Argenta Bank- en Verzekeringsgroep nv

IFRS Annual Financial Statements

2019

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Financial statements for the 2019 financial year (1 January 2019 to 31 December 2019) 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 otherwise explicitly stated in the table in question.

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Management Report

Development in 2019

In a context of persistently low interest rates, heavy investments in the digital future and high costs for compliance with all regulations, Bank- en Verzekeringsgroep nv, or in abbreviated form BVg (hereinafter the Company) posted solid results.

The Company achieved a consolidated profit after tax (including minority interests) of EUR 174,072,996 for the financial year ending on 31 December 2019, compared with EUR 174,426,070 for the previous financial year. The Company's result here is driven by developments in the underlying Bank Pool and Insurance Pool.

Developments in the Bank Pool

The Company's Bank Pool achieved a profit (including minority interests) of EUR 117,498,756 for the financial year ending on 31 December 2019, compared with EUR 129,974,751 for the previous financial year. The decrease is due to the negative evolution of the fair value of the hedging instruments, but the recurring result remains healthy. The cost of credit risk remains low and fee income is rising.

EUR 5.9 billion of mortgage loans were granted to customers compared to EUR 5.0 billion in 2018. This brings the mortgage loan portfolio to EUR 30.6 billion as of 31 December 2019, compared to EUR 28.8 billion at end-2018.

The proprietary investment portfolio amounted to EUR 7.1 billion as of 31 December 2019, lower than as of 31 December 2018 owing to the conversion of part of this portfolio into cash held with the European Central Bank (ECB).

The Company's Bank Pool seeks to pursue a prudent investment policy in its granting of loans and in the management of its investment portfolio. This prudent policy is also apparent in the low cost of credit risk and the low level of impairment losses charged.

The diversification of the loan and investment portfolios continued with the granting of loans to local authorities, public-private partnerships and real estate developers and operators.

Despite the low remuneration on savings deposits, savings account balances continued to increase in 2019. With the limited interest paid on savings accounts narrowing the interest rate difference between savings and current accounts, current accounts also grew substantially over the past year.

In June 2019, an additional securitisation transaction was carried out, based on Dutch loans, in notional amount of EUR 825 million of A notes. Aspa also issued a EUR 500 million bond under a newly launched Euro Medium Term Note (EMTN) programme.

The assets under management and custody of the Investment pillar further increased, thanks to an increased volume of new customer investments and the positive stock market evolution.

Developments in the Insurance Pool

The Company's Insurance Pool achieved a profit of EUR 58,554,481 for the financial year ending on 31 December 2019, compared with EUR 46,350,326 for the previous financial year.

Part of the increase in the profit is the result of the positive market value evolution of a portfolio of shares that are valued at fair value with value adjustments through profit or loss.

Excluding this evolution into account, the remaining profit for the 2019 financial year is also higher than the previous financial year, due to the strong technical results for life and non-life combined with a sound investment policy that results in a low credit risk cost.

As part of this investment policy, mortgage loans were taken in past years into the balance sheet of the Insurance Pool. This strategy was continued in 2019.

In addition, within the Insurance Pool, the diversification continued with the granting of loans to local authorities, public-private partnerships and real estate developers and operators.

Key figures

The table below gives the Company's key figures.

	31/12/2018	31/12/2019
Return on equity	6.7%	6.5%
Return on total assets	0.40%	0.35%
Cost-income ratio (excluding bank levies)	51.8%	52.2%
Cost-income ratio (including bank levies)	63.7%	64.1%
Common equity tier 1 ratio	23.0%	25.3%
Total capital ratio	25.5%	27.7%
Leverage ratio	5.0%	5.1%
Liquidity coverage ratio	171%	173%
Net stable funding ratio	141%	136%

Evolution of the balance sheet

The Company's balance sheet total has risen by EUR 4.1 billion from EUR 45.9 billion as of 31 December 2018 to EUR 50.0 billion as of 31 December 2019.

As of 31 December 2019, the investment portfolio amounted to EUR 10.0 million compared to EUR 11.0 million as of 31 December 2018.

This amount consists of i) a portfolio of EUR 4.9 billion that is stated at fair value through other comprehensive income, and ii) a portfolio of EUR 4.9 billion stated at amortised cost. Finally, there is a limited portfolio of debt securities and equity instruments that is (mandatorily) measured at fair value trough profit or loss.

	31/12/2018	31/12/2019
Financial assets at fair value through profit or loss	112,398,366	135,684,092
Financial assets at fair value through other comprehensive income	5,293,082,549	4,899,569,531
Financial assets at amortised cost	5,620,881,539	4,942,619,828
Total securities portfolio	**11,026,362,454**	**9,977,873,450**

Part of the decrease in this portfolio is the result of a transfer to cash in the last quarter of 2019 because a higher amount could be placed with the ECB at a zero interest rate.

The portfolio of loans and advances increased from EUR 30.9 billion as of 31 December 2018 to EUR 33.6 billion as of 31 December 2019, reflecting the production of new loans in both the Netherlands and Belgium. In 2019, an additional securitisation transaction was conducted to support the further financing of lending and to diversify the sources of financing.

	31/12/2018	31/12/2019
Financial assets at amortised cost - loans and advances	30,944,814,741	33,583,909,309

Financial liabilities measured at amortised cost increased by EUR 2.6 billion to EUR 40.3 billion as of 31 December 2019. The increase in debt securities issued is the result of the debt securities issued in 2019 under the securitisation transaction and the EMTN programme.

	31/12/2018	31/12/2019
Deposits from central banks	0	47,471,427
Deposits from credit institutions	159,930,533	95,513,992
Deposits from other than central banks and credit institutions	33,847,070,799	35,967,539,125
Senior debt securities issued, including saving certificates	2,463,167,692	3,168,041,068
Subordinated debt securities issued	575,394,236	532,656,609
Other financial liabilities	615,310,397	455,248,057
Financial liabilities at amortised cost	**37,660,873,657**	**40,266,470,279**

Other financial liabilities include the reserves of investment contracts with the Insurance Pool that are accounted for as a financial instrument and the liabilities that had to be recorded on the balance sheet under the IFRS 16 standard on leasing.

Liabilities under insurance and reinsurance contracts (technical provisions) increased by EUR 0.2 billion during the 2019 financial year. Liabilities related to branch 23 insurance contracts increased from EUR 2.0 billion at end-2018 to EUR 2.4 billion at 31 December 2019.

	31/12/2018	31/12/2019
Financial assets related to unit-linked insurance contracts (branch 23)	2,026,395,538	2,385,325,837
Assets under reinsurance and insurance contracts	25,289,448	22,628,296
Financial liabilities related to unit-linked insurance contracts (branch 23)	2,026,322,984	2,385,325,837
Liabilities under reinsurance and insurance contracts	2,884,242,338	3,089,121,458

Result drivers

Net interest income increased under the combined effect of moderately increased interest income (with the effect of persistently low interest rates offset by increased volumes) and decreased interest expense due to the diversification of financing sources by issuing debt securities at lower interest rates than those of regulated savings accounts.

Net fee and commission income increased by EUR 2.6 million to EUR -9.5 million for 2019. The increase in net fee and commission income reflects the increase in net management fees received (after acquisition costs) by the Investment pillar on the assets under management and custody and branch 23 insurance contracts.

The realised profit from financial assets not measured at fair value through profit or loss amounts to EUR 8.3 million for 2019.

Gains or losses from financial assets and liabilities held for trading and gains or losses from hedge accounting together amounted to EUR -9.1 million for 2019. The fall of EUR 8.3 million compared to 2018 reflects the further decrease in the fair value of the (hedging) derivatives.

The gains or losses on financial assets (mandatorily) measured at fair value through profit or loss amounts to EUR 11.5 million. This reflects the positive market value evolution of the portfolio of equities in the Insurance Pool and the positive market evolution of the portfolio of debt securities in the Bank Pool, which is required to be measured at fair value through profit or loss.

The net result from reinsurance and insurance contracts increased by EUR 7.4 million as a result of the positive claim evolution within Non-life for fire and legal assistance, with 2018 being a less favourable claim year. The increase in the technical insurance result for life is the result of the fall in the guaranteed interest rate of the branch 21 reserves.

Net other operating income amounted to EUR 17.1 million and includes recoveries related to rent and ICT infrastructure from tied agents.

Staff expenses amounted to EUR 87.3 million for 2019, compared to EUR 82.7 million for the previous financial year. This heading contains the salaries, social security charges and costs of pension schemes for Company employees.

Other administrative expenses increased from EUR 301.3 million in 2018 to EUR 307.8 million in 2019. The increase reflects the continuing investments in digitisation, projects to renew the application and data infrastructure, and costs inherent in staying compliant with relevant legislation. Depreciation has increased due to the continuing investments.

In 2019, a net EUR 4.0 million of provisions were reversed, while an additional net EUR 2.9 million of impairment losses were recorded.

Tax expense amounted to EUR 60.1 million. Deferred taxes are also included under this heading. The final effective tax rate for 2019 was 25.7%.

Solid capital base and liquidity position

The Company amply meets all regulatory requirements.

The Common Equity Tier 1 (CET1) ratio amounted to 25.3% at the end of 2019 compared with 23.0% at the end of 2018. This increase is mainly the result of a stabilisation in risk-weighted assets and an increase in available capital. Detailed disclosures on solvency and capital management can be found in Note 6.

Liquidity remains comfortable with an LCR (Liquidity Coverage Ratio) of 173% and an NSFR (Net Stable Funding Ratio) of 136% as of 31 December 2019 compared to 171% and 141% as of 31 December 2018 respectively. Liquidity is further explained in Note 5.2.

The Statutory Auditor's report

Statutory auditor's report to the shareholders' meeting of Argenta Bank- en Verzekeringsgroep NV for the year ended 31 December 2019 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Argenta Bank- en Verzekeringsgroep NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 26 April 2019, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration") 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 2020. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Argenta Bank- en Verzekeringsgroep NV for at least 19 consecutive periods.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet (before result appropriation) as at 31 December 2019, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet (before result appropriation) shows total assets of 49 994 896 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 174 073 (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 2019 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), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. 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 preparation of 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory 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 consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

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 the use of the going concern basis of accounting by the board of directors 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 statutory 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 statutory 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.

Other legal and regulatory 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, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

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 that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

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.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.

- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 3 April 2020

The statutory auditor

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Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Dirk Vlaminckx

Consolidated balance sheet statement (before profit distribution)

Assets	Note	31/12/2018	31/12/2019
Cash, cash balances at central banks and other demand deposits	11	1,155,122,720	2,640,476,141
Financial assets held for trading	12	10,028,698	2,342,550
Financial assets related to unit-linked insurance contracts (branch 23)	13	2,026,395,538	2,385,325,837
Non-trading financial assets mandatorily at fair value through profit or loss	14	112,398,366	135,684,092
Financial assets at fair value through other comprehensive income	15,28	5,293,082,549	4,899,569,531
Financial assets at amortised cost	16	36,565,696,280	38,526,529,137
Derivatives used for hedge accounting	17	73,711,127	4,135,142
Fair value changes of the hedged items in portfolio hedge of interest rate risk	17	193,568,240	571,941,790
Investments in subsidaries, joint ventures and associates	18	2,494,000	2,584,000
Tangible assets	19,28	15,548,636	27,144,407
Property, plant and equipment		14,454,426	25,994,997
Investment property		1,094,210	1,149,410
Intangible assets	20	164,125,809	159,396,846
Goodwill		98,150,460	98,150,460
Other intangible assets		65,975,349	61,246,386
Tax assets	21	20,805,597	22,580,628
Current tax assets		2,392,118	3,209,420
Deferred tax assets		18,413,479	19,371,208
Assets under reinsurance and insurance contracts	22	25,289,448	22,628,296
Other assets	23	198,945,967	226,772,979
Non-current assets and disposal groups classified as held for sale	24	0	367,784,197
Total assets		**45,857,212,974**	**49,994,895,573**

Liabilities and equity	Note	31/12/2018	31/12/2019
Financial liabilities held for trading	12	4,073,472	1,216,696
Financial liabilities related to unit-linked insurance contracts (branch 23)	13	2,026,322,984	2,385,325,837
Financial liabilities measured at amortised cost	25,28	37,660,873,657	40,266,470,279
Deposits from central banks		0	47,471,427
Deposits from credit institutions		159,930,533	95,513,992
Deposits from other than central banks and credit institutions		33,847,070,799	35,967,539,125
Senior debt securities issued, including saving certificates		2,463,167,692	3,168,041,068
Subordinated debt securities issued		575,394,236	532,656,609
Other financial liabilities		615,310,397	455,248,057
Derivatives used for hedge accounting	17	350,669,050	684,439,863
Fair value changes of the hedged items in portfolio hedge of interest rate risk	17	0	0
Provisions	26	6,067,641	3,969,730
Tax liabilities	21	20,482,256	31,400,678
Current tax liabilities		4,500,408	8,909,309
Deferred tax liabilities		15,981,848	22,491,369
Liabilities under reinsurance and insurance contracts	22	2,884,242,338	3,089,121,459
Other liabilities	27	219,535,766	299,590,792
Liabilities included in disposal groups classified as held for sale	24	0	370,338,313
Total liabilities		**43,172,267,165**	**47,131,873,644**
Equity attributable to owners of the parent	3	2,684,890,103	2,862,882,883
Equity attributable to minority interests	4	55,705	139,046
Total equity		**2,684,945,808**	**2,863,021,929**
Total liabilities and equity		**45,857,212,974**	**49,994,895,573**

Consolidated statement of profit or loss

Statement of profit or loss	Note	31/12/2018	31/12/2019
Total operating income		**641,252,194**	**660,991,442**
Net interest income	31	623,099,112	630,920,927
Interest income		925,351,846	922,316,711
Interest expenses		-302,252,734	-291,395,785
Dividend income	32	4,128,753	4,925,477
Net fee and commission income	33	-12,066,541	-9,509,728
Fee and commission income		146,055,557	163,796,208
Fee and commission expenses		-158,122,098	-173,305,936
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	34	7,777,901	8,300,394
Financial assets at fair value through other comprehensive income		4,772,238	6,401,968
Financial assets and liabilities at amortised cost		3,005,663	1,898,426
Gains or losses on financial assets and liabilities held for trading	35	-1,977,633	-4,829,371
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	36	-6,953,379	11,480,666
Gains or losses from hedge accounting	37	1,190,649	-4,287,046
Gains or losses on derecognition of non-financial assets	38	189,783	-103,301
Net result from reinsurance and insurance contracts	39	-470,118	6,955,106
Net other operating income	40	26,333,667	17,138,319
Other operating income		31,085,583	21,701,011
Other operating expenses		-4,751,916	-4,562,692
Administrative expenses	41	**-383,931,570**	**-395,110,900**
Staff expenses		-82,658,157	-87,284,948
Other administrative expenses		-301,273,413	-307,825,952
Depreciation	19,20,28	**-24,478,010**	**-32,784,318**
Property, plant and equipment		-4,416,799	-8,374,715
Investment properties		-19,031	-17,401
Other intangible assets		-20,042,180	-24,392,201
Provisions or reversal of provisions		**-2,800,470**	**3,993,350**
Impairments or reversal of impairments	42	**2,973,504**	**-2,943,321**
Financial assets (debt securities) at fair value through other comprehensive income		-59,109	-495,180
Financial assets at amortised cost		3,032,613	-2,448,141

Statement of profit or loss	Note	31/12/2018	31/12/2019
Goodwill		0	0
Profit or loss before tax		**233,015,648**	**234,146,253**
Tax expense	43	-58,589,579	-60,073,256
Profit or loss after tax		**174,426,070**	**174,072,996**
Profit or loss attributable to owners of the parent		174,419,943	173,989,604
Profit or loss attributable to minority interests		6,127	83,392

Consolidated statement of comprehensive income

Statement of comprehensive income	Note	31/12/2018	31/12/2019
Profit or loss		**174,426,070**	**174,072,996**
Profit or loss attributable to owners of the parent		174,419,943	173,989,604
Profit or loss attributable to minority interests		6,127	83,392
Items that will not be reclassified to profit or loss		**-1,192,616**	**18,490,683**
Equity instruments measured at fair value through other comprehensive income	15	-2,700,948	20,010,579
Valuation gains or losses taken to equity		-1,912,924	26,674,719
Transferred to retained earnings			-4,310,568
Deferred taxes		-788,024	-2,353,572
Actuarial gains or losses on defined benefit pension plans	26	1,508,332	-1,519,896
Gross actuarial gains or losses on liabilities defined benefit pension plans		2,011,109	-2,030,130
Deferred taxes		-502,777	510,234
Items that may be reclassified to profit or loss		**-56,931,763**	**31,927,811**
Debt securities at fair value through other comprehensive income	15	-59,722,309	28,478,468
Valuation gains or losses taken to equity		-75,887,118	44,150,615
Transferred to profit or loss		-4,772,238	-6,401,968
Deferred taxes		20,937,047	-9,270,179
Cash flow hedges		2,790,546	3,449,343
Valuation gains or losses taken to equity	17	104,860	17,169
Transferred to profit or loss		4,231,000	4,231,000
Deferred taxes		-1,545,314	-798,826
Total other comprehensive income		**-58,124,379**	**50,418,494**
Total comprehensive income		**116,301,691**	**224,491,490**
Total comprehensive income attributable to owners of the parent		116,295,912	224,407,950
Total comprehensive income attributable to minority interests		5,778	83,541

Consolidated statement of changes in equity

			Accumulated other comprehensive income								
	Paid up capital	Share premium	Fair value changes of debt securities measered at fair value through other comprehensive income	Fair value changes of equity instruments measured at fair value through other comprehensive income	Cash flow hedge reserve	Actuarial gains or losses on defined benefit pension plans	Reserves	Profit or loss attributable to owners of the parent	Equity attributable to owners of the parent	Minority interests	Total Equity
Equity 01/01/2018	**663,393,900**	**298,935,899**	**101,933,120**	**19,796,828**	**-10,941,003**	**-1,415,774**	**1,328,447,219**	**193,445,301**	**2,593,595,488**	**11,736**	**2,593,607,225**
- Transferred to reserves	0	0	0	0	0	0	193,445,301	-193,445,301	0	0	0
- Capital increase	15,677,100	37,204,895	0	0	0	0	0	0	52,881,995		52,881,995
- Profit or loss	0	0	0	0	0	0	0	174,419,943	174,419,943	6,127	174,426,070
- Dividends	0	0	0	0	0	0	-77,882,444	0	-77,882,444	0	-77,882,444
- Valuation gains or losses taken to other comprehensive income	0	0	-75,887,118	-1,912,924	104,879	2,011,109	0	0	-75,684,054	0	-75,684,054
- Other comprehensive income transferred to profit or loss	0	0	-4,772,238	0	4,230,973	0	0	0	-541,265	0	-541,265
- Other comprehensive income transferred to reserves	0	0	0	0	0	0	0	0	0	0	0
- Movements of deferred taxes	0	0	20,937,047	-788,024	-1,545,306	-502,777	0	0	18,100,940	0	18,100,940
- Other movements	0	0	0	0	0	0	-500	0	-500	37,842	37,342
Equity position 31/12/2018	**679,071,000**	**336,140,794**	**42,210,811**	**17,095,880**	**-8,150,457**	**92,558**	**1,444,009,576**	**174,419,943**	**2,684,890,103**	**55,705**	**2,684,945,808**
- Transferred to reserves	0	0	0	0	0	0	174,419,943	-174,419,943	0	0	0
- Capital increase	8,342,600	20,654,609	0	0	0	0	0	0	28,997,209	0	28,997,209
- Profit or loss	0	0	0	0	0	0	0	173,989,604	173,989,604	83,392	174,072,996
- Dividends	0	0	0	0	0	0	-79,722,935	0	-79,722,935	0	-79,722,935
- Valuation gains or losses taken to other comprehensive income	0	0	44,150,415	26,674,700	17,169	0	0	0	70,842,284	219	70,842,503
- Other comprehensive income transferred to profit or loss	0	0	-6,401,938	0	4,230,973	0	0	0	-2,170,965	-30	-2,170,995
- Other comprehensive income transferred to reserves	0	0	0	-4,310,554	0	0	4,310,554	0	0	13	13
- Movements of deferred taxes	0	0	-9,270,137	-2,353,573	-798,821	510,232	0	0	-11,912,299	-44	-11,912,343
- Other movements	0	0	0	0	0	-2,030,121	0	0	-2,030,121	-208	-2,030,329
Equity 31/12/2019	**687,413,600**	**356,795,403**	**70,689,152**	**37,106,453**	**-4,701,136**	**-1,427,331**	**1,543,017,138**	**173,989,604**	**2,862,882,881**	**139,047**	**2,863,021,929**

Notes 3, 4, 26 and 34 provide further information on all changes to the various equity positions in the above table.

Consolidated cash flow statement

Cash flow statement	31/12/2018	31/12/2019
Cash and cash equivalents at the start of the period	**1,107,505,453**	**1,195,228,787**
Operating activities		
Profit or loss before tax	233,015,648	234,146,253
Adjustments for:		
Depreciation	24,478,010	28,989,393
Provisions or reversal of provisions	2,800,470	-3,993,350
Gains or losses on derecognition of non-financial assets	-189,783	103,301
Impairments or reversal of impairments	-2,973,504	2,943,321
Changes in assets and liabilities from hedging derivatives and hedged item	-72,879,847	28,422,590
Other adjustments (among which interest expenses financing activities)	23,529,714	24,337,704
Cash flows from operating profits before taks and before changes in operating assets and liabilities	**207,780,706**	**314,949,212**
Changes in operating assets (excluding cash and cash equivalents):		
Financial assets held for trading	1,443,969	7,686,148
Financial assets related to unit-linked insurance contracts (branch 23)	130,661,898	-358,930,299
Financial assets at amortised cost	-1,963,106,861	-1,434,063,812
Financial assets at fair value through other comprehensive income	-148,347,645	445,817,454
Non-trading financial assets mandatorily at fair value through profit or loss	49,828,000	-23,285,726
Assets under reinsurance and insurance contracts	-9,287,592	-2,661,152
Other assets	4,794,150	-28,784,741
Changes in operating liabilities (excluding cash and cash equivalents):		
Deposits from central banks	0	0
Deposits from credit institutions	-86,475,686	-64,416,541
Deposits from other than central banks and credit institutions	1,473,929,331	1,925,218,124
Debt securities issued, retail	-302,028,979	-317,594,817
Financial liabilities held for trading	665,349	-2,856,776
Financial liabilities related to unit-linked insurance contracts (branch 23)	-130,734,452	359,002,853
Liabilities under reinsurance and insurance contracts	184,509,787	204,879,120
Other liabilities	-22,414,400	89,494,204
Paid (refunded) income taxes	-61,184,906	-56,481,658
Net cash flow from operating activities	**-669,967,331**	**1,057,971,594**

Cash flow statement	31/12/2018	31/12/2019
Investing activities		
Cash payments to acquire property, plant and equipment	-6,641,691	-7,846,042
Cash proceeds from disposal of property, plant and equipment	932,410	597,049
Cash payments to acquire intangible assets	-20,242,798	-19,721,596
Cash proceeds from disposal of intangible assets	187	58,429
Changes concerning consolidated companies	0	-90,000
Net cash flow from investing activities	**-25,951,892**	**-27,002,160**
Financing activities		
Paid dividends	-77,882,444	-79,722,935
Cash proceeds from a capital increase	52,881,995	28,997,209
Cash proceeds from the issue of subordinated debt securities	0	0
Cash payments from subordinated debt securities	-21,201,984	-42,737,627
Cash proceeds from the issue of senior debt securities	1,134,100,000	1,330,918,750
Cash payments from senior debt securities	-280,509,915	-308,450,557
Cash proceeds from TLTRO-III ECB	0	47,480,000
Interest paid	-23,745,095	-24,254,363
Net cash flow from financing activities	**783,642,557**	**952,230,478**
Cash and cash equivalents at the end of the period	**1,195,228,787**	**3,178,428,699**
Components of cash and cash equivalents		
Cash in hand	57,705,277	57,677,596
Cash balances at agents	12,519,129	10,883,675
Cash balances with central banks	30,000,000	45,330,588
Central bank reserves	935,710,220	2,378,085,103
Cash balances with other financial institutions	119,188,095	148,499,181
Other advances	40,106,068	537,952,557
Total cash and cash equivalents at the end of the period	**1,195,228,788**	**3,178,428,699**
Cash flow from operating activities:		
Received interest income	925,351,846	922,316,711
Dividends received	4,128,753	4,925,477
Paid interest expenses	-302,252,734	-291,395,785
Cash payments for the principal portion of lease liabilities	0	-3,848,024
Payments for lease contracts that fall under the valuation exemptions for lease contracts (low value and short term)	0	-208,255
Cash flow from financing activities:		
Paid interest expenses	-23,745,095	-24,254,363

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

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 and other demand deposits’.

The amount of the ‘other advances’ is included in the ‘financial assets at amortised cost’. This relates to collateral paid in cash to financial institutions.

Cash flows from operating and financing activities

Further interpretation can be found in Note 31 on interest amounts received and paid, and in Note 32 on dividends received.

Notes

1. General information

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

The Company has the status of a mixed financial holding company, 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 (hereinafter Aspa), a Belgian credit institution, and Argenta Assuranties (hereinafter Aras), a Belgian insurance company. Aspa, together with its branch office in the Netherlands and the management subsidiaries Argenta Asset Management (AAM) and Arvestar Asset Management, forms the 'Bank Pool'. The Insurance pool consists of Aras with a branch office in the Netherlands. The Bank Pool, Insurance Pool and BVg are hereinafter collectively referred to as the Argenta Group.

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

The Bank Pool mainly focuses on: attracting funds in the retail market in the form of savings and term accounts, offering investment funds, attracting funds in the institutional market in the form of debt securities, offering payment transactions via current accounts and reinvesting the collected funds in mortgage loans, securities and lending to local governments, public-private partnerships and real estate developers and operators. The latter activity helps to confirm Argenta's local anchoring.

In addition, the Company offers units in Argenta funds and in other local and foreign undertakings for collective investment (UCIs) and structured notes of third parties.

The activities of the Insurance Pool comprise both life insurance, with 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.

All shareholdings in the Argenta Group are (quasi) 100% shareholdings, so that no (other than purely formal) minority interests are reported. The only exception to this is the management company 'Arvestar', in which AAM holds a 74.99% majority stake.

In 2019, a joint venture between Aspa, Axa Bank, Crelan, VDK bank and Bpost was set up under the name Jofico. Jofico will jointly manage all ATMs of these institutions. Thanks to this collaboration, the participating companies can optimise the operation of the ATMs and continue to offer high-quality services.

The subsidiaries and branch offices of the Company

Aspa and Aras are the subsidiaries of the Company.

