Argenta Spaarbank

Financial results first half 2018

August 2018

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Key takeaways for Argenta Spaarbank

1H 2018

- Solid financial performance in 1H 2018 with continued pressure on net interest income in low interest rate environment:
  - Net profit of 71 million EUR[1] in 1H 2018 and return on equity of 7.2%.
  - 2.2 billion EUR[2] new loans granted in 1H 2018 to the Belgian and Dutch households, up 20% yoy in Belgium and down 9% yoy in the Netherlands. Retail mortgage loan production market shares[3] at 7.4% for Belgium and 1.5% for the Netherlands.
  - Net interest income stabilized despite persistent low interest rate. Net interest margin at 1.38%, down 2 basis points yoy.
  - Funds under management increased to 39.8 billion EUR of which 6.8 billion EUR related to investment products (+10% yoy). Fee income further increased to 49 million EUR (+13% yoy).
  - Improvement of net interest income combined with lower net financial gains on debt securities and increase in operating expenses increase the cost/income ratio[4] for 1H 2018 to a level of 53%.
- Robust capital and liquidity position:
  - Fully loaded BIII IRB CET 1 stands at 24.2%, TCR of 30.6%, well in excess of the SREP requirement.
  - Sound liquidity position with LCR of 195% and NSFR of 145%.

(1) Adjusted for IFRIC21 (which requires full year bank levies to be recognised on 1 January) – linear amortization of levies over FY2018
(2) New loans granted, excluding internal refinancing
(3) Mortgage loan production market shares as of 31/12/2017
(4) Excluding bank levies

1 Strategy and business profile

Simple and easy-to-understand retail business model

Market share[1] (Netherlands)	
Deposits	0.7%
Mortgage loans[3]	1.5%

Market share[1] (Belgium)	
Deposits	8.2%
Investment funds	3.6%
Mortgage loans[3]	7.4%
Life insurance[2]	8.4%
Non-life insurance[2]	2.2%

- Integrated bank-insurance business model focussed on fruitful long term relationships with its retail clients, employees, tied agents, family shareholders and investors.
- Offering simple and transparent bank and insurance products and free of charge payment and custodial services.
- Broad reach through a strong network of independent agents in Belgium, third party distribution in the Netherlands, complemented by a user-friendly digital platform.
- Unrivalled levels of customer satisfaction, loyalty and brand strength:
  - Internal and external NPS surveys show top notch results.
  - Voted best bank of Belgium in the independent inquiry by Bankshopper.be for five consecutive times (in 2009, 2011, 2012, 2014 and 2015).
  - Voted best bank of Belgium by the independent inquiry by Spaargids.be in 2017
  - Identified as strongest bank brand strength in Flanders in 2016 in a study published by the Benchmark Company.
- Integrated operating model creating cost synergies and efficiencies.

(1) Portfolio market share as per end of June 2018,for investment funds as per end of December 2017
(2) Premium collection / sales market share as per end of March 2018
(3) Production market share

ARGENTA

1 Overview of key financial data

1H 2018

Argenta Group[1]

Net result	93.9 m
Return on Equity	6.8%
Total assets	45.7 bn
Total equity	2.6 bn
Cost / Income[2]	62%
Total funds under mgmt	45.3 bn
CET 1 (BIII transitional)[3]	25.3%
CET 1 (BIII fully loaded)[3]	25.3%

Argenta Spaarbank[1]

Net result	70.9 m
Return on Equity	7.2%
Total assets	39.3 bn
Total equity	2.0 bn
Cost / Income[2]	66%
CET 1 (BIII transitional)[3]	24.2%
CET 1 (BIII fully loaded)[3]	24.2%

Argenta Assuranties

Net result	28.0 m
Return on Equity	13.3%
Total assets	6.8 bn
Total equity	0.5 bn
Premium Life[4]	342 m
Premium Non-life	89 m
Solvency II	274%

Credit Rating

Standard & Poor's	
Short-term	A-2
Long-term	A-
Outlook	Positive

Note: all numbers are stated in EUR
(1) Consolidated and adjusted for IFRIC21 – linear amortization of levies over FY2018
(2) Cost / Income ratios excluding bank levies are 50% for Argenta Group and 53% for Argenta Spaarbank
(3) BIII IRB solvency ratio
(4) Including universal life unit linked

1

Financial objectives

1H 2018

Argenta Spaarbank	FY 2017	1H 2018	Target
Return on Equity[1]	7.5%	7.2%	>8%
Leverage Ratio (fully loaded)	4.9%	4.7%	>4%
Cost / Income Ratio (excluding bank levies)	51%	53%	40%
CET 1 Ratio (BIII fully loaded)[2]	25.9%	24.2%	>18%
Total Capital Ratio (BIII fully loaded)[2]	32.6%	30.6%	>20%
Net Interest Margin (NIM)	1.34%	1.38%	>1.4%
NSFR	143%	145%	>120%
LCR	162%	195%	>125%

(1) Adjusted for IFRIC21 – linear amortization of levies over FY2018
(2) BIII IRB solvency ratio

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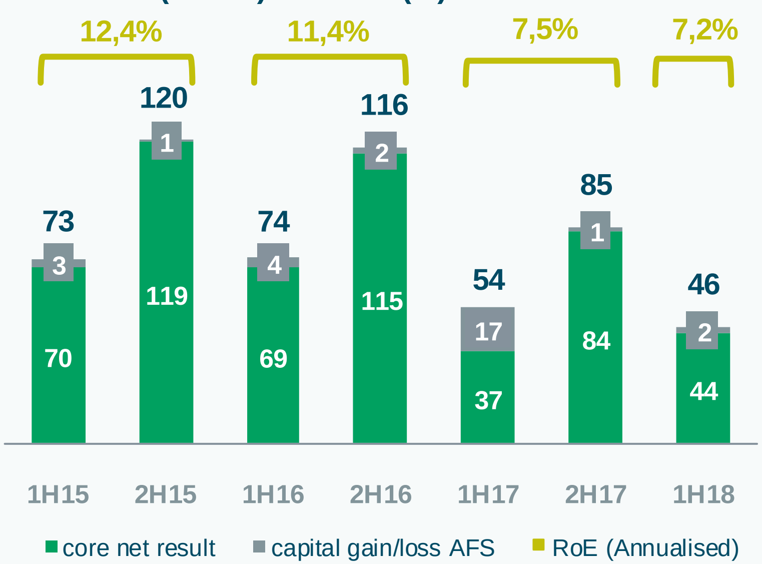
Net result down 7% yoy

1H 2018 Argenta Spaarbank

Net result (mEUR) and RoE (%)



