, or calculated over the entire period of work if less than 24 months.

The 18-month period is reduced to (i) 12 months if the termination occurs after the director reaches age 58, but before age 61; (ii) 9 months if the termination occurs after the director reaches age 61, but before age 63, and (iii) six months if the termination occurs after the director reaches age 63, but before reaching age 65.

If the appointment as a director and the appointment to the Executive Committee are revoked by Argenta other than for serious misconduct or are renewed other than for serious misconduct, the Director is entitled to a severance payment equal to eighteen (18) months' remuneration. 'Serious misconduct' within the meaning of this provision is understood a serious breach, shortcoming or negligence by the Director with regard to the obligations arising out of or relating to the mandate, or adversely affecting the same, with the result that the requisite confidence of Company in the Director for the exercise of the mandate can no longer be maintained.

8. Remuneration of the statutory auditor

The fees of the statutory auditor and of entities related to the statutory auditor are monitored at consolidated level by the Audit Committee.

Additional audit activities and consultancy assignments are approved in advance by the Audit Committee in accordance with Article 5, § 4 of Regulation (EU) No 537/2014.

The total amount of the fees for non-prohibited non-audit services provided by the statutory auditor (excluding those provided by the statutory auditor's network) may not exceed, for all Argenta group companies together and during the three years of the statutory auditor's mandate, seventy per cent of the total amount of fees for the statutory audit.

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 Dirk Vlaminckx.

The fees received by Deloitte (including VAT) are broken out below in accordance with art. 134 of the Companies Code.

The Company

During the financial year, the Company paid to the statutory auditor, Deloitte Bedrijfsrevisoren cvba, or to companies having a relationship of professional cooperation with it, additional fees for additional services in relation to the contribution in kind to the Company, and for additional audit work of EUR 3,146 (2016: EUR 16,444).

Fees for audit assignments: this includes the fees for the auditing of the statutory (unconsolidated) and consolidated financial statements and other reporting assignments. These amounted to EUR 25,540 in 2017 and EUR 24,797 in 2016.

Argenta Group

During the financial year, the Company paid to the statutory auditor Deloitte Bedrijfsrevisoren cvba or to companies having a relationship of professional cooperation with it, additional fees totalling EUR 637,271 (incl. VAT) (2017: 508,409) for additional services in relation to the contribution in kind to the Company, to the sustainability report, additional audit work, work related to the medical index, actuarial services relating to Solvency II, and control with respect to lender accountability.

Fees for audit assignments: this includes the fees for the auditing of the statutory (unconsolidated) and consolidated financial statements and other reporting assignments. These amounted to EUR 621,644 in 2017 and EUR 475,652 in 2016.

9. Related party transactions

As part of its business, the Company regularly undertakes business transactions with related parties. These transactions relate mainly to loans, deposits and insurance. They are in all cases carried out at arm's length.

The tables below provide an overview of the financial scope of the activities undertaken with the related parties. The relationships between the parent and its subsidiaries are described in Note 1 (general information).

2016 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances	0	0	0
Demand deposits	0	0	0
Instalment loans	0	0	148,438
Consumer loans	0	0	0
Mortgage loans	0	132,430	0
Other receivables	61,080	0	0
Total assets	**61,080**	**132,430**	**148,438**
Financial liabilities designated at fair value with value changes through P&L	0	7,284	0
Financial liabilities measured at amortised cost	0	30,121	90,904
Liabilities under insurance and reinsurance contracts	0	426,612	5,553
Deposits	53,306,640	1,022,036	3,214,707
Debt certificates	0	0	0
Subordinated liabilities	0	0	0
Other liabilities	311,087	0	0
Total liabilities	**53,617,727**	**1,478,769**	**3,311,164**
Guarantees issued by the group	0	0	0
Guarantees received by the group	0	0	0

2017 balance sheet	Parent company	Managers in key positions	Other related parties
Assets: loans and advances	0	0	0
Demand deposits	0	0	0
Instalment loans	0	0	97.177
Consumer loans	0	0	0
Mortgage loans	0	591.119	412.511
Other receivables	439,470	0	0
Total assets	**439,470**	**591,119**	**509,688**
Financial liabilities designated at fair value with value changes through P&L	0	7,148	4,544
Financial liabilities measured at amortised cost	0	31,144	93,629
Liabilities under insurance and reinsurance contracts	0	577,422	402,439
Deposits	44,408,854	972,891	4,903,989
Debt certificates	0	0	0
Subordinated liabilities	0	0	0
Other liabilities	578,013	0	0
Total liabilities	**44,986,867**	**1,588,605**	**5,404,601**
Guarantees issued by the group	0	0	0
Guarantees received by the group	0	0	0

As explained, BVg is a holding company, below the family holding company Investar. The 'parent company' column contains the data in respect of Investar.

The 'managers in key positions' column includes information in respect 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).

2016 income statement	Parent company	Managers in key positions	Other related parties
Expenses	0	0	0
Interest expenses	167,172	2,615	7,635
Fees and commissions	0	0	0
Insurance premiums	0	0	0
Provision of services	0	0	0
Other	639,718	0	0
Total expenses	**806,890**	**2,615**	**7,635**
Income	0	0	0
Interest income	0	2,280	9,797
Fees and commissions	0	0	0
Other	103,680	0	0
Total income	**103,680**	**2,280**	**9,797**

2017 income statement	Parent company	Managers in key positions	Other related parties
Expenses	0	0	0
Interest expenses	20,687	395	3,787
Fees and commissions	0	0	0
Insurance premiums	0	0	0
Provision of services	0	0	0
Other	2,049,493	0	0
Total expenses	**2,070,180**	**395**	**3,787**
Income	0	0	0
Interest income	0	5,902	7,530
Fees and commissions	0	0	0
Other	95,270	0	0
Total income	**95,270**	**5,902**	**7,530**

No impairment losses were recognised in 2016 and 2017 on balance sheet items involving related parties.

Note on loan sales from Aspa to its sister entity Aras

Since 2013 sales of loans have taken place between the Aspa and its sister entity Aras. This is covered by a framework agreement, and a RACI (*Responsible – Accountable – Consulted – Informed*) has been established. Based on this RACI the transfers are coordinated and all relevant parties are systematically involved so that transactions take place at arm's length.

In this way Aspa grants Dutch loans through the Dutch branch which are then taken over definitively by Aras. The definitively transferred credits involved and the attendant settlement of transaction costs are not included in the above tables.

Note on compensation – executive directors

The remuneration of the executive directors has already been described in Note 7. The table below sums the remuneration of the executive directors at Argenta level. No post-departure remuneration has been paid.

Remuneration of the executive directors	2016	2017
Severance compensation	656,130	476,625
Salaries and directors' fees	1,639,262	2,185,000
Total	**2,295,392**	**2,661,625**

10. Operating segments and country by country reporting

10.1 Operating 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 undertakes 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, and of which, among other things, the business results or services rendered are assessed separately at regular intervals by management and for which separate financial information is available.

The Company's structure is explained in Note 1 'General Information'.

Within the Company, we find two pillars, the Bank Pool and the Insurance Pool.

Information on geographical regions

The operational segmentation based on geographic regions reflects the Company's focus on the Benelux countries. The geographical segmentation given below is specifically based on the location of the services provided, and provides an indication of the breakdown by geographical region.

All transactions between segments are at arm's length. The largest earnings-related transaction between operational segments consists of the charging of a funding cost by the Company (Belgium) to the branch (the Netherlands) for capital made available (to enable loans to be granted in the Netherlands).

Consolidated balance sheet	Belgium	the Nether-lands	Luxembourg	31/12/2016
Assets				
Cash, cash balances at cental banks and other demand deposits	867,453,926	51,542,706	224,197	919,220,829
Financial assets held for trading	9,322,870	0	0	9,322,870
Financial assets designated at fair value with valuation changes through profit or loss	1,838,776,145	0	0	1,838,776,145
Available-for-sale financial assets	10,697,092,080	0	0	10,697,092,080
Loans and receivables	11,922,388,346	15,556,631,702	14,483,619	27,493,503,668
Financial assets held to maturity	614,158,394	501,608	0	614,660,002
Derivatives used for hedging	49,455,484	0	0	49,455,484
Cumulative value changes in hedged positions from hedging the interest rate risk	310,184,988	0	0	310,184,988
Property, plant and equipment	13,907,277	564,050	31,186	14,502,513
Goodwill and other intangible assets	157,907,530	108,019	0	158,015,549
Tax assets	1,369,201	4,763,024	17,085	6,149,310
Assets under insurance and reinsurance contracts	6,788,140	167,814	0	6,955,954
Other assets	133,651,491	38,035,711	2,396,542	174,083,744
Available for sale asstes	17,709,200	0	0	17,709,200
Total assets	**26,640,165,072**	**15,652,314,634**	**17,152,629**	**42,309,632,336**

Liabilities and equity	Belgium	the Nether-lands	Luxembourg	31/12/2016
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	4,434	0	0	4,434
Financial liabilities designated at fair value with valuation changes through profit or loss	1,839,774,645	0	0	1,839,774,645
Financial liabilities measured at amortised cost	31,184,638,678	3,153,712,118	0	34,338,350,796
Derivatives used for hedging	538,952,576	18,639,700	0	557,592,276
Cumulative value changes in hedged positions from hedging the interest rate risk	0	0	0	0
Provisions	12,050,566	0	0	12,050,566
Tax liabilities	144,093,154	17,884,428	369,575	162,347,157
Liabilities under insurance and reinsurance contracts	2,591,906,357	1,323,411	0	2,593,229,768
Other liabilities	157,070,636	47,734,398	3,280,676	208,085,710
Total liabilities	**36,468,491,046**	**3,239,294,055**	**3,650,251**	**39,711,435,352**
Equity attributable to shareholders of the company	1,774,765,337	808,549,655	14,852,699	2,598,167,691
Equity attributable to minority interests	6,341	22,729	223	29,293
Total equity and minority interest	**1,774,771,678**	**808,572,384**	**14,852,922**	**2,598,196,984**
Total liabilities, minority interest and equity	**38,243,262,724**	**4,047,866,439**	**18,503,173**	**42,309,632,336**

Consolidated balance sheet	Belgium	the Nether-lands	Luxembourg	31/12/2017
Assets				
Cash, cash balances at cental banks and other demand deposits	1,024,876,472	56,781,544	681,436	1,082,339,452
Financial assets held for trading	7,959,258	3,513,408	0	11,472,666
Financial assets designated at fair value with valuation changes through profit or loss	2,157,057,436	0	0	2,157,057,436
Available-for-sale financial assets	10,818,154,521	0	0	10,818,154,521
Loans and receivables	13,090,565,327	15,613,311,428	198,190	28,704,074,945
Financial assets held to maturity	651,172,929	0	0	651,172,929
Derivatives used for hedging	102,427,643	0	0	102,427,643
Cumulative value changes in hedged positions from hedging the interest rate risk	122,822,732	0	0	122,822,732
Property, plant and equipment	13,873,005	394,299	5,459	14,272,763
Goodwill and other intangible assets	162,894,232	954,417	76,366	163,925,015
Tax assets	4,286,435	3,879,833	0	8,166,268
Assets under insurance and reinsurance contracts	12,624,575	3,377,281	0	16,001,856
Other assets	151,129,641	61,979,280	3,270,524	216,379,445
Available for sale assets	0	0	0	0
Total assets	**28,319,844,206**	**15,744,191,490**	**4,231,975**	**44,068,267,670**

Liabilities and equity	Belgium	the Nether-lands	Luxembourg	31/12/2017
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	0	3,408,123	0	3,408,123
Financial liabilities designated at fair value with valuation changes through profit or loss	2,157,057,436	0	0	2,157,057,436
Financial liabilities measured at amortised cost	31,621,338,604	4,121,722,287	0	35,743,060,891
Derivatives used for hedging	369,722,361	14,588,089	0	384,310,450
Cumulative value changes in hedged positions from hedging the interest rate risk	0	0	0	0
Provisions	4,761,996	55,541	0	4,817,537
Tax liabilities	77,923,236	10,027,798	992,002	88,943,036
Liabilities under insurance and reinsurance contracts	2,697,739,164	1,993,387	0	2,699,732,551
Other liabilities	178,469,889	49,609,780	1,172,524	229,252,193
Total liabilities	**37,107,012,686**	**4,201,405,005**	**2,164,526**	**41,310,582,218**
Equity attributable to shareholders of the company	1,833,657,967	911,187,783	12,827,621	2,757,673,371
Equity attributable to minority interests	6,465	5,391	226	12,082
Total equity and minority interest	**1,833,664,432**	**911,193,174**	**12,827,847**	**2,757,685,453**
Equity attributable to shareholders of the company	**38,940,677,118**	**5,112,598,179**	**14,992,373**	**44,068,267,670**