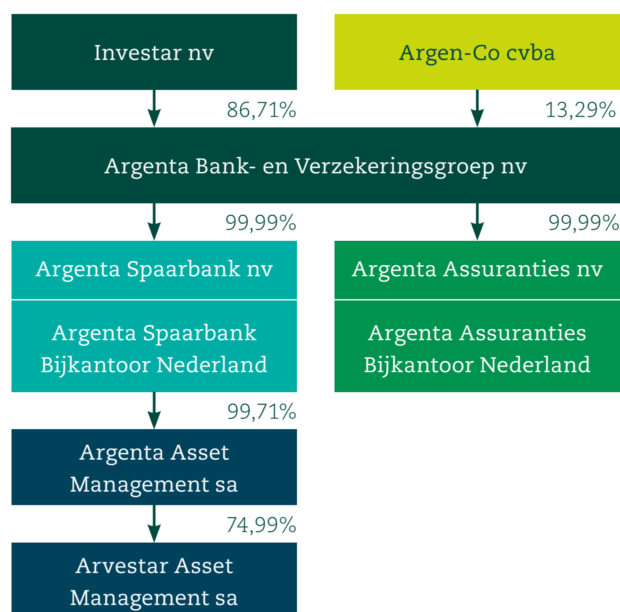
(AAM) is a management company that specialises in the management of the collective investment funds of the Argenta Group. AAM itself also has a subsidiary, namely Arvestar.

The Company's banking activities in the Netherlands are organised in a branch office of the Company, rather than in a subsidiary. This branch has since April 2006 been responsible for mortgage production in the Netherlands, offering its mortgages through independent consultants and, since 2017, online. The branch office also offers savings and term accounts online. Management of the Dutch mortgage portfolio has been outsourced to service provider Quion.

Securitisation transactions were carried out in 2017, 2018 and 2019 In these transactions, Dutch loans were sold to separate, companies (independent 'SPVs' - 'Special Purpose Vehicles'), all under the Green Apple name, which then issued debt securities to finance these purchases. Despite the absence of any capital link with the Company, the Green Apple companies are consolidated. In this way, the loans transferred return onto the balance sheet of the Bank Pool.

The insurance activities in the Netherlands are organised in a branch office of the Company, rather than in a subsidiary. From 2018 the Dutch insurance activities have no longer been actively marketed. In November 2019, an agreement was entered into with Waard Leven, subject to conditions precedent, for the acquisition of the Dutch life insurance portfolio. For customers, the policies and policy conditions remain unchanged. The collaboration with Waard fits with Argenta Netherlands' strategy of focusing on housing and private asset management. The conditions precedent are expected to be fulfilled in the first half of 2020, after which the sale will be recognised in the accounts of the Netherlands branch.

The presentation below gives an overview of the global structure of the Argenta Group.



In accordance with IFRS rules, the entities below are included in the Company's consolidated financial reporting.

	%	31/12/2018	31/12/2019
Argenta Bank- en Verzekeringsgroep nv		consolidating entity	consolidating entity
Bankpool			
Argenta Spaarbank nv	99.99%	full consolidation	full consolidation
Argenta Asset Management nv	99.71%	full consolidation	full consolidation
Arvestar Asset Management nv	74.99%	full consolidation	full consolidation
Green Apple 2017 bv (SPV)	0.00%	full consolidation	full consolidation
Green Apple 2018 bv (SPV)	0.00%	full consolidation	full consolidation
Green Apple 2019 bv (SPV)	0.00%	-	full consolidation
Epico nv	29.39%	equity method	equity method
Jofico cvba	20.00%	-	equity method
Verzekeringspool			
Argenta Assuranties nv	99.99%	full consolidation	full consolidation

Note on the number of personnel

In 2019, the average number of employees in the Argenta Group amounted to 1,030.4 (1,003.9 in 2018). A breakdown of personnel expenses for the year can be found in Note 41.

2. Financial reporting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including these interpetations issued by the IFRS Interpretation Committee (IFRIC), which have been adopted by the European Union. As such, the rules on hedging transactions are still accounted for in accordance with IAS 39 ('carve out'). The consolidated financial statements are prepared on a going concern basis.

2.1. Changes in accounting policies

The accounting policies used for preparing these 2019 consolidated financial statements are consistent with those applied as of 31 December 2018.

The following standards and interpretations came into application during 2019:

- IFRS 16 Leases;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IAS 19 Plan amendment, Curtailments and Settlement;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- annual improvements to IFRS (2015-2017 cycle): amendments to IFRS 3 Business Combinations, IFRS 11 Joint Ventures, IAS 12 Financing costs and IAS 23 financing costs.

The application of the new IFRS 16 standard had an impact on the opening balance sheet and the presentation of the financial statements. This is explained in Note 2.2. The other new provisions had no material impact on the Company's results for 2019 or on its equity as of 31 December 2019 or on the presentation of its financial statements.

Standards and Interpretations published but not yet effective for the annual period commencing on 1 January 2019:

- Amendments to IAS 1 on the classification of current and non-current liabilities and IAS Definition of Material (effective for annual periods commencing on or after 1 January 2020, but not yet adopted by the European Union).
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2020, but not yet approved by the European Union).
- And amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (applicable for annual periods beginning on or after 1 January 2020).
- Amendments to the references to the Conceptual Framework in IFRS standards (effective for annual periods commencing on or after 1 January 2020).
- IFRS 17 Insurance Contracts (effective for annual periods commencing on or after 1 January 2021[1], but not yet adopted in the European Union).

The Company will implement all the aforementioned standards, amendments and interpretations when they come into force. For most of them it does not expect a material impact. The Company continues to follow and examine the developments and potential impact of IFRS 17 and of the interest rate benchmark reform

[1] Exposure Draft 2019/4 of June 2019 proposes to postpone the effective date in the EU to 1 January 2022.

2.2. Implementation and impact of changes in accounting policies

IFRS 16 Leases

The Company uses the 'modified retrospective approach', as described in the IFRS 16 standard. No comparative figures have been prepared. No comparative figures have been included either in the notes on the lease contracts. More information on the leases is included in the detailed explanation in Note 28.

Policy applicable before 1 January 2019

Until 31 December 2018, the Company's leases qualified and were recognised as operating lease contracts under the IAS 17 standard. Under this standard, the contracts were not recognised in the balance sheet and payments arising from the lease contracts were recognised in the statement of profit or loss on a straight-line basis over the lease term.

For contracts concluded before 1 January 2019, the Company has determined whether the agreement is a lease falling under the application of the IFRS 16 standard.

Policy applicable after 1 January 2019

On entering into a contract, the Company assesses whether the contract contains a lease agreement to which IFRS 16 applies. A contract contains a lease where it gives entitlement to use an identified asset for a specified period of time for a fee. The Company uses the following assessments:
- the contract includes the use of an identified tangible asset (explicitly or implicitly specified);
- the asset must be physically distinguishable or represent the entire capacity of a physically distinct asset;
- the Company has the right to obtain virtually all economic benefits from the use of the identified asset during the rental period;
- the Company has the right to determine the use of the identified asset during the entire period of use.

The Company has applied this policy to all contracts in effect as of 1 January 2019.

The Argenta Group's lease portfolio consists of:
- office buildings for own use that are leased from the parent company that owns and manages the property. This relates to various office buildings with lease terms of between 9 and 15 years. The lease costs depend on the surface area used and are indexed annually. The Company has no purchase option on the underlying value of the lease;
- office buildings for own use that are rented from third parties. This relates to various office buildings with rental terms of between 3 and 6 years. The lease costs are indexed annually. The Company has no purchase option at lease expiry date;
- buildings rented by the Company and sublet to the branch managers. The full lease costs are reclaimed through the sub-lease. These lease contracts are signed for a period of 9 years, with an early termination option every 3 years. The Company has no purchase option at lease expiry date;
- company cars provided to employees (salary cars and cafeteria plan cars). Leases vary between 3 and 5 years. The Company has a purchase option at lease expiry date.

The Company is the lessee and lessor (this only in the context of subletting of buildings to branch managers) in the lease agreements. Under the application of IFRS 16, the Company recognises the rights of use and lease liabilities for the leases of commercial vehicles and buildings (and receivables from loans for the buildings subleased to the branch managers).

As a lessor and lessee, the Company has applied a judgement to determine the lease term for the lease contracts, including renewal options. The assessment of whether the Company is reasonably certain to exercise the extension option will have an impact on the lease term and therefore on the recognition of the amount of the lease liabilities and the right to use assets. Based on estimates by the Company, these lease options are included in the initial estimate of lease term, given that the Company intends to use the contracts for the maximum contractual term (including extension options) in its lease contracts.

On the transition date, the Company determined the value of the asset and also recognised this amount as a lease liability, adjusted by the amount of all prepaid or accrued lease payments related to those lease contracts included in the statement of financial position immediately prior to the date of first application. The Company has used the option to exclude initial direct costs on the date of the first application.

Upon commencement or modification of a contract containing a lease component, the Company allocates the remuneration in the contract to each lease component based on the relative standalone prices. Non-lease components such as insurance and property-related costs are excluded from the lease liability for the buildings and company cars. Future index adjustments are included in the lease liability only where possible adjustments have been contractually agreed.

Lease payments included in the measurement of the lease liability include the following components:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate on the effective date;
- the exercise price under a purchase option of which the Company is reasonably certain that it will be exercised;
- lease payments in an optional extension period if the Company is reasonably certain to exercise an extension option;
- penalties for early termination of a lease.

The lease liability is initially measured at the present value of the lease payments that are not paid on the effective date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate based on the internal pricing model of bank financing products, with certain adjustments made to reflect the lease conditions and asset type. The lease liability is revalued whenever there is a change in future lease payments as a result of a change in an index or price, whenever the Company changes its assessment as to whether it will exercise a purchase, renewal or termination option or whenever a revision of the fixed lease payments is made. The Company has no intention to avail of the purchase options at the end of the lease agreements (which exist principally for company cars). Renewal options (mainly for buildings) are included to the maximum.

Whenever the lease liability is revalued, a corresponding adjustment is made to the carrying amount of the right of use, or else recognised in the statement of profit or loss when the carrying amount of the right of use is reduced to zero. The right of use is then amortised on a straight-line basis from the effective date to the end of the lease period. In addition, the right of use is periodically reduced by any impairment losses and adjusted for certain revaluations of the lease liability. The right of use is included in the statement of financial position under 'Tangible non-current assets' and the lease liability under 'Other financial liabilities'. The lease receivables related to the subletting of buildings to tied agents are included under the heading 'Financial assets at amortised cost'.

The Company has chosen to apply the exemption from recognition for short-term lease contracts (lease terms up to 12 months) and for lease contracts for low-value assets (established as less than EUR 5,000), consisting mainly of ICT equipment and bicycles (offered to employees through cafeteria plans). Payments related to these lease contracts are recognised in the statement of profit or loss on a straight-line basis over the lease term.

The table below shows the mutation of the future lease liabilities on 31 December 2018 to the opening balance sheet:

	Lease liability
Closing balance as per 31 December 2018	**91,032,812**
of which low value	-388,009
of which leasing starting in the future	-55,838,610
Correction future lease liabilities	**34,806,193**
Discounting impact	-30,887
Opening balance as per 1 January 2019	**34,775,306**

IFRS 17 Insurance contracts

The IFRS 17 standard contains a revision of the accounting model and the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard introduces a principles-based framework for accounting for all types of insurance contracts, including reinsurance contracts held and investment contracts with discretionary participation. The new standard replaces the IFRS 4 standard and applies from or after 1 January 2021, but early application is permitted. The standard is required to be applied retroactively, unless not feasible, in which case alternative approaches can be used. At the proposal of the IASB, the date when the IFRS 17 standard will come into effect may be postponed by one year to 1 January 2022.

Based on an initial review and the ongoing analysis, preparing and implementing the IFRS 17 standard will have a significant impact on the Company's financial reporting. In 2019, the group focused on further streamlining the Solvency II reporting in preparation for the IFRS 17 implementation and a working group was established to ensure follow-up and implementation within a strict governance framework.

The fact of IFRS 9 and IFRS 17 not coming into effect on the same date had implications for the preparation of the balance sheet and statement of profit or loss of the Company, which includes a Bank Pool and an Insurance Pool. In order to keep the consolidated financial statements as transparent as possible, the Company has decided to fully apply the IFRS 9 standard for the companies in the Insurance Pool and not to use the deferral option.

Interest Rate Benchmark Reform

In 2018, the IASB launched a new project to investigate the impact of interest rate benchmark reform on hedge accounting. In May 2019, IASB published a consultation document addressing the implications for the accounting treatment of existing hedge relationships that may arise prior to the transition to alternative interest rate benchmarks. In substance it is proposed that institutions may assume that the benchmark interest rate remains unchanged until the moment when the adjustment to an alternative benchmark interest rate has taken place. This preserves hedge accounting relationships.

In addition, the IASB is keeping a close eye on the effects of hedge accounting from the moment contracts move to an alternative benchmark rate. For example, the transition may affect the hedge effectiveness between the hedged instrument and the hedging instrument, or the hedge documentation may prescribe that only the original benchmark interest rate may be used in the hedge relationship. IASB's intention is that hedge accounting relationships can be maintained as long as the economic relationship between the hedged instrument and the hedging instrument is maintained.

In September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7. These changes address some of the possible consequences of the reform. The changes in these IFRS standards mean that in the run-up to the actual reform of the benchmark rates, a possible influence on the qualification of hedge relationships for hedge accounting is avoided. In this situation, ineffectiveness as a result of the reform must still be recognised in accordance with the applicable IFRS rules. In practice, the recognition of hedge relationships in the financial statements will not be affected by the reform.

The main benchmark interest rates to which the hedging derivatives are exposed are Euribor (mainly 3 months). The cash collateral exchanged under these above derivative contracts carries interest payments based on Eonia.

In addition, the Company has an exposure of EUR 2.6 billion in debt securities, EUR 0.4 billion in loans to non-retail counterparties and EUR 0.4 billion in mortgage loans with floating interest rate structures (also mainly Euribor) and EUR 9.7 billion in Belgian mortgage loans with interest rates linked to the Belgian reference index (impact only on the documentation, no financial impact). The debt securities issued by the Company under the EMTN programme and the securitisation transactions have interest payments based on Euribor (3 months).

A working group has been set up within the Company to monitor the developments and impact on a periodical basis. The working group's activities include:
- monitoring the legal framework, accounting framework and practical implementation;
- monitoring the new benchmark interest rates and deviations ('spreads') from the existing benchmark interest rates;
- inventorying and classifying the floating rate exposures;
- analysing and monitoring the potential impact on interest rate risk management and measurements (including hedge accounting);
- drawing up a written plan with elaboration of alternatives and communication to customers;
- monitoring the adjustment of contracts.

The Company will avail of the amendment to IFRS 9 regarding the consequences of the reform for the hedge relationship in respect of the fair value hedge accounting contracts (notional EUR 8.5 billion). The cash flow hedge will not be impacted given the limited residual maturity and with the most recent interest rate rebalancing (of both the hedging derivative and the hedged item) being undertaken prior to the implementation of the reform.

2.3. Financial reporting principles – valuation rules

Judgements and estimates

Preparing the consolidated financial statements requires management to make judgements and estimates that affect the valuation of assets and liabilities in the balance sheet, of income and expenses in the statement of profit or loss and also the information included in the notes. For making these judgements and estimates, management uses the information available at the time of preparing the consolidated financial statements. The actual outcomes can differ from these judgements and estimates. This can have a material impact on the consolidated financial statements.

Judgements relate mainly to the following areas:
- assessing the business model and, consequently, classifying the financial instrument (see section 'financial assets and liabilities - classification and measurement after initial recognition of financial assets');
- judging whether the contractual cash flows of the financial instrument involve only payments of principal and interests (see section 'financial assets and liabilities - classification and measurement after initial recognition of financial assets');
- determining whether a market is active or inactive and the resulting hierarchical level to which the financial instrument is allocated (see section 'financial assets and liabilities - fair value of financial instruments');
- determining the existence of (joint) control or significant influence (see section 'consolidation - subsidiaries' and 'consolidation - joint and associated companies');
- assessing whether a significant increase in credit risk has taken place since the initial recognition (see section 'financial assets and liabilities - impairment of financial assets - general model');
- the models and assumptions used to determine expected credit losses and to determine different economic scenarios and their respective weightings (see section 'financial assets and liabilities - impairments on financial assets - general model').

Estimates are mainly made in the following areas:

- determining the expected useful life and residual value of tangible and intangible fixed assets (see section 'tangible and intangible fixed assets');
- estimating of the recoverable amount of financial assets in default (stage 3) for determining the impairment losses (see section 'financial assets and liabilities - impairments of financial assets - general model');
- estimating future taxable profit for the measurement of deferred tax assets (see section 'income taxes');
- estimating of the recoverable amount of the cash-generating units for goodwill impairments (see section 'goodwill');
- calculating the fair value of financial instruments measured at fair value that are not listed or are not listed on an active market (see section 'financial assets and liabilities - fair value of financial instruments');
- actuarial estimates when measuring employee pension obligations (see section 'employee benefits - long-term benefits');
- measuring provisions for (contingent) liabilities (see section 'provisions').

These judgements and estimates are disclosed in the corresponding sections of the valuation rules. However, the Company is of the opinion that the above judgements and estimates do not pose a significant risk of leading to material adjustment in the measurement of the relevant assets or liabilities for the following financial year.

Operating segments

An operating segment is part of the Company:

- that conducts business activities that generate revenue and that generate costs;
- the results of which are regularly assessed separately by management;
- for which separate financial information is available.

The management of the Company is considered to be the chief operating decision maker that makes important operational decisions.

The operating segments derive from the operating activities and the economic environments in which the Company operates and are best represented by the following segments:

- business activities consisting of the Bank Pool and Insurance Pool;
- economic activities with activities in Belgium, the Netherlands, and Luxembourg.

This segmentation follows the internal reporting. Transactions or transfers between segments take place on the basis of the usual commercial conditions that also apply to unrelated parties ('arm's length basis').

Consolidation

Scope of consolidation

The consolidated financial statements include all companies over which the Company exercises exclusive or joint control or over which the Company exercises significant influence.

All companies included in the consolidated financial statements of the Company end their financial year on December 31. This closing date corresponds to the closing date for the preparation of the consolidated financial statements.

Subsidiaries

Subsidiaries are companies in which the Company has direct or indirect exclusive control. Control exists when the Company is exposed to, or has rights to, variable returns from the participating interest and it has the ability to influence those returns through its control over the participating interest.

The Company exercises control if it directly or indirectly holds a majority of the voting rights (and there are no contractual provisions modifying those rights) or if by contractual agreement the Company has the power to direct the relevant activities, and when these rights are material. A right is material if the holder has the practical possibility to exercise that right. The existence of control is reassessed if changes occur in elements that determine control.

Subsidiaries are fully consolidated as from the date on which effective control is obtained and are no longer consolidated as from the date on which such control ceases. Intra-group transactions and balances, and results from transactions between the companies included in the consolidation, are eliminated. Before proceeding to consolidate the subsidiaries, the measurement rules of the subsidiaries have been adjusted to align them with the measurement rules applicable in the Company.

In the event of loss of control of a subsidiary, the result on the disposal is determined as the difference between:
- the sum of the fair value of the consideration received and the fair value of the remaining investment held by the Company
- the carrying amount of the assets (including goodwill) and the liabilities of the subsidiary and minority interests

Joint and associated companies
Joint control is the sharing of control with one or more parties on the basis of a contractual agreement that determines that decisions concerning the relevant activities require unanimous consent. Joint ventures are accounted for by the equity method.

Associated companies are companies in which the Company has significant influence, but does not exercise control. A significant influence is presumed to exist when the Company directly or indirectly exercises 20% or more of the company's voting rights. Participating interests in associated companies are initially measured at cost and subsequently accounted for by the equity method.

Gains and losses on transactions between the Company and participating interests accounted for by the equity method are eliminated to the extent of the Company's interest. Losses are no longer recorded once they equal the carrying amount of the participating interest. Further losses are recognised only if a legal or factual obligation has been entered into or a guarantee has been given.

Structured companies

Structured companies are companies that are set up in such a way that they are not managed by voting rights. The management of the relevant activities is regulated by contractual agreements and the powers of the voting rights are limited to making administrative decisions.

The determination of control over structured undertakings takes into account the purpose and design of the undertaking, the ability to direct the relevant activities and the extent to which the Company is exposed to the variability of the risks and rewards of the undertaking.

Business combinations

Business combinations are accounted for using the acquisition method. In this case the identifiable assets and liabilities are measured at fair value at acquisition date. Minority interests are measured at fair value or their share in the revalued net assets of the acquired party. The remuneration given in acquiring a business combination is the fair value of the assets given, the liabilities assumed and the equity instruments issued to gain control of the acquired party. Each contingent amount in the consideration is recognised at fair value. Subsequent changes in the fair value of such contingent consideration is recognised in the statement of profit or loss. The costs associated with the acquisition are recognised in the statement of profit or loss.

When the business combination is realised in several phases, the interest previously held by the Company in the equity of the acquired party is measured at the acquisition date at fair value through profit and loss.

Foreign currencies

Conversion of foreign currency

The consolidated financial statements are presented in euros, which is the functional currency of the financial statements of all companies within the group.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rates prevailing on the dates of the individual transactions.

Monetary assets and liabilities expressed in foreign currency are converted into the functional currency at the exchange rate at the closing date. Exchange differences are recognised in the statement of profit or loss, except for exchange differences arising from financial instruments designated as cash flow hedges, which are recognised directly in equity.

Non-monetary items denominated in foreign currency and measured at historical cost are converted into the functional currency based on the historical exchange rate at transaction date and are subsequently not remeasured for changes in exchange rates.

Non-monetary items denominated in foreign currency and measured at fair value are converted into the functional currency at the closing rate. Exchange rate differences for non-monetary items carried at fair value follow the same accounting treatment as the fair value adjustment.

Financial assets and liabilities

Recognition and initial measurement

Financial assets or liabilities are recognised in the balance sheet as soon as the Company becomes party to the contractual terms of the instrument. Purchases of financial assets settled according to standard market conventions are recognised in the balance sheet at settlement date.

Financial assets and liabilities are initially measured at fair value adjusted for any transaction costs directly attributable to the acquisition or issue of the financial instrument. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are immediately recognised in the statement of profit or loss.

Classification and measurement of financial assets subsequent to initial recognition.

The classification and measurement of the financial assets depends on the type of financial instrument and is based on both the business model and on the characteristics of the contractual cash flows of the financial assets (so-called ‘solely payments of principal and interest test’ or ‘SPPI test’). For debt instruments, an irrevocable option exists to designate these as measured at fair value through profit or loss in the event of an accounting mismatch.

The categories for the measurement of financial assets are:
- measured at amortised cost;
- measured at fair value trough other comprehensive income;
- measured at fair value through profit or loss.

Business model

The possible business models for the control of financial assets are:

- the business model aimed at holding financial assets to receive the contractual cash flows ('hold-to-collect' or 'HTC');
- the business model aimed at holding financial assets to receive the contractual cash flows and to sell financial assets ('hold-to-collect-and-sell' or 'HTC & S');
- other business models, such as holding financial assets for trading purposes and management based on fair value.

The financial assets are allocated internally within the Company to similar portfolios which are each assigned to a particular business model. Assignment to a business model takes into account how the performance and risks of the financial asset are tracked, assessed and reported and experience and expectations with regard to selling. At the Company, there is no relationship between the business models and the remuneration of the managers and dividend policy. Any exceptional change in business model and subsequent reclassification of financial assets is handled and validated by Alco.

Contractual cash flows test

The contractual cash flows test determines whether the cash flows of the financial asset consist solely of repayments and interest payments on the principal amount outstanding, in accordance with the terms of a basic credit agreement. The interest payments contain compensation for the time value of money, the credit risk and any other risks and costs, and a commercial margin.

For financial assets that are contractually linked to cash flows from an underlying pool of financial instruments, and where the financial instrument is divided into tranches, a look-through approach is applied. In this case, the contract terms of the financial asset (tranche) and the characteristics of the underlying pool are subject to the contractual cash flows test and the credit risk of the tranche must be less than or equal to the credit risk associated with the underlying pool of financial instruments.

In applying this test, the Company takes into account, inter alia:

- contract terms that change the timing or amount of contractual cash flows, including prepayment options (taking into account any prepayment penalties) and extensions, interest rate adjustments and variable interest rate features;
- the analysis of the magnitude of the difference between the frequency of the interest rate review and the maturity of variable-rate financial assets when these do not match;
- conditions that limit the Company's recourse to the cash flows of the specific underlying assets ('non recourse' characteristics).

Financial assets measured at amortised cost

Debt instruments held in a business model that is designed to receive contractual cash flows and where the contractual cash flows consist solely of repayments and interest payments on the outstanding principal, and where the Company has not opted for measurement at fair value through profit or loss, are measured, after initial recognition, at amortised cost.

Debt instruments that are sold to a securitisation vehicle included in the Company's consolidation may continue to be classified under a business model designed to receive contractual cash flows.

Sales can be compatible with the hold-to-collect business model if:

- the sales take place shortly before maturity in an amount that approximates the remaining contractual cash flows;
- the sales are made as a result of an increase in credit risk;
- the sales occur because of the investment policy (e.g. sustainability criteria);
- the sales are not significant in value or infrequent.

Amortised cost is the amount at which the instrument is recognised at initial measurement, less principal payments and adjusted for cumulative amortisation, using the effective interest method, of the difference between the initial measurement amount and the repayment amount. From the initial recognition onwards, expected credit losses are recognised in the statement of profit or loss. The interest is included in the results on the basis of the effective interest rate determined at the start of the contract.

Financial assets at fair value through other comprehensive income
Debt instruments held in a business model that is intended both for receiving contractual cash flows and selling debt instruments and where the contractual cash flows consist exclusively of repayments and interest payments on the outstanding principal, are measured at fair value through other income. This applies provided that the Company has not opted for a designation as measured at fair value through profit or loss.

After recognition, these debt instruments are measured at fair value, with adjustments in fair value are included in a specific heading of other comprehensive income in equity. The interest is taken into income on the basis of the effective interest rate in the same way as for financial assets measured at amortised cost. The expected credit losses are recognised in other comprehensive income via the statement of profit or loss. On sale, the cumulative fair value adjustments previously recognised in other comprehensive income are transferred to the statement of profit or loss.

For equity instruments in the form of shares not held for trading, it is possible to opt irrevocably to measure these on initial recognition at fair value on an individual basis, with value adjustments trough (a specific heading of) other comprehensive income. On sale of the shares, the cumulative fair value adjustments previously recognised in other comprehensive income are transferred, not to the statement of profit or loss, but to the retained earnings. Dividends are recognised in the statement of profit or loss where they form consideration for this investment. No impairments should be recognised on these instruments.