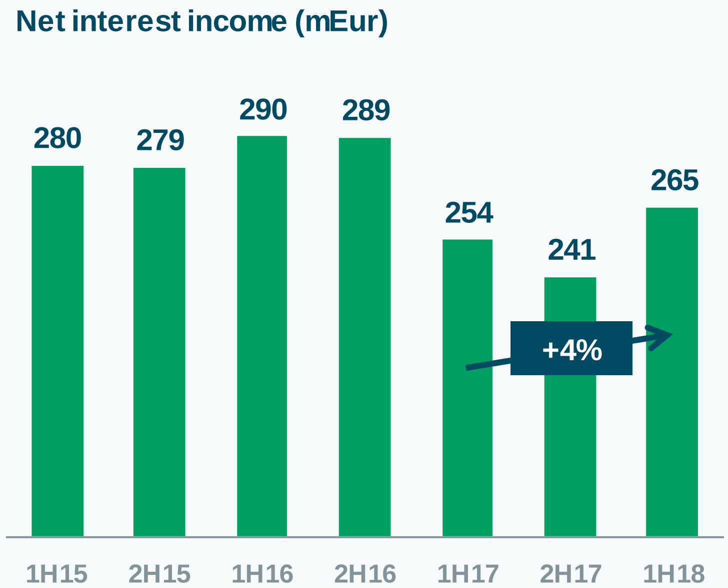
In millions of EUR	1H17	1H18	Δ
Net interest income	254	265	11
Fee income	43	49	6
Commissions to agents	-69	-71	-2
Net financial result	18	3	-16
Other operating income	19	30	11
Total income	**265**	**275**	**10**
Operating expenses	-196	-217	-21
Impairments	3	1	-2
Profit before tax	**72**	**59**	**-13**
Income tax expense	-18	-13	5
Net profit	**54**	**46**	**-8**
IFRIC21 adjustment	23	25	2
Adjusted net profit	**77**	**71**	**-6**

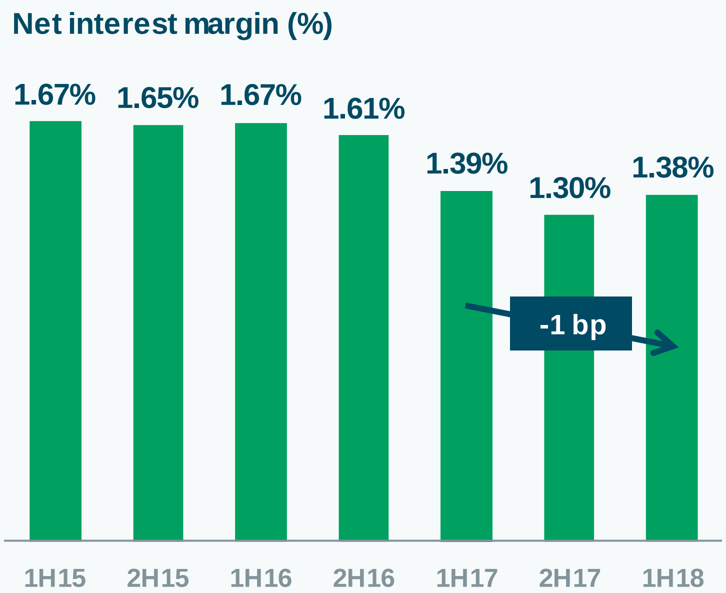
- Core net result under pressure in continued low interest environment:
  - The net interest margin is supported through further diversification of funding from retail saving accounts to wholesale funding through a second securitization of Dutch NHG mortgages.
  - Continued focus on diversification of income with 13% growth in fee income to 49 million EUR.
  - Net financial result down 16 million EUR with a decrease in realized gains on debt securities.
  - Other operating income up 11 million EUR mainly due to non-recurring item of 6 million EUR.
  - Operating expenses up 11% as a result of investments in IT and digital, employee expenses and bank levies.
- Adjusted net result of 71 million EUR[1] and RoE at 7.2%.

(1) Adjusted for IFRIC21 (which requires full year bank levies to be recognised on 1 January) – linear amortization of levies over FY2017

Net interest income

1H 2018 Argenta Spaarbank





- Net interest income increased in 1H 2018 to 265 million EUR (+4% yoy).
- Continued pressure on new loan margins on mortgages and lower reinvestment yields in the investment portfolio while funding cost for Belgian retail funding is at the legal floor.
- Diversification of funding sources to wholesale funding with 2.1 billion EUR securitization funding outstanding which supports the improvement of the net interest result.
- Decrease of hedging cost related to maturity of a legacy interest rate swap.
- Net interest margin at 1.38%, 2 basis points below 1H 2017 but higher than 2H 2017.

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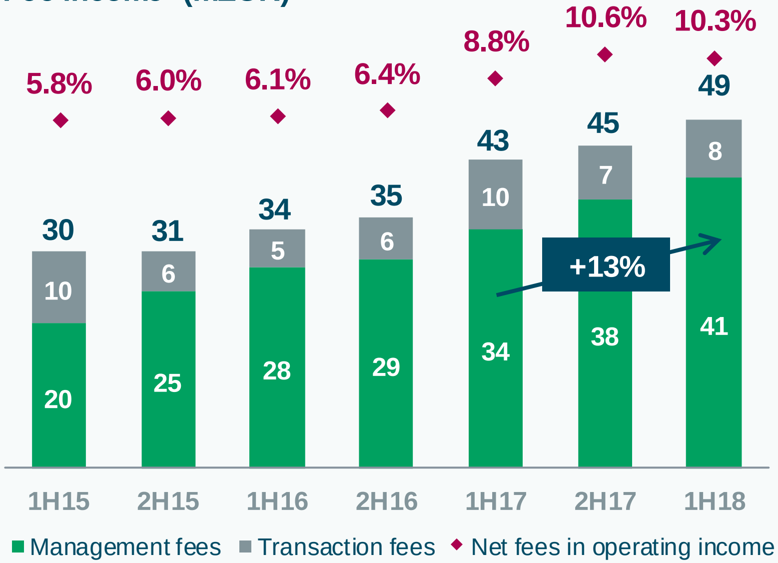
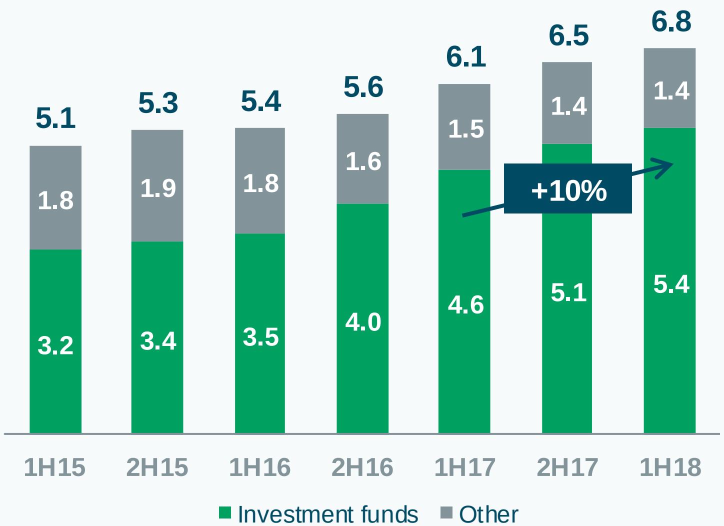
Revenue growth in fund management

1H 2018 Argenta Spaarbank

Fee income[1] (mEUR)



Assets under custody (bnEUR)



- Strategic focus on fee income mainly derived from retail investment funds offered as an alternative to traditional savings products.
- Steadily increasing market share, currently at 3.65%, indicates potential for further growth.
- Assets under Custody increased to 6.8 billion EUR, up 10% yoy with net inflows of 331 million EUR.
- Total fee income in 1H 2018 increased further to 49 million EUR, driven by higher management fees.

(1) Excluding commissions to agents.