Income statement	Belgium	the Nether-lands	Luxembourg	31/12/2016
Financial and operational income and expenses				
Net interest income	433,722,305	232,655,523	32,982	666,410,810
Dividend income	3,333,497	0	0	3,333,497
Net income from commissions and fees	-48,042,810	-97,175	7,275,548	-41,664,437
Realised gains and losses on financial assets and liabilities not designated at fair value through profit or loss	12,516,840	0	0	12,516,840
Gains and losses on financial assets and liabilities held for trading	-5,078,134	-2,253,854	0	-7,331,988
Result from hedge accounting	4,084,285	0	0	4,084,285
Gains and losses on derecognition of assets other than held for sale	539,705	0	0	539,705
Income from issued insurance contracts	-6,599,033	7,265,450	0	666,417
Other operating income	32,948,952	15,397,832	14,973	48,361,757
Administrative expenses	-272,832,374	-44,849,943	-2,253,037	319,935,354
Depreciation	-27,273,761	-557,024	-70,556	-27,901,341
Provisions	-1,643,778	0	0	-1,643,778
Impairments	3,695,337	-4,449,093	0	-753,756
Result on assets classified as held for sale	-3,710,057	0	0	-3,710,057
Net profit or loss before taxes	**125,660,974**	**202,311,716**	**4,999,910**	**332,972,600**
Income tax expense	-31,546,592	-53,575,844	-1,501,655	-86,624,091
Net profit or loss	**94,114,382**	**148,735,872**	**3,498,255**	**246,348,509**

Income statement	Belgium	the Nether-lands	Luxembourg	31/12/2017
Financial and operational income and expenses				
Net interest income	378,677,781	196,347,220	-3,512	575,021,489
Dividend income	3,404,169	0	0	3,404,169
Net income from commissions and fees	-62,925,674	8,245,242	9,846,801	-44,833,631
Gains and losses on financial assets and liabilities held for trading	654,004	-1,907,900	0	-1,253,896
Realised gains and losses on financial assets and liabilities not designated at fair value through profit or loss	29,877,220	264,796	0	30,142,016
Result from hedge accounting	2,873,055	0	0	2,873,055
Gains and losses on derecognition of assets other than held for sale	43,023	0	0	43,023
Income and expenses from insurance contracts	-5,177,679	17,190,598	0	12,012,919
Other operating income	34,334,631	15,725,584	996	50,061,211
Administrative expenses	-300,541,709	-47,088,975	-1,357,380	-348,988,064
Depreciation	-24,424,154	-372,521	-105,431	-24,902,106
Provisions	9,337,951	0	0	9,337,951
Impairments	2,782,500	3,338,795	0	6,121,295
Result on assets classified as held for sale	565,005	0	0	565,005
Net profit or loss before taxes	**69,480,125**	**191,742,839**	**8,381,474**	**269,604,438**
Income tax expense	-12,519,494	-61,148,681	-2,490,103	-76,158,278
Net profit or loss	**56,960,631**	**130,594,158**	**5,891,371**	**193,446,160**

Information on products and services
This consolidated IFRS reporting covers the Bank Pool and the Insurance Pool. The Bank Pool falls fully under the heading of 'retail banking'. The Insurance pool falls under the heading of Insurance companies. Both pools are treated as two different operating segments.

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

Insurance companies offer insurance services to individuals, self-employed professionals and small and medium enterprises in the Life and Non-Life branches.

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

Under the various policies the Company currently applies to limit the concentration of credit risk (and implicitly the concentration of income), this 10% would never be reached.

10.2. Country-by-country reporting

Under Article 420 of the Act of 25 April 2014 on the status and supervision of credit institutions (the so-called 'Banking Act') and pursuant to Article 89 of the Capital Requirements Directive IV of the European Union, the Argenta Bank- en Verzekeringsgroep is required to disclose the information specified below for the financial year on a consolidated basis, broken down by EU Member State or third country in which it is established (through a branch and/or subsidiary).

The information is presented on the same basis as the annual financial statements, which have been prepared according to international accounting principles (IFRS) as adopted by the European Union.

Countries	Activities	31/12/2016 Income	Net profit or loss before tax	Current tax	Deferred tax	Total corporation tax	Subsidies received	Average number of employees in FTE
EU Member State		**686,916,884**	**332,972,596**	**-78,941,617**	**-7,682,476**	**-86,624,093**	**0**	**894**
Belgium	Banking and insurance	412,240,732	125,275,414	-23,864,118	-7,682,476	-31,546,594	0	850
Luxembourg	Other financial services	22,508,376	4,999,910	-1,501,655	0	-1,501,655	0	8
the Netherlands	Banking and insurance	252,167,776	202,697,272	-53,575,844	0	-53,575,844	0	36
Third country		0	0	0	0	0	0	0
Total		**686,916,884**	**332,972,596**	**-78,941,617**	**-7,682,476**	**-86,624,093**	**0**	**894**

Countries	Activities	31/12/2017 Income	Net profit or loss before tax	Current tax	Deferred tax	Total corporation tax	Subsidies received	Average number of employees in FTE
EU Member State		**627,470,357**	**269,604,436**	**-75,485,818**	**-672,460**	**-76,158,278**	**0**	**948**
Belgium	Banking and insurance	381,760,532	88,520,006	-25,078,464	12,558,970	-12,519,494	0	892
Luxembourg	Other financial services	30,137,719	8,381,474	-2,490,103	0	-2,490,103	0	49
the Netherlands	Banking and insurance	215,572,106	172,702,956	-47,917,251	-13,231,430	-61,148,681	0	7
Third country		0	0	0	0	0	0	0
Total		**627,470,357**	**269,604,436**	**-75,485,818**	**-672,460**	**-76,158,278**	**0**	**948**

Notes to the consolidated balance sheet

11. Cash, cash balances and deposits at (central) banks

On the asset side this heading includes all cash and current account balances with central and other banks.

Asset side	31/12/2016	31/12/2017
Cash	46,683,230	61,901,183
Current accounts with central banks	832,289,847	949,284,468
Current accounts with other financial institutions	40,247,753	71,153,800
Total	**919,220,829**	**1,082,339,452**
Of which cash and cash equivalents	919,220,829	1,082,339,452

As of 31 December 2016 there was EUR 832,289,847 with central banks. As of 31 December this figure was EUR 949.284.468.

A part of this amount consists of the monetary reserves that every financial institution is required to hold with the central bank. There is also a larger amount in anticipation of the purchase of securities or the granting of loans.

In 2016 and 2017, there were no deposits from central banks.

12. Financial assets and liabilities held for trading

The financial assets and liabilities held for trading are composed as follows:

(Unlisted) financial assets	no.	notional	31/12/2016	no.	notional	31/12/2017
Interest rate options–caps	17	4,300,000,000	9,322,870	10	1,550,000,000	8,063,674
Securitisation transactions – caps	0	0	0	1	1,184,000,000	3,408,992
Total fair values			9,322,870			11,472,666

(Unlisted) financial liabilities	no,	notional	31/12/2016	no,	notional	31/12/2017
Interest rate options–caps	4	550,000,000	4,434	0	0	0
Securitisation transactions – caps	0	0	0	1	1,184,000,000	3,408,123
Total fair values			4,434			3,408,123

Unlisted (OTC) - caps

Financial assets held for trading include the interest rate options (caps) as they have a positive fair value. Financial liabilities include interest rate options (caps) with a negative fair value.

These interest rate options, purchased over-the-counter (OTC) from other financial institutions, are always entered into in the framework of economic hedges, though hedge accounting is not applied to them. Note 24 contains further information on the cylinder caps.

The options serve as protection against the interest rate risk. They are commitments by the seller to pay the buyer an interest rate difference in exchange for a premium paid by the buyer.

In 2016 and 2017 no more caps were done in the context of interest rate risk management at the Company.

Unlisted (OTC) - caps (securitisation transaction)

Under this heading the caps are concluded in the context of a securitisation transaction and are not accounted for according to *hedge accounting* principles.

In 2017, a new securitisation transaction was carried out and two caps were done. The difference in market value of the two swaps is recognised in the income statement.

13. Financial assets and liabilities designated at fair value with valuation changes through profit or loss

Financial assets and liabilities at fair value through profit or loss relate in the Company to investments in transactions connected to an investment fund of the 'Life' group activities, where the investment risk is not borne by the undertaking (so-called branch 23 investments).

	31/12/2016	31/12/2017
Financial assets designated at fair value with valuation changes through P&L	1,838,776,145	2,157,057,436
Financial liabilities designated at fair value with valuation changes through P&L	1,839,774,645	2,157,057,436

The difference at the end of 2016 in the above table between the assets and liabilities at Company level relates to an intercompany elimination booking.

The table below gives an indication of the composition of the underlying assets of the branch 23 products.

	31/12/2016	31/12/2017
Investment funds	1,830,310,000	2,154,082,303
Retail savings certificates	1,342,395	0
Cash and cash equivalents	8,122,250	2,975,133
Composition of liabilities	**1,839,774,645**	**2,157,057,436**
Consolidation	-998,500	0
Composition of assets	**1,838,776,145**	**2,157,057,436**

14. Available-for-sale financial assets

Most of the Company's securities portfolio (equities and bonds) is recorded under this heading.

Note 26 gives more information on the hierarchy level of the external fair values used.

	31/12/2016	31/12/2017
Total	**10,697,092,080**	**10,818,154,521**
of which hedged via micro hedges (notional amount)	955,569,300	1,175,743,300
Fixed-income securities	**10,581,393,949**	**10,686,242,453**
Public institutions	4,530,987,182	3,919,546,315
Credit institutions	2,389,603,913	2,446,568,143
Other loans	3,660,802,854	4,320,127,996
Non-fixed-income securities	**115,698,131**	**131,912,068**

	31/12/2016	31/12/2017
Total	**10,697,092,080**	**10,818,154,521**
Geographical breakdown		
Belgium	3,790,727,585	3,363,387,008
European Monetary Union	4,920,450,906	5,045,987,369
Rest of the world	1,985,913,589	2,408,780,144
Breakdown into fixed vs. variable interest securities		
Variable	3,588,008,375	3,621,862,050
Fixed	6,993,385,574	7,064,380,403
Undefined (equities)	115,698,131	131,912,069
Breakdown by residual term by maturity date		
Up to 1 year	1,491,354,893	1,664,786,327
Between 1 and 2 years	1,164,892,605	1,885,675,763
Between 2 and 3 years	1,735,819,536	2,253,972,478
Between 3 and 4 years	1,931,208,190	1,747,065,429
Between 4 and 5 years	1,445,690,590	1,040,860,404
More than 5 years	2,812,428,135	2,093,882,052
Undefined	115,698,131	131,912,069
By earliest interest rate revision or maturity date		
Up to 1 year	4,883,498,120	4,723,846,414
Between 1 and 2 years	804,441,556	1,027,552,742
Between 2 and 3 years	981,351,184	1,344,593,436
Between 3 and 4 years	1,304,995,622	1,117,027,621
Between 4 and 5 years	1,031,481,420	616,871,376
More than 5 years	1,575,626,047	1,856,350,863
Undefined	115,698,131	131,912,069
Impairments	**-2,689,184**	**-2,954,813**
Effective interest rate on portfolio as of 31 December	**1.75%**	**1.49%**
Used as collateral (notional amount)	**590,469,000**	**498,380,300**
Encumbrance in the event of utilisation of the NBB credit line	**250,000,000**	**250,000,000**

Given the limited ownership of shares and bonds of British origin, Argenta expects that Brexit will have a limited impact on the Argenta Group.

As of the end of 2016 a nominal EUR 590,469,000 of securities were encumbered as part of the collateral management of derivative instruments and of repos and as surety for the credit cards issuer. The Bank Pool also has a line of credit with the NBB of EUR 250 million, for which securities are encumbered as and when this credit line is used.

In 2011, a limited MBS (mortgage backed securities) portfolio was reclassified from 'available-for-sale financial assets' to 'loans and receivables'. Further details on this reclassification are given in Note 16.3.