Financial assets measured at fair value through profit or loss
Financial assets measured, after initial recognition, at fair value through profit or loss include debt instruments, equity instruments and derivatives that are not designated as hedging instruments. Derivatives are treated in the section 'financial assets and liabilities - derivatives'.

Debt instruments held for trading are part of a business model that focuses on short-term profit taking (including from exchange rate fluctuations).

Debt instruments designated as measured at fair value through profit or loss are debt instruments for which the Company has made the irrevocable choice to designate these as measured at fair value through profit or loss. These are debt instruments that meet the criteria of the business model intended to receive and/or sell contractual cash flows and also pass the cash flows test. The Company may apply this option whenever, for these instruments, the other measurement give rise to inconsistencies in the measurement (accounting mismatch).

Debt instruments that do not pass the contractual cash flow test and are required to be measured at fair value through profit or loss.

After initial recognition, these debt instruments are measured at fair value and changes in fair value and realised results are recognised in a specific statement of profit or loss heading. The interest is recognised in net interest income on the basis of the effective interest rate.

Equity instruments measured at fair value through profit or loss contain investments in equity instruments for which upon initial recognition it was nor irrevocably opted to measure them at fair value though other comprehensive income. Realised and unrealised results through revaluation to fair value are included in a specific statement of profit or loss heading. Dividends are recognised in the statement of profit or loss where they form consideration for the investment.

Classification and measurement of financial liabilities subsequent to initial recognition

The categories for the measurement of financial liabilities are:
- measured at amortised cost;
- measured at fair value through profit or loss.

Financial liabilities measured at amortised cost

After initial recognition, these liabilities are measured at amortised cost, whereby the difference between the initial valuation amount and the repayment amount is periodically recognised in interest result using the effective interest method.

Financial liabilities measured at fair value through profit or loss

Financial liabilities held for trading are intended to generate short-term profit, and also include derivatives that are not designated as hedging instruments. Derivatives are treated in section 'financial assets and liabilities - derivatives'.

Financial liabilities designated as measured at fair value through profit or loss for which the Company has made the irrevocable choice to designate these as measured at fair value through profit or loss. This irrevocable choice can be applied whenever:

- the use of the option eliminates or significantly reduces an inconsistency in the measurement (accounting mismatch);
- the financial liability contains one or more embedded derivatives and it is permitted to designate the entire financial instrument as measured at fair value through profit or loss.

After initial recognition, these financial liabilities are measured at fair value and changes in fair value and realised results are recognised in a specific statement of profit or loss heading. The interest is recognised in the interest results on the basis of the effective interest rate.

Netting

Financial assets and liabilities are netted and the net amount is recognised 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 to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Derecognition of financial assets

Financial assets are no longer recognised when the contractual rights to cash flows from the financial asset expire or when the contractual rights to cash flows and substantially all risks and rewards of ownership are transferred. Where these conditions are not met, the financial asset is retained on the balance sheet and a liability is recognised to account for the ensuing liability. Financial assets that are sold and settled according to standard market conventions are derecognised from the balance sheet at settlement date.

Derecognition of financial liabilities

Financial liabilities are no longer recognised when the liability has been extinguished (when the contractual obligation has been fulfilled, the contract is terminated or expires).

Sales and repurchase agreements and securities lending

Securities (debt instruments and equity instruments) subject to a linked repurchase agreement (repo) remain on the Company's balance sheet. The corresponding liability resulting from the commitment to repurchase the securities is recognised in financial liabilities measured at amortised cost – deposits. The asset value of the securities is recognised off-balance sheet as collateral.

Securities sold under a linked sales agreement ('reverse repo') are recognised off-balance sheet as securities received as collateral. The corresponding receivable is included under financial assets measured at amortised cost – loans and advances.

The difference between the sale and repurchase price is recognised in the interest result over the term of the agreement using the effective interest method.

Lent out securities remain on the balance sheet. Borrowed securities are not included in the balance sheet. Securities lending commissions are included under fee and commission income and expenses.

Impairment losses on financial assets

The impairment model is based on expected credit losses and is applied to debt instruments measured at amortised cost or debt instruments measured at fair value through other comprehensive income. Impairment losses are also recognised on loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss, with a provision recorded for expected losses. No impairment losses are recorded on investments in equity instruments.

General model

Calculation of impairment losses is based on a two-step model:

- step 1 consists of allocating the financial asset to the appropriate 'stage', corresponding to a specific situation with respect to the evolution of the counterparty's credit risk since initial recognition of the instrument;
- step 2 consists of calculating the expected credit losses per instrument.

The allocation to the appropriate phase is determined by comparing the evolution with respect to the previous reporting period. A financial asset can change stage in both directions.

The different stages and the resulting calculation method for impairments are:

- performing financial assets (performing – stage 1): these are financial assets not classified in stages 2 and 3 on which expected credit losses within 12 months are recognised (expected credit losses from potential defaults within 12 months of reporting date);
- performing financial assets with reduced creditworthiness (underperforming - stage 2): these are financial assets, the credit risk of which has significantly increased since creation or purchase and on which expected credit losses are recognised for the entire term (expected credit losses arising from defaults over the entire remaining expected term after reporting date);
- non-performing financial assets with reduced creditworthiness (non-performing – stage 3): these are financial assets for which objective evidence exists that they are in default and on which impairment losses are recognised equal to expected credit losses over the term of the asset;
- A significant increase in credit risk is based on both quantitative and qualitative factors.

Expected credit losses are calculated on the basis of a probability weighted average of a number of scenarios, which take into account information about past events, current circumstances and estimates of future economic conditions. This forward-looking information uses the macroeconomic budget projections.

The expected credit losses are calculated as the difference between the gross carrying amount of the financial asset and the value of estimated future cash flows. The calculated expected credit losses are recognised as impairment losses in the statement of profit or loss. The estimated future cash flows take into account the contractual cash flows and contract terms that may change the cash flows (such prepayment or extension options) and expected cash flow shortfalls, taking into account collateral values and other forms of credit protection.

Definition of default

The definition of default is aligned with the definition applied for internal credit risk management. In doing so, the Company treats 'non-performing' and 'default' in an identical manner.

Default status is assigned to financial assets that meet at least one of the following criteria:
- the financial asset is in arrears of 90 or more consecutive days (for retail counterparties approximated to three monthly instalments);
- the Company has knowledge of factors indicating that repayment is unlikely.

The arrears include outstanding capital, past due interest and related costs (such as late payment interest, fines, fees).

UTP (unlikely to pay) indicators showing that payment is unlikely are recorded at individual debtor level.

Where the criteria for recognising the financial asset under default status no longer apply, the financial asset is cured.

Recognition of impairment losses

For financial assets measured at amortised cost, the impairment losses are recognised in the balance sheet as corrections to be deducted from the gross carrying amount. For financial assets measured at fair value through other comprehensive income, the impairment losses are recognised in other comprehensive income and are not deducted from the gross carrying amount on the asset side of the balance sheet. Additions, reversals and applications of impairment losses are included in the statement of profit or loss under a separate heading.

Impairment losses on loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss are recognised in the balance sheet as a provision with movements recognised in the statement of profit or loss under recognition and reversal of provisions..

Write-offs

Debt instruments are written off when they meet certain conditions. The Company always writes off the entire financial asset (and does not use partial write-off). For this the financial asset must be in stage 3. The write-offs of the financial asset are recognised in the statement of profit or loss in impairment losses.

As a general rule, debt instruments are written off when all reasonable recourse options have been exhausted and no significant recovery is expected.

More specifically, for Belgian mortgage receivables, the following conditions are followed for write-off:

- the mortgage receivable has been called, and the real estate collateral has already been sold. The proceeds from this sale have been collected for the most part or no proceeds have been collected from the sale because the Company's receivable is more junior to that of other creditors;
- the mortgage borrower is admitted to collective debt restructuring or is in a state of bankruptcy and the collateral that served as guarantee has already been sold;
- the procedural costs involved in enforcing the guarantee are out of proportion with the possible benefits, as a result of which the guarantee cannot be sold.

For the Dutch portfolio, mortgage receivables are written off if, after enforcement of all the guarantees present, a residual debt remains and no further recovery options are expected.

For writing off instalment loans the following criteria apply:

- the loan has been called. The loan is written off no more than 2 years after this date;
- the loan debtor has been admitted to collective debt restructuring procedures or is in a state of bankruptcy.

If, for loans that have been written off according to the above criteria, payments or recoveries are later received by the Company, these are recognised as income in the statement of profit or loss in the impairment losses heading.

Derivatives

Recognition and Measurement

Derivatives are, at initial recognition and thereafter, measured at fair value through profit or loss. The fair value is determined on the basis of quoted market prices where an active market exists. Where no active market exists for the financial instrument, the fair value is measured using valuation techniques.

Derivatives are recognised as financial assets when their fair value is positive and as liabilities when their fair value is negative. Interest received and paid is included in the interest result.

Derivatives held for trading

Derivatives that are not designated as hedging instruments are recognised as held for trading.

For a hybrid contract that is a financial liability, a lease receivable, an insurance contract or other non-financial contract, it is necessary to assess whether the elements contained in the contract should be separated from the basic contract. This is the case when:

- the features and risks of the elements contained in a contract do not closely match those of the basic contract;
- the hybrid contract as a whole is not measured at fair value through profit or loss;
- a separate instrument with the same conditions and characteristics as the element embedded in the contract would meet the definition of a derivative.

The separated-out derivatives embedded in the contract are recognised as held-for-trading derivatives. Derivatives held for trading are included under financial assets or liabilities held for trading, and changes in fair value and realised gains and losses are recognised in gains and losses on financial assets and liabilities held for trading.

Hedging derivatives

The Company uses the option to continue to apply the requirements and conditions of IAS 39 on hedging transactions, as endorsed by the European Union (the so-called 'carve out').

Derivatives entered into as part of a hedging relationship are classified according to the purpose of the hedging:
- fair value hedges serve to hedge of the risk of changes in the fair value of a financial asset or liability, or in the interest rate risk of a portfolio;
- cash flow hedges serve to hedge the possible variability in cash flows of a financial asset or liability.

The conditions to qualify as a hedging instrument are:
- the presence of formal documentation of the hedging relationship (with identification of hedging instrument, hedged item and the hedging objective) at the outset of the hedge;
- the expectation that the hedge will be highly effective and the ability to measure the hedging effectiveness in a reliable way;
- continuous measurement during the reported period in which the hedge can be designated as effective.

Fair value hedges

In fair value hedges, the derivatives are recognised under hedging derivatives as assets or liabilities, with changes in fair value recognised in gains and losses from the recognition of hedging transactions together with the corresponding change in the fair value of the hedged risk of the hedged assets or liabilities.

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 under-hedging exists.

Cash flow hedges

In cash flow hedges, the derivatives are recognised under hedging derivatives as assets or liabilities, with changes in the fair value of the effective portion of the hedging recognised in other comprehensive income in equity. The ineffective part of the change in fair value is included in the statement of profit or loss under gains and losses from hedge accounting. The revaluation adjustment recognised in equity is transferred to the statement of profit or loss in the period in which the hedged instrument affects the statement of profit or loss.

Termination of hedging transaction

If the hedging transaction no longer meets the conditions or if the hedging is terminated, the hedging instrument is transferred to derivatives held for trading.

In the case of a fair value hedge of an identified fixed-income financial instrument (micro fair value hedge), the revaluation adjustment of the hedged instrument is amortised over the remaining life of the instrument based on the effective interest rate. In the case of the fair value hedge of a portfolio of fixed-income instruments (macro fair value hedging), the revaluation adjustment is amortised on a straight-line basis over the remaining term of the original hedge. When the hedging instrument is no longer included in the balance sheet (due to prepayment or sale), the revaluation adjustment is immediately recognised in the statement of profit or loss.

In the case of a cash flow hedge, the revaluation adjustment remains in other components of comprehensive income until the originally hedged instrument impacts the statement of profit or loss or until it is clear that the transaction will not take place. At that time, the revaluation adjustment is recognised in the statement of profit or loss.

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 time of measurement.

The Company uses the following hierarchy for determining the fair value of financial instruments:
- quoted prices in an active market;
- the use of 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.

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

Interest income and expenses

Interest income and interest expenses are recognised in the statement of profit or loss on a pro rata basis based on the effective interest method.

The effective interest rate is the interest rate that precisely discounts the net carrying value the expected future cash flows (taking into account contractual payments and including transaction costs and fees paid and received and other forms of compensation that form an integral part of the effective interest rate) over the expected life of the financial instrument or, if more appropriate, over a shorter period. Commissions and fees that form an integral part of the effective interest rate include commissions received for the creation or acquisition of a financial asset, or commissions paid for the issue of financial liabilities.

In this way, transaction costs, commissions and fees are treated as an additional interest component included in the effective interest rate and are recognised in interest income.

For derivatives and debt instruments held for trading, the Company opts for the recognition of the interest received and paid under interest result.

Tangible and intangible assets

All tangible and intangible fixed assets are recorded at cost (i.e. acquisition value including directly allocable acquisition costs), less accumulated depreciation and any impairment losses.

Tangible and intangible fixed assets are depreciated on a straight-line basis over their expected economic life. The depreciable amount is calculated after deduction of the residual value (if any) and is applied as soon as the assets are ready for use. The depreciation expense is included under depreciation in the statement of profit or loss.

Tangible and intangible fixed assets are assessed for impairment whenever there is an indication of loss of value. Where the estimated recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss under depreciation. The recoverable amount is the higher of (i) the fair value minus sales costs and (ii) its value in use. After recognition of the impairment loss, the depreciation is adjusted as a function of the adjusted carrying value. When the realisable value increases or when the indication of loss of value no longer exists, the impairment is reversed.

In the event of disposal of tangible and intangible fixed assets, realised gains or losses are immediately recognised in the statement of profit or loss for the financial year under gains and losses on the derecognition of non-financial assets.

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 proportionally between the land and the building.

The building is depreciated over its estimated useful life, i.e. 33 years on a monthly basis.

The purchase price and purchase costs of renovations are depreciated over 10 years, 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.

ICT

The purchase price and purchase costs of hardware are depreciated over 3 years, on a monthly basis.

Other equipment (including vehicles)

The purchase price and purchase costs of furnishings and equipment are depreciated over 10 years, on a monthly basis. The purchase price and purchase costs of vehicles are depreciated over 4 years, on a monthly basis.

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.

Intangible assets

An intangible asset is an identifiable non-monetary asset. 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 capitalisation criteria are met, acquired software is recognised at cost under intangible assets. The acquisition price and acquisition costs are amortised according to the straight-line method from the time that the software is available for use.

The purchase price and purchase costs of acquired software are amortised over 5 years, on a monthly basis. Other intangible assets are amortised over 10 years.

Goodwill

Goodwill represents the difference between the cost of acquiring a business combination and the acquiree's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. It is determined as of the date of acquisition.

Where this difference is negative (badwill), it is immediately recognised as income in the statement of profit or loss. Where the difference is positive, it is recognised as an asset and measured at cost less any impairment losses. Goodwill is not amortised, but is tested at least once a year for impairment.

The Company allocates the goodwill to cash flow-generating units or groups. Impairment losses are recognised whenever the carrying amount of the cash-generating unit to which the goodwill belongs exceeds its realisable value. The realisable amount is the higher of (i) the fair value minus sales costs and (ii) its value in use. The value in use is the present value of estimated future cash flows that are expected to arise from the cash-generating unit. For this the Company uses the financial plans approved by management. Impairment losses on goodwill cannot be reversed.

Non-current assets classified as held for sale and discontinued operations

When the Company decides to sell a non-current asset (or group of assets) and it is highly probable that the sale will take place within 12 months, the assets and the liabilities associated with these assets are included under non-current assets classified as held for sale.

The asset is valued at the lower of (i) the carrying value and (ii) fair value less cost to sell. 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 assets are then no longer depreciated. Gains and losses, including impairment losses and realised results, are recorded in the statement of profit or loss under result on assets held for sale.

When the group of assets and associated liabilities represents an industry or geographical area of activity, it is classified as a discontinued business activity. The profit and loss from discontinued business activities are recognised in a separate statement of profit or loss heading.

Lease contracts

For each contract that is entered into, the Company assesses whether the contract is or contains a lease. A contract is or includes a lease whenever the contract provides, in exchange for a consideration, the right to control the use of an identified asset for a period of time.

The Company acts as a lessee in lease contracts for the rental of equipment or real estate and as a lessor in subleases of real estate to its tied agents.

Lessee

On the commencement date of the contract, the Company recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost on initial recognition. The cost price consists of:

- the amount of the initial measurement of the lease liability;
- the amount of the lease payments made before the commencement date (which are not included in the lease liability);
- the initial direct costs;
- the estimated costs of dismantling, removal and repair (if applicable).

The lease liability is measured at the present value of the lease payments (not yet made). The lease payments are discounted based on the implicit interest rate of the lease, provided it can be easily determined, or where it cannot be easily determined, the marginal interest rate is used.

The right-of-use asset is recorded and measured correspondingly in property, plant and equipment.

After initial recognition the lease liability is recognised as borrowings, with the interest payments recognised using the effective interest method. Revisions or reassessments of the lease liability are recognised when determined. These result in the revaluation of the lease liability and the adjustment of the right-of-use asset. Where the right-of-use asset no longer has a carrying amount and the revaluation concerns a decrease in the lease liability, the revaluation is recognised in the statement of profit or loss.

Lessor

In a finance lease, the lessor transfers substantially all of the risks and rewards associated with ownership of an asset to the lessee. An operating lease is any lease that is not classified as a finance lease.

The income from an operating lease is recognised in the statement of profit or loss on a straight-line basis over the lease term. The underlying asset is recorded using the measurement rules applicable to the underlying property, plant and equipment.

For finance leases, a lease receivable is recorded, corresponding to the net investment in the lease. Interest income is recognised over the lease term using the implied interest rate of the lease. Where, in a sublease, the implied interest rate of the sublease cannot be easily determined, the discount rate used for the main lease may be used for measuring the net investment in the sublease.

Provisions

Provisions are recognised in the balance sheet when:
- an existing legally enforceable or constructive obligation exists on the balance sheet date, as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- 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 outcome.

Commissions and fees received and paid

Commissions and fees received for services (excluding commissions that form part of effective interest) are recognised using the following five basic principles:
- identification of the contract;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations;
- recognition of the income to the extent that the performance obligation is met.

The performance obligation is met when control of the good or service is transferred.

The Company accounts for commissions and fees received for services:
- progressively over the period, pro rata as the services are provided in the case of continuous services;
- when the service was performed.

Commissions and fees paid consist mainly of commissions to agents and are based on turnover volumes and production figures. Turnover commissions are included in the statement of profit or loss progressively over the period. Production commissions are included in the effective interest rate of the financial instrument.

Employee benefits

Short-term benefits

Short-term benefits include salaries, paid vacation and additional benefits that are expected to be settled within 12 months of the balance sheet date. Short-term benefits are recognised as an expense in the statement of profit or loss when the Company has used the services provided by employees in exchange for the benefits given.

Long-term benefits

Long-term benefits include deferred benefits and bonuses and long-term disability benefits. These are benefits that are deferred for more than 12 months. The Company does not grant material long-term benefits to its employees.

Severance compensation

Severance compensation consists of benefits that arise as a result of a decision by the Company to terminate an employee's employment or as a result of a decision by the employee to voluntarily leave the Company early in exchange for compensation. A provision for severance compensation is recognised in accordance with the measurement rules for provisions.

Post-employment benefits

The Company has both pension obligations for occupational pension schemes with fixed contributions (the so-called 'fixed contribution schemes') and pension schemes with targets to be achieved (the so-called 'fixed performance schemes'). The Company financed the pension schemes via a group insurance, whereby the insurer guarantees a return.

Fixed contribution schemes

The Company's contributions to defined contribution pension schemes are charged to the statement of profit or loss in the year to which they relate.

Given their legally imposed minimum guaranteed return, Belgian defined contribution schemes are considered as defined performance schemes and the obligation is measured based on the methodology used for defined performance schemes (the Projected Unit Credit method).

Defined performance schemes

For determining the gross pension obligation, the Company determines the expected benefit at retirement date for each employee, taking into account the expected evolution of the salary and the likelihood of the employee leaving the scheme. The expected benefit at retirement date is then allocated on a linear basis to past service.

The present value of the gross liability is determined by discounting the gross pension obligation based on the market return of high-quality corporate bonds. The present value is at least equivalent to the fair value of the employee's insurance contract, since he is entitled to the higher of the minimum guaranteed return and the actual return offered by the insurer.

Aliabilities is backloaded if an employee's pension build-up leads to significantly higher benefits than in earlier years of his career.

The fair value of the insurance contracts is determined by the projection of the accumulated reserves, using the actual yields offered by the insurer, discounted on the basis of the market return of high-quality corporate bonds.

The amount recognised in the balance sheet in respect of the pension schemes is the difference between the present value of the gross liability and the fair value of the insurance contracts. If this difference results in an asset value, this is limited to the asset ceiling, which is equal to the present value of the economic benefits available to Argenta Group in the form of repayments or reduction of future contributions.

Revaluations of the net pension liability are included in the other components of comprehensive income and are never transferred to the statement of profit or loss. Revaluations come from changes in actuarial assumptions, experience adjustments, return on scheme assets and changes in the asset ceiling.

Tax expense

Taxes on the profit 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 enterprise operates.

Current taxes consist of those payable in respect of the current period on the taxable income of the year, on the basis of the applicable tax rates at balance sheet date, as well as any revision of the taxes payable or refundable for previous periods.

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, along with unused tax loss carryforwards.

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 recognised only to the extent that it is probable that sufficient future taxable profits will be available against which the temporary differences and fiscal losses can be offset.

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. Current and deferred taxes are recognised in the statement of profit or loss with the exception of those related to instruments, transactions or events that are measured directly in (comprehensive income in) equity. These are booked directly to equity.

Levies

Levies are outflows of economic benefits imposed by governments. The Company immediately recognises the levy in the statement of profit or loss as soon as the liability arises.

Credit institutions are subject to various Belgian and European taxes, such as the deposit and guarantee fund and the subscription tax. These contributions are established on 1 January of the calendar year and are therefore fully recognised in the statement of profit or loss on that date.

Share capital

The company does not repurchase, nor does it hold any treasury shares. Dividends on shares are recognised as a liability as from the date they are declared.

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 valued in accordance with the provisions 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 BVg has opted to apply local accounting policies for measuring the technical provisions for contracts falling under IFRS 4 and for investment contracts with discretionary profit-sharing features. Only the reserves accepted under IFRS are recorded here.

BVg has not availed of the option of applying shadow accounting, as provided in IFRS 4 (Phase 1).

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 prevailing 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 are, for example, the settlement of costs for management and 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 scheme and the applicable legislation.

Provisions - health insurance

The health insurance provision (ageing reserve) is determined on an individual basis by the responsible department. The expected future payments and premium income are calculated based on the real portfolio situation of the financial year to be closed, representing a real distribution over the various ages, genders and contract types, and with certain assumptions made.

Liability adequacy test

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

Reinsurance

Reinsurers' balances 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 statement of profit or loss.

3. Equity attributable to the owners of the parent

The Company is the consolidating company. 86.71% of its shares are owned by Investeringsmaatschappij Argenta (hereinafter Investar) and 13.29% Argenta Coöperatieve (hereinafter Argen-Co).

Equity including equity attributable to minority interests amounts as of 31 December 2019 to EUR 2,863,021,929 compared to EUR 2,684,945,808 as of 31 December 2018. The minority interests amount to EUR 139,046 as of 31 December 2019. Further explanation can be found in Note 4.

Overview of equity	31/12/2018	31/12/2019
Paid up capital	679,071,000	687,413,600
Share premium	336,140,794	356,795,403
Accumulated fair value changes of debt securities measured at fair value through other comprehensive income	42,210,811	70,689,152
Accumulated fair value changes of equity instruments measured at fair value through other comprehensive income	17,095,880	37,106,453
Accumulated cash flow hedge reserve	-8,150,457	-4,701,136
Accumulated actuarial gains or losses on defined benefit pension plans	92,558	-1,427,331
Reserves	1,444,009,576	1,543,017,138
Profit or loss attributable to owners of the parent	174,419,943	173,989,604
Minority interests	55,703	139,047
Total equity	**2,684,945,808**	**2,863,021,929**

The increase in equity in 2019 is the combined result of several factors. These include the profit for the year, less the cash pay-out of part of the stock option dividend via the profit distribution (EUR 50,725,726) and an increase in the accumulated other comprehensive income.

The elements of the equity are further discussed in the text below.

Paid-in capital and issue premium

The paid-in capital, represented by 6,874,136 shares, is EUR 687,413,600, compared with EUR 679,071,000 as of 31 December 2018. The issue premium amounts to EUR 356,795,403 as of 31 December 2019 compared to EUR 336,140,794 as of 31 December 2018. In 2019 a capital increase took place following the distribution of the stock-option dividend.

Capital increases in the Company

On 12 June 2019, Investar subscribed a capital increase in the Company through a contribution in kind of part of the receivable which it had against the Company by virtue of a stock option dividend.

Investar contributed EUR 8,342,600 to capital, plus an issue premium of EUR 20,654,609. As a result of this capital increase, the share capital of the Company was increased from EUR 679,071,000 to EUR 687,413,600. In this process, 83,426 new shares were created for Investar.

In total - share capital and issue premium together - the equity capital of the Company was increased by EUR 28,997,209.

Capital increases at the Argenta Group

On 27 November 2019, the Company subscribed a capital increase of Aspa by a contribution in kind of EUR 45,622,980. The share capital of Argenta Spaarbank was increased in this way, with no issue of new shares, from EUR 770,019,400 to EUR 815,642,650. Investar subscribed the remainder of the capital, amounting to EUR 270.

Acquisition of 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 2019 financial year.

Accumulated other components of comprehensive income

Accumulated fair value changes of debt and equity instruments measured at fair value through other comprehensive income

The financial instruments measured at fair value through other comprehensive income are measured at fair value, with all fluctuations in the fair value recognised in a separate line in equity until realisation of the assets or until an impairment loss occurs, with the exception of equity instruments in respect of which no impairment losses are recognised and realised results are transferred directly to the reserves.

The above-mentioned fluctuations in fair value are found in shareholders' equity under 'accumulated other components of comprehensive income'. This component (which arises after offsetting of deferred taxes and the changes in fair value of hedged positions with micro fair value hedging) evolved from EUR 59,306,888 as of 31 December 2018 to EUR 107,795,847 as of 31 December 2019.