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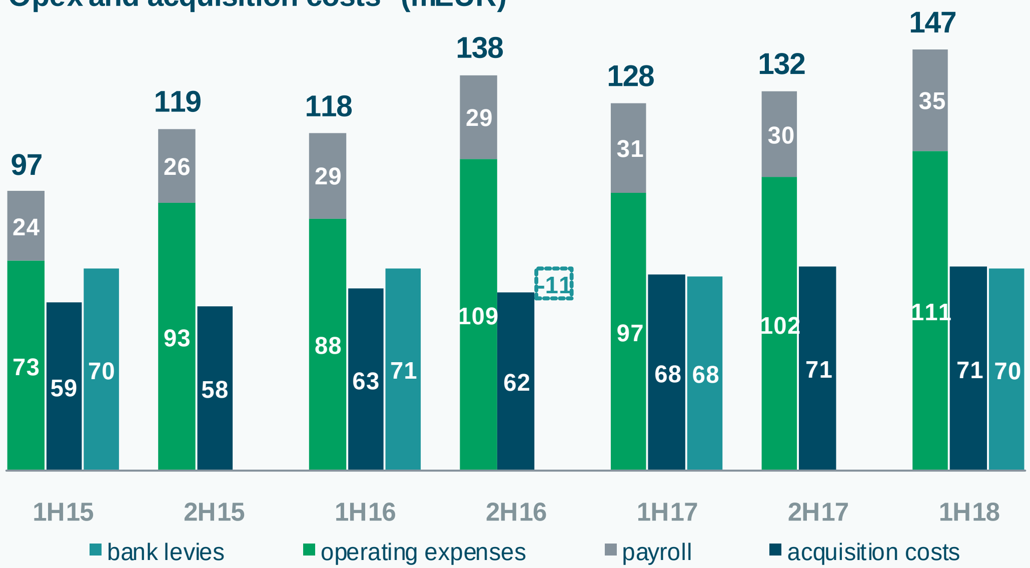
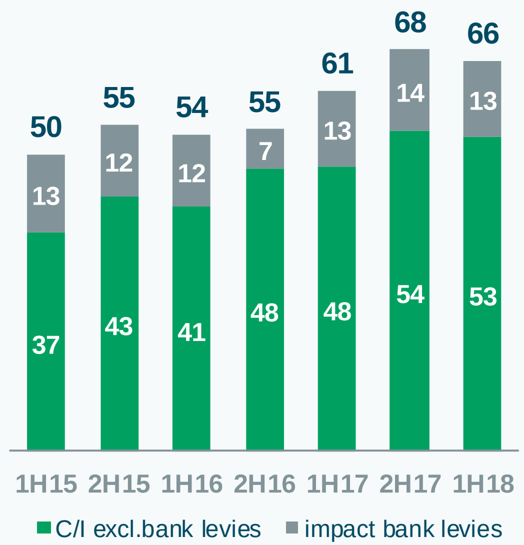
Investing in the future

1H 2018 Argenta Spaarbank

Opex and acquisition costs[1] (mEUR)



Cost / income ratio (%)



- Continued heavy investments in digital and new core banking system, and professionalization of services increase staff and IT expenses. New banking system platform for Belgium released in April 2018.
- Increasing acquisition costs[1] driven by production and portfolio increase in fee products.
- Increase in total bank levy expense of 3 mio to 70 million EUR in 2018.
- Cost/income ratio at 53%, bank levies increase ratio to 66%.

(1) Acquisition costs relate to commissions to the branch network for product distribution.

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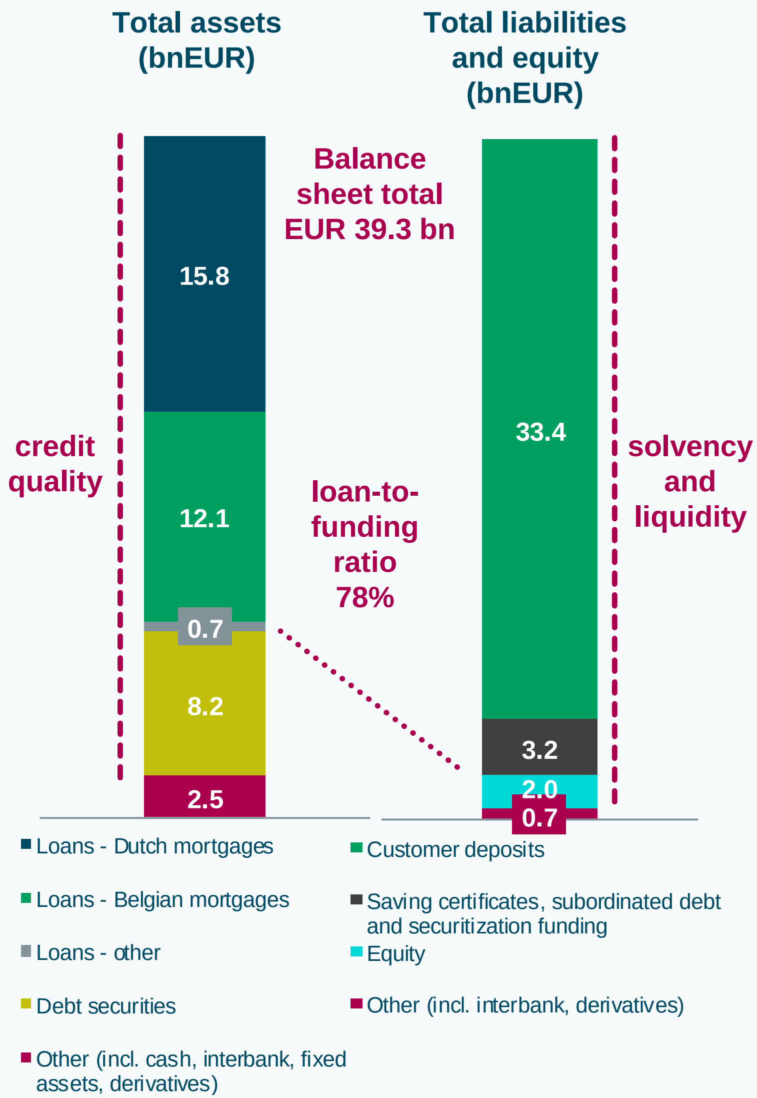
Balance sheet composition

1H 2018 Argenta Spaarbank



- Low-risk loan book consisting of prime retail mortgage loans in the Netherlands and Belgium.
- Well diversified and conservative investment portfolio with close to 98% investment grade.
- Strong retail funding profile with low loan-to-funding ratio.
- Diversification of funding sources with 2.1 billion EUR of securitizations issued in 2017 and 2018 in two Green Apple transactions.