The fair value and amortised cost and the related unrealised gains or losses on the 'available-for-sale' assets as of 31 December are as follows:

2016 financial year	Amortised cost	Pro rata interest portion	Unrealised results	Impairment losses	Fair values
Fixed-income securities					
Public authorities	4,087,705,214	61,035,362	382,246,606	0	4,530,987,182
Credit institutions	2,319,897,491	14,337,249	55,369,173	0	2,389,603,913
Securities of other counterparties	3,558,874,685	20,433,427	81,901,748	-407,006	3,660,802,854
Non-fixed-income securities					
Equities	92,638,034	0	25,279,137	-2,282,178	115,634,993
Investment funds / Other	62,498	0	640	0	63,138
Total	**10,059,177,922**	**95,806,038**	**544,797,304**	**-2,689,184**	**10,697,092,080**

2017 financial year	Amortised cost	Pro rata interest portion	Unrealised results	Impairment losses	Fair values
Fixed-income securities					
Public authorities	3,581,103,636	50,106,706	288,335,974	0	3,919,546,315
Credit institutions	2,385,814,850	12,011,640	48,741,653	0	2,446,568,142
Securities of other counterparties	4,217,252,451	24,394,456	78,498,459	-17,371	4,320,127,996
Non-fixed-income securities					
Equities	98,867,945	0	30,608,070	-2,937,442	126,538,573
Investment funds / Other	4,731,643	0	641,852	0	5,373,495
Total	**10,287,770,525**	**86,512,802**	**446,826,007**	**-2,954,813**	**10,818,154,521**

The breakdown into public authorities, credit institutions and 'securities other counterparties' or 'other debt securities' is that of the prudential reporting of Argenta Spaarbank at solo level.

Further information on the hierarchy level of the external fair values used is given in Note 26.

15. Financial assets held to maturity

The portfolio of financial assets held to maturity is as follows:

	31/12/2016	31/12/2017
Fixed-income securities	**614,660,002**	**651,172,929**
Public institutions	584,173,312	621,233,701
Credit institutions	0	0
Other loans	30,486,690	29,939,228
Non-fixed-income securities	**0**	**0**
Total	**614,660,002**	**651,172,929**

	31/12/2016	31/12/2017
Geographical breakdown		
Belgium	519,842,325	556,355,758
European Monetary Union	94,817,677	94,817,171
Breakdown into fixed vs, variable interest securities		
Variable	99,911,727	98,499,230
Fixed	514,748,275	552,673,699
Breakdown by residual term by maturity date:		
Up to 1 year	0	224,304,376
Between 1 and 2 years	224,295,817	37,954,235
Between 2 and 3 years	26,337,459	52,861,708
Between 3 and 4 years	35,373,586	11,050,511
Between 4 and 5 years	11,050,510	0
More than 5 years	317,602,630	325,002,099
By earliest interest rate revision or maturity date		
Up to 1 year	99,911,727	224,304,376
Between 1 and 2 years	224,295,817	37,954,235
Between 2 and 3 years	26,337,459	52,861,708
Between 3 and 4 years	23,873,139	11,050,511
Between 4 and 5 years	11,050,510	0
More than 5 years	229,191,350	325,002,099
Total public and regional authorities (sovereign)	**571,324,059**	**621,233,701**
Total other sectors (other MBS, real estate)	**43,335,943**	**29,939,228**
Impairments	**0**	**0**
Effective interest rate on portfolio as of 31 December	**2.55%**	**2.26%**

16. Loans and receivables

16.1. Loans and advances to credit institutions

Loans and advances to credit institutions are composed as follows:

	31/12/2016	31/12/2017
Total loans and advances to credit institutions	**3,386,000**	**25,166,000**
Geographical breakdown		
Belgium	3,386,000	25,166,000
European Monetary Union	0	0
Rest of world	0	0
Breakdown by residual terms		
3 months	**3,386,000**	**25,166,000**
Breakdown by type		
Current accounts with other financial institutions	0	0
Term accounts	0	0
Monetary reserve assets with central banks	0	0
Collateral received from financial institutions	3,386,000	25,166,000
Of which cash and cash equivalents	3,386,000	25,166,000
Impairments	0	0
Effective interest rate on portfolio as of 31 December	0.10%	-0. 33%

As of 31 December 2017 there was under this heading an amount received in the context of collateral management. This receivable has a remaining term of less than 3 months.

16.2. Loans to and receivables from other customers

Loans to and receivables from other customers are composed as follows:

	31/12/2016	31/12/2017
Total loans to customers	**27,490,117,668**	**28,678,908,945**
Breakdown by residual term		
Up to 1 year	908,149,199	1,016,861,675
1 to 5 years.	3,457,905,829	3,823,890,239
> 5 year	23,124,062,640	23,838,157,031
Impairments	**37,008,861**	**27,584,687**
Breakdown by loan type		
Consumer loans	97,669,919	114,057,678
Mortgage loans	26,830,072,433	27,833,108,686
Instalment loans	536,848,529	711,808,956
Advances/overdrafts	3,925,891	2,902,447
Other loan receivables - MBS portfolio	21,600,896	17,031,178
Effective interest rate on portfolio as of 31/12	2.91%	2.79%

The mortgage loan portfolio was increased by the additional lending to the retail customers of the Bank Pool and the Insurance Pool, both in Belgium and the Netherlands.

16.3. Note on the reclassification of the MBS portfolio

On October 1st 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'). The reason for this reclassification lay in 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 2016 this negative revaluation reserve amounted still to EUR 4,120,143 (included in equity under 'under other elements of comprehensive income'). Without reclassification, this would have amounted to EUR 760,910. In the IFRS balance sheet, these securities are carried under 'loans and receivables' in an amount of EUR 21,600,896.

As of 31 December 2017 this negative revaluation reserve amounted still to EUR 3,764,472 (included in equity under 'under other elements of comprehensive income'). Without reclassification, this would have amounted to EUR 440,643. In the IFRS balance sheet, these securities are carried under 'loans and receivables' in an amount of EUR 17,031,178.

Note 26 gives information on the current market value of this portfolio (under 'other credit receivables - MBS portfolio').

In 2017 there is no interest income received for the securities concerned, in 2016 there was an interest income of EUR 5,437. There were no indications for proceeding to record impairments on individual items.

The decrease in this portfolio is due mainly to the maturing of securities and/or partial redemptions of the relevant securities.

17. Derivatives used for hedging

This section contains, inter alia, additional information on the balance sheet headings 'derivatives used for hedging' and 'cumulative fluctuations in the value of the hedged positions when hedging the interest risk'.

General explanation

Hedge accounting (accounting treatment of hedging transactions in IFRS) can be used for derivatives that are intended to be used for hedging, subject to certain criteria being met. These criteria for the accounting treatment of a derivative as a hedging instrument include:

- the hedging instrument, the hedged position and the purpose and strategy of the hedging and the 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) related to the hedged risk during the entire reporting period;
- the hedge is effective from the start and is continuously assessed.

Note on macro hedges

First and foremost, the Company applies IAS 39, which has been authorised by the EU, because it reflects best the way in which the Company manages its activities.

Hedging relationships are intended to limit the interest rate risk ensuing from the selected category of assets (or liabilities) which fall within the definition of qualifying hedged positions.

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

The Bank Pool has opted to hedge a portfolio of mortgage loans with a fixed interest rate, and selects within that portfolio the hedged positions as a function of 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 fair value of the fixed rate legs 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 components of the swaps have a net impact on the results.

What we have here is 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 (changes in fair value) on the hedged positions as a result of the hedged risk, and the gains or losses (changes in fair value) on the hedging instruments are recognised in the income statement.

The changes in fair value of the hedged positions (in this case a hedged portfolio of mortgage loans) can be found under the heading ‘cumulative fluctuations in the value of the hedged positions when hedging the interest risk’ and amount to EUR 122,822,732 as of 31 December 2017. What we have here are macro fair value hedges of the interest rate risk on a hedged mortgage portfolio.

Note on micro hedges

The Bank Pool also concludes swaps to hedge the interest rate risk on individual instruments (so-called ‘micro-hedges’).

For the time being this category consists of swaps concluded in order to hedge securities that are all classified as available-for-sale assets (AFS micro hedge). The changes in the fair value of the fixed rate legs of these swaps are offset by opposite changes in the fair value of the hedged positions.

In this way, part of the change in fair value of the ‘available-for-sale’ securities in question is not recognised on a separate line in equity, but is treated in the income statement in the context of hedge accounting. As of 31 December 2017, this involved an amount of EUR 65,571,900.

In 2011, a swap was concluded that was recognised in IFRS as a cash flow hedge (CFH). This involved a forward starting swap (start date 31 May 2016 and end date 31 May 2021) for a notional amount of EUR 100 million to hedge the interest rate risk on a future portfolio of term products. Meanwhile, the placement of the term products concerned was also realised. The swap in question had a negative market value of EUR 16,949,422 as of 31 December 2017.

Note on the fair value hedges

The table below summarises the swaps used for hedging and accounted for as fair value hedges. The *cash flow* hedge swap is not included in this list.

Macro hedge - fair value hedging	no.	notional	31/12/2016	no.	notional	31/12/2017
Change in the fair value of hedged positions (L&R)			310,184,988			122,822,732
Derivatives with negative market value (clean price)	36	5,250,000,000	-361,975,359	34	5,050,000,000	-218,148,334
Derivatives with positive market value (clean price)	22	2,100,000,000	51,261,177	33	3,200,000,000	97,538,609

Micro hedge - fair value hedging	no.	notional	31/12/2016	no.	notional	31/12/2017
Change in the fair value of hedged positions (AFS)			93,208,307			65,571,900
Derivatives with negative market value	7	955,569,300	-93,302,229	9	1,075,723,300	-66,467,456
Derivatives with positive market value				1	100,020,000	932,491

The ‘number’ in the above table refers to the number of contracts, and ‘notional’ to the notional amounts of the concluded swaps. Columns 4 and 7 give the clean price of the derivatives involved and the change in the hedged positions.

Note on totals of derivatives used for hedging

The table below shows the derivative instruments as recognised in the balance sheet, giving additionally the total market value recognised under the applicable IFRS hedge accounting rules.

Market values (dirty price) of derivatives used for hedging	31/12/2016		31/12/2017	
Derivatives used for hedging (assets side)		49,455,484		102,427,643
Fair value macro hedges	49,455,484		101,844,313	
Fair value micro hedges	0		583,330	
Derivatives used for hedging (liabilities side)		557,592,276		384,310,450
Fair value macro hedges	432,634,134		288,705,860	
Fair value micro hedges	103,850,359		78,655,168	
Cash flow hedge	21,107,784		16,949,422	

18. Property, plant and equipment

The property, plant and equipment (measured using the cost price model) as of 31 December 2016 and 31 December 2017 were as follows:

	31/12/2016	31/12/2017
Buildings, land, equipment	12,510,766	12,721,727
Investment properties	1,991,747	1,551,036
Total	**14,502,513**	**14,272,763**
Fair value of investment properties	2,079,203	1,620,451

The portfolio of real estate investments changes mainly as a result of the purchasing and reselling of properties under the mortgage lending foreclosure policy. In addition, periodically a 1% share is purchased in premises that are used as office buildings by self-employed branch managers. These are also accounted for under the investment properties.

The fair value of the real estate investments (level 3) is based on the individual valuation of the respective investments.

	Land Buildings	IT	Other	Total	investment property
Opening balance as of 1/1/2016	**21.921.614**	**4.811.661**	**8.824.465**	**35.557.740**	**2.196.899**
- Investments	541,419	2,049,267	3,109,968	5,700,654	376,735
- Disposals	0	-88	-794,027	-794,115	-663,841
- Depreciation	-1,525,718	-2,608,064	-2,105,951	-6,239,733	-38,883
- Transfers	-21,596,057	0	0	-21,596,057	0
- Other changes	1,039,944	-30,454	-1,127,213	-117,722	120,837
Closing balance as of 31/12/2016	**381,202**	**4,222,322**	**7,907,242**	**12,510,766**	**1,991,747**

	Land Buildings	IT	Other	Total	investment property
Opening balance as of 1/1/2017	**381,202**	**4,222,322**	**7,907,242**	**12,510,766**	**1,991,747**
- Investments	0	2,702,334	3,059,548	5,761,882	279,915
- Disposals	-253,243	0	-167,408	-420,651	-670,898
- Depreciation	-5,197	-2,387,549	-2,906,609	-5,299,355	-35,783
- Transfers	-122,762	0	122,762	0	0
- Other changes	0	32,804	75,266	108,070	-13,945
Closing balance as of 31/12/2017	**0**	**4,569,911**	**8,090,801**	**12,660,712**	**1,551,036**

The amount of buildings and land has reduced to zero owing to the sale of these buildings and land in 2017. Most of the assets in question were recorded at the end of 2016 under 'available-for-sale assets'.

The Board of Directors and Executive Committee of Argenta Spaarbank decided in the fourth quarter of 2016 to initiate the sale of the group of "land and buildings" in question on Belgiëlei 49-53 and 55 and Lamorinièrestraat 39 and 58. The sale to Investar was completed in 2017.

19. Goodwill and other intangible assets

Goodwill is defined as the portion of the cost of the acquisition of a business combination that exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, as determined as of the date of acquisition.