	31/12/2018	to profit or loss	to reserves	to other comprehensive income	taxes	31/12/2019
Debt securities at fair value through other comprehensive income						
Accumulated valuation gains or losses	116,250,799	-23,332,047		67,002,074		159,920,826
Accumulated fair value changes of the hedged items in micro fair value hedge	-59,935,140	16,930,079		-22,851,459		-65,856,520
Deferred taxes	-14,104,752				-9,270,179	-23,374,931
Equity instruments measured at fair value through other comprehensive income						
Accumulated valuation gains or losses	19,524,795		-4,310,656	26,674,719		41,888,858
Deferred taxes	-2,428,814				-2,353,572	-4,782,386
Accumulated other comprehensive income for debt securities and equity instruments	**59,306,888**	**-6,401,968**	**-4,310,656**	**70,825,334**	**-11,623,751**	**107,795,847**

EUR 6,401,968 of income was recycled to profit or loss in the 2019 financial year. Note 17 gives further information on the processing of the micro hedges.

Accumulated reserve for cash flow hedges

The Company has entered into one interest rate swap in the context of a cash flow hedge. The effective portion of the hedge (after offsetting of taxes) is recognised under a separate line of equity.

	31/12/2018	to profit or loss	to other comprehensive income	taxes	31/12/2019
Cash flow hedges					
Accumulated valuation gains or losses taken to equity	-10,252,209	4,231,000	17,169		-6,004,040
Deferred taxes	2,101,703			-798,826	1,302,877
Accumulated other comprehensive income from cash flow hedges	**-8,150,506**	**4,231,000**	**17,169**	**-798,826**	**-4,701,163**

The transfer of EUR 4,231,000 to profit or loss is due to the hedged position affecting results. No transfers were made for reasons of ineffictiveness or where the hedged future cash flows are no longer expected to occur. This cash flow hedge is described in greater detail in the Note 17 on derivatives.

Accumulated actuarial gains or losses on defined benefit pension schemes

Revaluations of the net pension liability for defined benefit pension obligations are recognised under a separate line in equity and are never transferred to the profit and loss account. Revaluations are the result of changes in actuarial assumptions, experience adjustments, return on scheme assets and changes in the asset ceiling.

Reserves

The reserves position (EUR 1,543,017,138 as of 31 December 2019) contains the statutory reserves and the consolidated reserves of the Company.

Profit or loss attributable to owners of the parent

The consolidated result (excluding minority interests) for the year ending on 31 December 2019 was EUR 173,989,604, compared with EUR 174,419,943 for the year ending on 31 December 2018.

Dividend of the previous financial year

In 2019, a dividend of EUR 11.74 per share (with stock dividend option) was distributed to shareholders (EUR 79,772,935 in total). This was followed by a capital increase in the Company, subscribed by shareholder Investar.

4. Non-controlling interests

Overall, the Company owns 99.99% of Aspa and Aras. One share of each of these companies and of all the underlying subsidiaries of the Insurance Pool and the Bank Pool is held by Investar.

In 2018, EUR 55,705 was attributable to the minority interests, and EUR 139,046 in 2019.

The increase in the minority interest in the Company's accounts relates to the profit or loss attributable to minority interests as a result of the company Arvestar, of which 25.01% of the shares are held by Degroof Petercam.

5. Risk management

Introduction

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 and non-financial 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:

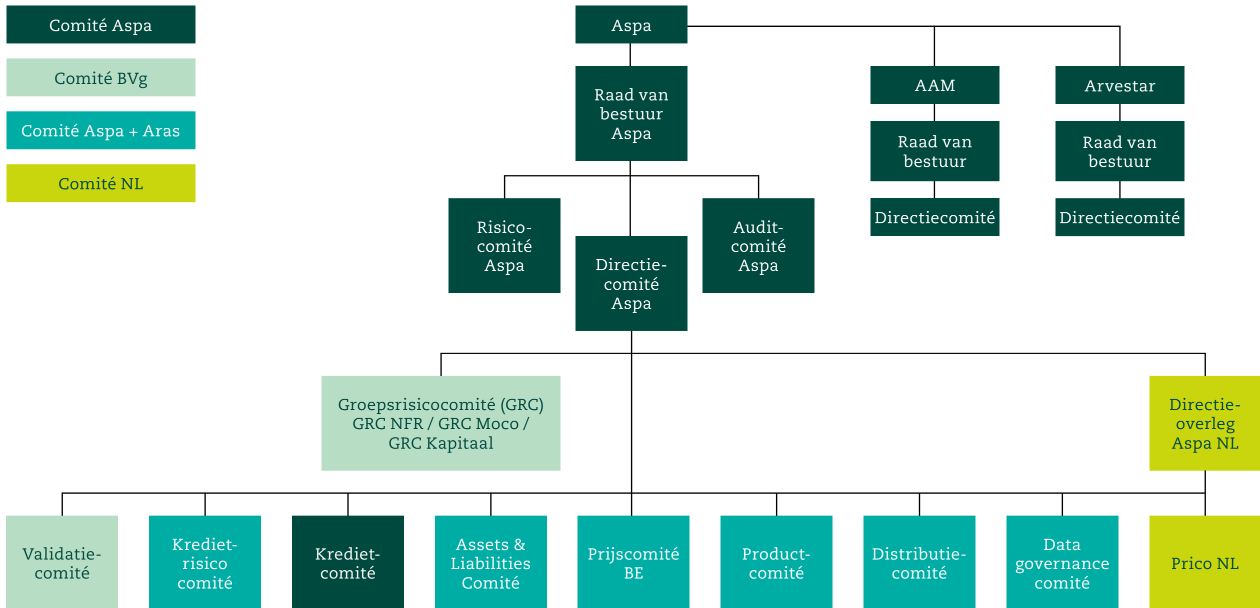
- A risk management strategy that is consistent with the overall corporate strategy of the Company. The objectives and fundamentals of that strategy, the approved risk tolerance limits and the division of responsibilities between all the activities of the Company are laid down in policy documents. These include the Governance Memorandum and the Charters of the independent control functions;
- 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 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

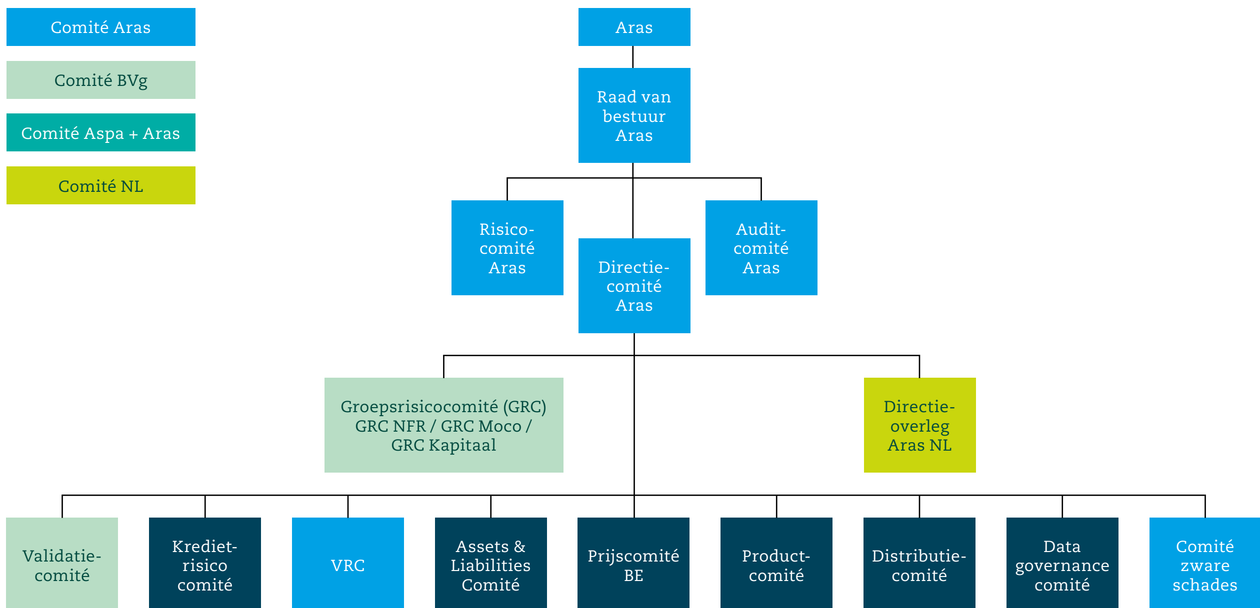
The main components of our risk policy model are:

- The Board of Directors that, with the support of the 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 Risk Committee of the Board of Directors, which supervises the adequacy of the risk management system and advises the Board of Directors on this.
- The Executive Committee, that implements the risk management system and links together the risk appetite, strategy and definition of the company purpose. In its decision-making process, the Executive Committee takes into account the information reported in the context of the risk management system.
- The Group Risk Committee and the activity-related Risk Committees in which the discussion, follow-up and management of the various risks take place.
- The 1st line employees who bear the final responsibility and consequences of the risks specific to the processes, supported by expertise from 1st line risk support.
- The 2nd line independent control functions that monitor the embedding of risk awareness in the 1st line and which control the risk management by the 1st line.
- The 3rd line independent control function that oversees the quality and effectiveness of internal control, risk management and the governance systems and processes.

The table below shows the committee and consultation structure competent for risk management within the Bank Pool.



The committee and consultation structure competent for risk management in the Insurance Pool is shown in the overview below.



Governance of risk management

The Group Risk Committee and the Validation Committee are organised at BVg level. The other committees are organised in Aspa and Aras.

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:
  - advising on the risk strategy and risk appetite for approval by the Board;
  - defining a company-wide risk management framework (risk mapping, risk appetite, RAF framework, policies and procedures);
  - company-wide reporting and analysis of risks;
  - managing the lifecycle risk management at the level of model risks and non-financial risks.

  The GRC meets every month and ad hoc. At least once every three months it focuses specifically on capital management, model overview and non-financial risks.
  - The GRC/Capital Management covers the management of all aspects of Pillar 2 capital management;
  - The GRC/Model Overview Committee is responsible for managing the methodology, development and follow-up of all models in the model management framework in order to maintain a central overview and ensure consistency in the model choices across all model types within the Company;
  - The GRC/Non-financial Risk Committee is responsible for monitoring the non-financial risks including compliance risks and advises the Executive Committee on non-financial risk management.

- The Validation Committee discusses and validates the work of the validation cell with regard to the internal models for mortgages, banks, corporates and the models assigned to the validation cell within the model governance framework. The Validation Committee is organised ad hoc on the initiative of the validation cell.

- The Asset & Liability Committee (Alco) is responsible for ensuring:
  - the optimal balance sheet equilibrium by evaluating, following up and proposing actions aimed at minimising the value and income shocks caused by assets and liabilities mismatches;
  - 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 organised on a monthly basis or on demand, if required.

- 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 returns and actuarial follow-up reports;
  - Recommendations from the Actuarial function;
  - Subscription risk and hedging insurance risks including reinsurance;
  - Reservation;
  - Solvency with regard to underwriting and reinsurance risks;
  - Advice on profit sharing.

  The VRC is organised on a monthly basis or on demand, if required.

- The Credit Risk Committee (Kreco) has decision-making authority on all aspects of credit risk policy with regard to retail loans, viz. credit risk analysis & steering, quantification 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 and pockets of risk;
  - evolutions in the business and macroeconomic environment, and their potential impact on credit risks;
  - proposing and deciding on action to mitigate credit risks;
  - the functional environment with regard to the acceptance framework and operational processes.

  Kreco consults monthly with an alternating focus on the Belgium and the Netherlands sub-portfolios. Both portfolios are discussed on a quarterly basis.

- The Pricing Committee (Prico) is tasked with monitoring:
  - tariff-setting, the product range and the evolution of commercial margins and deciding on any requisite adjustments;
  - pricing and diversification of the product offering.

  Prico is organised on a fortnightly basis or on demand, if required.

- 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 company's requirements in terms of risk, strategy, profitability and legal obligations and a follow-up review within six months of launch;
  - annual review of every active product and triennial review of every non-active product.

  Proco meets monthly or on an ad hoc basis.

Risk appetite

The Company has formalised its risk appetite in a Risk Appetite Framework (RAF). All significant risks to which the Company is exposed are included in the risk mapping and tested against the risk appetite.

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 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 themselves are assessed annually as to their appropriateness and replaced/adjusted if necessary), with discussion in 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.

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, operational flashing lights and early warning indicators.

Type of limit	Decision-making authority	Description
RAF limits	Board of Directors	■ RAF limits are highest in the limit hierarchy. They establish the risk appetite and business development objectives at the level of the most important financial and non-financial risk policy areas. ■ RAF limits are limited in number and are defined only for core indicators. ■ RAF limits are strictly normative. Excesses must be reported and decided on according to a fixed escalation framework.
RAF flashing lights	Board of Directors	■ RAF flashing lights are indicators on a sub-portfolio or component level of the RAF limit. These can have a material impact on the development of the RAF limit. ■ RAF indicators are more informative than normative, indicating a deterioration of a specific indicator.
Operational limits	Board of Directors	■ RAF limits are translated into and supplemented by operational limits in the policy. These are complementary to the RAF limits and are major factors in determining the permitted risk appetite. ■ These limits have a controlling and normative character and must be strictly adhered to.
Operational turn signals and Early Warning Indicators	Alco, Kreco, VRC, GRC	■ RAF and operational limits are supplemented by operational flashing lights. These are derived from and complementary to the RAF and operational limits and provide additional information and steering. ■ Operational flashing lights indicators are more informative than normative, indicating a deterioration of a specific indicator.

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 limitative number of RAF limits are linked to these risk parameters:

The quantitative indicators are subdivided into 6 categories/risks:
- Capital adequacy;
- Asset quality;
- Liabilities quality;
- Liquidity & interest rate risk;
- Income and value stability;
- Strategic risk.

The qualitative indicators are subdivided into the following categories/risks:
- Reputational risk;
- Non-financial risks;
- Strategic risk;
- 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 in the business plan.

Interaction with ICAAP, ORSA, ILAAP and Recovery Plan

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 (via the consolidation of the ICAAP of the Bank Pool and the ORSA of the Insurance Pool) and ILAAP under Pillar 2, the Company evaluates its capital and liquidity adequacy in various base case and adverse scenarios, taking into account all risks identified by the Company. ICAAP analyses are calculated from a normative perspective and from an economic perspective, which are complementary to each other. The normative perspective evaluates the ability to continue to comply with the legal and prudential requirements in a crisis scenario. The economic scenario evaluates whether the Company has sufficient qualitative internal capital to cover the material economic risks present. The RAF risk cartography forms the basis for this risk assessment. The ICAAP process is also embedded in the business plan cycle, giving it the necessary impact on decision-making.

This shows, among other things, that the Company is subject to a number of financial and non-financial risks that are not included in Pillar I. For these risks, either additional capital is provided in Pillar 2 or no additional capital is provided because these risks are already implicitly included in the Pillar I risks or because there are processes in place that strongly mitigate these risks.

Calculating the recovery plan examines whether the Company can recover from a near-to-default scenario by activating feasible and effective recovery options. It is important that the risk monitoring framework be able to detect a deterioration of the risk and financial situation sufficiently in time to ensure that recovery options can be successfully activated.

The above scenario and stress test analyses are carried out making maximum use of consistent processes, models and tools. In this way the conclusions are robust and consistent and can be included in the steering of capital and liquidity planning and in calibrating the RAF limits.

5.1. Market risk

Market risk is the risk of a negative change in financial situation caused by the volatility of market prices of 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 accept foreign currency for its own risk. Assets and liabilities are denominated only in euros. Exchange rate risk only exists for branch 23 insurance products, but this risk is borne by the policyholder. The Company has no trading portfolio (trading book).

Interest rate risk

Exposure

The single largest market risk to which the activities of the Company, and particularly Aspa, are exposed is the interest rate risk of the banking portfolio (‘banking book’). This risk arises from changes in market interest rates and their impact on interest-bearing assets and liabilities.

The Company’s results and equity position are sensitive to interest rate changes because the business strategy is to raise funds in the short to medium term (mainly from private individuals through savings and term deposits and to a measured extent also wholesale financing from institutional investors). These funds are then reinvested longer term in the form of loans and other interest-bearing investments. The interest rate differences between the various maturities generate an interest rate transformation result. This result is subject to interest rate risk managed within the limits of a risk acceptance framework.

Risk management

Alco is responsible for monitoring the interest rate and liquidity risk. It monitors and optimises the financial positions and reports on this to the Executive Committee. Its remit includes optimising both the sensitivity of the net interest income and the sensitivity of equity within set limits.

In its risk measurement and management, Alco takes into account the various types of interest rate risk contained in the Company's balance sheet. These include the gap risk (risk from interest rate mismatch between assets and liabilities), the option risk (risk from the embedded options in products) and the basis risk (risk arising from a difference in the reference indexes used for repricing the asset and liabilities products versus those used for concluding interest hedging transactions). Business risk (the risk of the price elasticity of products without contractual interest maturity dates evolving differently than expected) is also monitored and managed.

In order to keep the relevant risks within the risk appetite determined by the Board of Directors and within legal limits, the balance sheet is managed in both endogenous and exogenous ways. Endogenous management refers to managing the balance mix between assets and liabilities products. Exogenous hedges involve the taking out of interest rate derivatives. The combination of the two maintains the Company's balance sheet strategy in line with the RAF.

More information about the applied fair value hedges can be found in Notes 17 and 30.

Sensitivity analysis - interest rate risk in the Bank Pool

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

As Aspa does not have a trading book, the interest rate risk in the banking book therefore represents entire interest rate risk.

	31/12/2018		31/12/2019	
	+100bp	-100bp	+100bp	-100bp
Impact on earnings (over 12 months)	49,725,582	-1,840,344	61,926,337	-46,093,689
Impact on equity	-45,505,378	-325,445,853	51,756,580	-271,833,374

These sensitivity analyses are carried out using the following method: In 2019 this method was aligned with the EBA's new IRRBB guidelines[2] which came into force on 30 June 2019. The reference figures of 31 December 2018 have been adjusted for this changed methodology:

- re-pricing of the interest on savings accounts is determined on the basis of business replication models that model the expected re-pricing behaviour of these savings accounts;
- sensitivity is calculated on the assumption of a static balance sheet (constant balance sheet total and mix);
- to determine the income impact over 12 months, the interest rate shock takes place in 4 steps of 25bp (immediately, after 3 months, after 6 months and after 9 months) and to determine the impact on equity, the full interest rate shock is calculated immediately;
- early credit prepayments and refinancings are taken into account based on Conditional Prepayment Rate (CPR) models;
- expected draw-downs of approved, but not yet fully drawn-down credit facilities at position date are calculated in;
- interest rate caps and floors on variable interest rate loans are taken into account;
- call options in the securities portfolio are taken into account on a weighted average life (WAL) basis;
- the EBA floor is used as interest floor for -100bp sensitivity analyses;
- from 2019, the negative capital impact on reaching the interest rate floor on regulated savings is also taken into account in the capital simulations.

[2] Guidelines on the management of the interest rate risk arising from non-trading book activities (EBA/GL/2018/02 19 July 2018)

The sensitivity of equity to an interest rate increase of +100bp for the endogenous balance sheet improved in 2019 owing to:

- the fall in market interest rates, which has had the effect of increasing the modelled prepayments on Belgian mortgages;
- an EMTN issue of EUR 500 million with a term of 5 years, which had the effect of reducing the A/L mismatch;
- the margin loss on regulated savings accounts reaching the statutory rate floor of 0.11% was reached, causing a (further) decrease in the basic market value. As a result, the negative equity impact of an interest rate decline of -100bp is leading.

Overall, risks were kept within the desired risk appetite. Exogenously, there was limited adjustment by concluding a EUR 100 million payer swap. The hedging instruments used fall under the application of hedge accounting. The qualification criteria for this are monitored monthly and were also respected throughout 2019.

Sensitivity analysis - interest rate risk in the Insurance Pool

The following equity and income sensitivity analysis shows the impact within Aras of a parallel interest rate shock on the result for 12 months and on equity.

	31/12/2018		31/12/2019	
	+100bp	-100bp	+100bp	-100bp
Impact on earnings (over 12 months)	1,401,921	-1,364,873	1,026,696	-725,423
Impact on equity	-22,425,987	1,254,533	-26,186,354	-180,304

The calculation of income sensitivity is based on:

- balance sheet position with production as foreseen in the business plan;
- flat rates;
- the interest result on the Life portfolio

For equity sensitivity, these are:

- the Pillar 1 methodology used under Solvency II;
- interest rate sensitivity over the entire balance sheet.

A 100 basis points increase or decrease in interest rates over the first year has hardly any impact on Life insurance income. This is expected to remain limited until the end of 2020 owing to good cash flow matching.

In 2019, a 100 basis points increase in interest rates would have had a negative impact of EUR 26.2 million on the market value of equity. A fall in interest rates under the Solvency-II down scenario has hardly any impact on equity (-0.2 million). Thus, the interest rate risk lies fully in an up-shock and is slightly lower than last year.

Spread widening risk

Exposure

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 also by factors that can directly or indirectly influence the issuer's creditworthiness.

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 important pillars of healthy portfolio management.

The investment policy is governed by a strict investment framework, as defined in the SAA (strategic asset allocation) included in the financial policies of Aspa and Aras, respectively, which determines the permitted investment envelope and maximum duration depending on the creditworthiness of the issuer. 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 Alco and in the Investment Consultation (IO). Credit spread sensitivity is calculated and monitored in the ICAAP and ORSA framework and is checked against the RAF.

Sensitivity analysis - spread widening risk

The company 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 December 2019, the impact for the Company of a 1 basis point increase in the credit spread was EUR -3,471,817 compared to EUR -3,511,018 at the end of the previous year. The impact of the slight increase in average maturity is more than offset here by a decline in the overall portfolio, resulting in a slight decrease in spread widening risk. Aras had a spread sensitivity of EUR -1,145,468 as of 31 December 2019 compared with EUR -1,241,847 as of 31 December 2018. The portfolio in question is 49% valued at fair value through other comprehensive income, whereby a decrease in the fair value due to an increase in the credit spread is recognised in other comprehensive income. The other 50% is measured at amortised cost. In this way a decrease in fair value has no direct impact on income or equity. The remaining 1% is measured at fair value trough profit or loss include.

Equity risk

Exposure

From a strategic allocation perspective, equities can 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. Aspa has in its portfolio shares in counterparties operating in real estate development and/or operation. Aras' equity portfolio contains shares of corporates and real estate.

Risk management

The portfolio of individual shares is very limited 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 equity instruments.

	31/12/2018	31/12/2019
	-10%	-10%
Impact on earnings	-3,047,405	-5,231,327
Impact on equity	-10,763,692	-13,417,896

Equity instruments at fair value through other comprehensive income amount to EUR 134,178,964 (market value) as of 31 December 2019. These unrealised gains are recorded in equity under accumulated other comprehensive income. If the markets fall by 10%, the amount in equity will decrease by EUR 13,417,896 and no impairments will be recorded. Equity instruments at fair value through profit or loss amount to EUR 52,313,271 as of 31 December 2019. A 10% decrease will be immediately recognised in the statement of profit or loss.

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 related to these insurance contracts is borne by the policyholder.

Property risk

Exposure

The evolution of real estate prices influences retail lending and also influences the credit risk through the giving of property as collateral. One of the Company's core activities is mortgage lending to private individuals in Belgium and the Netherlands. This makes the Company dependent, among other things, on developments in the housing market. In the context of the foreclosure policy, in exceptional circumstances properties are temporarily purchased by the Company with a view to subsequent realisation.

At the same time, the investment framework allows a portfolio of indirect investment properties to be maintained. This takes the form, not of direct investments in real estate, but of loans to or purchasing equity instruments of counterparties operating in real estate.

Risk management

The indirect real estate investments are managed within a rigorous risk management framework, including limits on investment type, geography and concentration.

The direct real estate investments in own office buildings and in properties purchased in the context of the foreclosure policy are accounted for using the cost price model. The latent capital gains and gains on these direct real estate investments are not recorded in equity.

Sensitivity analysis – real estate risk

The fair value of the direct real estate investments is obtained based on the individual assessment reports of the respective investments. In 2018 this involved a limited portfolio of EUR 1,094,210 (market value: EUR 1,073,832). At the end of 2019, the portfolio amounted to EUR 1,149,410 (market value: EUR 1,135,180).

A decrease of 10% of the market value will - as long as there is no sustainable impairment - have no impact on the result.

5.2. Liquidity risk

Exposure

Liquidity risk is the risk of an adverse change in the financial situation, as a direct or indirect consequence of insufficient liquidity being available to meet financial obligations.

The Company's strategy is to raise funds in the short to medium term and to reinvest these through various forms of longer-term loans and investments. The current and savings accounts of private individuals are available on demand and as such represent sources of liquidity risk. Nonetheless, they also provide a stable long-term financing basis. This stability is determined by clients' confidence in the Company's solvency, profitability and risk management.

Liquidity sources of the Bank Pool

Aspa's s financing model and liquidity profile are mainly characterised by:
- a substantial base of customer deposits;
- a spread over the Belgian and Dutch markets;
- limited but growing diversification towards wholesale funding;
- a liquid securities portfolio.

Funding policy is directed first and foremost at obtaining funding from retail customers in Belgium and the Netherlands 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.

Aspa also uses the interbank and professional market to fund itself. This is done first of all to diversify the sources of funding. Second, it is, albeit to a lesser extent, the outcome of new legal requirements, whereby a minimum of instruments that qualify for bail-in must be maintained. This is one of the reasons why an EMTN programme was set up in early 2019. In addition, to increase flexibility, repos are also used and the Company participated in the ECB's TLTRO-III operation at the end of 2019.

Liquidity sources on the assets side consist of a differentiated portfolio of high quality instruments. These are mainly central bank reserves, government bonds, securitisations and corporate bonds. In addition to the liquid assets eligible for the LCR, the Aspa 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.

Aspa maintains a derivatives portfolio with a view to hedging the interest rate risk. The value of this portfolio is hedged with collateral. 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 evolution of Aspa's rating. The evolution of the collateral is closely monitored.

Funding sources	31/12/2018	31/12/2019
Deposits from central banks	0.00%	0.12%
Deposits from credit institutions	0.01%	0.03%
Deposits from other than central banks and credit institutions	90.34%	88.34%
Savings certificates issued to retail customers	1.11%	0.24%
Senior debt securities issued to retail customers	0.00%	0.00%
Other debt securities issued to institutional investors	5.45%	7.51%
Subordinated debt securities issued to retail customers	0.17%	0.05%
Subordinated debt securities issued to institutional investors	1.36%	1.25%
Other liabilities	1.56%	2.47%
Total liabilities	100.00%	100.00%
Total liabilities in euro	**37,545,384,955**	**40,897,188,100**

Risk Management in the Bank Pool

Alco systematically monitors the liquidity indicators. First line responsibility for the measuring, monitoring, checking and reporting of the liquidity risk lies with the ALM department. The liquidity risk is monitored both from a market liquidity risk perspective (liquidation value of assets) and from a refinancing risk perspective (stability of financing). Management of the liquidity position falls under the authority of the Treasury and Investment Management department.