A high-quality loan book

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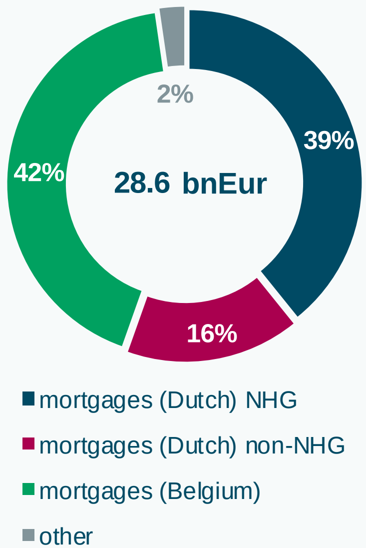
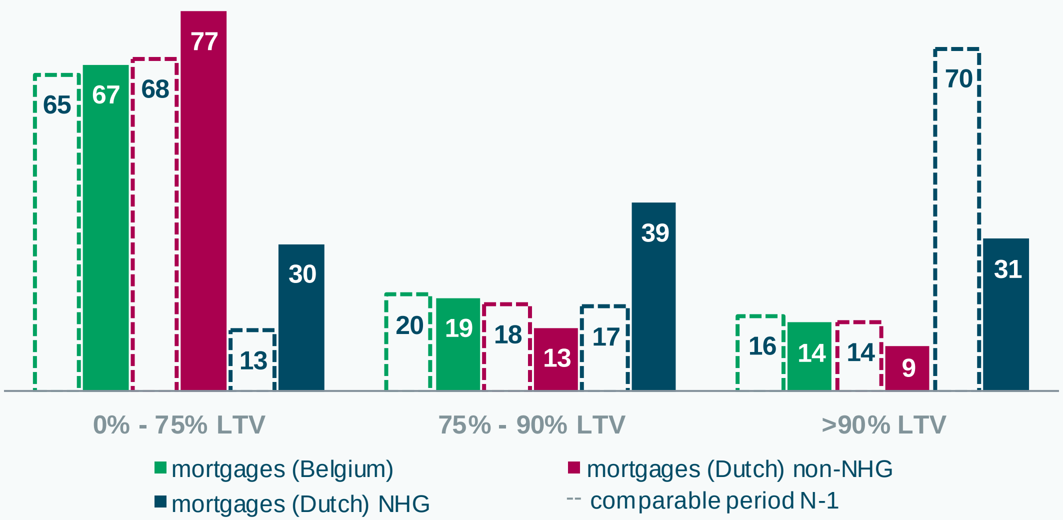
1H 2018 Argenta Spaarbank

Composition of loan book (%)



Indexed loan-to-value mortgage loan book (%)



- The residential mortgage loan portfolio in Belgium and the Netherlands compose 98% of the loan book. The remaining 2% consist of consumer loans and local, regional governments and corporate loans.
- The portfolio share of non-NHG[1] mortgages increases. NHG[1] is still 70% of Dutch portfolio.
- The average LTV for Belgian mortgages is at 59%, for Dutch mortgages at 74%. The total portfolio LTV is 67%.
- More than 90% of the mortgage loan book has loan-to-value of less than 90% or has a Dutch State guarantee (NHG[1]).

(1) NHG (National Mortgage Guarantee) is a guarantee scheme by the Dutch government on residential mortgages

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Low risk loan portfolio

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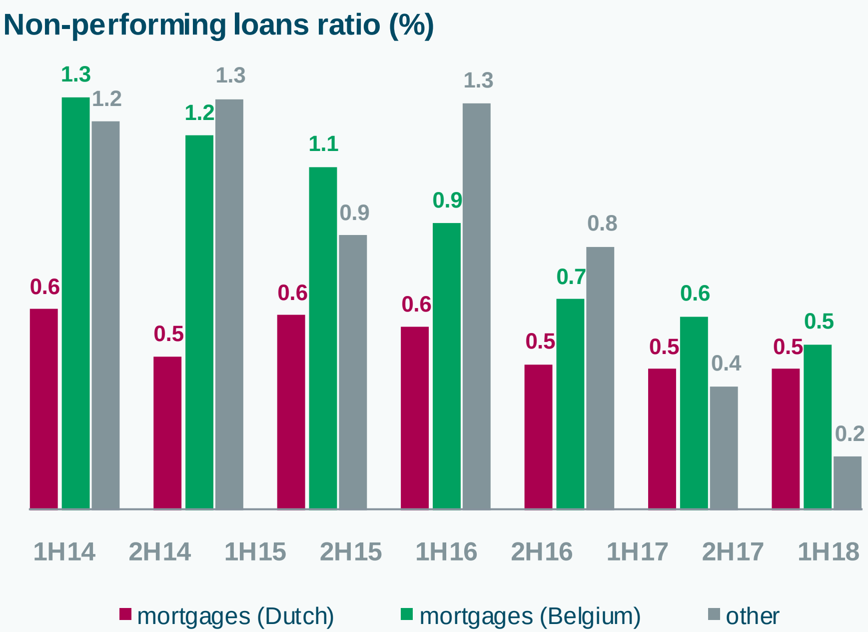

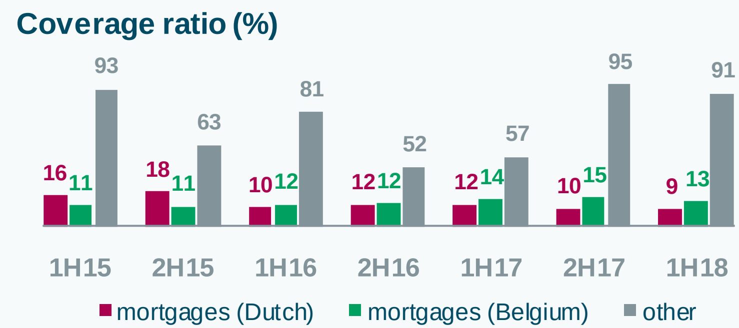

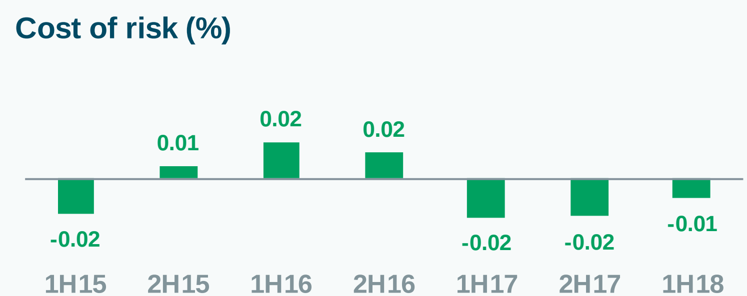

- Non-performing loans ratio confirms high-quality of mortgage loan book and remains at historically low level. Less than 1% of the mortgage loan book is non-performing.
- Average coverage ratio of 11% given high quality of prime mortgage collateral.
- Cost of risk remains close to nil.

Diversified and liquid investment portfolio

1H 2018 Argenta Spaarbank

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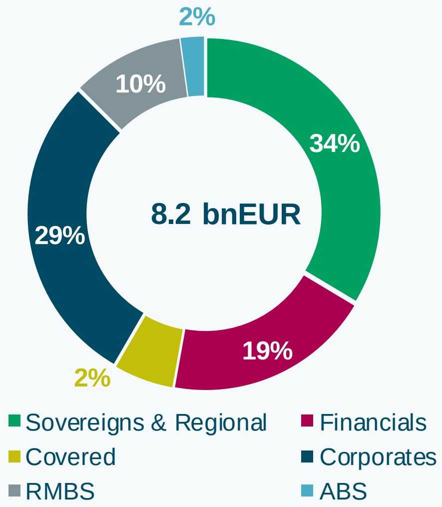
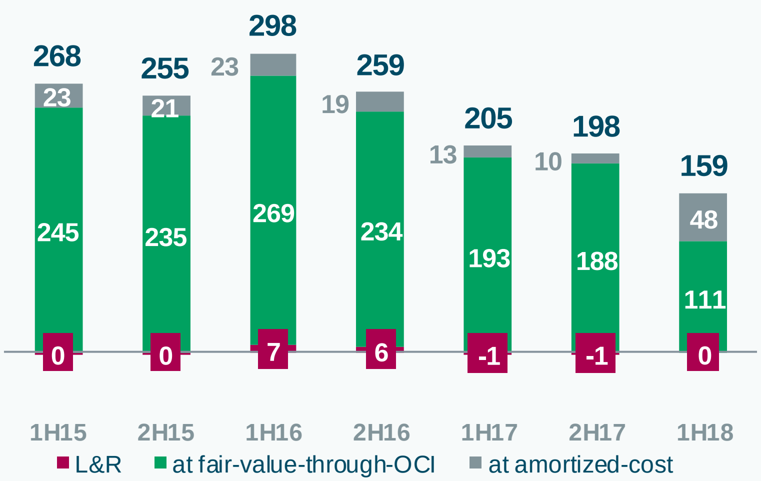
Exposure-type of investments (%)