At end-December, the other intangible assets included on the basis of the paid costs (cost model) were composed as follows:

	Internally developed software	Other intangible assets	Goodwill	Total
Opening balance as of 1 January 2016	**49,013,914**	**4,068,223**	**98,150,460**	**151,232,597**
Separately acquired additions	24,536,972	3,866,651	0	28,403,623
Retirement and disposal	0	0	0	0
Recorded amortisation	-19,991,627	-1,631,098	0	-21,622,725
Impairments	0	0	0	0
Other changes	558,085	-556,031	0	2,054
Closing balance as of 31 December 2016	**54,117,344**	**5,747,745**	**98,150,460**	**158,015,549**

	Internally developed software	Other intangible assets	Goodwill	Total
Opening balance as of 1 January 2017	**54,117,344**	**5,747,745**	**98,150,460**	**158,015,549**
Separately acquired additions	20,059,604	5,455,296	0	25,514,900
Retirement and disposal	-38,268	-199	0	-38,467
Recorded amortisation	-17,557,166	-2,009,802	0	-19,566,968
Impairments	0		0	0
Other changes	610,762	-610,762	0	0
Closing balance as of 31 December 2017	**57,192,276**	**8,582,278**	**98,150,460**	**163,925,015**

Goodwill is tested annually at the end of the year for impairment by comparing the realisable value of the cash generating unit (CGU) with the carrying value. The cash-generating unit is identical to the legal entity Argenta Spaarbank NV.

The realisable value of the CGU Argenta Spaarbank is determined by measuring the present value of the expected cash flow. The following data are used here:

- the 5-year financial plan as approved by management
- discount rate: return on equity of 10%.
- a long-term growth for Belgium and the Netherlands of 0.5%

Based on the analysis, no impairment loss needs to be recorded on goodwill. For 2017 this was also established in all scenarios with annual growth rates ranging from of 0% to 2% and discount rates ranging from 6% to 12%.

In the case of the acquired software this relates to the purchased software and the capitalised cost of intangible assets. The amount of EUR 19,566,968 for 2017 can be found in the income statement under the amortisation of the assets concerned.

The acquisition price and acquisition costs of acquired software and the capitalised cost of intangible assets are amortised at 20% a year. Other intangible assets are amortised at 10% per annum.

20. Tax assets and liabilities

The tax position can be summarised as follows:

	31/12/2016	31/12/2017
Current tax assets	1,386,287	8,111,725
Deferred tax assets	4,763,024	54,543
Total tax assets	**6,149,310**	**8,166,268**
Current tax liabilities	17,777,256	1,376,128
Deferred tax liabilities	144,569,901	87,566,909
Total tax liabilities	**162,347,157**	**88,943,036**

The deferred taxes derive from the following items:

Deferred taxes by type of timing difference	31/12/2015	Change via revaluation reserve	Change via P&L	31/12/2016
Tax asset related to cash flow hedging	4,759,621	-99,696	0	4,659,925
Tax asset related to reclassified assets	2,623,868	-502,316	0	2,121,552
Tax asset related to valuation of swaps and caps	18,052,741	0	-4,255,922	13,796,819
Tax asset related to non-deductible expenses under local accounting rules	2,968,852	0	1,469,743	4,438,595
Tax asset realted to with tec hnical provision	8,645,439	0	-1,771,985	6,873,454
Tax asset in respect of other small items	795,647	0	-795,647	0
Total decompensated tax assets	**37,846,168**	**-602,012**	**-5,353,811**	**31,890,345**
Tax liability on available-for-sale assets	147,604,713	-2,634,003	-67,064	144,903,646
Tax liability out of valuation at amortised cost	24,793,211	0	1,761,366	26,554,577
Tax liability in respect of other small items	0	0	238,999	238,999
Total decompensated tax liabilities	**172,397,924**	**-2,634,003**	**1,933,301**	**171,697,222**
Compensated tax debts	**134,551,756**	**-2,031,991**	**7,287,112**	**139,806,877**

The main items in 2016 were a deferred tax liability of EUR 144,903,646 on the positive delta market value of the 'available-for-sale assets', a deferred tax liability of EUR 26,554,577 on the amortised cost of the loans and a tax claim of EUR 18,456,744 relating to the processing of the derivative instruments (4,659,925 plus 13,796,819).

Deferred taxes by type of timing difference	31/12/2016	Change via revaluation reserve	Change via P&L	31/12/2017
Tax asset related to cash flow hedging	4,659,925	-1,012,903	0	3,647,022
Tax asset related to reclassified assets	2,121,552	-866,728	0	1,254,824
Tax asset related to valuation of swaps and caps	13,796,819	0	-6,097,782	7,699,037
Tax asset related to non-deductible expenses under local accounting rules	4,438,595	0	4,653,211	9,091,806
Tax asset realted to with technical provision	6,873,454	0	-2,405,353	4,468,101
Tax asset related to pension liabilities	0	443,610	163,912	607,522
Tax asset related to other headings	0	0	61,162	61,162
Total decompensated tax assets	**31,890,345**	**-1,436,021**	**-3,624,850**	**26,829,474**
Tax liability on available-for-sale assets	144,903,646	-54,196,777	0	90,706,869
Tax liability out of valuation at amortised cost	26,554,577	0	-2,919,606	23,634,971
Tax liability in respect of other small items	238,999	0	-238,999	0
Total decompensated tax liabilities	**171,697,222**	**-54,196,777**	**-3,158,605**	**114,341,840**
Compensated tax debts	**139,806,877**	**-52,760,756**	**466,245**	**87,512,366**

The main items in 2017 were a deferred tax liability of EUR 90,706,869 on the positive delta market value of the 'available-for-sale assets', a deferred tax liability of EUR 23,634,971 on the amortised cost of the loans and a tax claim of EUR 11,346,059 relating to the processing of the derivative instruments (3,647,022 plus 7,699,037).

The tax claim of unaccepted costs has increased from EUR 4,438,595 at the end of 2016 to EUR 9,091,806 at the end of 2017. This increase is the result of (a) an inability to use a DBI (definitively taxed income) deduction in Belgium (with the recognition of tax claim of EUR 1.3 million) and (b) a tax carryforwardable loss in Belgium (with the booking of a tax claim of EUR 5.9 million). There are no temporary deductible differences for which no DTA (deferred tax asset) was created.

Note 39 provides further information of the impact of corporate taxes on the Company's result.

21. Assets and liabilities under insurance and reinsurance contracts

The technical assets and liabilities from reinsurance and insurance operations as of 31 December are shown below.

Assets under insurance and reinsurance contracts	31/12/2016	31/12/2017
Reinsurers' share of technical provisions	**6,955,954**	**16,001,856**
Reinsurers' share of life insurance contracts	727,977	10,433,890
Reinsurers' share of non-life insurance contracts	6,227,977	5,567,966

	31/12/2016	31/12/2017
Liabilities under insurance contracts	**2,593,229,768**	**2,699,732,551**
Provisions – non-life	205,800,125	204,646,285
Premium reserves	29,598,428	30,923,464
Loss reserves	131,361,571	128,939,503
Other technical reserves	44,840,126	44,783,318
Provisions – life	2,387,429,643	2,495,086,266
Mathematical reserves	2,372,475,737	2,476,045,347
Loss reserves	9,907,596	12,781,253
Profit-sharing reserves	5,046,310	6,259,666

Insurance and reinsurance policy is treated in greater detail in the 'Risk Management' section of the present report.

22. Other assets

The other assets break down as follows:

	31/12/2016	31/12/2017
Prepaid expenses	3,525,597	5,592,306
Other assets in the context of lending	31,040,811	84,159,040
Other assets in the context of securities transactions	5,546,443	5,038,262
Other assets in the context of payment traffic	58,389,519	59,122,495
Suspense accounts	75,581,374	62,467,342
Total other assets	**174,083,744**	**216,379,445**

'Suspense accounts' contains amounts awaiting definitive allocation.

23. Financial liabilities measured at amortised cost

In summary form (see references in the individual lines)	31/12/2016	31/12/2017
Deposits from credit institutions (see 23.1)	273,689,986	246,406,219
Retail funding deposits (see 23.2)	31,548,613,376	32,348,444,684
Retail funding - debt certificates - retail savings certificates (see 23.3)	1,209,485,536	717,959,678
Debt certificates – bonds (see 23.4)	0	1,193,646,908
Subordinated liabilities (see 23.5)	660,464,000	596,596,220
Other financial liabilities (see 23.6)	646,097,896	640,007,181
Total	**34,338,350,795**	**35,743,060,891**

23.1. Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2016	31/12/2017
Deposits from credit institutions	**273,689,986**	**246,406,219**
Geographical breakdown		
Belgium	272,835,115	121,219,960
Other Emu countries	854,871	125,186,259
Breakdown by residual term		
Up to 1 year	273,689,986	126,406,217
Over 1 year up to 5 years	0	120,000,002
Breakdown by type		
Demand deposits	716,060	1,451,462
Repos	272,300,158	170,012,782
Collateral from financial institutions	673,769	74,941,975
Effective interest rate on portfolio as of 31 December	0.10%	-0.03%

At the end 2016, the Company had (in this case subsidiary Argenta Assuranties) EUR 272,300,158 of repos on its balance sheet, at the end of 2017 there were repos amounting to EUR 170,012,782.

23.2. Retail funding – deposits

Deposits from institutions other than credit institutions - essentially deposits by retail customers in the Company - break down as follows:

	31/12/2016	31/12/2017
Deposits from other than credit institutions	**31,548,613,376**	**32,348,444,684**
Breakdown by type		
Demand deposits	3,500,910,956	4,017,462,383
Fixed-term deposits	2,982,766,653	2,876,019,334
Regulated savings deposits	22,749,282,864	23,073,800,445
Mortgage-linked deposits	454,254,036	452,445,395
Other deposits	1,861,398,867	1,928,717,126
Breakdown of fixed-term deposits by residual term		
Up to 1 year	725,631,236	906,387,554
Between 1 and 5 years	1,899,912,202	1,619,373,584
More than 5 years	357,223,215	350,258,196
Effective interest rate on portfolio as of 31 December	0.34%	0.30%

The portfolio of regulated savings deposits is rising gradually. Deposits linked to mortgage loans include, among other things, the undrawn amounts of mortgage loans and 'savings' linked to Dutch mortgage loans.

23.3. Retail funding - debt certificates - retail savings certificates

The debt certificates break down as follows:

	31/12/2016	31/12/2017
Debt certificates – retail savings certificates	**1,209,485,536**	**717,959,678**
Breakdown by residual term		
Up to 1 year	486,070,818	296,690,991
Between 1 and 5 years	723,414,718	421,268,687
More than 5 years	0	0
Effective interest rate on portfolio as of 31 December	2.52%	2. 35%

The downward trend of recent years in this portfolio continues as a result of the low interest rates on this type of funding, but also of the Bank Pool's decision to stop promoting retail savings certificates, given that term accounts present the same characteristics.

23.4. Debt certificates – bonds

This section contains the A notes issued by SPV Green Apple 2017 I NHG - in the context of a securitisation transaction.

	31/12/2016	31/12/2017
Debt certificates – bonds	0	1.193.646.908

The notes were issued on 5 October in a notional amount of EUR 1.2 billion and were placed with institutional investors.

As of 31/12/2017 there was still a notional amount of EUR 1,182,888,000 of notes outstanding.

The interest rate on these notes amounts to Euribor 3 months plus 40 basis points. On 31/12/2017 the effective interest rate was 0.069%.

The notes were issued on 5 October 2017 and run until 2056 with a prepayment option from March 2024.

23.5. Subordinated liabilities

The normal subordinated liabilities are placed by the Company with retail customers. The Tier 2 loan issued in 2016 was offered to institutional investors only.

The subordinated liabilities are composed as follows:

	31/12/2016	31/12/2017
Subordinated liabilities	**660,464,000**	**596,596,220**
Breakdown by residual term		
Up to 1 year	65,035,137	22,184,956
Between 1 and 5 years	595,428,863	574,411,264
More than 5 years	0	0
Breakdown by type		
Subordinated loans (retail funding)	150,645,429	86,389,886
Tier 1 loan (corporate funding)	0	0
Tier 2 loan (corporate funding)	509,818,572	510,206,334
Effective interest rate on portfolio as of 31 December	3.59%	3.67%

Since 2014, no subordinated certificates have been offered to retail customers. The current portfolio will therefore decrease systematically as the securities arrive at maturity.

In the second quarter of 2016, a Tier 2 loan was very successfully issued and placed with institutional investors. This was an issue for a nominal amount of EUR 500 million.

In the Insurance Pool there are no issues of subordinated debt.