For measuring, monitoring, checking and reporting on the liquidity risk, the Company has a specially adapted management information system, 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 fully 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 financing 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 the following risk indicators:

- 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): this ratio compares available liquidity against required liquidity over an at least one-year period;
- The AER (Asset Encumbrance Ratio) compares the amount of unencumbered assets with the volume of protected deposits and;
- Wholesale funding ratios: these ratios track the proportion of institutional funding and refinancing risk within set limits.

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

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

	Legal limit	31/12/2018	31/12/2019
LCR	100%	170%	172%
NSFR	100%	141%	136%
AER strict (RAF limit)		107.6%	107.6%
AER wide (RAF flashing light)		111.6%	112.9%

The flashing light threshold and the recovery plan threshold for the AER depend on the category determined as a function of the eligible deposits as referred to in Article 389 of the Banking Act in relation to the total assets of the institution. In the course of 2018, this ratio fell below 90%, and the Company falls within category 2.

Risk management in the Insurance Pool

Future liquidity is monitored 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 maturity gap analysis. These management measures include adjusting the balance sheet through proactive initiatives to keep the funds released from the insurance contracts with Aras invested and setting up credit lines with financial institutions.

The most important RAF risk indicator in the management of liquidity risk in the Insurance Pool is the ratio of cumulative maturity gap to free repo capacity, along with the ratio of ECB securities to Life coverage values, which serves to monitor the desired level of repo capacity.

Maturity analysis Bank Pool

Notes 14, 15 and 16 contain additional information on the remaining terms of the financial assets recognised at fair value through other comprehensive income and the financial assets recognised at amortised cost. 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.

31/12/2018	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities held for trading	0	0	0	0
Financial liabilities at amortised cost				
- Deposits from central banks	0	0	0	0
- Deposits from credit institutions	4,930,530	0	0	0
- Deposits from other - on demand	31,407,866,289	0	0	0
- Deposits from other - on term	401,311,354	491,276,156	1,317,184,875	299,291,400
- Debt securities issued - saving certificates	81,928,747	235,584,271	98,417,681	0
- Debt securities issued - other	63,622,961	175,645,653	757,031,323	1,050,937,057
- Subordinated debt securities issued	6,407,219	37,686,939	531,300,078	0
- Other financial liabilities	0	0	0	0
Derivatives used for hedge accounting	24,131,733	98,201,626	387,295,532	396,405,530
Total financial liabilities	**31,990,198,883**	**1,038,394,645**	**3,091,229,489**	**1,746,633,987**

31/12/2019	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities held for trading	0	0	0	0
Financial liabilities at amortised cost				
- Deposits from central banks	0	0	47,471,427	0
- Deposits from credit institutions	8,497,866	0	2,015,177	0
- Deposits from other - on demand	33,847,479,654	0	0	0
- Deposits from other - on term	386,993,112	441,187,760	1,231,490,548	220,365,051
- Debt securities issued - saving certificates	77,787,319	20,548,563	0	0
- Debt securities issued - other	129,528,956	259,746,518	1,926,603,057	753,826,656
- Subordinated debt securities issued	18,908,267	3,418,068	510,330,274	0
- Other financial liabilities	1,808,922	5,426,767	18,079,957	9,655,721
Derivatives used for hedge accounting	25,356,629	77,746,444	344,336,584	340,290,159
Total financial liabilities	**34,496,360,725**	**808,074,120**	**4,080,327,024**	**1,324,137,587**

‘Financial liabilities held for trading’ consist of the derivatives (caps) entered into for economic interest rate risk hedging, but for which no formal hedge accounting could be applied. A premium was received in advance for these caps, but in view of the current interest rate environment, no further cash flows are expected during the remaining term (expectation that the strike price will not be exceeded).

For ‘derivatives used for hedging purposes’ the interest flows can be found in the interest rate swaps for the categories in question. The fixed and variable rates as of 31 December 2019 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 other financial liabilities relate to lease debts.

The bulk of the 'subordinated debt securities issued' as of 31 December 2019 consists of the subordinated Tier 2 loan in a nominal amount of EUR 500 million. The balance consists of subordinated certificates.

Maturity analysis Insurance Pool

The Insurance Pool does not use derivatives and therefore has no derivative obligations. The maturity analysis of the liability categories is shown in the table below.

31/12/2018	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities related to unit-linked insurance contracts (branch 23)	38,337,472	116,246,023	602,398,193	1,269,341,295
Financial liabilities measured at amortised cost				
- Deposits from credit institutions	30,000,000	60,000,001	65,000,001	0
- Other deposits - fixed term	46,730	143,342	4,407,985	358,667,467
- Other financial obligations	50,771,594	137,275,097	427,263,707	0
Liabilities under reinsurance and insurance contracts				
- Life	46,735,264	124,891,125	1,479,531,643	1,018,272,398
- Non-life	24,057,027	72,171,080	58,478,735	60,126,154
Total financial and insurance liabilities	**189,948,087**	**510,726,669**	**2,637,080,265**	**2,706,407,315**

31/12/2019	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities related to unit-linked insurance contracts (branch 23)	52,897,883	217,376,492	639,781,544	1,475,269,917
Financial liabilities measured at amortised cost				
- Deposits from credit institutions	55,000,950	30,000,000	0	0
- Other deposits - no fixed term	81,724	0	0	0
- Other deposits - fixed term	0	0	0	11,499,532
- Other financial obligations	199,432,580	152,903,513	67,753,185	0
Liabilities under reinsurance and insurance contracts				
- Life	88,764,854	148,661,398	1,466,217,446	1,161,191,966
- Non-life	26,417,214	79,251,642	59,535,263	59,083,847
Total financial and insurance liabilities	**422,595,204**	**628,193,045**	**2,233,287,438**	**2,707,045,262**

'Financial liabilities related to unit-linked insurance contracts (branch 23)' relate to investment contracts (branch 23). The outstanding reserves are classified according to the remaining contractual term.

With the ‘other financial obligations’ and the ‘liabilities under insurance and reinsurance contracts, the outstanding reserves are recognised according to the remaining contractual term, including the guaranteed interest flows of the outstanding contracts and financial liabilities relating to lease debts. 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 reserves.

‘Deposits from credit institutions’ relate to repos. Deposits with no fixed maturity were classified for this report under less than 3 months. The ‘other financial obligations’ consist mainly of a current account between Aras and Aspa.

5.3. Credit risk

Exposure

Credit risk is the risk of an 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.

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 together with the portfolio of loans to local and regional authorities and (selectively) to corporates, and reinsurers. Credit risk management is therefore focused on these three segments.

Risk management

In the retail segment, the Company’s target group consists of individuals, families, self-employed persons and liberal 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 be for professional purposes, in the case of Argenta’s own branch managers.

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, along with set creditworthiness limits, monitoring procedures and a monthly follow-up of the credit risk indicators on portfolio production. For production year 2019, Kreco and Prico ensured that no concentrations of higher LTV (loan-to-value) or higher DTI/LTI (debt service to income/loan-to-income) occurred. This governance is supported through the operation of the Retail Credit Risk Committee with reporting to the Executive Committee and to the risk Committee of the Board of Directors.

The non-retail investment framework focuses on strong counterparty quality, with a focus on significant diversification of investments in national governments, financial institutions, corporates, indirect real estate, structured products such as RMBS and covered bonds, and securities of or loans to local authorities.

The application and practical implementation of the investment policy is also supported by the Investment Consultation, in which representatives of the Executive Committee (in the case of escalation), Treasury and Investment Management (TIM), Treasury and Investment Services (TIS) and the Credit Risk Analysis (CRA) department in the first line, and Risk in the second line, are represented.

The internal investment framework establishes which positions and which ratings may be considered for investment, and in which amounts. The ratings of all interest-bearing securities are then systematically monitored. If, after purchase, the rating of a bond/non-retail loan drops below the set minimum rating requirement, the position concerned will be discussed again by ALCO and the Rating Consultation (RC).

Every year, credit analysis of the banking and corporate counterparties is carried out. The results of rating reviews are discussed in the monthly Rating Committee (RO), which reports to Alco. This consultation 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.

To manage the reinsurer risk, the Company uses the services of a reinsurance broker to place the reinsurance contracts in the market. The contract concluded with reinsurance broker stipulates that all reinsurers are required to maintain a minimum A+ rating. The concentration risk is limited by placing the coverage is placed with multiple re-insurance companies. Further information about reinsurance is included in the notes regarding the insurance risk.

Internal models for credit risk

Aspa 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. The bank has developed rating models for this. 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. The total mortgage loan portfolio is scored on a monthly basis with these PD and LGD models (AIRB approach) and a PD and LGD category is determined for each loan. These ratings form the basis for calculating the capital charge for unexpected losses. For banking and corporate counterparties, this is a FIRB approach, for which a PD model has been developed. The internal rating models are subjected to internal review on an at least annual basis.

Maximum credit risk

The total credit risk exposure of the Bank Pool consists of 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 securities purchases in progress, credit commitments and financial) loan commitments) as specified in the equity legislation (Basel). The table below shows the outstanding credit risk of the Bank Pool as reported in the prudential COREP tables. For the off-balance sheet exposures, this is the maximum exposure (before the application of the conversion factors, the so-called 'credit conversion factor' or 'CCF' in the Basel legislation). The Pillar 3 Disclosures give further information and interpretation of this total exposure.

	31/12/2018	31/12/2019
Total on-balance sheet	39,441,081,531	42,821,219,200
Total off-balance sheet	2,296,927,037	2,368,925,725
Total derivatives	279,761,920	189,950,325
Total exposure to credit risk	**42,017,770,489**	**45,380,095,250**

The maximum exposure to credit risk in the Insurance Pool consists largely of on-balance sheet positions and amounts to EUR 7,064,345,940 as of 31 December 2019, compared with EUR 6,637,476,748 as of 31 December 2018. The Insurance Pool has a limited number of off-balance sheet positions (purchasing securities under credit commitments) amounting to EUR 18,588,917 compared with EUR 3,689,446 as at 31 December 2018.

Collateral and other forms of credit improvement

Personal guarantees or collateral are always required when granting retail mortgage loans. For such collateral (in this case the properties on which a registration may be registered, in certain cases combined with a power of attorney) individual expert valuations are periodically undertaken at different points in the credit cycle. Valuations can be made at the start of the credit using the rules defined in the acceptance framework. In addition, control estimates of collateral are performed on a random sample of collateral 1 year after the start of the credit, in cases where the collateral was not assessed by an expert at the outset. During the further life of the loan, a statistical method is used to put together a set

of sample collateral items for individual expert valuation. Individual estimates can also be performed at the start of a foreclosure procedure.

In addition, the values of the collateral in the portfolio are regularly indexed to ensure that there is always a current value on file.

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

In the case of non-retail securities and loans, collateral or credit protection exists to a limited extent. This mainly takes the form of guarantees from local, regional or central governments or from the companies affiliated with the counterparty.

The collateral given does not give rise to the recording of an asset on the Company's balance sheet.

During 2019, no significant negative changes took place in the quality of the collateral present and no major changes were made to the collateral solicitation policy. The criteria stipulated in the Acceptance and Authorization Framework for the execution of an expert estimate at the start were adjusted with a focus on the close follow-up of files with a high loan-to-value ratio (being the amount of the loan granted compared to the value of the underlying collateral). Action plans have been drawn up to further improve the collateral valuation processes.

Concentration of credit risk

Concentration risk is the risk associated with having a large concentration of loans to or securities of an individual counterparty or a group of related counterparties (counterparty concentration) or as a result of an uneven distribution across markets, sectors or countries/regions (sector concentration). The latter occurs when significant risk positions are taken on counterparties whose probability of default and/or loss in case of default are driven by common underlying factors.

The table below shows, for the retail portfolio, the percentage distribution of the different types of loans and receivables within the 'loans and advances' heading.

	31/12/2018		31/12/2019	
	Carrying amount	%	Carrying amount	%
Advances and overdrafts	11,998,784	0.04%	3,852,705	0.01%
Consumer loans	162,833,480	0.54%	233,426,589	0.72%
Mortgage loans Belgium	13,194,950,466	43.54%	13,753,968,852	42.64%
Mortgage loans Netherlands	16,605,619,525	54.79%	17,895,676,053	55.48%
Term loans	333,203,127	1.10%	367,601,756	1.14%
Total	**30,308,605,382**	**100.00%**	**32,254,525,955**	**100.00%**

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

The Company's non-retail portfolio consists of investments in fixed-income securities and lending to local and regional authorities and (selectively) to corporates.

	31/12/2018		31/12/2019	
	Carrying amount	%	Carrying amount	%
Financial assets at fair value through other comprehensive income	**5,185,445,628**	**100.00%**	**4,899,569,531**	**100.00%**
Debt securities				
General Governments	1,452,641,449	28.01%	1,070,021,298	21.84%
Credit Institutions	1,807,698,441	34.86%	1,841,875,205	37.59%
Other Financial corporations	589,779,672	11.37%	605,753,165	12.36%
Non Financial corporations	1,335,326,066	25.75%	1,381,919,863	28.20%
Financial assets at amortised cost	**6,216,984,830**	**100%**	**5,732,950,377**	**100.00%**
Debt securities				
General Governments	2,371,953,106	38.15%	1,951,953,364	34.05%
Credit Institutions	638,838,526	10.28%	557,995,935	9.73%
Other Financial corporations	1,371,432,204	22.06%	1,248,873,938	21.78%
Non Financial corporations	1,238,657,703	19.92%	1,183,796,591	20.65%
Term loans	596,103,291	9.59%	764,328,595	13.33%
Leasing	0	0.00%	26,001,954	0.45%
Non-trading financial assets mandatorily at fair value through profit or loss	**112,398,366**	**100%**	**135,684,091**	**100.00%**
Debt securities				
General Governments	19,846,419	17.66%	19,891,138	14.66%
Credit Institutions	27,657,066	24.61%	24,501,282	18.06%
Other Financial corporations	22,434,064	19.96%	29,111,431	21.46%
Non Financial corporations	42,460,818	37.78%	62,180,240	45.83%

The following table provides a geographic breakdown of the portfolio. It documents a large exposure to Belgium (Company head office location).

	31/12/2018	31/12/2019		31/12/2018	31/12/2019
Belgium	36.26%	34.36%	Iceland	0.69%	0.81%
The Netherlands	13.90%	14.93%	Finland	0.60%	0.61%
France	12.22%	13.18%	Slovenia	1.14%	1.54%
Spain	4.71%	4.56%	Czech Republic	0.98%	0.91%
Germany	4.21%	5.55%	Italy	1.32%	0.99%
Ireland	3.91%	4.44%	Romania	0.42%	0.39%
United Kingdom	3.26%	2.11%	Mexico	0.74%	0.83%
Luxembourg	2.81%	3.03%	Norway	0.31%	0.10%
Sweden	3.00%	2.80%	Indonesia	0.23%	0.30%
Poland	1.85%	2.08%	Hungary	0.09%	0.10%
Canada	1.72%	2.08%	Australia	0.33%	0.26%
Austria	1.23%	0.16%	Latvia	0.19%	0.20%
Denmark	1.24%	1.24%	Lithuania	0.19%	0.21%
United States of America	1.59%	1.24%	Slovakia	0.32%	0.35%
			Other	0.54%	0.64%
			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.

Expected credit losses (ECL) (stage 1 and stage 2)

Inputs, assumptions and techniques

Write-downs on the financial instruments in the retail portfolio are determined on the basis of a scenario-weighted model that includes historical and forward-looking information. The expected credit losses (ECL) are calculated as the sum of the weighted credit losses under a baseline scenario, a moderate falling scenario and a moderate recovery scenario. Credit losses are calculated by applying the probability that a borrower defaults to the expected exposure in the event of default, taking into account the expected loss in the event of default, discounted at the effective interest rate of the instrument and adjusted for the credit's survival chances. The ECLs are calculated for the relevant period from the reporting date, being 1 year (stage 1) or the entire remaining life of the contract (stage 2).

- The probability of the borrower defaulting ('Probability of Default' - PD) is determined by a PD model that takes into account the individual characteristics of the instrument (internal rating category, historical performance) and based on a 'through-the- cycle' (TTC) component (average macroeconomic conditions) and a 'point-in-time' (PIT) component (forward-looking macroeconomic conditions).
- 'Exposure at Default' (EAD) is calculated on the reporting date and over the life of the instrument and includes both on- and off-balance sheet exposures. The on-balance sheet exposure consists of the sum of the outstanding capital plus any arrears. The projection of the on- balance sheet exposures over the remaining term takes into account the contractual repayments. Off-balance sheet exposures (being the credit pipeline, unused credit lines and building deposits) are included based on the modelled expected conversion and take-down. The EAD is corrected for the likelihood of partial prepayment.

- 'Loss Given Default' (LGD) is a measure of the expected loss on a loan if this counterparty fails. This factors in the likelihood of the customer being to resume his payment obligations over time ('Cure rate'), the expected recovery and realisation value of the collateral involved and the costs related to default or curing.
- A credit's survival chances are defined as the probability that a credit at the start of a specified period:
  - (i) is not fully repaid or
  - (ii) is not in default or disappears from the portfolio after default.
- Effective interest is the return on the loan on an annual basis, taking into account all direct costs. Due to the limited impact of direct costs on the effective interest rate, the contractual interest rate is used as an approximation.

Impairments on the non-retail portfolio are determined by mapping the current value of the cash flows that would be lost if a debtor defaulted at the effective interest rate of the instrument. To this is applied the probability of the debtor defaulting over a certain period.

- cash flows from a financial instrument are determined based on the prospectus (or equivalent document) of the asset. Argenta does not estimate the probability of early repayments and projects cash flows until the first call date of the instrument, as historically these elements have been seen to have no significant impact;
- effective interest rate is the rate determined, on initial recognition, at instrument level, as the annual interest rate over the life of the asset, taking into account coupon payments and any difference between the fair value of the instrument when recorded on the balance sheet and its notional value;
- the PD is determined on the basis of external 'Standard & Poors' (S&P) information. This is because, to date, no defaults have occurred in Argenta's 'non-retail' portfolio and no in-house data are therefore available. Various adjustments are made to the external PD data to determine an average long-term PD. The long-term PDs are then converted into PIT PDs;
- the LGD is based on the standard approach Basel LGD percentages (covered: 11.25%; senior unsecured: 45%; subordinated: 75%).

Incorporation of forward-looking (FL) information

For the retail portfolio, macroeconomic FL information is included both in the ECL calculations and in determining the PIT LT PD. For the ECL and PIT LT PD, 3 different scenarios (baseline, moderate downturn and moderate recovery scenario) are calculated based on macroeconomic expectations, with the scenarios used (including the weight of each scenario) being the same as those used for the internal budgeting process. The relevant macroeconomic expectations relate to the expected evolution of the unemployment rate (for PD) and the house price index (for LGD). The ECL and PIT LT PD is the sum of the baseline, moderate downturn and moderate recovery scenarios weighted with their weights. The scenarios and their weights are established every six months.

The inclusion of FL information in the non-retail portfolio is achieved by applying historical correlation factors of long-term PDs, default frequencies and macroeconomic factors to the long-term PD for future periods, taking into account current and future macroeconomic expectations. The long-term PDs are then converted into PIT PDs. The economic indicators included in this analysis are: the evolution of GDP growth, unemployment rates, S&P 500 index, World Bank Energy Index, World Bank Non-Energy Index and a measure of the proportion of negative credit rating revisions. Due to the requirement for FL information to be scenario-weighted, different scenarios (standard, better and worse) are taken into account per system factor per year in calculating the PIT PDs. The scenarios and the weighting of these scenarios are determined internally based on Argenta's business plan. The final FL PIT PDs are reviewed at least annually.

Significant increase in credit risk and low risk exception

Within the retail portfolio, the Company identifies any significant increase in credit risk since initial recognition of the instrument through a quantitative analysis and/or based on qualitative indications. A number of safety net indicators have also been built in which automatically lead to an instrument's migrating to stage 2. The 'staging' models have been adjusted to the specificity of the Company's various retail portfolios.

The quantitative analysis is based on the evolution of the 'lifetime' PD using the so-called 'confidence interval' method. At per the reporting date the remaining 'lifetime' PD, PD_{LT}) is compared with the upper limit of remaining 'lifetime' PD (PD_{bg}) taking into account the characteristics of the instrument as they were present at the time of initial recording of the instrumentPD_{th})). The 'staging' model can be summarised as follows:

- Stage 1 – 12-month ECL: $PD_{LT} \leq PD_{bg}$;
- Stage 2 – Lifetime ECL: $PD_{LT} > PD_{bg}$;

The qualitative indications and safety net indicators include a number of criteria that were not included in the PD model. The following qualitative elements, among others, give rise to the recording of an instrument in stage 2:

- Attributing of a forbearance measure to an instrument;
- Unlikeliness to pay (UTP) score on an instrument that did not lead to the recording of the instrument as non-performing;
- Recording of the instrument as non-performing in the past 12 months.

The Company does not use the 'Low credit risk' exemption for retail instruments. This means that on every reporting date an analysis of the increase in credit risk is done for all instruments. The assumption that a significant increase in credit risk has occurred with contractual payments that are more than 30 days in arrears is not refuted.

In the non-retail portfolio, the Company identifies a significant increase in credit risk since initial recognition of the instrument via a negative revision of the creditworthiness of the related counterparty or based on an ad hoc internal analysis. The 'staging' of non-retail securities and loans is based on internal credit ratings, or, where these are not available, on external credit ratings, and can be summarised as follows:

- Stage 1: contains instruments with investment grade counterparties and counterparties that, at the time of recognition, had a non-investment grade rating without negative revision;
- Stage 2: counterparties with an investment grade or non-investment grade rating on initial recognition that have been negatively revised to non-investment grade or one credit score lower respectively. Deviations to this rule are permitted only if there is no significant credit deterioration and with the approval of the Rating Committee.

In addition to the policies listed above, there are a number of "triggers" that may require an ad hoc analysis of the counterparty's internal rating:

- When a rating agency negatively revises the creditworthiness of a counterparty: ad hoc analysis of the motivation for the negative revision and estimate whether it is relevant as a significant increase in credit risk;
- Regional crisis;
- Negative news about a counterparty;
- Mergers and acquisitions.

If the ad hoc analysis leads to a negative revision of the internal creditworthiness assessment of the counterparty (to non-investment grade or reduction by a grade for non-investment grade) the instrument migrates from stage 1 to stage 2. Counterparties with neither an internal nor an external rating are assessed at instrument level on the basis of expert knowledge. For the staging, overarching country and or sector risks are also taken into consideration. All counterparties falling into such a category are then placed on a 'watch list' for closer monitoring, and migrate to stage 2 based on a decision of the Rating Committee.

The Company uses the 'Low credit risk' exemption for non-retail instruments, whereby an instrument is assumed to be low credit risk if the creditworthiness is investment grade. This corresponds to a minimum S&P credit rating of 'BBB-'. The assumption that a significant increase in credit risk has occurred with contractual payments that are more than 30 days in arrears is not refuted. On the basis of the ad hoc analysis system and the permanent watch list for counterparties with an increased risk, the Company expects migration to stage 2 to have taken place before the occurrence of default events.

Grouping of financial instruments

The Company does not use grouping of instruments based on common credit risk characteristics for modelling parameters for ECL.

Changes in inputs, assumptions and techniques

There are no changes in valuation techniques or significant assumptions underlying the models used during the reporting period. The management overlays have been adjusted.

Default, non-performing and credit-impaired (stage 3)

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 its obligations ('unlikely to pay' or 'UTP'). There are UTP indicators that immediately give rise to UTP on an individual basis, and there are also UTP indicators that in combination give rise to UTP (but not on an individual basis). The main UTP indicators are:

- granting an additional forbearance to the debtor;
- bankruptcy of the debtor;
- collective debt settlement;
- credit fraud;
- wage assignment by third parties;
- conviction/imprisonment of the debtor;
- general lack of confidence in the debtor's repayment capacity resulting from the contact between the file manager/ branch manager and the debtor.

The Company applies equal treatment to default, non-performing and credit-impaired situations. Individual impairments are determined based on defaulted receivables based on the difference between the outstanding receivable and the expected recoveries.

For changing its prudential definition of default, the Company has decided to use the two-step approach proposed by the ECB. Under this approach, in a first step, permission was requested of the supervisor, via an application file to be submitted by the end of 2018, to change the definition of default. ECB approval was obtained on 15 January 2020. After approval, Argenta must apply the new definition from 9 March 2020 in its reporting and then, in step two, adjust its models to the internal rating approach by June 2021.

The table below gives an overview of the stage 1, 2 and 3 receivables per category of financial instruments and the transfers between phases.

	31/12/2018			31/12/2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost	**31,577,890,132**	**4,876,317,694**	**137,645,939**	**36,571,411,287**	**1,865,649,400**	**116,851,728**
Debt securities	5,571,226,042	51,843,732	0	4,893,375,589	51,832,695	0
Loans and advances	26,006,664,090	4,824,473,962	137,645,939	31,678,035,698	1,813,816,705	116,851,728
of which leasing receivables	0	0	0	26,001,954	0	0
Financial assets at fair value through other comprehensive income	**5,181,300,249**	**5,122,988**	**0**	**4,766,863,356**	**0**	**0**
Debt securities	5,181,300,249	5,122,988	0	4,766,863,356	0	0
Equity instruments						
Total financial assets	**36,759,190,381**	**4,881,440,682**	**137,645,939**	**41,338,274,643**	**1,865,649,400**	**116,851,728**
Loan commitments, financial guarantees and other commit-ments given	**1,576,286,387**	**87,858,944**	**0**	**1,387,104,192**	**21,031,952**	**0**
of which purchased credit-impaired financial assets	0	0	0	0	0	0

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Financial assets at amortised cost	**1,869,834,147**	**1,157,421,959**	**31,726,801**	**47,103,614**	**1,072,650**	**9,785,659**
Debt securities	23,739,673	12,086,220	0	0	0	0
Loans and advances	1,846,094,474	1,145,335,739	31,726,801	47,103,614	1,072,650	9,785,659
of which leasing receivables	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
Debt securities	0	0	0	0	0	0
Equity instruments						
Total financial assets	**1,869,834,147**	**1,157,421,959**	**31,726,801**	**47,103,614**	**1,072,650**	**9,785,659**
Loan commitments, financial guarantees and other commitments given	**75,649,765**	**38,398,125**	**0**	**0**	**0**	**0**

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Financial assets at amortised cost	**2,288,587,649**	**5,118,387,211**	**70,051,657**	**54,902,656**	**7,279,020**	**477,161**
Debt securities	41,234,114	0	0	0	0	0
Loans and advances	2,247,353,535	5,118,387,211	70,051,657	54,902,656	7,279,020	477,161
of which leasing receivables	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
Debt securities	0	0	0	0	0	0
Equity instruments						
Total financial assets	**2,288,587,649**	**5,118,387,211**	**70,051,657**	**54,902,656**	**7,279,020**	**477,161**
Loan commitments, financial guarantees and other commitments given	**132,815,382**	**100,837,537**	**0**	**0**	**0**	**0**

The mutation table below gives an overview of the stage 1, 2 and 3 impairments.