Unrealized gains (mEUR)



- Outstanding portfolio up 0.6 billion EUR with reinvestment of securitization proceeds in highly liquid assets to support the liquidity position and enable further mortgage loan growth.
- Conservative focus on sovereign and regional securities.
- No exposure to CDO, CLO, Alt-A, subprime.
- High quality of investments: 37% of the portfolio is rated AA and above and 98% of the portfolio is investment grade, unrealized capital gains 159 million EUR
- Exclusively euro-denominated with focus on European markets: 92% of portfolio in European Economic Area.

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Solvency and SREP requirement

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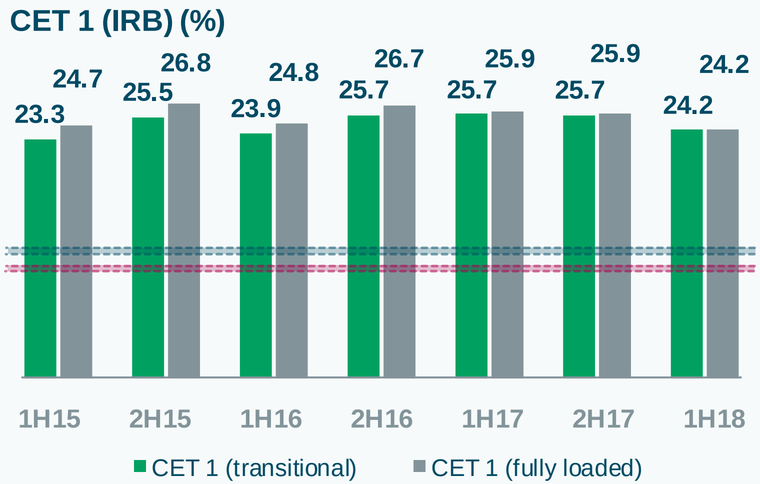

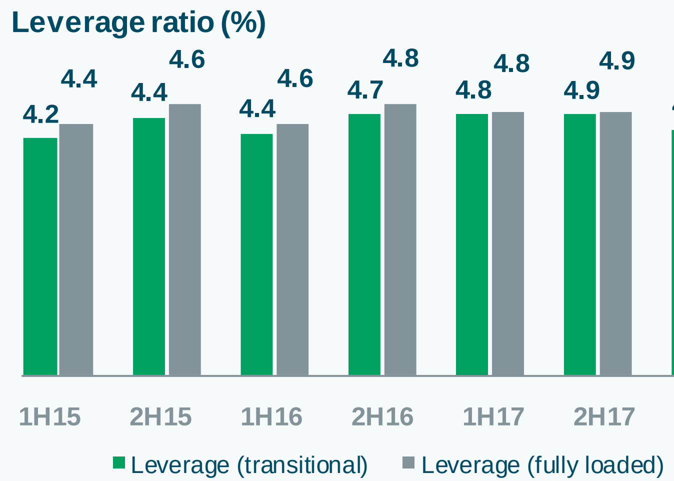

- CET 1 (IRB) ratio of 24.2% transitional and fully loaded well above the SREP requirement of 10.375% transitional and 11.0% fully loaded.
- The impact of regulatory add-on on Belgian mortgages for Belgian banks introduced in 2018 is around -65 basis points.
- The impact of IFRS 9 is around -40 bp due to the decrease in net unrealised gains in equity (reclassification of AFS portfolio to HTC) and increase of impairments (partly compensated with the IRB shortfall).
- Leverage ratio is at 4.7%.

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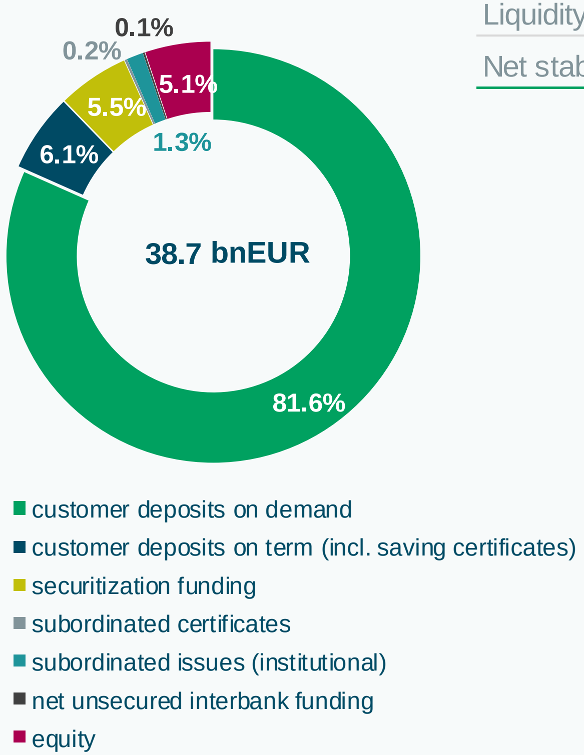
Funding and liquidity position

1H 2018 Argenta Spaarbank

Funding mix (%)



In %	1H15	2H15	1H16	2H16	1H17	2H17	1H18
Liquidity coverage ratio[1]	181	180	168	179	167	162	195
Net stable funding ratio[2]	146	144	142	145	145	143	145

- Strong liquidity position, well above regulatory limits, for both LCR and NSFR.
- Loan-to-funding ratio of 78%.
- Stable deposit funding base mainly consisting of retail savings deposits.
- Diversification of funding sources with two Green Apple securitization transactions of Dutch NHG mortgages of 2.1 billion EUR.

(1) Basel III
(2) EU Delegated Act

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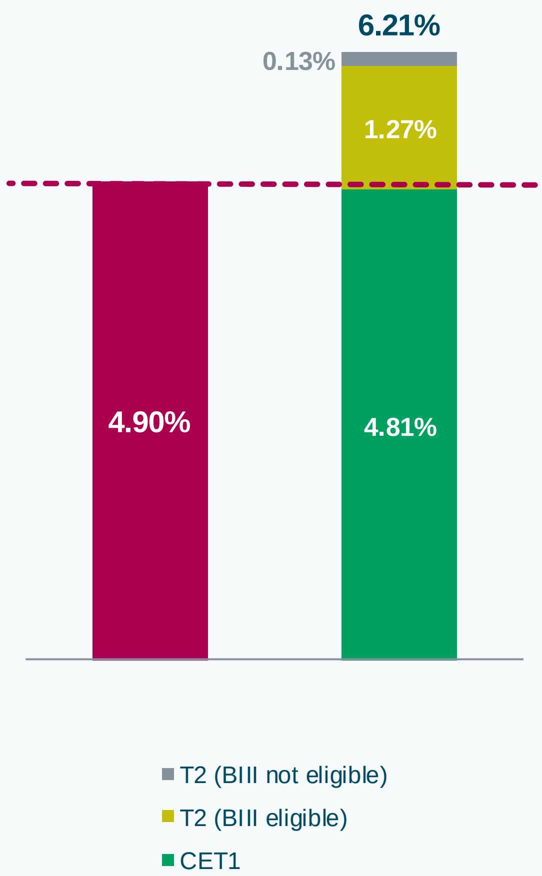
MREL update

Bail-in capacity Argenta Spaarbank

MREL estimation



- The SRB has communicated a target MREL ratio of 4.9% of total liabilities and equity for 2018.
- The MREL requirement based on the target ratio of 4.9% equals 1.9 billion EUR bail-in requirement. Available MREL is 2.4 billion EUR and well above this requirement.
- Currently no complementary issuance of MREL eligible debt securities planned.
- Further developments in the implementation of MREL (B.R.R.D. 2) may occur but it is too early to assess the impact for Argenta Spaarbank.