23.6. Other financial liabilities

The liabilities break down as follows:

	31/12/2016	31/12/2017
Geographical breakdown		
Belgium	646,097,896	640,007,181
the Netherlands	0	0
Breakdown by residual term		
up to 1 year	21,241,119	139,182,092
more than 1 years and up to 2 years	132,002,108	417,327,430
more than 2 years and up to 5 years	490,551,652	83,497,659
more than 5 years and up to 10 years	2,303,017	0
more than 10 years	0	0
Breakdown by type		
Investment contracts linked to insurance contracts	646,097,896	640,007,181
Effective interest rate on portfolio as of 31 December	3.05%	3.04%

The above amounts represent the reserves of investment contracts at the Insurance Pool recognised in accordance with IAS 39.

24. Provisions

The changes in the provisions during the year are:

	Pension liabilities	Current legal disputes	Other provisions	Totals
Opening balance 1 January 2016	**0**	**529,354**	**9,877,434**	**10,406,788**
Additions	0	0	1,993,778	1,993,778
Amounts used	0	-350,000	0	-350,000
Closing balance 31 December 2016	**0**	**179,354**	**11,871,212**	**12,050,566**
Additions	2,104,922	0	0	2,104,922
Amounts used	0	-179,354	-9,158,597	-9,337,951
Closing balance 31 December 2017	**2,104,922**	**0**	**2,712,615**	**4,817,537**

The provisions for legal disputes are based on the best possible accounting estimates available at year-end, taking account of the opinions of legal and tax advisers. These involve litigation with office managers with whom cooperation has been discontinued.

The item ‘other provisions’ mainly consists of a provision for a possible soil remediation of land that was sold. The large reversal relates to a fiscal provision for VAT.

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.

Note on group insurance

The Company provides an additional company pension scheme for its employees. The Company offers an occupational pension scheme of the defined contribution type for its Belgian employees. These defined contribution plans are funded solely by the employer through a group insurance, in which the insurer guarantees a minimum return.

Under Article 24 of the Law of 28/04/2003 on Supplementary Pensions (the so-called ‘WAP/LPC’), the employer is required to guarantee a minimum return for defined contribution plans. The legal minimum guaranteed return which the employer is required to pay in respect of employer contributions was until 31 December 2015 set at 3.25%. The guaranteed return was recently amended by the Law of 18/12/2015. Since then a variable guaranteed return has applied, linked to the yield on the 10-year OLO; with a minimum of 1.75% and a maximum of 3.75%. However, the cumulative contributions up to 31 December 2015 remain subject to the 3.25% guaranteed return until employees leave the Company’s pension plan (the ‘horizontal’ approach).

Because of the legally imposed minimum guaranteed return, Belgian defined contribution plans are considered as defined benefit plans. The contributions to the pension plan depend on the wage level and seniority.

The Company offers an occupational pension scheme of the defined contribution type for its Dutch employees, financed entirely by the employer. For the defined benefit plans, the final benefit at retirement date for the employee depends on various elements such as years of service and final remuneration.

The pension plan assets consist of insurance contracts measured in accordance with IAS19.115.

The main risks to which the Company’s contribution plans are exposed are interest rate, inflation, life expectancy and legal retirement age. The pension obligations are evaluated at least annually. The sensitivity of the plans to interest rate and inflation shocks is defined on a regular basis.

	31/12/2017
Cash value of the gross pension liability at the start of the year	47,502,529
Pension costs allocated in respect of the employment year	5,456,709
Pension costs allocated in respect of past employment years and settlement losses	0
Interest costs	624,215
Effect of changes in demographic hypotheses	0
Effect of changes in financial hypotheses	0
Experience-based adjustments	724,659
Benefits paid out	-76,633
Cash value of the gross pension liability at the end of the year	54,231,479
Fair value of the insurance contracts at the start of the year	47,502,529
Interest income	645,119
Administrative costs and taxes	-655,927
Employer contributions	5,874,519
Effect of changes in financial hypotheses	0
Experience-based adjustments	-1,139,037
Benefits paid out	-76,633
Fair value of the insurance contracts at the end of the year	52,150,570
(Shortfall) / surplus	-2,080,909
Asset ceiling	
Net pension liability	-2,080,909
Net pension liability at the start of the year	0
Expenses and income included in the income statement	-6,091,732
Revaluations taken into equity	-1,863,696
Employer contributions	5,874,519
Net pension liability at the end of the year	-2,080,909
Expenses and income included in the income statement	-6,091,732
Pension costs allocated in respect of the employment year	-5,456,709
Pension costs allocated in respect of past employment years and settlement losses	0
Interest costs	-624,215
Interest income	645,119
Administrative costs and taxes	-655,927
Revaluations taken into equity	-1,863,696
Effect of changes in demographic hypotheses	-1,863,696

Additional information

	Belgian employees	Dutch employees
Nature of the benefits of the pension plan	Lump sum capital at pension retirement age Death in service benefit	Pension annuity from retirement age (lifelong). Partner annuity at death of the plan affiliate or pensioner (lifelong). Orphan's lump sum benefit on death of plan affiliate or pensioner.
Legislative framework	Regulated by the Belgian LPC/WAP and included in pension regulations. Supervision by the National Bank of Belgium (NBB) and the Financial Services and Markets Authority (FSMA)	Regulated by the Dutch Pensions Act. Supervision by De Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM)
Plan changes	Since 1 May 2011 there has been a defined contribution plan, financed by employer contributions, replacing the previous plan. Since 1 May 2017, the distinction in premium budget between wage scales has been abolished.	Since 1 March 2008 there has been a defined benefit plan, financed by employer's contributions.
Limitations and settlements	Not applicable.	
Active affiliates	973	51
Passive affiliates	499	26
Estimated contributions 2018	5,113,191	927,578

Hypotheses used

For the Belgian fixed contribution plans, the following assumptions were used: discount rate (1.30%), inflation rate (1.30%-2%), salary increase (3%), mortality tables (experience tables Assuralia 2011) and turnover (based on observed historical data, broken down by age category).

For the Dutch defined benefit plans, the following assumptions were used: discount rate (1.30%), inflation rate (1.30%-2%), salary increase (2.5%), mortality tables (experience tables AG 2014 prognosis table) and turnover (based on observed historical data).

Sensitivity of the gross pension liability

Belgian fixed contribution plans		
Discount rate	+ 25 bp	- 25 bp
Impact on the gross pension liability	-5.16%	5.60%
Impact on the fair value of the insurance contracts	-5.32%	5.69%
Inflation percentage	+ 100 bp	- 100 bp
Impact on the gross pension liability	-0.34%	0.39%
Impact on the fair value of the insurance contracts	0.00%	0.00%
Salary increases	+ 100 bp	- 100 bp
Impact on the gross pension liability	1.73%	-1.11%
Impact on the fair value of the insurance contracts	0.00%	0.00%
Dutch fixed benefit plans		
Discount rate:	+ 100 bp	- 100 bp
Impact on the gross pension liability	-16.92%	20.94%
Impact on the fair value of the insurance contracts	0.00%	0.00%
Salary increases	+ 100 bp	- 100 bp
Impact on the gross pension liability	0.04%	-0.01%
Impact on the fair value of the insurance contracts	0.00%	0.00%

Weighted average term

	31/12/2016	31/12/2017
Average term of the liability (years)	22.00	21.23

25. Other liabilities

The other liabilities are composed as follows:

	31/12/2016	31/12/2017
Social security charges	7,792,208	8,385,651
Accrued charges	7,299	9,152
Supplier accounts	33,996,889	40,933,989
Debts – other group companies	906,359	29,882
Debts – agents	26,743,917	29,858,504
Technical insurance liabilities	19,038,396	23,918,656
Reinsurer's deposits	3,353,359	3,437,389
Credit items in suspense	31,641,119	39,312,707
Payment traffic items in suspense	38,241,282	43,033,605
Investment items in suspense	8,208,144	7,546,108
Various taxes	7,941,184	6,739,712
Other	30,215,556	26,046,839
Total other liabilities	**208,085,710**	**229,252,193**

The 'in suspense' accounts contain primarily amounts that stay on these accounts for a few days only (until definitively allocated).

26. Fair value of financial instruments

26.1. Valuation methods and input

The Company defines the fair value as the price that would be received/paid on the sale of an asset or transfer of a liability in an 'orderly' transaction between market participants at the time of measurement. The definition used is in line with the IFRS 13 definition. The fair value is not the price that would be received on the basis of a forced transaction, a forced sale or mandatory liquidation.

The fair value is a market-based and not an entity-specific valuation. This means that assumptions are to be used that other market participants would use in the measurement of financial instruments, including assumptions about risks. Only the characteristics of the instrument itself are to be taken into consideration, characteristics arising from the fact of the entity holding the instrument are therefore left out of account in the measurement. For determining the fair value of a financial instrument, the Company opts for the measurement methods and techniques that are appropriate under the circumstances and for which sufficient data are available to calculate the fair value. The chosen technique must maximise the use of relevant observable inputs and minimise those of non-observable inputs.

The Company recognises value adjustments for counterparty risk on all assets and liabilities that are valued at fair value. CVA (Credit Valuation Adjustment) is an adjustment of the market value of derivative financial instruments to take into account the creditworthiness of the counterparty. This takes into account the current market value, expected future market value and creditworthiness (based on the counterparty's credit default swap spread). A DVA (Debt Valuation Adjustment) is recorded for derivative financial instruments where the counterparty has a risk on the Company.

The valuation methodologies, the valuation hierarchy and positions within the levels, and the fair value calculations of both financial instruments not recognised at fair value financial instruments and of financial instruments not recognised at fair value are explained and validated by Alco on a quarterly basis.

The valuation hierarchy of the Company distinguishes between the levels below. The fair value level here depends on the type of input used for the valuation of financial instruments.

- For determining the fair value of financial instruments, the Company first uses the quoted (unadjusted) prices in an active market (externally available and observable fair values of financial instruments on liquid markets). Only where these are available does the Company use valuation techniques. The definition of Level 1 inputs refers to the terminology "active market"; this is defined as a market in which transactions in the instrument take place with sufficient frequency and volume that the price information is available on a continuous basis. Whether the frequency and volume of transactions are sufficient to speak of an active market is a question of assessment and depends on the specific facts and circumstances of the market for the instrument. The Company uses several sources (Bloomberg and Euroclear, the Company's main clearing and holding counterparties) and assesses liquidity on the basis of price availability and price differences between the different sources. If deviations are determined based on analysis, an individual detailed analysis is carried out for instrument in question.
- Where the fair value is not available based on quoted prices in an active market, the Company determines the fair value using a valuation technique based on observable or non-observable parameters. Level 2 inputs are observable inputs that are either direct or indirect. Direct Level 2 inputs are listed prices for similar instruments in active markets, quoted prices for identical or similar instruments in non-active markets and other inputs that are observable for the instrument (e.g. interest rate curves, implied volatility, credit spreads) that can be used as input for the valuation model. Indirect Level 2 inputs are inputs derived from observable market data (e.g. via extrapolations). The valuation techniques used on the basis of observable parameters are the discounting of future cash flows, and comparisons with the fair value of a similar instrument.
- Level 3 inputs are non-observable inputs. These are based on assumptions used by the Company in the valuation. Examples of non-observable inputs are the historical volatility of a quoted share, non-observable interest rates derived from observable data, but which are not confirmed by observable data, ...

When the fair value measurement uses inputs that fall within different levels, it is classified actively or passively according to the lowest level of the inputs concerned.

26.2. Financial instruments not designated at fair value

The information given below should be interpreted with due caution. The fair values shown are value estimates based on internal calculations. However, these can fluctuate on a daily basis due to the parameters used, such as interest rates and counterparty creditworthiness. Nor is there an intention to realise the fair value immediately. As a result, this value does not represent the substantial value to the Company on a going concern basis.

Estimating the fair value of financial instruments measured at historical cost requires the use of techniques, models, hypotheses and assumptions.

The calculation of the fair value of financial instruments, where this is not obtained externally, can be summarised as follows:

(1) The fair value of consumer credits, mortgage loans, forward loans and term financial liabilities (fixed-term deposits, retail savings certificates, bonds and subordinated loans and bonds) is determined by discounting contractual cash flows using the discounted cash flow method. The discount rate is based on the risk-free reference rate to which a market-based margin is applied. This includes, among other things, a capital cost and a credit cost. The interest rate curves are analogous to those used in the sensitivity analysis of interest rate risk (see risk section 5.1). The sensitivity of the market values of the Level 3 values is contained in the result of the 'economic values' calculation mentioned there (here with the impact of all levels).

(2) The fair value of cash, sight deposits, regulated savings deposits, deposits of a special nature and deposits linked to mortgage loans is assumed to be equal to the book value, in view of their immediately retrievable or short-term nature.