	01/01/2018	Origination and acquisition	Derecog-nition	Changes in credit risk (net)	Modificati-ons without derecog-nition (net)	Write-offs	Other	31/12/2018
Stage 1	**-3,680,678**	**-1,491,318**	**808,467**	**605,357**	**738**		**-81,128**	**-3,838,562**
Debt securities	-1,687,164	-637,019	321,725	-546,016	0		-15,407	-2,563,881
Loans and advances	-1,993,514	-854,299	486,743	1,151,373	738		-65,721	-1,274,681
Stage 2	**-14,119,760**	**-882,850**	**1,629,526**	**3,913,147**	**27,493**		**-1,010,203**	**-10,442,647**
Debt securities	-1,552,812	0	257,702	693,147	0		0	-601,963
Loans and advances	-12,566,948	-882,850	1,371,824	3,220,000	27,493		-1,010,203	-9,840,684
Stage 3	**-21,027,952**	**-227,606**	**8,489,358**	**-10,922,529**	**272,491**	**10,573,423**	**-11,033**	**-12,853,848**
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-21,027,952	-227,606	8,489,358	-10,922,529	272,490	10,573,423	-11,033	-12,853,849
Provisions on loan commitments, financial guarantees and other commitments given	**-499,014**	**-2,528,826**	**1,862,993**	**-181,287**	**228,064**	**0**	**-18,741**	**-1,136,811**
Stage 1	-439,619	-2,489,439	1,699,202	81,711	116,829		-7,146	-1,038,462
Stage 2	-59,395	-39,387	163,791	-262,998	111,236		-11,595	-98,349
Stage 3	0	0	0	0	0	0	0	0
Total	**-39,327,404**	**-5,130,600**	**12,790,344**	**-6,585,312**	**528,786**	**10,573,423**	**-1,121,104**	**-28,271,868**

	01/01/2019	Origination and acquisition	Derecog-nition	Changes in credit risk (net)	Modificati-ons without derecog-nition (net)	Write-offs	Other	31/12/2019
Stage 1	**-3,838,562**	**-1,816,024**	**1,329,864**	**-1,273,916**	**1,890**		**-1,127,588**	**-6,724,336**
Debt securities	-2,563,881	-700,494	946,026	-1,316,798	0		0	-3,635,147
Loans and advances	-1,274,681	-1,115,530	383,838	42,882	1,890		-1,127,588	-3,089,189
Stage 2	**-10,442,647**	**-931,927**	**2,062,119**	**4,984,219**	**-2,018**		**-5,297,298**	**-9,627,552**
Debt securities	-601,963		757,275	-581,411	0		0	-426,099
Loans and advances	-9,840,684	-931,927	1,304,844	5,565,630	-2,018		-5,297,298	-9,201,453
Stage 3	**-12,853,848**	**-453,299**	**3,471,067**	**-6,106,667**	**257,705**	**3,180,863**	**0**	**-12,504,179**
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-12,853,849	-453,299	3,471,067	-6,106,667	257,705	3,180,863	0	-12,504,180
Provisions on loan commitments, financial guarantees and other commitments given	**-1,136,811**	**-3,077,841**	**3,424,745**	**6,065**	**0**	**0**	**-138,091**	**-921,933**
Stage 1	-1,038,462	-2,995,199	3,084,803	162,403	0		-85,548	-872,003
Stage 2	-98,349	-82,642	339,942	-156,338	0		-52,543	-49,930
Stage 3	0	0	0	0	0	0	0	0
Total	**-28,271,868**	**-6,279,091**	**10,287,795**	**-2,390,299**	**257,577**	**3,180,863**	**-6,562,977**	**-29,778,000**

For the receivables in stage 3 amounting to EUR 116,851,728, EUR 12,504,179 of impairments have been recorded.

For the assets recorded at amortised cost, the expected credit losses are deducted from the financial assets. For the financial assets measured at fair value through comprehensive income, the expected credit losses form part of the other components of comprehensive income. The expected credit losses of the off-balance sheet items (loan commitments, financial guarantees and other commitments) are recorded as a provision.

Write-off method

Credit files are written off in the Belgian portfolio when they meet certain conditions. The following criteria are important for mortgages or mortgage receivables:

- The mortgage has been called (no way back) and the collateral security has already been sold. The proceeds from this sale have been collected for the most part or no proceeds have been collected from the sale because the Company's receivable is not classified as positive.
- A mortgage borrower is admitted to collective debt restructuring or is in a state of bankruptcy and the collateral that served as guarantee has already been sold.
- The procedural costs involved in enforcing the guarantee are out of proportion with the possible benefits, as a result of which the guarantee cannot be sold.

For the Dutch portfolio, receivables are written off if, after enforcement of all the guarantees present, a residual debt remains and no further recovery options are expected.

The following criteria play an important role in the writing off of instalment loans:

- The loan has been called (no way back). No more than 2 years after this date the loan is considered irrecoverable.
- An instalment loan debtor has been admitted to collective debt restructuring procedures or is in a state of bankruptcy.

Where, for credits written off according to the above criteria, payments continue to come in, or where the Company still sees possibilities of recovery, such credits will continue to be monitored by the credit specialists of the Curative Lending Management sub-department. Proceedings continue as long as the cost-benefit analysis remains positive. Limitation periods are tracked and interrupted where necessary. The definitively written-off receivables amount to EUR 10,573,423 for 2018 and EUR 3,180,863 for 2019. Several of these receivables are still the subject of enforcement and recovery procedures and are being followed up on an individual basis by file managers. The recoveries received with respect to definitively written off receivables amount to EUR 1,958,551 in 2019 (EUR 1,853,595 in 2018).

Contract modification and Forbearance

Forbearance measures may be authorised by the Company with a debtor who is unable or will soon be unable to meet his financial obligations. These forbearance measures are agreed upon in direct consultation between the counterparty and the Company's Special Management sub-department (for Dutch loans), and Curative Management sub-department (for Belgian loans). The following measures are permitted:

- Cancellation of penalties (specifically for Dutch loans);
- Conversion of repayment form or interest (specifically for Dutch loans);
- Interest rate averaging (specifically for Dutch loans);
- Extending of repayment period (specifically for Belgian loans);
- Internal refinancing (specifically for Belgian loans).

Internal refinancings give rise to the recording of a credit receivable, and the repayment (and derecognition) of the refinanced credit claim. Any refinancing permitted under a forbearance measure is recorded in this way. In most cases, when granting forbearance measures that do not represent internal financing, additional future compensation and fees are always included, in such a way that the instrument is permanently included in the balance sheet and no significant valuation impact arises.

The awarding of a forbearance measure is a qualitative indicator for identifying a significant increase in credit risk, and automatically leads to migration to stage 2. Migration to stage 1 is possible once the forbearance measure has ended.

	31/12/2018	31/12/2019
Gross carrying amount of exposures with forbearance measures	73,166,987	71,450,219
of which performing exposures wirth forbearance measures	35,551,436	44,299,119
of which non-performing exposures with forbearance measures	37,615,552	27,151,101
Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	2,935,277	1,790,052
Collateral and financial guarantees received	68,424,785	65,902,145

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. Underwriting risks

Exposure

The underwriting risk includes generally all risks associated with the nature of the underwriting of insurance activities. It is the risk of a negative change in the financial situation, 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 underwriting 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 underwriting risks are mortality and longevity risk, morbidity risk, risks arising from charges, release risk, premium and reserve risk and catastrophe risk.

The mortality 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 underwriting debt 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 hospitalization 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 acquiring 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 uncertainty about 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 debt balance insurance.

Risk management

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 IRMS (actuarial) sub-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 customized 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 minimize 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.

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 the Company's acceptance policy and risk appetite and are enshrined in the 'Reinsurance' policy. The VRC (Insurance Risk Committee) 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 omnium (fully comprehensive): annual aggregate excess of loss per event and Top&Top XL layer;
- life: excess sums for individual death risk.

Unlike the Non-Life reinsurance programme, which must be renewed annually, the Life Reinsurance Program is a 3-year treaty, which was renewed at the end of 2019. This reinsurance programme offers mortality coverage. This means that Aras transfers part of the risk premium that Aras charges to customers to the reinsurers. In return, the reinsurer pays the death benefit upon the death of the customer. Just like the previous contract, it was decided - with retention of profit participation - to fully reinsure Aras for Life. The contract negotiated is a 2-year rolling contract.

The table below shows the reinsurance premiums paid:

	31/12/2018	31/12/2019
Property	1,514,441	1,708,248
Motor	1,455,408	1,556,117
Liability	201,101	230,150
Life	10,701,262	12,221,427
Total	**13,872,212**	**15,715,942**

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);
- Net Interest Income margin) branch 21: 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 compared to discounted premiums;
- Combined Damage Ratio including reinsurance;
- Combined Health Ratio.

Sensitivity analysis

For Life insurance 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 market value of equity. It is clear that the market value of equity is the most sensitive to changes in release. This is driven mainly by the debt balance insurance policies and the large portfolio of branch 23 savings products (Argenta Life Plan). Production of both insurance types occurred during 2019. For both portfolios, a decline in the number of policies implies a decrease in future profits (in particular fee income for the branch 23 investment funds). It should be noted that in relative terms the impact is greater on debt balance insurance than on the branch 23 savings product.

The costs scenario generates an increase in the technical provisions, with all products being impacted. Debt balance policies and the branch 21 savings product Argenta Flexx are particularly sensitive here given the long term nature of these products. The Argenta Life plan savings product (both branch 21 and branch 23) contributes strongly to the impact on the market value of equity because of the size of the portfolio, although the impact on the technical provisions is relatively small.

Finally, the impact of the mortality scenario on the market value of equity is negligible. Again, debt balance insurance makes the largest contribution.

Relative to last year, the release shock has increased due to new production in debt balance insurance (SSV) and in branch 23. Both have future profits in the Best Estimate. The death shock is mainly driven by the SSV production. Finally, the cost shock remains fairly stable because the basic hypothesis changes costs only to a limited extent.

	31/12/2018	31/12/2019
Sensitivity		
Release	-60,756,170	-70,693,748
Costs	-35,854,444	-35,194,053
Mortality risk	-2,126,999	-3,514,488

For the hospitalization insurance portfolio life the following scenarios are examined 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;
- mortality risk: 15% relative increase in mortality probabilities.

For the hospitalization portfolio too, the release scenario also shows the greatest impact on the market value of 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 mortality scenario generates a somewhat lower impact on the market value of equity. The profitability of the portfolio decreases due to an increase in mortality probabilities.

Relative to last year, the release and mortality shocks are greater in value due to the recalibration of the hospitalization claims, which made the Best Estimate more negative in the base scenario. The cost shock has increased due to an increase in the basic costs of the hypotheses used.

	31/12/2018	31/12/2019
Sensitivity		
Release	-30,816,594	-42,123,055
Costs	-11,603,567	-15,242,482
Mortality risk	-2,957,466	-5,344,007

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 depending on the nature of the non-life insurance, also calibrated according to the principles of the Solvency II standard model. This includes natural disasters (flood, hail, earthquake, storm) and human effects (motor, fire, liability).

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

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

The increase in premium and reserve risk compared to last year is attributable to the growth of the portfolio. The increase in catastrophe risk is mainly due to the increase in own risk retention in the reinsurance contracts in question.

	31/12/2018	31/12/2019
Sensitivity		
Premium and reserve	-35,058,785	-35,195,578
Catastrophe	-13,213,996	-14,523,796

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 are the incident occurrence years;
- 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 have been reconciled with the accounting.

31/12/2019 In mio EUR	< 2002	2002-2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Estimate at the end of the incident year	0	457	49	53	57	74	73	72	70	81	80
1 year later	0	451	47	52	58	78	71	70	68	80	0
2 year later	0	446	45	51	57	73	68	69	67	0	0
3 year later	0	438	44	49	56	72	68	68	0	0	0
4 year later	0	432	44	48	57	71	68	0	0	0	0
5 year later	0	429	44	49	57	70	0	0	0	0	0
6 year later	0	422	44	49	56	0	0	0	0	0	0
7 year later	0	420	44	49	0	0	0	0	0	0	0
8 year later	0	416	44	0	0	0	0	0	0	0	0
9 year later	0	401	0	0	0	0	0	0	0	0	0
Current estimate	229	401	44	49	56	70	68	68	67	80	80
Cumulative payments	222	393	43	46	50	63	54	58	55	57	45
Current provisions	6	8	1	2	7	7	15	10	12	23	35

31/12/2018 In mio EUR	< 2002	2002-2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Estimate at the end of the incident year	0	414	44	49	53	57	74	73	72	70	81
1 year later	0	405	46	47	52	58	78	71	70	68	0
2 year later	0	401	44	45	51	57	73	68	69	0	0
3 year later	0	394	43	44	49	56	72	68	0	0	0
4 year later	0	389	43	44	48	57	71	0	0	0	0
5 year later	0	387	42	44	49	57	0	0	0	0	0
6 year later	0	380	42	44	49	0	0	0	0	0	0
7 year later	0	379	41	44	0	0	0	0	0	0	0
8 year later	0	375	42	0	0	0	0	0	0	0	0
9 year later	0	360	0	0	0	0	0	0	0	0	0
Current estimate	229	360	42	44	49	57	71	68	69	68	81
Cumulative payments	222	351	41	42	46	49	62	53	57	52	42
Current provisions	6	8	0	1	2	8	8	15	13	16	39

Analysis of movement of technical provisions

The table below analyses the technical provisions for branch 21 contracts. An overview of the total technical provisions for life insurance can be found in Note 22.

	31/12/2018	31/12/2019
Opening balance technical provisions branch 21	2,455,083,940	2,624,608,359
Incoming payments	268,717,887	298,916,458
Surrenders, death, end term, annuities	-133,284,171	-178,276,432
Interest cost	50,348,436	50,042,156
Profit sharing	761,523	371,401
Other changes	-17,019,256	11,878,809
Ending balance technical provisions branch 21	2,624,608,359	2,807,540,751
Other	0	0
Supplementary provisions life insurance	20,969,067	20,869,246
Total	**2,645,577,426**	**2,828,409,997**

For branch 23 contracts included in financial liabilities this gives the following picture:

	31/12/2018	31/12/2019
Opening balance technical provisions branch 23	2,157,057,436	2,026,322,984
Incoming payments	279,749,118	154,596,776
Surrenders and death	-173,771,587	-156,102,221
Value fluctuations	-241,959,361	316,386,372
Other changes	5,247,378	44,121,926
Ending balance technical provisions branch 23	2,026,322,984	2,385,325,837
Other	0	0
Total	**2,026,322,984**	**2,385,325,837**

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

5.5. Non-financial risks

Exposure

The overarching definition for non-financial risks is the chance of negative consequences (both financial and/or reputational damage) as a direct or indirect consequence of inadequate or failing internal processes, people or systems, or of external events. Non-financial risks include compliance risk, project risk, legal risk, business continuity risk, sourcing risk, data security and cyber risk, physical asset risk, image risk, process risk, human resources risk, internal change risk (includes strategic risk and contagion risk), external change risk (includes location risk and regulatory risk) and internal fraud risk.

All businesses carrying out activities of any kind have to contend with an operational risk. The Company's activities depend on the ability to process a very large number of transactions efficiently, accurately and in compliance with policies 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).

Risk management

The importance of (and the focus on) non-financial risks has increased significantly in recent years with increased digitisation, the increased speed of change, and additional laws and regulations. This translate, among other things, into a possible increase in the effective financial losses as a result of these risks, as well as in loss of efficiency, an increased risk of reputation loss, more complex processes and increased pressure from regulators. A thorough approach to the non-financial risks within the Company therefore remains essential.

The Company's objective of sustainable growth (balancing customer experience, cost and risk management) is the starting point and basis for simple and practical risk management with regard to non-financial risks.

The roles and responsibilities with regard to risk management are defined in the structure of the '3 lines of defence' and are further translated, with respect to the non-financial risks, in the risk management policy for non-financial risks.

In general, it can be stated that the risk management function contributes to Company strategy by developing and implementing an appropriate framework for risk management, by facilitating risk awareness within the organisation and by supporting and advising the organisation in the implementing and monitoring of risk management (supported risk culture). The risk management function ensures that all significant risks are demonstrably under control now and in the future and reports on this, thereby enabling the Company to develop in a healthy manner in terms of its risk profile as a banker and insurer, within the risk appetite and strategy established by the Board of Directors (offering 'assurance').

The update of the risk cartography, which includes the non-financial risks, is part of the annual process whereby (i) the identification and classification of the risks is evaluated, (ii) the monitoring and capitalisation of the risks within the RAF is updated, and (iii) the risk monitoring within the 3 Lines of Defence framework is confirmed. The risks were assessed during workshops with the Executive Committee and the management teams. During these workshops, the priorities (hotspots) to be focused on in the following year are also determined.

The Company determines the desired risk appetite for each of these risk types. This risk appetite and the RAF then form the reference point against which risks are assessed in the risk management cycle (identifying and assessing risks, defining responses, monitoring and reporting).

Within the overall risk appetite framework, the non-financial risks are managed in a structured way.

The qualitative risk appetite statements (RAS) are translated into quantitative risk profiles (RAF limits, flashing lights and indicators) in order to be able to adequately monitor non-financial risks at company level. The reporting contains both quantitative (RAF reporting non-financial risks, KRS branch risk score, etc.) and qualitative reporting (activity report, internal control annual report, action plan, etc.).

The periodical reporting on non-financial risks includes at least the following elements:

- Non-financial incidents occurring both at head office and in the branch network and producing financial and/or reputational loss are recorded in an incident & loss database, 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 Company entities;
- The non-financial risks are further actively monitored on the basis of a set of Key Risk Indicators, which are assessed quarterly in the GRC/Non-financial Risk Committee. In this way they also form the basis for one of the qualitative RAF limits;
- The branch risk score, which gives an aggregated picture of the risk exposure of the branch network, is another of the qualitative RAF limits. The operational dashboard leading to the branch risk score has a company-wide set of KRIs;
- In the course of 2019, a large number of risk types were already translated into the risk profile, with reporting on the hotspots already taking place in the GRC NFR (non-financial risks).

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. For 2019, the target of global maturity score >3 was reached.

The approval by the Executive Committee of the assessment of the internal control system also serves as the statement by senior management with regard to the effectiveness of the governance system.

Risk management in the branch network is monitored, with a set of challenges and in-depth tests applied with a risk-based approach.

2nd line risk management monitors the embedding of risk awareness in the 1st line and the control of the risk management exercised in the branch network. This management takes the form of risk-based monitoring and of the challenging of risk identification, risk analysis and risk response in the 1st line, with the aim of ensuring that the main risks are identified, measured, managed and monitored.

The branches are managed in this area using standardised reports, covering their operational functioning, risk awareness and prevention, and incident management. The relevant business lines (such as the commercial departments) are informed about this on a quarterly basis.

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.

Finally, the Legal Affairs department is entrusted with the management of the corporate insurance programme (CIP), whereby a number of appropriate insurance covers are concluded with the help of a broker. In 2019, this programme was expanded with respect to combined fraud and professional liability insurance and cyber.

6. Solvency and capital management

Capital risk is the risk of available capital falling short of the capital required by the activities and size of the company, or of being unable to raise 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 Company's capital management is aimed at maintaining a solid solvency position, with a constant search for a good balance between the amount of capital held and the risks run by the Company.

The Company needs to comply with the regulatory capital ratios at all times. It strives here for a healthy balance between, on the one hand, the business objectives with sufficient room to grow and, on the other hand, a healthy capital base which allows it to bear all material risks.

The Company has always pursued a policy of self-financing and wishes to continue to do so. To maintain a level of capital that leaves enough room to grow and to bear all material risks, an optimal composition is striven for of the following instruments:

- CET1 growth with retention of profits;
- capital increases;
- hybrid tier-1 issues;
- subordinated loans (tier 2);
- bail-in instruments.

6.2. Regulatory matters

Introduction

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, while the underlying Insurance Pool is required to comply with the Solvency legilsation. Information about Pillar 1 (minimum capital requirements) and Pillar 2 (SREP process) is given below. 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 solvency ratio at Company level is calculated according to the Danish compromise method. This 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 EUR 176 million must be included in the calculation of the risk-weighted assets at 370%.

In addition to the solvency ratios, the Company must also disclose 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 assets'.

Legal capital requirements

The Pillar I requirements impose a minimum solvency ratio of 4.5% for the Common Equity Tier 1 (CET1) ratio, of 6% for the Tier 1 (T1) ratio, and of 8% for the Total Capital (TC) ratio. The regulators have the possibility to impose a number of additional buffers (combined buffer requirement):

- A capital conservation buffer: an additional CET1 requirement of 2.50%;
- A countercyclical capital buffer: this gives an additional CET1 requirement of 0.05% calculated as a weighted average of the requirement imposed per country and the Company's exposure to that country;
- 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%;
- A Pillar 2 requirement (P2Requirement) of 1.75% and a Pillar 2 recommendation (P2Guidance).

In addition, the absence of Alternative Tier 1 capital of 1.50% is also compensated via CET1.

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 (Supervisory Review and Evaluation Process, annual global evaluation) resulted in 2019 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 security risk control/operational risk management (including outsourcing risk) and compliance (including AML).

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 Solvency 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 is 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 Pools;
- 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 together with the current regulatory capital basis (applying the Danish Compromise (DC) method).

		31/12/2018	31/12/2019
Available capital			
1	Tier 1 core capital (CET1)	2,081,652,232	2,281,816,364
2	Tier 1 capital (T1)	2,081,652,232	2,281,816,364
3	Total capital (TC)	2,310,843,313	2,496,740,235
Risk-weighted items			
4	Total risk-weighted items	9,048,817,115	9,003,675,544
Solvency ratio's			
5	Common Equity Tier 1 core capital(%)	23.00%	25.34%
6	Tier 1 capital ratio (%)	23.00%	25.34%
7	Total Capital Ratio (%)	25.54%	27.73%
Additional CET1 buffer requirements			
8	Capital Conservation Buffer requirements (2,5% in 2019) (%)	1.88%	2.50%
9	Contracyclical capital buffer requirements (%)	0.04%	0.05%
10	O-SII (Other Systemically Important Institution) buffer requirements (%)	0.75%	0.75%
11	Total of CET1 buffer requirements (%) (row 8 + row 9 + row 10)	2.66%	3.30%
12	% CET1 available to fullfil buffer requirement above the minimum capital requirements of 4.5%	18.50%	20.84%
Leverage ratio			
13	Leverage exposure	41,296,409,729	44,904,880,904
14	Leverage ratio (%) (row 2 / row 13)	5.04%	5.08%
Liquidity Coverage Ratio (LCR)			
15	Total high quality liquid assets	4,654,335,242	5,500,529,349
16	Total net cash outflow	2,718,542,703	3,174,164,593
17	LCR ratio (%)	171.21%	173.29%
Net Stable Funding Ratio (NSFR)			
18	Total available stable funding	36,344,395,047	38,875,972,349
19	Total required stable funding	25,818,527,934	28,604,300,456
20	NSFR ratio (%)	140.77%	135.91%

In addition, the Company as a financial conglomerate must also test its solvency position at consolidated level using the FICOD (Financial Conglomerates Directive) directives.

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.

		31/12/2018	31/12/2019
Available capital			
1	Tier 1 core capital (CET1)	1,935,219,831	2,065,532,277
2	Tier 1 capital (T1)	1,935,219,831	2,065,532,277
3	Total capital (TC)	2,433,021,445	2,564,201,845
Risk-weighted items			
4	Total risk-weighted items	8,381,681,014	8,334,496,585
Solvency ratio's			
5	Common Equity Tier 1 core capital(%)	23.09%	24.78%
6	Tier 1 capital ratio (%)	23.09%	24.78%
7	Total Capital Ratio (%)	29.03%	30.77%
Additional CET1 buffer requirements			
8	Capital Conservation Buffer requirements (%)	1.88%	2.50%
9	Contracyclical capital buffer requirements (%)	0.04%	0.05%
10	O-SII (Other Systemically Important Institution) buffer requirements (%)	0.75%	0.75%
11	Total of CET1 buffer requirements (%) (row 8 + row 9 + row 10)	2.66%	3.30%
12	% CET1 available to fullfil buffer requirement above the minimum capital requirements of 4.5%	18.59%	20.28%
Leverage ratio			
13	Leverage exposure	41,118,817,429	44,727,238,947
14	Leverage ratio (%) (row 2 / row 13)	4.71%	4.62%
Liquidity Coverage Ratio (LCR)			
15	Total high quality liquid assets	4,654,335,242	5,500,507,608
16	Total net cash outflow	2,732,178,355	3,192,298,271
17	LCR ratio (%)	170.35%	172.31%
Net Stable Funding Ratio (NSFR)			
18	Total available stable funding	36,093,027,715	38,599,867,965
19	Total required stable funding	25,542,778,325	28,328,508,038
20	NSFR ratio (%)	141.30%	136.26%

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.

	31/12/2018	31/12/2019
Total of Balance Sheet SII	6,931,838,603	7,395,582,352
Excess of assets over liabilities	747,945,134	844,119,845
SCR	273,994,393	318,164,055
MCR	123,297,477	143,173,825
Ratio of Eligible own funds to SCR	2.73	2.65
Ratio of Eligible own funds to MCR	6.07	5.90

The Solvency directives require insurance undertakings to maintain a minimum own funds (100% solvency). The eligible 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 capital adequacy, applying a scenario with a probability of no more than 1 year in 200 (value at risk of 99.5% over one year).

The minimal capital ratio (MCR) is the minimum own funds that insurance and reinsurance undertakings are required to hold in order to ensure capital adequacy, applying a scenario with a 15% probability (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, with an SII ratio of 265%, 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 BVg, Aspa and Aras similar qua structure and composition. 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 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 in the Boards are always formed by non-executive directors.

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

Members of the Board of Directors must be natural persons.

The following age limits apply to 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

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 need to meet all the requirements stipulated in Article 7:87 §1 of the WVV (Companies and Associations Act).

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

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 BVg Board of Directors met 13 times in the past year.