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Wrap up

1H 2018 Argenta Spaarbank

- Strong and resilient business model with unique client loyalty and brand scores, with an intensified digital strategy.
- Stabilization of interest margins in 1H 2018 to 138 basis points in an environment of persistent low interest rates.
- Financial performance in 1H 2018 impacted by decrease in net realized gains on debt securities of 16 million EUR, complemented by stabilization in interest income and continued growth of fee income as a result of the ongoing diversification of revenue sources.
- Operating expenses up 11 million EUR with important investments in IT and digital.
- Very strong solvency, funding and liquidity position.

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Appendices

Overview

Group structure

- Appendix 1: Organization chart

Additional financial information

- Appendix 2: Balance sheet – Assets
- Appendix 3: Balance sheet – Liabilities
- Appendix 4: Balance sheet – Equity
- Appendix 5: Income statement
- Appendix 6: Bank levies (IFRIC 21)
- Appendix 7: Net interest income

Additional information on solvency

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- Appendix 9: Regulatory risk exposures
- Appendix 10: Solvency ratios
- Appendix 11: Investments

Glossary

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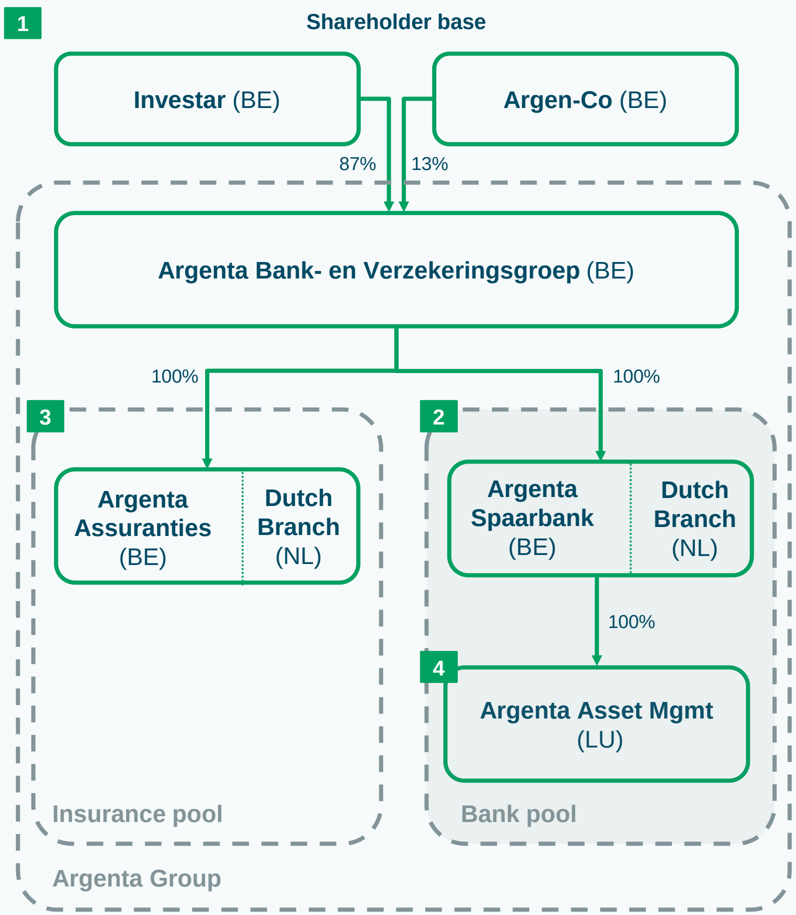
Appendix 1

Group structure: full-fledged retail bank-insurer



A transparent group structure

1 Stable family shareholder base Investar (holding company of founding family) and Argen-Co (cooperative capital held by employees and clients).

2 Banking operations in Belgium and the Netherlands.

3 Insurance operations in Belgium and the Netherlands.

4 Asset Management operation incorporated in Luxembourg.

Appendix 2

Balance sheet – Assets Argenta Spaarbank

In millions of EUR	1H 2017	FY 2017	1H 2018	▲1H-FY
Cash and cash equivalents	**1,252**	**1,069**	**1,874**	**805**
Loans and advances	**27,267**	**27,660**	**28,552**	**892**
o.w. to credit institutions	14	22	22	0
o.w. to customers	27,253	27,637	28,529	892
Debt securities and equity instruments	**7,593**	**8,363**	**8,240**	**-123**
o.w. at fair-value-through-P&L	0	0	65	65
o.w. at fair-value-through-OCI	7,132	7,901	3,753	-4,147
o.w. at amortized-cost	461	463	4,422	3,959
Derivatives incl. hedge adjustment	**269**	**237**	**254**	**17**
Other assets	**303**	**297**	**330**	**33**
Total assets	**36,685**	**37,626**	**39,250**	**1,624**

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Appendix 3

Balance sheet – Liabilities Argenta Spaarbank

In millions of EUR	1H 2017	FY 2017	1H 2018	▲1H-FY
Deposits from central banks	**0**	**0**	**0**	**0**
Financial liabilities	**34,044**	**35,012**	**36,680**	**1,668**
o.w. at-fair-value-through-P&L	0	0	0	0
o.w. credit institutions	96	76	55	-21
o.w. customer deposits	32,286	32,427	33,417	990
o.w. debt certificates	1,049	1,912	2,637	725
o.w. subordinated liabilities	613	597	571	-25
Derivatives	**417**	**388**	**349**	**-39**
Other liabilities	**340**	**255**	**260**	**6**
Total liabilities	**34,801**	**35,655**	**37,290**	**1,635**

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Appendix 4

Balance sheet – Equity Argenta Spaarbank

In millions of EUR	6M 2017	1H 2017	1H 2018	▲1H-FY
Core equity	**1,820**	**1,897**	**1,934**	**113**
Paid-in share capital	662	716	716	54
Retained earnings	1,104	1,042	1,172	67
Profit of current period	54	139	46	-8
Gains and losses not recognised in the income statement	**64**	**75**	**27**	**-37**
Reserve at fair-value-through-OCI	76	87	37	-38
Reserve cash flow hedge	-12	-11	-9	3
Revaluation pension plan	0	-1	-1	-1
Minority interests	**0**	**0**	**0**	**0**
Total equity	**1,884**	**1,972**	**1,961**	**77**