(3) The other credit receivables and held-to-maturity financial instruments relate to bonds in which the quoted (unadjusted) prices are used where these are traded on an active market. Where the instruments are deemed less liquid, valuation methods are used (theoretical or modelled prices with price control - Level 2, or pricing by third parties for which no benchmark is possible due to a lack of market data - Level 3).

The following table presents the carrying amounts and fair values of financial assets and financial liabilities that, in the consolidated balance sheet, are not stated at their fair value.

It does not include the fair value of non-financial instruments such as property, plant and equipment and other intangible assets that were briefly discussed in the respective notes.

	31/12/2016		31/12/2017	
	carrying value	fair value	carrying value	fair value
Cash, cash balances and deposits with (central) banks	919,220,829	919,220,829	1,082,339,452	1,082,339,452
Loans and receivables				
Loans to and receivables from credit institutions				
Current accounts	0	0	0	0
Term deposits	0	0	0	0
Reserves with central banks	0	0	0	0
Collateral with financial institutions	3,386,000	3,386,000	25,166,000	25,166,000
Loans to and receivables from other customers				
Consumer loans	97,669,919	102,320,337	114,057,678	118,130,649
Mortgage loans	26,830,072,433	28,409,959,089	27,833,108,686	30,431,295,318
Instalment loans	536,848,529	571,338,946	711,808,956	755,632,987
Advances/overdrafts	3,925,891	3,925,891	2,902,447	2,902,447
Other loan receivables - MBS portfolio	21,600,896	26,749,540	17,031,178	21,462,950
Financial assets held to maturity	614,660,002	653,405,306	651,172,929	680,745,315
Total financial assets	**29,027,384,499**	**30,690,305,938**	**30,437,587,325**	**33,117,675,117**
Financial liabilities measured at amortised cost				
Deposits from credit institutions	273,689,986	273,689,986	246,406,219	246,406,219
Deposits from other than credit institutions				
Demand deposits	3,500,910,956	3,500,910,956	4,017,462,383	4,017,462,383
Fixed-term deposits	2,982,766,653	3,166,269,315	2,876,019,334	3,028,211,548
Deposits of a special nature	1,861,398,867	1,861,398,867	1,928,717,126	1,928,717,126
Regulated savings deposits	22,749,282,864	22,749,282,864	23,073,800,445	23,073,800,445
Mortgage-linked deposits	454,254,036	454,254,036	452,445,395	452,445,395
Debt certificates, including retail savings certificates				
Retail savings certificates	1,209,485,536	1,272,457,812	717,959,678	751,402,372
Bonds	0	0	1,193,646,908	1,204,537,188
Subordinated debts				
Subordinated loans	150,645,429	160,270,571	86,389,886	91,967,226
Tier 2 loan	509,818,572	523,515,000	510,206,334	553,891,334
Other financial liabilities	646,097,896	646,418,542	640,007,181	641,455,638
Total liabilities	**34,338,350,795**	**34,608,467,950**	**35,743,060,890**	**35,990,296,875**

The table below shows the fair values of the listed IFRS classifications schematically by hierarchy level.

A Level 2 is assigned by the Company to the very short term financial instruments - with the carrying value used as market value -, while a Level 3 is assigned to all other calculated market values.

Data as of 31/12/2016	Fair value	Level 1	Level 2	Level 3
Cash and cash balances and deposits with (central) banks	919,220,829	0	919,220,829	0
Loans and receivables	29,117,679,803	0	20,693,474	29,096,986,329
Financial assets held to maturity	653,405,306	229,211,247	332,655,690	91,538,369
Financial liabilities measured at amortised cost	34,608,467,950	0	28,839,536,710	5,768,931,240

Data as of 31/12/2017	Fair value	level 1	level 2	level 3
Cash and cash balances and deposits with (central) banks	1,082,339,452	0	1,082,339,452	0
Loans and receivables	31,354,590,351	0	21,462,950	31,333,127,401
Financial assets held to maturity	680,745,315	221,955,793	433,193,034	25,596,488
Financial liabilities measured at amortised cost	35,990,296,875	0	29,718,831,569	6,271,465,306

Cash, cash balances at (central) banks and other demand deposits are valued at Level 2 fair value (given the short term nature).

Loans and receivables with Level 3 fair value relate primarily to mortgage loans to individuals for which Argenta has calculated a market valuation based on a DCF model. Here, certain assumptions are applied with respect to spread and prepayment rate.

The financial liabilities measured at amortised cost included under Level 2 are the deposits of credit institutions, sight deposits, deposits of a special nature and regulated savings deposits.

Given their short term nature, these liabilities are recognised as Level 2 (carrying amount equated with value).

The financial liabilities included in Level 3 include the insurance contracts that, under IAS 39, have to be recognised as financial liabilities (instead of technical provisions).

26.3. Financial instruments designated at fair value

The following tables show the fair values of the financial instruments that are stated in the balance sheet at their fair value.

The table below provides an overview of the level hierarchy of financial assets and liabilities recognised at fair value.

For determining the fair value of the 'available-for-sale assets', The Company uses the quoted (unadjusted) prices in an active market. For this the Company uses the same external sources as in previous years, namely Bloomberg and Euroclear. Instruments are classified under Level 2 where theoretical or modelled prices are available that can be substantiated by/benchmarked against another source or pricing by third parties. For instruments included in Level 3, prices are received from third parties for which the Company does not have a benchmark.

The fair values of derivative instruments are calculated internally using a FINCAD application, with the market values calculated daily, in the context, among others, of the European Market Infrastructure Regulation (EMIR).

Collateral management (margin calls) takes place, depending on agreements, on a daily or weekly basis. The external market values obtained with the margin calls are systematically compared with the internally calculated fair values.

Vanilla derivatives (vanilla IRSs and caps) are measured on the basis of interest rate curves and implicit volatilities observable in the market (Level 2 inputs). The fair value of these transactions is therefore considered as Level 2.

The table below provides an overview of the level hierarchy of financial assets and liabilities recognised at fair value.

Data as of 31/12/2016	Fair value	Level 1	Level 2	Level 3
Assets recorded at fair value	**12,594,646,579**	**10,451,113,905**	**2,114,863,724**	**28,668,950**
Assets held for trading	9,322,870	0	7,239,219	2,083,651
Financial assets designated at fair value with valuation changes through profit or loss	1,838,776,145	1,838,432,251	343,894	0
Available-for-sale financial assets	10,697,092,080	8,612,681,654	2,057,825,127	26,585,299
Derivatives used for hedging	49,455,484	0	49,455,484	0
Liabilities recorded at fair value	**2,397,371,355**	**1,838,432,251**	**537,826,914**	**21,112,190**
Liabilities held for trading	4,434	0	28	4,406
Liabilities designated at fair value with valuation changes through profit or loss	1,839,774,645	1,838,432,251	1,342,394	0
Derivatives used for hedging	557,592,276		536,484,492	21,107,784

Data as of 31/12/2017	Fair value	Level 1	Level 2	Level 3
Assets recorded at fair value	**13,089,112,267**	**10,660,257,348**	**2,401,928,603**	**26,926,316**
Assets held for trading	11,472,666	0	11,472,666	0
Financial assets designated at fair value with valuation changes through profit or loss	2,157,057,436	2,157,057,436	0	0
Available-for-sale financial assets	10,818,154,522	8,503,199,912	2,288,028,294	26,926,316
Derivatives used for hedging	102,427,643	0	102,427,643	0
Liabilities recorded at fair value	**2,544,776,009**	**2,157,057,436**	**387,718,573**	**0**
Liabilities held for trading	3,408,123	0	3,408,123	0
Liabilities designated at fair value with valuation changes through profit or loss	2,157,057,436	2,157,057,436	0	0
Derivatives used for hedging	384,310,450	0	384,310,450	0

The financial assets designated at fair value with valuation changes through profit or loss are investments in transactions related to investment funds. The financial instruments included under Level 1 are the investment funds and liquid assets in the branch 23 funds concerned.

In the 'available-for-sale' portfolio we encounter sporadic changes between Level 1 and Level 2 as a result of changes in the liquidity of the instruments (e.g. more providers). In 2016, the Company reclassified EUR 217 million of bonds (10 securities) from Level 2 to Level 1. This related mainly to bonds issued by financial institutions, Belgian companies and Belgian local authorities. The vast majority of reclassifications were the result of an increase in liquidity permitting admission to Level 1. In 2017, EUR 10 million of bonds (2 securities) of financial institutions were reclassified from Level 2 to Level 1, also due to an increase in liquidity.

The following table provides a reconciliation of Level 3 fair values between 1 January 2016 and 31 December 2017. It refers to the derivative instruments (under 'assets and liabilities held for trading' and under 'derivatives used for hedging') and to the securities held under 'available-for-sale assets'.

	Derivatives, asset side	Derivatives, liabilities side	AFS portfolio - fixed income securities	AFS portfolio - non-fixed income securities
Opening balance as of 1/1/2016	**17,003,018**	**-29,349,949**	**80,489,733**	**1,074,488**
Purchases / new contracts	0	0	20,149,935	0
Expired instruments	0	0	-20,059,942	0
(Partial) repayments	0	0	0	0
Changes to other levels	0	0	-54,960,552	0
Changes from other levels	0	0	0	0
Other changes (including value changes)	-14,919,367	8,237,758	-222,819	114,456
Closing balance as of 31/12/2016	**2,083,651**	**-21,112,191**	**25,396,355**	**1,188,944**
Purchases / new contracts	0	0	4,746,610	722,154
Expired instruments	0	0	0	0
(Partial) repayments	0	0	0	0
Changes to other levels	-2,083,651	21,112,191	-5,195,790	0
Changes from other levels	0	0	0	0
Other changes (including value changes)	0	0	-170,909	238,952
Closing balance as of 31/12/2017	**0**	**0**	**24,776,266**	**2,150,050**

As can be seen from the table, there is only a limited amount of Level 3 fair values in the financial instruments involved.

The total of the fixed-income securities and equities valued at Level 3 fair values is just EUR 25,457,274 as of 31 December 2017 (compared to EUR 25,396,355 at end 2016).

Level changes have no P&L impact. The delta market values of the 'available-for-sale assets' are included in 'Other Comprehensive Income (OCI)' under equity. In 2016, EUR 54,960,552 (8 securities) were reclassified from Level 3 to Level 2 and in 2017 an amount of EUR 5,195,790 (1 security) due to increased liquidity. For the caps the valuation method was refined, with a shift to Level 2. The new purchases in 2017 consist of unquoted bonds, real estate certificates and infrastructure funds where the Company receives pricing or valuation from third parties.

As of 31 December 2016, there was a limited positive impact of EUR 440,535 in OCI that is entirely attributable to the changes in the value of the securities. As of 31 December 2017, there was an impact of EUR 440,543 in OCI. In 2017, no positions were realised or written down.

Note on the credit risk in the fair value of derivatives

Since 2014 and in line with market practices, a CVA (Credit Valuation Adjustment) and a DVA (Debt Valuation Adjustment) have been taken into account in establishing the market value of derivatives. The combined impact of both elements was very limited, amounting to EUR 1.2 million in 2016. As of 31 December 2017 there was a positive net impact of EUR 1 million.

27. Derivatives

Besides derivatives embedded in contracts, the Company has three types of derivatives (derived financial instruments) on its balance sheet on 31 December 2017: interest rate options (purchased and sold caps), swaptions and swaps.

Under IFRS, derivatives are to be recorded in the trading portfolio, 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.

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

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 frameworks for processing micro-hedges in the AFS portfolio and for processing derivatives as cash flow hedges are also embedded at the Company.

In 2016 and 2017 no offsetting was undertaken in processing the derivatives both on and off the balance sheet, so that no information on this was given in accordance with the descriptions of IFRS 7 on this subject.

Interest rate options

Interest rate options are used as protection against the interest rate risk. These are options where 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.

As of 31 December 2017 the Company still had 10 caps (21 at end-2016) standing on its balance sheet in a notional amount of EUR 1.55 billion (EUR 4.85 billion at end-2016).

Although targeted to hedge the interest rate risk, these caps are processed under IFRS as instruments held for trading.

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

Swaptions

In 2017, the Company started taking out swaptions: the first swaption transaction took place in May, a second in October.

A swaption entitles the buyer to conclude a swap after the option period and thus to pay or receive a fixed rate. With a payer swaption, the buyer is entitled to pay fixed interest and receive a floating rate.

These swaptions are accounted for as hedging derivatives (macro hedge). A specific hedge accounting framework for this type of instrument has been developed.

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 an overview of all swaps recognised at year-end, the hedged positions and the IFRS processing method.