At the end of 2019, the Boards of Directors of BNg; Aspa and Aras were composed as follows:
- Marc van Heel, chairman of the Board (BVg, Aspa and Aras) and member of the Risk Committee (Aspa and Aras)
- Geert Ameloot, executive director and CFO (BVg, Aspa and Aras)
- Inge Ampe, executive director and CCO (Aspa and Aras)
- Ann Brands, executive director and COO (Aspa and Aras)
- Marie-Anne Hageman, non-executive director (BVg, Aspa and Aras)
- Carlo Henriksen, non-executive and independent director (BVg and Aspa), chairman of the Risk Committee (Aspa), chairman of the Appointments Committee (BVg), member of the Remuneration Committee (BVg)
- Marc Lauwers, executive director and CEO (BVg, Aspa and Aras), chairman of the Board (AAM)
- Anne Leclercq, non-executive director (BVg, Aspa and Aras), member of the Audit Committee (Aspa and Aras), member of the Remuneration Committee (BVg)
- Marie Claire Pletinckx, non-executive and independent director (BVg and Aras), chair of the Audit Committee (Aras), chair of the Risk Committee (Aras) and chair of the Remuneration Committee (BVg)
- Baudouin Thomas, non-executive and independent director (Aspa and Aras), member of the Audit Committee (Aspa and Aras), member of the Risk Committee (Aspa and Aras)
- Cynthia Van Hulle, non-executive director (BVg, Aspa and Aras)
- Bart Van Rompuy, non-executive director (BVg, Aspa and Aras), member of the Risk Committee (Aspa and Aras), member of the Appointments Committee (BVg)
- Raf Vanderstichele, non-executive and independent director (BVg and Aspa), chairman of the Audit Committee (Aspa), member of the Risk Committee (Aspa), member of the Appointments Committee (BVg).
- Gert Wauters, Executive Director and CRO (BVg, Aspa and Aras), member of the Board (AAM)

Separate Appointments and Remuneration Committees have been set up within the BVg Board of Directors.

The Appointments Committee advises the Board of Directors on the composition and functioning of the Board of Directors and the Executive Committees of the 3 main Argenta Group entities. In 2019, the Appointments Committee met five times. The Remuneration Committee supports the Board of Directors in overseeing the remuneration policy. In 2019, the Remuneration Committee met three times.

Separate audit and risk committees have been set up within the Boards of Directors of Aspa and Aras. At Aspa both committees are chaired by an independent director not belonging to the Board of Directors of Aras. The (limited) specific activities of BVg are overseen by the Audit Committee and the Risk Committee set up within the Board of Directors of Aspa.

The Audit Committee supports the Board of Directors in fulfilling its duty of oversight of the financial reporting process, the internal system, the audit process and the process for monitoring compliance with legislation and regulations.

In 2019 the Aspa and the Aras Audit Committee each met 6 times.

The Risk Committee assists the Board of Directors in monitoring the implementation of the risk strategy by the Executive Committee. In accordance with the Governance Memorandum this includes determining the nature, scope, form and frequency of the information on the risks that the Board of Directors wishes to receive.

In 2019 the Aspa and the Aras Risk Committee each met 5 times.

The 'Suitability of Key Executives' Charter produced for the Argenta Group, including the management companies AAM and Arvestar and the Dutch branch offices, sets out the governance and structured framework that Argenta Group has set up to ensure the suitability of its key executives.

'Suitability' means that the person in question has the expertise and professional integrity (fit & proper), as specified in the 'Manual on Assessment of Fitness and Propriety' (Annexe to NBB Circular NBB_2018_25), of executive committee members, directors, persons responsible for independent control functions and 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 2019. The results were presented at the start of 2020. In addition, an evaluation of the Executive Committee as a team was also carried out.

7.2. Remuneration of senior 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).

In 2019, severance compensation of EUR 237,520 was paid out from the Company in the form of an additional payment into the IPT for one of the non-executive members of the Board of Directors.

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 that are 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 are largely integrated.

The following report provides an explanation of the remuneration of the executive directors of the Argenta Group, regardless of the company that actually paid the remuneration.

In 2019, the basic salary of Marc Lauwers (CEO of Argenta and chairman of the Executive Committees of BVg, Aspa and Aras) amounted to EUR 642,000. This was an increase of 2.49% compared with 2018. Added to this in 2019 was a contribution to the supplementary pension and disability group policies amounting to EUR 115,821 (EUR 113,087 in 2018).

In 2019, the total direct remuneration of the executive directors/Executive Committee members of the Argenta Group (excluding that of the CEO), amounted to EUR 1,625,400 (EUR 1,617,000 in 2018). Contributions to the group supplementary pension and disability policies in respect of the Executive Committee members, excluding the CEO, amounted to EUR 304,899 (EUR 278,518 in 2018).

Severance pay

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 office 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 is revoked other than for serious misconduct or is not 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.

In 2019 severance payments totalling of EUR 519,750 were made to Executive Committee members (EUR 491,100 in 2018).

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 CVBA, represented by Dirk Vlaminckx.

The fees received by Deloitte (including VAT) are broken out below in accordance with arts. 3:64 §5 and 3:65 of the WVV.

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 in a total amount of EUR 4,840 in 2018 and EUR 278,203 in 2019.

Fees for audit assignments: this consists of the fees for the auditing of the statutory (unconsolidated) and consolidated financial statements and other reporting assignments. These amounted to EUR 25,950 in 2018 and EUR 26,499 in 2019.

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 267,646 (incl. VAT) (2018: 584,195) 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, 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 596,557 in 2018 and EUR 683,287 in 2019.

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 activities undertaken with the related parties. The relationships between the parent and its subsidiaries are described in Note 1 (general information).

2018 balance sheet	Parent company	Managers in key positions	Other related parties
Financial assets at amortised cost	670,182	505,102	593,522
Other assets	0	0	4,067,412
Total assets	**670,182**	**505,102**	**4,660,934**
Financial liabilities measured at amortised cost	43,653,813	1,888,526	403,576,209
Other liabilities	492,111	0	34,743,869
Total liabilities	**44,145,924**	**1,888,526**	**438,320,078**

2019 balance sheet	Parent company	Managers in key positions	Other related parties
Financial assets at amortised cost	0	103,560	496,360
Other assets	2,355,054	0	21,745,943
Total assets	**2,355,054**	**103,560**	**22,242,303**
Financial liabilities measured at amortised cost	49,584,446	1,273,781	135,600,823
Insurance liabilities	0	505,505	135,127
Other liabilities	173,206	0	41,421,479
Total liabilities	**49,757,652**	**1,779,286**	**177,157,429**

As explained, the majority shareholder of the Company is Investar. The 'parent company' column contains the data in respect of Investar.

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

'Other related parties' gives data from the Company's subsidiaries.

2018 statement of profit or loss	Parent company	Managers in key positions	Other related parties
Interest expenses	27,743	602	4,337
Fee and commission expenses	0	0	11,582,217
Other operating expenses	0	0	0
Other administrative expenses	2,538,559	0	0
Total expenses	**2,566,302**	**602**	**11,586,554**
Interest income	4,805	7,772	29,003
Net technical result from issued insurance contracts	0	0	0
Other operating income	42,600	0	38,681,976
Other administrative expenses	0	0	813,063
Total income	**47,405**	**7,772**	**39,524,041**

2019 statement of profit or loss	Parent company	Managers in key positions	Other related parties
Interest expenses	9,204	1,176	4,061
Fees and commission expenses	0	0	13,013,983
Other operating expenses	15,246	0	79,386
Other administrative expenses	2,157,986	0	0
Total expenses	**2,182,436**	**1,176**	**13,097,430**
Interest income	0	1,802	699,611
Net technical result from issued insurance contracts	0	34,018	-59,389
Other operating income	0	0	43,072,531
Tax expense	0	0	17,363,460
Total income	**0**	**35,820**	**61,076,213**

The increase in other assets (and tax expenses) is the result of the claim against Aras for the compensation of the group contribution of EUR 17,363,460. This is further explained in Note 43. The decrease in financial liabilities measured at amortised cost relates to the debts of the mortgage units (of EUR 367,784,197) linked to the Aras savings mortgage insurance portfolio. At the end of 2019, Aras entered into an agreement subject to conditions precedent for the sale of the endowment mortgage insurance and life insurance portfolio, also transferring the coverage values of the endowment insurance (the mortgage units). As a result these are no longer classified as intra-group receivables.

No impairment losses were recognised in 2018 and 2019 on balance sheet items involving related parties.

Note on credit sales from Aspa to Aras

Since 2013 credit transfers have taken place between the Aspa and Aras. For this a general framework agreement and an RACI *(Responsible – Accountable – Consulted – Informed)* have 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. The credit transfers are compiled on the basis of a random selection from recent new production of (according to Aras's risk appetite) eligible loans. After transfer they are immediately transferred.

In this way Aspa grants Dutch loans through the branch which are then taken over definitively by Aras. The total amount of the definitively transferred loans amounted to EUR 165,491,358. These loans and attendant settlement of transaction costs are not included in the tables above.

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 Group level. Apart from the already mentioned severance compensation, no post-departure remuneration has been paid.

Fees of the executive directors	31/12/2018	31/12/2019
Severance compensation	491,100	519,750
Salaries and directors' fees	2,243,400	2,267,400
Total	**2,734,500**	**2,787,150**

10. Operating segments and ‘country by country reporting’

10.1 Operating segments

An operating 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’. The operating segments follow from the business activities (products and services) and the geographical areas in which the Company operates.

The geographic areas where the Company operates are reflected in the organisational format by the existence of Aspa and Aras in Belgium, each with a branch office in the Netherlands, and a subsidiary, AAM, in Luxembourg. Consequently, the following segments are distinguished:

- activities in Belgium;
- activities in the Netherlands;
- activities in Luxembourg.

The business activities reflect the activities and services offered by the Company. The Company’s activities are divided into 2 pillars, the Bank Pool and the Insurance Pool. These are treated as separate operating segments in the internal reporting. The ultimate chief operating decision maker (CODM) is the Executive Committee of the Company.

Information on products and services

The Bank Pool falls fully under the heading of ‘retail’ banking. The Insurance pool falls under the heading of retail insurance.

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.

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

Assets	Bankpool	Insurance pool	31/12/2018
Cash, cash balances at central banks and other demand deposits	1,140,140,077	14,982,642	1,155,122,720
Financial assets held for trading	10,028,698	0	10,028,698
Financial assets related to unit-linked insurance contracts (branch 23)	0	2,026,395,538	2,026,395,538
Non-trading financial assets mandatorily at fair value through profit or loss	64,562,150	47,836,217	112,398,366
Financial assets at fair value through other comprehensive income	3,809,957,321	1,483,125,228	5,293,082,549
Financial assets at amortised cost	33,988,347,808	2,577,348,472	36,565,696,280
Derivatives used for hedge accounting	73,711,127	0	73,711,127
Fair value changes of the hedged items in portfolio hedge of interest rate risk	193,568,240	0	193,568,240
Investments in subsidaries, joint ventures and associates	1,000,000	1,494,000	2,494,000
Tangible assets	15,004,974	543,662	15,548,636
Intangible assets	161,280,896	2,844,913	164,125,809
Tax assets	19,918,777	886,819	20,805,597
Assets under reinsurance and insurance contracts	0	25,289,448	25,289,448
Other assets	178,365,143	20,580,823	198,945,967
Non-current assets and disposal groups classified as held for sale	0	0	0
Total Assets	**39,655,885,211**	**6,201,327,762**	**45,857,212,974**

Assets	Bankpool	Insurance pool	31/12/2019
Cash, cash balances at central banks and other demand deposits	2,629,656,771	10,819,370	2,640,476,141
Financial assets held for trading	2,342,550	0	2,342,550
Financial assets related to unit-linked insurance contracts (branch 23)	0	2,385,325,837	2,385,325,837
Non-trading financial assets mandatorily at fair value through profit or loss	66,305,830	69,378,262	135,684,092
Financial assets at fair value through other comprehensive income	3,704,912,715	1,194,656,816	4,899,569,531
Financial assets at amortised cost	35,874,587,712	2,651,941,425	38,526,529,137
Derivatives used for hedge accounting	4,135,142	0	4,135,142
Fair value changes of the hedged items in portfolio hedge of interest rate risk	571,941,790	0	571,941,790
Investments in subsidaries, joint ventures and associates	1,090,000	1,494,000	2,584,000
Tangible assets	26,573,688	570,719	27,144,407
Intangible assets	155,778,547	3,618,299	159,396,846
Tax assets	20,841,119	1,739,509	22,580,628
Assets under reinsurance and insurance contracts	0	22,628,296	22,628,296
Other assets	216,807,470	9,965,509	226,772,979
Non-current assets and disposal groups classified as held for sale	0	367,784,197	367,784,197
Total Assets	**43,274,973,334**	**6,719,922,239**	**49,994,895,573**

Liabilities and equity	Bankpool	Insurance pool	31/12/2018
Financial liabilities held for trading	4,073,472	0	4,073,472
Financial liabilities related to unit-linked insurance contracts (branch 23)	0	2,026,322,984	2,026,322,984
Financial liabilities measured at amortised cost	36,527,297,733	1,133,575,924	37,660,873,657
Derivatives used for hedge accounting	350,669,050	0	350,669,050
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0
Provisions	6,067,641	0	6,067,641
Tax liabilities	12,347,923	8,134,334	20,482,256
Liabilities under reinsurance and insurance contracts	0	2,884,242,338	2,884,242,338
Other liabilities	177,975,569	41,560,197	219,535,766
Total liabilities	**37,078,431,388**	**6,093,835,777**	**43,172,267,165**

Liabilities and equity	Bankpool	Insurance pool	31/12/2019
Financial liabilities held for trading	1,216,696	0	1,216,696
Financial liabilities related to unit-linked insurance contracts (branch 23)	0	2,385,325,837	2,385,325,837
Financial liabilities measured at amortised cost	39,751,143,907	515,326,371	40,266,470,278
Derivatives used for hedge accounting	684,439,863	0	684,439,863
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0
Provisions	3,919,406	50,324	3,969,730
Tax liabilities	18,261,537	13,139,141	31,400,678
Liabilities under reinsurance and insurance contracts	0	3,089,121,458	3,089,121,458
Other liabilities	227,964,847	71,625,945	299,590,792
Liabilities included in disposal groups classified as held for sale	0	370,338,313	370,338,313
Total liabilities	**40,686,946,254**	**6,444,927,389**	**47,131,873,643**

Statement of profit or loss	Bankpool	Insurance pool	31/12/2018
Net interest income	530,759,136	92,339,976	623,099,112
Dividend income	184,317	3,944,436	4,128,753
Net fee and commission income	-46,497,082	34,430,541	-12,066,541
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5,156,520	2,621,382	7,777,901
Gains or losses on financial assets and liabilities held for trading	-1,977,633	0	-1,977,633
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	35,704	-6,989,083	-6,953,379
Gains or losses from hedge accounting	1,190,649	0	1,190,649
Gains or losses on derecognition of non-financial assets	189,783	0	189,783
Net result from reinsurance and insurance contracts	0	-470,119	-470,119
Net other operating income	64,997,145	-38,663,478	26,333,667
Administrative expenses	-361,961,577	-21,969,993	-383,931,570
Depreciation	-23,567,421	-910,588	-24,478,009
Provisions or reversal of provisions	-2,800,470	0	-2,800,470
Impairments or reversal of impairments	2,884,707	88,797	2,973,504
Profit or loss before tax	**168,593,778**	**64,421,871**	**233,015,648**
Tax expense	-40,518,034	-18,071,545	-58,589,579
Profit or loss after tax	**128,075,744**	**46,350,326**	**174,426,070**

Statement of profit or loss	Bankpool	Insurance pool	31/12/2019
Net interest income	537,615,161	93,305,765	630,920,927
Dividend income	225,000	4,700,477	4,925,477
Net fee and commission income	-36,744,062	27,234,334	-9,509,728
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	6,712,878	1,587,516	8,300,394
Gains or losses on financial assets and liabilities held for trading	-4,829,371	0	-4,829,371
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	1,239,788	10,240,878	11,480,666
Gains or losses from hedge accounting	-4,287,046	0	-4,287,046
Gains or losses on derecognition of non-financial assets	-103,301	0	-103,301
Net result from reinsurance and insurance contracts	-0	6,955,106	6,955,106
Net other operating income	61,845,978	-44,707,659	17,138,319
Administrative expenses	-374,737,906	-20,372,994	-395,110,900
Depreciation	-31,773,837	-1,010,481	-32,784,318
Provisions or reversal of provisions	3,993,350	0	3,993,350
Impairments or reversal of impairments	-2,554,506	-388,815	-2,943,321
Profit or loss before tax	**156,602,125**	**77,544,127**	**234,146,253**
Tax expense	-41,083,610	-18,989,646	-60,073,256
Profit or loss after tax	**115,518,517**	**58,554,481**	**174,072,996**

Information on geographic regions

The operating 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.

Assets	Belgium	The Netherlands	Luxembourg	31/12/2018
Cash, cash balances at central banks and other demand deposits	1,037,346,083	115,890,687	1,885,949	1,155,122,720
Financial assets held for trading	5,934,092	4,094,606	0	10,028,698
Financial assets related to unit-linked insurance contracts (branch 23)	2,026,395,538	0	0	2,026,395,538
Non-trading financial assets mandatorily at fair value through profit or loss	112,398,366	0	0	112,398,366
Financial assets at fair value through other comprehensive income	5,294,034,864	0	-952,315	5,293,082,549
Financial assets at amortised cost	19,959,476,713	16,605,619,525	600,042	36,565,696,280
Derivatives used for hedge accounting	73,711,127	0	0	73,711,127
Fair value changes of the hedged items in portfolio hedge of interest rate risk	112,681,197	80,887,043	0	193,568,240
Investments in subsidaries, joint ventures and associates	2,494,000	0	0	2,494,000
Tangible assets	15,274,552	273,217	867	15,548,636
Intangible assets	163,301,971	779,663	44,175	164,125,809
Tax assets	20,805,597	0	0	20,805,597
Assets under reinsurance and insurance contracts	25,289,448	0	0	25,289,448
Other assets	130,168,836	65,025,312	3,751,818	198,945,967
Total Assets	**28,979,312,384**	**16,872,570,053**	**5,330,536**	**45,857,212,974**

Assets	Belgium	The Netherlands	Luxembourg	31/12/2019
Cash, cash balances at central banks and other demand deposits	2,480,708,613	158,156,831	1,610,697	2,640,476,141
Financial assets held for trading	1,121,123	1,221,427	0	2,342,550
Financial assets related to unit-linked insurance contracts (branch 23)	2,385,325,837	0		2,385,325,837
Non-trading financial assets mandatorily at fair value through profit or loss	135,684,092	0	0	135,684,092
Financial assets at fair value through other comprehensive income	4,899,569,531	0	0	4,899,569,531
Financial assets at amortised cost	20,629,752,836	17,895,676,053	1,100,248	38,526,529,137
Derivatives used for hedge accounting	4,135,142	0	0	4,135,142
Fair value changes of the hedged items in portfolio hedge of interest rate risk	492,267,493	79,674,297	0	571,941,790
Investments in subsidaries, joint ventures and associates	2,584,000	0	0	2,584,000
Tangible assets	25,413,379	1,728,897	2,131	27,144,407
Intangible assets	159,296,913	87,601	12,332	159,396,846
Tax assets	22,580,628	0	0	22,580,628
Assets under reinsurance and insurance contracts	18,617,710	4,010,586	0	22,628,296
Other assets	133,321,458	87,671,931	5,779,590	226,772,979
Non-current assets and disposal groups classified as held for sale	0	367,784,197	0	367,784,197
Total Assets	**31,390,378,755**	**18,596,011,820**	**8,504,998**	**49,994,895,573**

Liabilities and equity	Belgium	The Netherlands	Luxembourg	31/12/2018
Financial liabilities held for trading	0	4,073,472	0	4,073,472
Financial liabilities related to unit-linked insurance contracts (branch 23)	2,026,322,984	0	0	2,026,322,984
Financial liabilities measured at amortised cost	33,571,256,642	4,089,617,015	0	37,660,873,657
Derivatives used for hedge accounting	246,796,798	103,872,252	0	350,669,050
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	5,157,442	910,199	0	6,067,641
Tax liabilities	8,146,055	10,217,317	2,118,884	20,482,256
Liabilities under reinsurance and insurance contracts	2,884,242,338	0	0	2,884,242,338
Other liabilities	170,063,659	47,952,896	1,519,211	219,535,766
Total liabilities	**38,911,985,919**	**4,256,643,151**	**3,638,095**	**43,172,267,165**

Liabilities and equity	Belgium	The Netherlands	Luxembourg	31/12/2019
Financial liabilities held for trading	0	1,216,696	0	1,216,696
Financial liabilities related to unit-linked insurance contracts (branch 23)	2,385,325,837	0	0	2,385,325,837
Financial liabilities measured at amortised cost	35,325,314,392	4,941,155,887	0	40,266,470,279
Derivatives used for hedge accounting	585,872,336	98,567,527	0	684,439,863
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	3,088,608	881,122	0	3,969,730
Tax liabilities	13,169,418	17,315,231	916,029	31,400,678
Liabilities under reinsurance and insurance contracts	3,089,121,458	0	0	3,089,121,458
Other liabilities	229,748,043	69,053,160	789,589	299,590,792
Liabilities included in disposal groups classified as held for sale	0	370,338,313	0	370,338,313
Total liabilities	**41,631,640,089**	**5,498,527,936**	**1,705,618**	**47,131,873,643**

Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	31/12/2018
Net interest income	385,215,447	237,884,699	-1,035	0	623,099,112
Dividend income	4,128,753	0	0	0	4,128,753
Net fee and commission income	-30,576,225	822,573	18,463,608	-776,497	-12,066,541
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	7,759,586	-1,024,558	0	1,042,873	7,777,901
Gains or losses on financial assets and liabilities held for trading	-2,091,541	1,156,781	0	-1,042,873	-1,977,633
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-6,953,379	0	0	0	-6,953,379
Gains or losses from hedge accounting	1,143,227	47,422	0	0	1,190,649
Gains or losses on derecognition of non-financial assets	189,783	0	0	0	189,783
Net result from reinsurance and insurance contracts	-6,292,823	5,822,704	0	0	-470,118
Net other operating income	25,462,499	927,070	-14,845	-41,056	26,333,667
Administrative expenses	-333,161,809	-49,932,574	-1,654,740	817,553	-383,931,570
Depreciation	-24,122,984	-317,198	-37,827	0	-24,478,009
Provisions or reversal of provisions	-2,118,718	-681,752	0	0	-2,800,470
Impairments or reversal of impairments	2,262,674	710,830	0	0	2,973,504
Profit or loss before tax	**20,844,489**	**195,415,997**	**16,755,161**	**0**	**233,015,648**
Tax expense	-3,039,156	-51,318,890	-4,231,533	0	-58,589,579
Profit or loss after tax	**17,805,333**	**144,097,107**	**12,523,629**	**0**	**174,426,070**

Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	31/12/2019
Net interest income	375,387,731	255,530,075	3,120	0	630,920,927
Dividend income	4,925,477	0	0	0	4,925,477
Net fee and commission income	-36,355,416	5,126,977	23,195,592	-1,476,881	-9,509,728
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	7,704,981	-976,973	0	1,572,386	8,300,394
Gains or losses on financial assets and liabilities held for trading	-4,812,970	1,555,985	0	-1,572,386	-4,829,371
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	11,480,666	0	0	0	11,480,666
Gains or losses from hedge accounting	-4,218,127	-68,919	0	0	-4,287,046
Gains or losses on derecognition of non-financial assets	-103,301	0	0	0	-103,301
Net result from reinsurance and insurance contracts	4,573,725	2,381,381	0	0	6,955,106
Net other operating income	16,381,828	826,971	-17,056	-53,425	17,138,319
Administrative expenses	-345,983,513	-48,834,609	-1,823,083	1,530,305	-395,110,900
Depreciation	-31,491,133	-1,258,867	-34,317	0	-32,784,318
Provisions or reversal of provisions	3,737,600	255,750	0	0	3,993,350
Impairments or reversal of impairments	-3,322,285	378,964	0	0	-2,943,321
Profit or loss before tax	**-2,094,737**	**214,916,733**	**21,324,256**	**0**	**234,146,253**
Tax expense	4,616,830	-59,372,495	-5,317,591	0	-60,073,256
Profit or loss after tax	**2,522,093**	**155,544,238**	**16,006,665**	**0**	**174,072,996**

All transactions between segments are at arm's length. The largest earnings-related transaction between operating segments consists of the charging on 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).

Key customer information

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 Company is required to disclose the information specified below on a consolidated basis, broken down by EU Member State or third country in which it is established (through a branch and/or subsidiary).

Nations	Activities	31/12/2018						
		Return	Profit before tax	Current taxes	Deferred taxes	Total corporate tax	Received subsidies	Average number employees (FTE)
EU nation		**641,252,195**	**233,015,649**	**-74,410,072**	**15,820,494**	**-58,589,579**	**0**	**1,004**
Belgium	Bank and insurance	356,019,814	20,844,490	-17,365,604	14,326,448	-3,039,156	0	940
The Nether-lands	Bank and insurance	244,817,058	195,415,997	-52,812,935	1,494,046	-51,318,890	0	57
Luxem-bourg	Other financial services	40,415,323	16,755,162	-4,231,533	0	-4,231,533	0	7
Third nation		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**641,252,194**	**233,015,648**	**-74,410,072**	**15,820,494**	**-58,589,579**	**0**	**1,004**

Nations	Activities	31/12/2019						
		Return	Profit before tax	Current taxes	Deferred taxes	Total corporate tax	Received subsidies	Average number employees (FTE)
EU nation		**660,991,442**	**234,146,253**	**-66,576,023**	**6,502,767**	**-60,073,256**	**0**	**1,030**
Belgium	Bank and insurance	343,791,611	-2,094,737	-2,498,631	7,115,461	4,616,830	0	962
The Nether-lands	Bank and insurance	262,212,784	214,916,734	-58,759,801	-612,694	-59,372,495	0	61
Luxem-bourg	Other financial services	54,987,047	21,324,256	-5,317,591	0	-5,317,591	0	8
Third nation		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**660,991,442**	**234,146,253**	**-66,576,023**	**6,502,767**	**-60,073,256**	**0**	**1,030**

Notes to the consolidated balance sheet

11. Cash and balances with central banks and other demand deposits

Cash and balances with central banks and other demand deposits includes all cash and current account balances with central and other banks.

	31/12/2018	31/12/2019
Cash	70,224,406	68,561,270
Cash balances with central banks	965,710,220	2,423,415,691
Cash balances with other financial institutions	119,188,095	148,499,181
Total	**1,155,122,720**	**2,640,476,141**

As of 31 December 2019, there were EUR 2,423,415,691 in the current accounts at the central bank. A large part of this amount consists of the monetary reserves that every financial institution is required to hold with the central bank.

In order to support the transmission of monetary policy via the banks, a two-tier system for the reimbursement of reserves system was introduced by the ECB in the autumn. From 1 November, part of the excess liquidity held by the banks was exempted from negative interest on the deposit facility.