Appendix 5

Income statement Argenta Spaarbank

In millions of EUR	1H 2017	2H 2017	1H 2018	▲1H-1H
Net interest income	254	241	265	11
Net commissions and fees	-26	-23	-22	4
Net gains and losses	18	2	2	-16
Other net operating income	19	24	30	11
Total income	**265**	**244**	**275**	**10**
Operating expenses	-196	-132	-217	-21
Operating profit	**69**	**112**	**58**	**-11**
Impairments	3	3	1	-2
o.w. at fair-value-through-OCI	0	0	0	0
o.w. at amortized-cost	3	3	1	-2
o.w. other	0	0	0	0
Non-current assets held for sale	0	1	0	0
Profit before tax	**72**	**116**	**59**	**-13**
Income tax expense	-18	-31	-13	5
Net profit	**54**	**85**	**46**	**-8**

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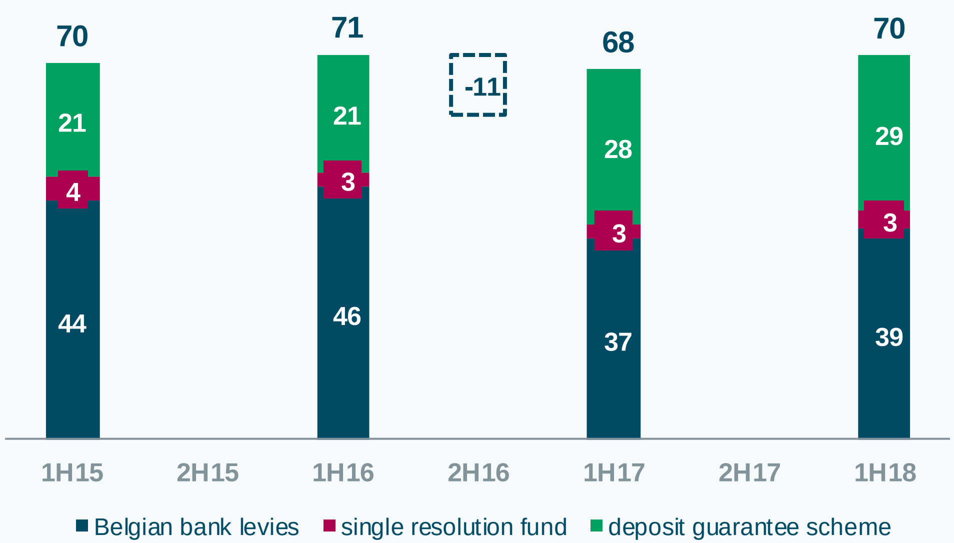
Appendix 6

Impact IFRIC 21 Bank levies Argenta Spaarbank

- IFRIC 21 (Levies) was approved by the European Union in June 2014 and became effective on 1 January 2015. The main consequence of IFRIC 21 is that most bank levies have to be recognised in advance.
- Advance recognition adversely impacts the result for the first half year. The net result of the half year is adjusted for amortization of the bank levies.
- Reform of Belgian bank levies decreases the levy expense with 11 million EUR, to a total of 60 million EUR for FY 2016.

Breakdown of bank levies (mEUR)



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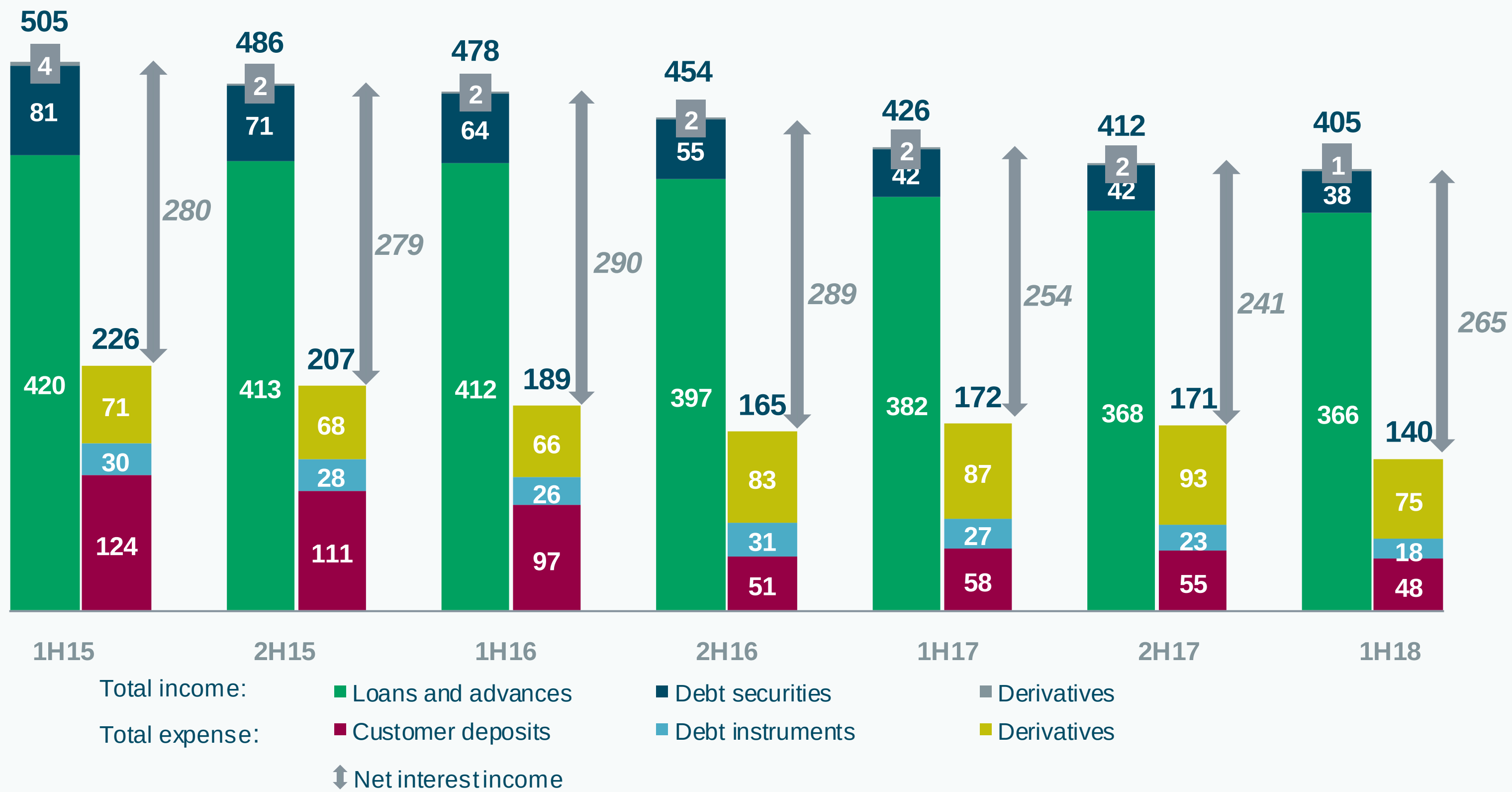
Appendix 7

Net interest income composition

Net interest result (mEUR)