		2016	
no.	**notional**	**Hedge type**	**Treatment in IFRS**
58	7,350,000,000	interest rate risk on loan portfolio	macro portfolio fair value hedge
7	955,569,300	interest rate risk on individual AFS securities	micro fair value hedge AFS-instrumenten
1	100,000,000	interest rate risk on retail savings certificates portfolio	micro hedge - cash flow hedge

		2017	
no.	**notional**	**Hedge type**	**Treatment in IFRS**
67	8,250,000,000	interest rate risk on loan portfolio	macro portfolio fair value hedge
10	1,175,723,300	interest rate risk on individual AFS securities	micro fair value hedge AFS-instrumenten
1	100,000,000	Interest rate risk on term products portfolio	micro hedge - cash flow hedge

Note on the cash flow hedge referred to in the table above

On 3 May 2011, a forward starting swap was concluded in a notional amount of EUR 100 million (start date 31 May 2016 and end date 31 May 2021) to hedge the interest cost of a future portfolio of retail savings certificates/term deposits.

As of 31 December 2016, the swap concerned had a negative clean market value of EUR 18,639,700 and, after offsetting of an unrealised tax claim of EUR 4,659,925, an amount of EUR 13,979,775 was recorded under 'cash flow hedge' in equity.

As of 31 December 2017, the swap concerned had a negative clean market value of EUR 14,588,089 and, after offsetting of an unrealised tax claim of EUR 3,647,022, an amount of EUR 10,941,066 was recorded under 'cash flow hedge' in equity.

Embedded derivatives

Derivatives embedded in contracts are required to 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 separated out and classified under this category.

Notes to the consolidated income statement

28. Net interest income

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

	31/12/2016	31/12/2017
Interest income	**1,053,001,389**	**953,654,296**
Available-for-sale financial assets	194,753,463	155,168,134
Loans to and receivables from credit institutions	682,319	1,096,860
Loans to and receivables from other customers	844,514,925	784,568,552
Held-to-maturity investments	9,269,273	8,868,946
Derivatives, hedge accounting	3,781,409	3,306,685
Other assets	0	645,119
Interest expenses	**386,590,579**	**378,632,807**
Deposits from credit institutions	33,427,721	38,249,583
Deposits from other than credit institutions	147,683,020	109,893,525
Debt certificates, including retail savings certificates	36,063,741	27,242,615
Subordinated liabilities	20,854,585	22,856,102
Derivatives, hedge accounting	148,561,512	179,766,768
Other liabilities	0	624,214
Net interest income	**666,410,810**	**575,021,489**
Interest income from impaired financial assets	395,661	410,583

29. Income from dividends

Dividends received are specified below,

	31/12/2016	31/12/2017
Dividends from equity instruments from available-for-sale financial assets	3,333,497	3,404,169

30. Net income from commissions and fees

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

	31/12/2016	31/12/2017
Income from commissions and fees	**97,302,330**	**116,803,309**
Securities: buy and sell orders and other	11,238,107	17,416,085
Management fees received	61,222,580	76,170,351
Payment services	12,514,322	13,960,092
Commissions on hospitalisation insurance	3,199,740	0
Other items	9,127,582	9,256,781
Expenses related to commissions and fees	**-138,966,767**	**-161,636,940**
Acquisition costs (commissions and/or transaction costs)	-113,489,747	-124,417,248
Custody	-1,671,323	-1,667,524
Commissions on hospitalisation insurance	-795,565	0
Payment services	-20,550,340	-20,985,620
Other items	-2,459,793	-14,566,549
Net commission result	**-41,664,437**	**-44,833,631**

The management fees received are rising and are linked to the growing branch 23 portfolio and sale of funds.

The 'acquisition costs' heading contains the bulk of the costs paid to the Argenta Group tied agents ('branch managers').

31. Realised gains and losses on financial assets and liabilities not designated at fair value through profit or loss

The realised gains and losses on available-for-sale assets on the one hand and on financial liabilities measured at amortised cost on the other, can be shown as follows:

	31/12/2016	31/12/2017
Realised gains	**15,683,434**	**30,991,096**
Available-for-sale financial assets		
Gains on fixed-income securities	12,533,468	21,889,107
Gains on non-fixed-income securities	3,149,967	9,101,989
Financial liabilities measured at amortised cost	0	0
Realised losses	**-3,166,594**	**-849,080**
Available-for-sale financial assets		
Losses on fixed-income securities	-1,862,600	-136,782
Losses on non-fixed-income securities	-1,303,994	-712,298
Financial liabilities measured at amortised cost	0	0
Total net realised result	**12,516,840**	**30,142,016**

A detailed breakdown of the unrealised gains and losses of the 'available-for-sale financial assets' category can be found in Note 14.

The fair values of the category 'financial liabilities measured at amortised cost' are given in Note 26.

In 2016 a total net gain of EUR 12.5 million was produced by the 'available-for-sale assets. In 2017 this gain amounted to EUR 30 million.

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

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

	31/12/2016	31/12/2017
Gains and losses on swaps	-351,213	0
Gains and losses on caps	-7,010,456	-1,253,896
Gains and losses on bonds	29,681	0
Total result on interest-bearing	**-7,331,988**	**-1,253,896**

Under the net result can be found the gains and losses on interest rate options, swaps and a very limited portfolio of bonds (which are offered to customers).

Under the ALM policy, all the swaps and caps concerned are concluded for the account of the Company.

The result of the caps is the result of the measurement of the fair value of the relevant instruments on the balance sheet at fair value through P&L.

33. Gains and losses from hedge accounting

For derivatives that are part of the fair value hedge transactions undertaken to hedge the interest rate risk of a portfolio of 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 the hedged risk of the hedged assets are recognised in the item 'gains and losses from hedge accounting'.

	31/12/2016	31/12/2017
Portfolio hedge of interest rate risk portfolio		
Changes in the fair value of the hedging instruments	-2,071,807	190,104,457
Changes in the fair value of hedged items	6,098,779	-187,362,259
Hedging of the interest rate risk of individual financial instruments		
Changes in the fair value of the hedging instruments	6,334,663	-27,636,407
Changes in the fair value of hedged items	-6,277,351	27,767,264
Gains and losses from hedge accounting	**4,084,285**	**2,873,055**

The difference between the changes in the market value of the hedged positions and the change in market value of the hedging instruments gives the gains and losses from hedge accounting. The above contains the macro hedge (hedging of the interest rate risk of a portfolio) and the micro hedge (hedging of the interest rate risk of individual instruments).

In the case of the swap processed as a cash flow hedge, there was no ineffectiveness in 2016 and 2017, leaving no movements in connection with this swap under this heading.

34. 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 below.

	31/12/2016	31/12/2017
Gains on derecognition of property, plant and equipment	419,983	171,271
Gains on derecognition of investment properties	167,603	16,751
Losses on derecognition of property, plant and equipment	-47,880	-144,999
Losses on derecognition of investment properties	0	0
Total net gain or loss	**539,705**	**43,023**

35. Income and expenses from insurance and reinsurance contracts

Other income and expenses related to insurance contracts:

	31/12/2016	31/12/2017
Income from issued insurance contracts	**375,087,329**	**385,139,989**
Income from non-life insurance contracts	127,439,003	137,657,590
Income from life insurance contracts	245,164,622	236,964,350
Income from reinsurance treaties	2,483,704	10,518,048
Expenses relating to insurance contracts	**374,420,912**	**373,127,069**
Expenses from non-life insurance contracts	-210,554,966	-238,778,336
Expenses from life insurance contracts	580,024,186	597,559,252
Expenses from reinsurance treaties	4,951,692	14,346,154
Net technical result from insurance	**666,417**	**12,012,919**

36. Other operating result

Other net operating income consists of the following elements:

	31/12/2016	31/12/2017
Operating income	**50,240,247**	**52,060,430**
Rental income from investment properties	126,131	137,461
Portfolio acquisition fee from agents	2,701,830	5,113,444
Received from renting out of printers & ICT infrastructure	7,207,812	7,879,128
Other fee income	40,204,473	38,930,398
Operating expenses	**-1,878,489**	**-1,999,219**
Other fee expenses	-1,878,489	-1,999,219
Total other operating income	**48,361,757**	**50,061,211**

37. Administrative expenses

Employee expenses consist of the following components:

	31/12/2016	31/12/2017
Wages and salaries	49,174,806	51,926,107
Social security charges	13,460,837	14,234,783
Pension expenses	6,085,523	5,456,709
Share-based payments	0	0
Other	2,618,118	3,734,757
Total employee expenses	**71,339,284**	**75,352,357**
Average number of employees in FTE	**893.20**	**948**

The Company has pension liabilities on the basis of defined contribution schemes (with the contribution paid by the employer only). In Belgium a minimum return is provided on these group insurance schemes, which until further order, is guaranteed by the insurance companies.

There are no ‘share-based payments’ at the Company.

General and administrative expenses can be summarised as follows:

	31/12/2016	31/12/2017
Marketing expenses	4,233,443	3,834,830
Professional fees	56,897,348	64,098,312
IT expenses	45,982,973	53,954,843
Rents	7,494,246	10,020,087
Business taxes and bank taxes	66,126,358	74,611,953
Other	67,861,702	67,115,682
Total general and administrative expenses	**248,596,070**	**273,635,706**

The heading ‘other’ includes expenses for telephone, postage, office supplies, professional contributions and travel expenses.

The considerable increase in general and administrative expenses is due primarily to expenses incurred in the further development of the IT infrastructure, higher professional fees, and other investments.

The rents relate mainly to the rent paid for office buildings used by the tied agents (branch managers). This rental is recovered from the tied agents. The average remaining term of these rental contracts is 5.9 years. In addition, rent is also paid for the office buildings.

38. Impairments

The changes in impairments can be broken down as follows:

Impairments on assets not designated at fair value through P&L	31/12/2016	31/12/2017
Available-for-sale financial assets	-4,212,714	222,504
Loans and receivables	4,966,470	-6,343,799
Goodwill	0	0
Total impairments	**753,756**	**-6,121,295**

Outstanding impairments on financial assets measured on an individual basis	31/12/2016	31/12/2017
Available-for-sale assets		
Fixed-income securities	375,066	17,371
Non-fixed-income securities	2,282,178	2,937,442
Loans and receivables		
Consumer loans	2,019,249	1,669,253
Mortgage loans	23,211,571	18,065,469
Long term loans	398,600	337,798
Advances/overdrafts	938,951	956,965
Other loan receivables - reclassification MBS	0	0
Total loans and advances	**26,568,371**	**21,029,485**
Total impairments recognised	**29,225,615**	**23,984,298**

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 2016 and 31 December 2017.

At end-2016, the overall impact of impairments recognised on both an individual and a portfolio basis on 'loans and receivables' was EUR 4,966,470,

As of 31/12/2016 Loans and receivables	Opening balance 31/12/2015	Increase through P&L	Reversal through P&L	Closing balance 31/12/2016	Recoveries through P&L	Direct write-offs	Collective provision	Total P&L impact
Consumer loans	2,613,225	235,689	-829,664	2,019,250	-207,428	344,045	0	-457,358
Mortgage loans	26,089,716	19,336,224	-22,214,368	23,211,572	-1,098,758	6,854,942	3,192,449	6,070,489
Instalment loans	339,961	344,556	-285,918	398,599	-228,546	178,815	0	8,907
Advances/ overdrafts	1,277,133	-1,178,726	840,544	938,951	-775,743	462,537	0	-651,388
Other loan receivables	900	0	-900	0	-4,179	899	0	-4,180
Total loans and advances	**30,320,935**	**18,737,743**	**-22,490,306**	**26,568,372**	**-2,314,654**	**7,841,238**	**3,192,449**	**4,966,470**

At end-2017, the overall impact of impairments recognised on both an individual and a portfolio basis on 'loans and receivables' was EUR 6,343,800,

The heading "collective provision" contains the change in the collective provision (including the already discussed IBNR provision) and the "direct write-off" contains the amounts of the additional write-offs but also of the use of the provisions set up.