Appendix 8

Regulatory capital Argenta Spaarbank

	Transitional		Fully loaded	
In millions of EUR	**FY 2017**	**1H 2018**	**FY 2017**	**1H 2018**
Total equity (excl. minority interest)	**1,972**	**1,960**	**1,972**	**1,960**
Part of interim profit not eligible	**0**	**-17**	**0**	**-17**
Prudential filters	**-2**	**-4**	**-4**	**-4**
Items to deduct	**-59**	**-48**	**-42**	**-48**
Other intangible assets	-42	-46	-42	-46
Deferred tax assets	0	-2	0	-2
Transitional (OCI)	-17	0	0	0
Common equity Tier 1 (Basel I floor)	**1,910**		**1,926**	
IRB shortfall of credit risk adjustments to expected losses	-15	-3	-15	-3
Common equity Tier 1 (IRB)	**1,895**	**1,890**	**1,911**	**1,890**
Tier 2 instruments	**497**	**497**	**497**	**497**
Tier 2 (BIII eligible)	497	497	497	497
Transitional (grandfathered T2)	0	0	0	0
Total regulatory capital (Basel I floor)	**2,407**		**2,423**	
Total regulatory capital (IRB)	**2,392**	**2,387**	**2,408**	**2,387**

Appendix 9

Regulatory risk exposures Argenta Spaarbank

In millions of EUR	FY 2017	1H 2018
Central and regional governments	0	
Public sector	0	
Institutions	293	
Corporates	1,796	
Securitisations	436	
Retail	91	
Covered by mortgage	7,603	
Other	237	
Risk weighted assets (Basel I floor)	**10,456**	
Central and regional governments	117	134
Public sector	38	93
Institutions and covered bonds	679	604
Corporates	1,203	1,391
Securitisations	140	122
Retail	89	110
Covered by mortgage	3,749	3,977
Operational risk	1,016	1,016
Other	352	362
Risk weighted assets (IRB)	**7,382**	**7,808**

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Appendix 10

Solvency ratios Argenta Spaarbank

In millions of EUR and %	Transitional FY 2017	Transitional 1H 2018	Fully loaded FY 2017	Fully loaded 1H 2018
Basel floor				
Common Equity Tier 1	1,910		1,926	
Tier 2 instruments	497		497	
Risk Weighted assets	10,456		10,456	
CET 1	**18.3%**		**18.4%**	
TCR	**23.0%**		**23.2%**	
Internal Rating Based				
Regulatory capital	1,895	1,890	1,911	1,890
Tier 2 instruments	497	497	497	497
Risk Weighted assets	7,382	7,808	7,382	7,808
CET 1	**25.7%**	**24.2%**	**25.9%**	**24.2%**
TCR	**32.4%**	**30.6%**	**32.6%**	**30.6%**

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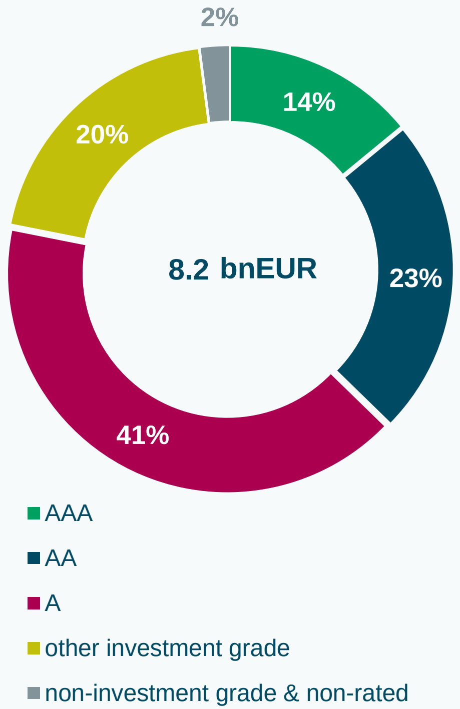
Appendix 11

Investments 1H 2018

Rating class of investments (%)



Investments per country	%
Belgium	34.0%
Netherlands	17.2%
France	10.0%
Spain	5.4%
Ireland	4.7%
United States	3.7%
Luxemburg	3.6%
UK	3.5%
Sweden	3.1%
Germany	2.8%
Canada	2.5%
Poland	2.0%
Austria	1.2%
Slovenia	0.8%
Iceland	0.7%
Other (13 ctp's)	4.6%

Glossary (1/2)

ABS	Asset-backed security
AFS	Available for sale
Argenta Assuranties	Consolidation scope of the legal entities Argenta Assuranties (parent) and Argenta-Life Nederland (subsidiary).
Argenta Group	Consolidation scope of the legal entities Argenta Bank- en Verzekeringsgroep (parent) and Argenta Spaarbank, Argenta Asset Management, Argenta Assuranties, Argenta-Life Nederland (subsidiaries).
Argenta Spaarbank	Consolidation scope of the legal entities Argenta Spaarbank (parent) and Argenta Asset Management (subsidiary).
Assets under Custody or AuC	Client investment products held on custody accounts.
BIII	Basel 3
Combined ratio	[technical insurance charges + acquisition costs + operating expenses] / [earned premiums] (after reinsurance)
Common Equity Tier 1 ratio or CET 1	[common equity tier 1 capital] / [total weighted risks]
Cost of Risk or CoR	[net changes in specific and portfolio-based impairments for credit risks] / [average outstanding loan portfolio]
Cost/income or C/I	[operating expenses of the period] / [financial and operational result of the period] Operating expenses include administration expenses, depreciation and provisions. Financial and operational result includes net interest income, dividend income, net income from commissions and fees, realised gains and losses on financial assets and liabilities not measured at fair value in the income statement, gains and losses on financial assets and liabilities held for trading, gains and losses from hedge accounting, gains and losses on derecognition of assets other than held for sale and other net operating income. The numerator is adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments relate to bank levies which are included pro rata and hence spread over all halves of the year instead of being recognised upfront (as required by IFRIC21).
Cost/income or C/I exl. Bank levies	[operating expenses of the period - bank levies of the period] / [financial and operational result of the period]
Coverage ratio	[total specific impairment provision for non-performing loans] / [total outstanding non-performing loans]
CRR	Capital Requirements Regulation
SREP	Supervisory Review and Evaluation Process performed by the European Central Bank

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Glossary (2/2)

HTM	Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortised cost.
IFRIC	International Financial Reporting Interpretations Committee
Leverage Ratio or LR	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity Coverage Ratio or LCR	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days].
Loan-to-funding or LTF	[loans-and-receivables] / [financial liabilities measured at amortized cost]
MREL	Minimum requirement for own funds and eligible liabilities
Net interest income or NII	[revenues generated by interest-bearing assets] - [cost of servicing (interest-burdened) liabilities]
Net interest margin or NIM	[net interest income of the period] / [average total assets of the period] Total assets are used as a proxy for the total interest-bearing assets.
Net stable funding ratio or NSFR	[available amount of stable funding] / [required amount of stable funding]
NFCI	Net Fee and Commission Income
NHG	Nationale Hypotheek Garantie (National Mortgage Guarantee) is a guarantee scheme by the Dutch government on residential mortgages
Non-performing loans ratio or NPL ratio	[total outstanding non-performing loans] / [total outstanding loans]
O-SII	Other systemic important institutions
Return on equity or RoE	[net profit of the period] / [equity at the beginning of the period]
RMBS	Residential mortgage-backed security
Tier 2	Tier 2 capital is the secondary component of bank capital, in addition to Tier 1 capital
Total Capital ratio or TCR	[common equity tier 1 capital + additional tier 1 instruments + tier 2 instruments] / [total weighted risks]

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