As of 31/12/2017 Loans and receivables	Opening balance 31/12/2016	Increase through P&L	Reversal through P&L	Closing balance 31/12/2017	Recoveries through P&L	Direct write-offs	Collective provision	Total P&L impact
Consumer loans	2,019,250	71,155	-421,151	1,669,254	-120,243	245,201	0	-225,038
Mortgage loans	23,211,572	12,841,196	-17,987,299	18,065,469	-989,369	4,083,168	-3,825,622	-5,877,926
Instalment loans	398,599	3,306	-64,108	337,797	-7,513	0	0	-68,315
Advances/ overdrafts	938,951	474,198	-456,183	956,966	-406,667	216,131	0	-172,521
Other loan receivables	0	0		0	0	0	0	0
Total loans and advances	**26,568,372**	**13,389,855**	**-18,928,741**	**21,029,486**	**-1,523,792**	**4,544,500**	**-3,825,622**	**-6,343,800**

39. Income tax expense

The details of current and deferred taxes are shown below:

Income tax expense	31/12/2016	31/12/2017
Current tax liabilities for the financial year	77,361,222	75,620,282
Current liabilities in respect of prior periods	-1,114,881	-134,464
Deferred taxes related to timing differences	2,988,496	-2,315,579
Deferred taxes related to derivatives	4,299,470	6,097,782
Deferred taxes related to amortised cost calculations	3,089,784	-2,367,689
Deferred taxes – pension liabilities	0	-742,054
Total P&L impact of income taxes	**86,624,091**	**76,158,278**
Reconciliation of statutory and effective tax rate		
Net profit before tax	332,972,600	269,604,438
Statutory tax rate	33,99%	33,99%
Income tax calculated using statutory rate	113,177,387	91,638,548
Tax effect of different tax rates in other countries	-20,575,666	-15,928,102
Tax effect of non-taxable income	-48,257	-3,256,074
Tax effect of non-tax-deductible expenses	4,249,612	3,685,702
Tax benefit not previously recognised	-6,546,390	0
Prior period taxation	-735,495	-134,464
Tax impact of change in tax rate	0	564,892
Other increase (decrease) in statutory taxation	-2,702,074	-360,301
National interest deduction	-195,025	-51,923
Total income tax expense	**86,624,092**	**76,158,278**
Effective tax rate	26.02%	28.25%

As reflected in the table above, the effective tax rate was 26.02% in 2016 and 28.25% in 2017.

The planned change in tax rate in Belgium (from 33.99% in 2017 to 29.58% in 2018-2019 and subsequently 25% from 2020) has an impact of EUR 564,892 on the latent taxes in the IFRS result. The limited global impact can be explained by the following factors:

- a large part of the taxable base was already taxed at 25% (the basic tax rate in the Netherlands)
- the tax on the latent values of the 'available-for-sale assets' does not go through profit and loss but through equity.
- the impact of the "amortisation of transaction costs" with a resulting tax liability and that of the "derivative instruments" and the "insurance provision not accepted under BGAAP" largely cancel each other out.

Other notes

40. Lease agreements

The Company only acts as a lessee in lease agreements. These lease agreements qualify as operating lease contracts. They relate to:

- Office buildings for own use that are rented from the parent company that manages the property and makes it available to the Company. This relates to various office buildings with lease terms of between 9 and 15 years. The lease costs depend on the surface area used (in m^2) and are indexed annually. Given the Company's intention to use these buildings during the entire term of the lease, the lease payments are equated to non-cancellable minimum lease payments. The Company has no purchase option on the underlying asset of the lease agreement.
- Office buildings for own use that are rented from third parties. This relates to various floors of office buildings with lease terms of between 3 and 6 years. The lease cost is indexed annually. The Company has no purchase option at lease expiry date.
- Buildings rented by the Company and sublet to the agents. The full lease cost is recovered via the sublease agreement. The lease contracts are for 9 years, with termination options every 3 years, and are indexed annually. The Company has no purchase option at lease expiry date.
- Company cars made available to Company employees (salary cars and cafeteria plan cars). The lease terms are 3 to 5 years. The Company has a purchase option on maturity.

The company is not a counterparty in lease agreements that qualify as financial leases.

The table below gives an overview of the costs and income of the lease agreements:

	31/12/2016	31/12/2017
Minimum lease payments	8,911,670	11,787,322
Conditional lease payments	0	0
Minimum sub-lease payments received	-6,663,571	-7,959,994

The future minimum lease payments under non-cancellable lease agreements are:

	31/12/2016	31/12/2017
One year after the end of the financial year	6,666,972	9,532,884
More than one year and no more than five years after the end of the financial year	20,177,625	34,557,936
More than five years after the end of the financial year	6,494,788	33,441,133

41. Encumbered assets

By circular 2015/03 the Belgian regulator brought into effect in the Belgian prudential framework the guidelines of the European Banking Authority (EBA) of 27 June 2014 on the disclosure of encumbered and unencumbered assets.

The institutions are required, on an advancing basis, to disclose basic information about the previous twelve months based on median values of at least quarterly data. Below is an overview of the encumbered assets at the Company as reported as of 31 December 2016 and 2017, together with the average for 2017.

	31/12/2016 nom. value	31/12/2016 market value	31/12/2017 nom. value	31/12/2017 market value	gem. 2017 nom. value	gem. 2017 market value
Collateral for derivatives (caps and swaps)	559,469,000	635,725,745	466,630,300	515,786,689	503,705,458	555,193,494
Collateral for repo transactions	218,529,000	269,081,575	138,196,056	166,584,547	188,423,371	229,464,566
Collateral for Bank Card Company	31,000,000	33,118,285	31,750,000	32,424,413	31,750,000	33,035,079
Total collateral given	**808,998,000**	**937,925,605**	**636,576,356**	**714,795,649**	**723,878,829**	**817,693,139**
Collateral NBB credit line	**250,000,000**	**261,525,000**	**250,000,000**	**259,573,950**	**250,000,000**	**261,844,450**

	31/12/2016	31/12/2017	gem. 2017
Cash paid (derivatives)	28,900,000	22,286,000	21,921,250
Cash received (derivatives)	29,573,769	74,941,976	72,378,794
Netto cash (derivatives)	**-673,769**	**-52,655,976**	**-50,457,544**
Cash paid (repo transactions)	3,980,000	2,880,000	3,556,000
Cash received (repo transactions)	594,000	0	0
Netto cash (repo transactions)	**3,386,000**	**2,880,000**	**3,556,000**

At the end of 2016, a nominal EUR 559,469,000 was encumbered in respect of derivatives and repos and a nominal EUR 31 million in connection with the use of credit cards by the Company's customers. In addition, EUR 28.9 million of cash was paid and EUR 29.5 million cash received in respect of collateral management for derivatives.

At the end of 2017, a nominal EUR 748,380,300 was encumbered in respect of derivatives and repos and a nominal EUR 31.75 million in connection with the use of credit cards by the Company's customers. In addition, EUR 22.2 million of cash was paid and EUR 74.9 million cash received in respect of collateral management for derivatives.

Argenta Spaarbank has not issued covered bonds and the loans that were previously securitised are, as already explained, back in the Bank Pool balance sheet. The bank has a EUR 250 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.

This note - combined with note 40.4 - gives an indication of the encumbered (pledged) assets as described and requested in the IFRS 7 standard (being assets encumbered as collateral for liabilities or contingent liabilities).

42. Securitisation policy

The operational framework and the policies for undertaking securitisation transactions were developed mid 2007, resulting in two successful issues in the following years.

Both involved the securitisation of a portfolio of Dutch residential mortgage loans via the Green Apple SPV. At the end of 2013 the call was exercised at the Green Apple 2008 transaction, causing it to mature on 23 January 2014.

At the end of 2015 the call was exercised on the 2007 Green Apple transaction, causing it to mature on 25 January 2016.

In October 2017 a new securitisation transaction was carried out, as explained earlier in this annual report.

Under its investment policy, the Company also has a number of ABSs and MBSs in its investment portfolio.

The portfolio is given below by exposure, indicating the type and country of issue.

Per type	Country	Exposure 31/12/2016	Exposure 31/12/2017
MBS	Belgium	26,599,622	23.431.633
MBS	Spain	27,842,590	22.050.474
MBS	France	48,137,943	43.776.609
MBS	Ireland	21,554,768	35.421.447
MBS	the Netherlands	739,109,140	773.877.202
MBS	Great Britain	14,795,160	14.829.162
ABS	Germany	18,449,202	20.680.303
ABS	Spain	27,128,442	26.063.442
ABS	United States of America	9,521,057	7.242.797
ABS	France	22,142,983	25.623.978
ABS	Ireland	18,881,806	21.300.104
ABS	Luxembourg	59,582,144	74.926.547
ABS	the Netherlands	24,256,347	23.163.001
Total securitisation positions		**1.058.001.204**	**1,112,386,699**

The MBSs are all related to securitised mortgage loans. The ABS in the US relates to a securitisation of student loans and the ABS from Spain refers to the securitisation of covered bonds. The ABSs from other countries relate to securitised vehicle loans.

43. Off-balance sheet liabilities

The Bank Pool has issued guarantees against its own financial assets. The summary below gives the reasons for these and the nominal values of the assets concerned, which can all be found under 'available-for-sale assets'.

		31/12/2016	31/12/2017
Collateral given			
For repos	Nominal value	218,529,000	138,196,056
For swaps and caps	Nominal value	559,469,000	466,630,300
For Bank Card Company	Nominal value	31,000,000	31,750,000
Collateral received		33,371,821,541	34,613,977,202

The collateral received relates to the collateral 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).

	31/12/2016	31/12/2017
Financial guarantees issued	4,225,620	4,352,806
Financial guarantees received	0	0

Finally, there are credit lines granted and received. The credit lines granted relate to notified credit lines and credit offers for retail lending.

The credit lines received relate to the credit lines received from other financial institutions on the Company's accounts with these institutions.

	31/12/2016	31/12/2017
Credit lines granted	1,152,435,508	1,569,554,444
Credit lines received	250,000,000	250,000,000

The Bank Pool has a EUR 250 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.

At the end of 2016 and per 2017 there was no bond lending.

44. 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 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), management believes, after obtaining professional advice, that these claims have no chance of success, or that the Company can defend itself successfully against them, or that the outcomes of these cases are not expected to result in a significant loss in the income statement.

45. Events after balance sheet date

Important events after balance sheet date

To the best of the knowledge of the Board of Directors, no other significant events have occurred since the end of the financial year concerning the Company and its individual subsidiaries.

In other words, 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 2017.

Circumstances that could significantly influence the development of Argenta

- The Company
  To the best of the Board of Directors' knowledge, there are no circumstances other than those mentioned in this Annual Report that could have a material impact on the Company's s development.

- The Argenta Group
  To the best of the Board of Directors' knowledge, there are no circumstances other than those mentioned in this Annual Report that could have a material impact on the development of the company and of its individual subsidiaries.

Approval for publication
On 20 March 2018, the Board of Directors reviewed the financial statements and gave its approval for their publication. The financial statements will be presented to the General Meeting of Shareholders on 27 April 2018.

Additional Information

The Company's IFRS financial statements are published in Dutch and English. The English version is a translation of the original Dutch version and is published as a courtesy to stakeholders. In the event of any disparity between the two versions, the Dutch language version takes precedence. Questions related to the distribution of these reports should be directed to:

Argenta Bank- en Verzekeringsgroep nv
Belgiëlei 49-53
B-2018 Antwerp
Tel: + 32 3 285 50 65
Fax: + 32 3 285 56 61
pers@argenta.be

Complaints Management

If you have a complaint or remark concerning Argenta Group services, please first contact your branch manager. Our branch 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 Complaint Management service for both Bank and Insurance issues.

Complaints Management
Belgiëlei 49-53
B-2018 Antwerp
Tel: + 32 3 285 56 45
Fax: + 32 3 285 55 28
klachtenbeheer@argenta.be

Overview of abbreviations

ALCO	Assets en Liability Comité
AAM	Argenta Asset Management
AE	Asset Encumbrance
AER	Asset Encumbrance Ratio
AFS	Available For Sale
ALM	Asset Liability Management
Aras	Argenta Assuranties nv
Aspa	Argenta Spaarbank nv
BM	Business Model
BVg	Bank- en Verzekeringsgroep nv
CBHK	Centraal Bureau voor Hypothecaire Kredieten
CET 1	Common Equity Tier 1
CFO	Chief Financial Officer
CGU	Cash Generating Unit
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulations
CVA	Credit Valuation Adjustment
DC	Danish Compromise
DCF	Discounted Cash Flow
DTA	Deferred Tax Asset
DVA	Debt Valuation Adjustment
EAD	Exposures At Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses
FICOD	Financial Conglomerates Directive
FVOCI	Fair Value through Other Comprehensive Income
GRC	Group Risk Committee
HTM	Held To Maturity
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal liquidity adequacy assessment process
IO	Investment Committee
IRB	Internal Ratings Based
Kreco	Credit Risk Committee
LAT	Liability Adequacy Test
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MBS	Mortgage Backed Securities
MCR	Minimum Capital Requirements
NHG	National Mortgage Guarantee
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
ORSA	Own Risk and Solvency Assessment
OTC	Over The Counter
PD	Probability of Default

Prico	Pricing comité
RACI	Responsible Accountable Consulted Informed
RAF	Risk Appetite Framework
RMBS	Residential Mortgage Backed Security
RO	Rating Committee
ROE	Return On Equity
ROI	Return On Investment
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition Report
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
VRC	Insurance Risk Committee
WAP	Law on Supplementary Pensions