Following this, the Company placed part of its excess liquidity with the ECB in the last quarter, hence the increase at the end of 2019.

In 2018, there were no deposits from central banks. In December 2019, the Company participated in the TLTRO program of the ECB/NBB in an amount of EUR 47,480,000. Further information can be found in Note 25.1.

12. Financial assets and liabilities held for trading

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

Financial assets	Count	Notional	31/12/2018	Count	Notional	31/12/2019
Interest rate options - caps	10	1,550,000,000	5,938,432	10	1,550,000,000	1,122,971
Securitization transactions - caps	1	2,107,000,000	4,090,266	3	2,812,000,000	1,219,579
Total financial assets (Not listed)			**10,028,698**			**2,342,550**

Financial liabilities	Count	Notional	31/12/2018	Count	Notional	31/12/2019
Interest rate options - caps	0	0	0	0	0	0
Securitization transactions - caps	2	2,107,000,000	4,073,472	3	2,812,000,000	1,216,696
Total financial assets (Not listed)			**4,073,472**			**1,216,696**

Not listed (OTC) - interest-rate options - 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, were always entered into the framework of economic hedges within the ALM policy, but hedge accounting could not be applied to them.

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 2018 and 2019 no additional caps were concluded in the context of interest rate risk management at the Company.

Not listed (OTC) - swaps (securitisation transaction)

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

In 2017, 2018 and 2019, new securitisation transactions were carried out, with two caps for each transaction. The limited difference between the market value of the caps on the asset side and the liability side of the balance sheet is recognised in the statement of profit or loss.

13. Financial assets and liabilities related to unit-linked insurance contracts (branch 23)

Financial assets and liabilities relating to unit-linked insurance contracts relate 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).

	31/12/2018	31/12/2019
Financial assets related to unit-linked insurance contracts (branch 23)	2,026,395,538	2,385,325,837
Financial liabilities related to unit-linked insurance contracts (branch 23)	2,026,322,984	2,385,325,837

The difference at the end of 2018 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.

	31/12/2018	31/12/2019
Investment funds	2,026,395,538	2,383,754,262
Retail savings certificates	0	0
Cash and cash equivalents	0	1,571,575
Composition of the assets	**2,026,395,538**	**2,385,325,837**

14. Non-trading financial assets mandatorily at fair value through profit or loss

The SPPI test is introduced in the framework of the classification of financial instruments. For determining the classification and for measurement, this SPPI test is performed to determine whether only ordinary interest and capital repayments are made on a financial instrument. If this is not the case, the security has to be recognized at fair value through profit or loss. Also given below are the equity instruments for which Company has not apply the option to measure these at fair value through other comprehensive income.

As of 31 December 2019, there was EUR 135,684,092 under this classification, these are securities that failed the SPPI test and a portfolio of shares of Aras.

	31/12/2018	31/12/2019
Total portfolio	**112,398,366**	**135,684,092**
Breakdown by instrument type		
Equity instruments	30,474,058	52,313,271
Debt securities	81,924,309	83,370,821
Breakdown by interest rate type		
Variable	51,788,123	49,607,606
Fixed	30,136,186	33,763,215
Undefined	30,474,058	52,313,271
Geographical breakdown		
Belgium	19,230,768	30,156,926
European Monetary Union	93,167,598	105,527,166
Rest of the world	0	0
Breakdown by residual term or maturity date		
Untill 1 year	3,149,131	0
1 to 5 year	19,846,418	19,891,138
More than 5 year	58,928,760	63,479,682
Undefined	30,474,058	52,313,271
Breakdown according to counterparty		
General Governments	19,846,419	19,891,138
Credit Institutions	27,657,066	24,501,282
Other Financial corporations	22,434,064	29,111,431
Non Financial corporations	42,460,818	62,180,240
Effective interest rate at 31/12	**0.83%**	**1.26%**

15. Financial instruments measured at fair value through other comprehensive income

Financial asset instruments recorded at fair value through other comprehensive income amount to EUR 4,899,569,531 (market value) as of 31 December 2019.

	31/12/2018	31/12/2019
Total portfolio	**5,293,082,549**	**4,899,569,531**
of which hedged via micro-hedges	1,315,193,792	945,383,925
Breakdown by instrument type		
Equity instruments	107,636,921	134,178,964
Debt securities	5,185,445,628	4,765,390,567
Breakdown by interest rate type		
Variable	1,975,030,023	1,729,745,852
Fixed	3,210,415,605	3,035,644,715
Undefined	107,636,921	134,178,964
Geographical breakdown		
Belgium	1,632,053,821	1,173,523,214
European Monetary Union	2,393,088,556	2,688,297,539
Rest of the world	1,267,940,172	1,037,748,778
Breakdown by residual term or maturity date		
Up to 1 year	585,007,159	617,022,167
1 to 5 year	2,941,657,284	2,818,287,336
More than 5 years	1,658,781,185	1,330,081,064
Undefined	107,636,921	134,178,964
Breakdown according to counterparty		
General Governments	1,452,641,449	1,070,021,298
Credit Institutions	1,807,698,441	1,841,875,205
Other Financial corporations	589,779,672	605,753,165
Non-Financial corporations	1,442,962,987	1,381,919,863
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	5,181,300,249	4,766,863,356
Stage 2	5,122,988	0
Stage 3	0	0
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-968,839	-1,472,789
Stage 2	-8,770	0
Stage 3	0	0
Effective interest at 31/12	**1.24%**	**0.93%**
Used as collateral (notional amount)	371,160,000	282,306,000
Encumbrance in the event of utilization of the NBB credit line	250,000,000	200,000,000

Given the robust nature of this portfolio with no arrears, there are no individual (stage 3) impairment losses in 2018 and 2019. As at 31 December 2019, stage 1 impairments losses were recognised in an amount of EUR 1,472,789 (see table below)

The securities involved were all recorded as financial assets at fair value through other comprehensive income; Note 29 provides further information on the fair values used and in particular on the level hierarchy of the fair values involved.

The Company has opted to measure a part of its portfolio of equity instruments at fair value through other comprehensive income. The underlying positions consist of infrastructure funds and real estate companies that the Company holds in a long-term investment perspective, equity instruments used to cover the insurance obligations in the Insurance Pool and again in a long-term perspective, and equity instruments of companies with which it pursues long-term relationships (Bank Card Company).

No positions were realised during 2018, and EUR 3,526,514 of dividends were received. In 2019, various positions were sold and EUR 4,310,568 in valuation gains were transferred from other comprehensive income to the reserves. In addition, EUR 4,346,638 of dividends were received. The sales relate to listed infrastructure funds where, from an optimisation and centralisation perspective, the Argenta Group has decided to hold these positions through Aras, and no longer through Aspa.

Given the limited ownership of equity and debt instruments of British counterparties, the Company expects Brexit to have a limited impact on the securities portfolio.

As of the end of 2019 a notional EUR 282,306,000 of securities were encumbered as part of the collateral management of derivative instruments and as surety for the credit cards issuer. The Company also has a credit line with the NBB of EUR 200 million, for which securities are encumbered as and when this credit line is used. In 2018, securities were encumbered for a nominal amount of EUR 371,160,000.

The amortised cost and fair value adjustments in other comprehensive income of the portfolios concerned as at 31 December were as follows:

31/12/2018	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	1,365,318,263	87,529,801	-206,615	1,452,641,449
Credit institutions	1,789,510,589	18,498,023	-310,171	1,807,698,441
Other Financial corporations	541,472,792	-811,354	-52,439	540,608,999
Non-Financial corporations	1,377,848,403	7,056,719	-408,385	1,384,496,737
Equity instruments				
Shares	84,152,600	19,188,270		103,340,870
Investment funds and other	3,926,248	369,802		4,296,050
Total	**5,162,228,895**	**131,831,261**	**-977,610**	**5,293,082,546**

31/12/2019	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	971,866,976	98,485,493	-331,171	1,070,021,298
Credit institutions	1,814,692,738	27,642,024	-459,557	1,841,875,205
Other Financial corporations	533,659,766	6,839,131	-112,001	540,386,896
Non-Financial corporations	1,289,723,051	23,954,176	-570,060	1,313,107,167
Equity instruments				
Shares	88,299,311	41,519,059		129,818,369
Investment funds and other	3,990,792	369,802		4,360,594
Total	**4,702,232,634**	**198,809,686**	**-1,472,789**	**4,899,569,530**

16. Financial liabilities measured at amortised cost

A distinction is made between ‘loans and advances’ and debt securities.

	31/12/2018	31/12/2019
Total portfolio	**36,565,696,280**	**38,526,529,137**
Breakdown by instrument type		
Loans and advances	30,944,814,741	33,583,909,309
Debt securities	5,620,881,539	4,942,619,828
Breakdown by product type		
Loans to credit institutions	0	1,100,248
Cash collateral to financial institutions	40,106,068	537,952,557
Consumer loans	162,833,480	233,426,589
Mortgage loans	29,800,569,991	31,649,644,905
Term loans	929,306,418	1,131,930,351
Advances and overdrafts	11,998,784	3,852,705
Leasing	0	26,001,954
Debt securities	5,620,881,539	4,942,619,828
Breakdown debt securities by interest rate type		
Variable	1,010,383,987	825,916,245
Fixed	4,610,497,552	4,116,703,583
Geographical breakdown debt securities		
Belgium	2,345,794,507	2,222,391,115
European Monetary Union	2,509,438,622	2,151,418,723
Rest of the world	765,648,410	568,809,990

	31/12/2018	31/12/2019
Breakdown by residual or maturity date		
Debt securities		
Up to 1 year	1,153,619,567	1,094,192,677
1 to 5 year	2,361,008,038	2,111,929,275
More than 5 years	2,106,253,935	1,736,497,875
Loans and advances		
Up to 1 year	1,168,316,174	1,847,027,318
1 to 5 year	4,312,065,825	4,999,321,849
More than 5 years	25,464,432,741	26,737,560,142
Breakdown debt securities according to counterparty		
General Governments	2,371,953,106	1,951,953,364
Credit Institutions	638,838,526	557,995,935
Other Financial corporations	1,371,432,204	1,248,873,938
Non-Financial corporations	1,238,657,703	1,183,796,591
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	5,571,226,042	4,893,375,589
Stage 2	51,843,732	51,832,695
Stage 3	0	0
Loans and advances		
Stage 1	26,006,664,090	31,678,035,698
Stage 2	4,824,473,962	1,813,816,705
Stage 3	137,645,939	116,851,728
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-1,595,042	-2,162,358
Stage 2	-593,193	-426,099
Stage 3	0	0
Loans and advances		
Stage 1	-1,274,716	-3,089,188
Stage 2	-9,840,683	-9,201,453
Stage 3	-12,853,851	-12,504,180

Effective interest rate debt securities at 31/12	**1.29%**	**1.60%**
Effective interest rate loans and advances at 31/12	**2.50%**	**2.31%**
Used as collateral (notional amount)	43,500,000	126,228,000

The loans and advances have further increased through the additional lending to the Company's retail customers, both in Belgium and the Netherlands.

For loans and advances, there are at the end of 2019 EUR 3,089,188 of stage 1 and EUR 9,201,453 of stage 2 impairments. The amount of stage 3 individual impairments has fallen slightly.

The debt securities portfolio has decreased as the Company placed part of its excess liquidity with the ECB in the last quarter in the form of monetary reserve assets.

At the end of 2019, the debt securities were subject to stage 1 impairments of EUR 2,162,358 and stage 2 impairments of EUR 426,099.

17. Derivatives used for hedge accounting

This section contains, inter alia, additional information on the balance sheet headings ‘derivatives used for hedging’ and ‘fair value changes of the hedged positions in portfolio hedge of interest rate risk’. The Company uses derivatives and hedge accounting only for hedging interest rate 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% of the ‘dollar offset ratio’) 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.

The global dollar offset ratio (‘DOR’) is calculated as the change in value of the hedging instrument versus the change in value of the hedged position compared to the previous reporting period (on a quarterly basis). For the value of the hedged position, the value of the fixed leg of the underlying hedging derivatives is taken as proxy (discounted on a 3 month tenor swap curve). The value of the hedging derivative is the ‘clean price’ (fair value without interest accrued but not yet payable) (discounted on the OIS curve). It can happen that the DOR of an individual swap falls outside the 80% -125% interval in the presence of the phenomenon of small value fluctuations. In accordance with general hedge accounting documentation, this is an acceptable reason for the deviating DORs.

Note on macro hedges

First and foremost, the Company continues to apply IAS 39, which has been authorised by the EU, because it reflects best the way in which the Company manages its activities. The option to continue applying this was provided for in the new IFRS 9 standard.

Hedge 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 Company 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 Company 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 on the hedged positions as a result of the hedged risk, and the gains or losses on the hedging instruments are recognised in the statement of profit or loss.

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 fair value changes of the hedged items in a portfolio hedge of interest rate risk' and amount to EUR 571,941,790 as of 31 December 2019. What we have here are macro fair value hedges of the interest rate risk on a hedged mortgage portfolio.

Macro hedge - fair value hedge	Count	Notional	31/12/2018	Count	Notional	31/12/2019
Change in fair value hedged positions			193,568,240			571,941,790
Derivatives with negative fair value (clean price)	49	5,550,000,000	-242,806,272	71	7,650,000,000	-572,661,507
Derivatives with positive fair value (clean price)	21	2,000,000,000	52,564,948	0	0	0

In the above table the clean price is included in order to provide a link between the swaps involved in the hedge accounting and the change in the fair value of the hedged positions. The 'clean price' is used to calculate the hedge effectiveness, while the carrying value in the balance sheet of the derivatives concerned in the balance sheet includes accrued but not yet payable interest ('dirty price').

Meanwhile, swaptions have also been concluded in the context of the macro coverage of the interest rate risk. Hedge accounting can be applied to the intrinsic value of the swaptions involved. The time value of these instruments ends up in the profit and loss based on the market value evolution of these instruments. As long as the option for entering into the swap has not been exercised, a one-sided interest rate risk is hedged.

As of 31 December 2019, the Company had 6 swaptions concluded in a notional amount of 600 million (100 million per instrument). As of 31 December 2019, they had no intrinsic value, so no change in fair value of the hedged positions was recorded. The time value is not included in the market value (clean price) in the table above as it is not part of the hedging relationship.

Note on micro hedges

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

Swaps have been entered into to hedge purchased securities that are included under 'Financial assets at fair value through other comprehensive income'. 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.

Part of the change in fair value of the 'Financial assets at fair value through other comprehensive income' is not recorded on a separate line in equity, but is recognised in the statement of profit or loss in the context of hedge accounting. As of 31 December 2019, this involved an amount of EUR 62,856,520.

Macro hedge - fair value hedge	Count	Notional	31/12/2018	Count	Notional	31/12/2019
Change in fair value hedged positions			56,935,140			62,856,520
Derivatives with negative fair value (clean price)	11	1,220,806,300	-56,821,460	11	849,373,888	-62,983,253
Derivatives with positive fair value (clean price)	0	0	0	0	0	0

In the above table the clean price is included in order to provide a link between the swaps involved in the hedge accounting and the change in the fair value of the hedged positions.

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 issue of debt securities. Meanwhile, the issue of debt securities has also been realised. The critical characteristics of the debt securities correspond to those of the hedging instrument (maturity, notional, hedged cash flows). The swap in question had a negative market value of EUR 8,472,124 as of 31 December 2019.

Note on totals of derivatives used for hedging

Outside of one swap that is processed as a cash flow hedge, all swaps are processed as fair value hedges. 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.

Fair value (dirty price) derivates used for hedge accounting		31/12/2018		31/12/2019
Derivatives used for hedge accounting (assets)		73,711,127		4,135,142
Fair value macro hedges	73,711,127		4,135,142	
Fair value micro hedges	0		0	
Derivatives used for hedge accounting (liabilities)		350,669,050		684,439,862
Fair value macro hedges	269,317,321		607,196,555	
Fair value micro hedges	68,631,437		68,771,184	
Cash flow hedges	12,720,292		8,472,124	

Further information can be found in Notes 3 and 37.

The table below gives an overview of the maturity dates of the derivative positions.

31/12/2018	Notional	1 year	1-5 year	5-10 year	10-15 year	> 20 year
Macro hedge - fair value hedge	8,150,000,000	0	2,350,000,000	3,350,000,000	1,250,000,000	1,200,000,000
Micro hedge - fair value hedge	1,220,806,300	100,000,000	703,797,500	314,815,000	102,193,800	0
Micro hedge - cash flow hedge	100,000,000	0	100,000,000	0	0	0

31/12/2019	Notional	1 year	1-5 year	5-10 year	10-15 year	> 20 year
Macro hedge - fair value hedge	8,250,000,000	100,000,000	2,250,000,000	3,450,000,000	1,250,000,000	1,200,000,000
Micro hedge - fair value hedge	849,373,888	50,000,000	253,797,500	443,382,588	102,193,800	
Micro hedge - cash flow hedge	100,000,000	0	100,000,000	0	0	0

18. Investments in associates and joint ventures

Investments in associates and joint ventures relates to participating interests in European Projects Investment Company (EPICo) and Jofico.

The investments in EPICo, a Benelux infrastructure fund, concern a participating interest of 29.39%. As of 31 December 2019, the Company still had EUR 14,165,616 of outstanding commitments.

The investments in Jofico consist of a participating interest of 20.00%. This is a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost that will jointly manage all the ATMs of these institutions. As of 31 December 2019, the Company had no outstanding commitments and results as no activities had been started as of that date.

	31/12/2018	31/12/2019
Investment in joint ventures	0	90,000
Investment in associates	2,494,000	2,494,000
of which not individual material	2,494,000	2,494,000
Total	**2,494,000**	**2,584,000**

The Company has not revalued its participation in EPICo as of December 31, 2019 owing to the unavailability of the audited financial statements. The unaudited financial reporting as of 30 June 2019 shows a non-material loss due to the start-up costs of the company.

19. Tangible assets

The tangible assets are recorded using the cost model and break down as of 31 December into:

	31/12/2018	31/12/2019
Property, plant and equipment	14,454,426	25,994,997
Investment properties	1,094,210	1,149,410
Total	**15,548,636**	**27,144,407**
Fair value of investment properties	**1,073,832**	**1,135,180**

The increase in this item is mainly due to the implementation of the IFRS 16 standard. This standard stipulates that for lease contracts falling under the application of the standard, an asset (right of use) must be set up that is amortised over the term of the contract.

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 investment properties (level 3) is based on the individual valuation of the respective investments.

	Land and buildings	IT	Other material	Total	Investment property
Opening balance at 1 January 2018	**0**	**4,569,911**	**8,090,801**	**12,660,712**	**1,551,036**
Acquisitions	0	1,328,797	5,312,894	6,641,691	0
Disposals	0	-43,699	-455,501	-499,199	-433,212
Depreciation	0	-1,606,271	-2,810,527	-4,416,798	-19,031
Transfer	0	0	0	0	0
Other changes	0	0	68,021	68,021	-4,583
Closing balance at 31 December 2018	**0**	**4,248,738**	**10,205,687**	**14,454,426**	**1,094,210**

	Land and buildings	IT	Other material	Total	Investment property
Opening balance as of 1 January 2019	**0**	**4,248,738**	**10,205,687**	**14,454,425**	**1,094,210**
IFRS 16 migration	8,820,644	0	3,911,570	12,732,214	0
Acquisitions	0	2,757,511	5,015,930	7,773,441	72,601
Disposals	0	-58,429	-641,921	-700,350	0
Depreciation	-2,109,284	-1,881,969	-4,383,462	-8,374,715	-17,401
Transfer	0	0	0	0	0
Other changes	106,244	3,738	0	109,982	0
Closing balance as of 31 December 2019	**6,817,604**	**5,069,589**	**14,107,804**	**25,994,997**	**1,149,410**

20. Intangible assets

As at 31 December, the 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 at 1 January 2018	**57,192,276**	**8,582,278**	**98,150,460**	**163,925,014**
Acquisitions	18,704,255	1,538,542	0	20,242,797
Disposals	0	-391	0	-391
Depreciation	-17,236,498	-2,805,682	0	-20,042,180
Transfer	0	0	0	0
Other changes	568	0	0	568
Closing balance at 31 December 2018	**58,660,601**	**7,314,748**	**98,150,460**	**164,125,808**

	Internally developed software	Other intangible assets	Goodwill	Total
Opening balance at 1 January 2019	**58,660,601**	**7,314,748**	**98,150,460**	**164,125,809**
Acquisitions	19,444,655	276,941	0	19,721,596
Disposals	-58,429	0	0	-58,429
Depreciation	-21,221,701	-3,170,501	0	-24,392,202
Transfer	0	0	0	0
Other changes	72	0	0	72
Closing balance at 31 December 2019	**56,825,198**	**4,421,188**	**98,150,460**	**159,396,846**

The other intangible assets relate to the purchased software.

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.

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 Aspa.

The realisable value of the CGU Aspa 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: an ROE of 5.40%;
- a long-term growth for Belgium and the Netherlands of 1.40%.

Based on the analysis, no impairment loss needs to be recorded on goodwill. This was also established for 2019 at a discount rate of 10% and an annual growth rate of 0%.

The amortisation of EUR 24,392,202 for 2019 can be found in the statement of profit or loss under the amortisation of the assets concerned

21. Tax assets and liabilities

The tax position can be summarised as follows:

	31/12/2018	31/12/2019
Current tax assets	2,392,118	3,209,420
Deferred tax assets	18,413,479	19,371,208
Total tax assets	**20,805,597**	**22,580,628**
Current tax liabilities	4,500,408	8,909,309
Deferred tax liabilities	15,981,848	22,491,369
Total tax liabilities	**20,482,256**	**31,400,678**
Total globalised deferred taxes	**2,431,631**	**-3,120,160**

The breakdown of the deferred taxes can be found in the tables below:

Deferred taxes by type	31/12/2017	Changes through other com-prehensive income	Changes through profit or loss	31/12/2018	Changes through other com-prehensive income	Changes through profit or loss	31/12/2019
Tax asset on derivatives	11,346,059	-1,545,319	-826,814	8,973,926	-798,826	4,057,164	12,232,264
DRD and fiscal losses	7,216,754		15,369,550	22,586,304		3,501,778	26,088,082
Tax assets on technical provisions	4,468,101	0	-86,355	4,381,746		469,180	4,850,926
Tax asset on other items	3,798,560	1,495,517	-739,806	4,554,271	368,020	-110,881	4,811,410
Total deferred tax assets	**26,829,474**	**-49,802**	**13,716,575**	**40,496,247**	**-430,806**	**7,917,241**	**47,982,682**
Tax liability on financial instruments at fair value	90,706,869	-74,173,305	-237,030	16,296,534	11,623,751	515,605	28,435,890
Tax liabilities on financial instruments at amortised cost	23,634,971	0	-1,866,889	21,768,082		898,870	22,666,952
Tax liabilities on other items	0	0	0	0			0
Total deferred tax liabilities	**114,341,840**	**-74,173,305**	**-2,103,919**	**38,064,616**	**11,623,751**	**1,414,475**	**51,102,842**
Total deferred tax position	**-87,512,366**	**74,123,503**	**15,820,494**	**2,431,631**	**-12,054,557**	**6,502,766**	**-3,120,160**

The main items in 2019 were a deferred tax liability of EUR 28,435,890 on the positive fair value delta of financial assets measured at fair value, a deferred tax liability of EUR 22,666,952 on financial instruments at amortised cost (with effective interest rate), and a tax claim of EUR 12,232,264 relating to the processing of the derivative instruments and a tax claim of EUR 26,088,082 in respect of tax loss carryforwards and definitively taxed income. When creating DTAs (deferred tax assets), an assessment is always made as to whether they can be used.

Note 43 provides further information of the impact of corporate taxes on the Company's result.

22. Assets and liabilities under insurance and reinsurance contracts

The assets and liabilities under insurance and reinsurance contracts as of 31 December break down as shown below.

	31/12/2018	31/12/2019
Reinsurers' share in technical provisions	**25,289,447**	**22,628,296**
Reinsurers' share in life insurance contracts	12,936,528	10,333,024
Reinsurers' share in non-life insurance contracts	12,352,919	12,295,272

Liabilities under insurance and reinsurance contracts (shown on the liabilities side of the balance sheet) relate to:

	31/12/2018	31/12/2019
Liabilities under insurance contracts	**2,884,242,338**	**3,089,121,458**
Provisions non-life	214,832,996	224,285,794
Premium provions	31,734,390	33,296,298
Loss provisions	136,438,592	144,332,280
Other technical provisions	46,660,014	46,657,216
Provisions life	2,669,409,342	2,864,835,664
Mathematical provisions	2,645,577,427	2,828,409,998
Loss provisions	16,960,055	28,864,004
Profit-sharing provisions	6,871,860	7,561,662

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

23. Other assets

The other assets break down as follows:

	31/12/2018	31/12/2019
Prepaid expenses	8,589,662	9,776,221
Other assets in context of lending transactions	32,519,864	33,353,706
Other assets in context of securities transactions	4,973,087	2,144,608
Other assets in context of payment transactions	69,013,029	67,716,088
Suspense accounts	83,850,324	113,782,356
Total other assets	**198,945,967**	**226,772,979**

AOther assets in the context of to lending transactions’ relate to credit advances on notary accounts and with the external manager in connection with the Dutch loans. ‘Assets in the context of securities transactions’ relate to fees receivable for the sale of investment funds of external fund managers (on entry and on portfolio). These fees are are settled periodically (monthly). ‘Assets in the context of payment traffic’ relate to transition accounts for debit and credit cards. ‘Suspense accounts’ contains amounts awaiting definitive allocation to specific bookkeeping accounts, advances to agents and personnel and current accounts of affiliated companies.

24. Fixed assets and groups of assets and liabilities that are part of disposal groups classified as held for sale

At the end of 2019, Aras entered into an agreement under conditions precedent to sell the portfolio of savings mortgage insurance (of EUR 367,784,197) and life insurance (EUR 2,554,116) of its Netherlands branch. The coverage values of the savings mortgage policies (the mortgage parts) are included in the transfer.

Aras expects the conditions precedent, which include the approvals of the regulators involved, to be fulfilled by the end of the second quarter of 2020.

	31/12/2018	31/12/2019
Non-current assets and disposal groups classified as held for sale	0	367,784,197
Liabilities included in disposal groups classified as held for sale	0	370,338,313

25. Financial liabilities measured at amortised cost

	31/12/2018	31/12/2019
Deposits from central banks	0	47,471,427
Deposits from credit institutions	159,930,533	95,513,992
Deposits from other than central banks and credit institutions	33,847,070,799	35,967,539,125
Senior debt securities issued - saving certificates	415,930,699	98,335,882
Senior debt securities issued - other	2,047,236,993	3,069,705,186
Subordinated debt securities issued	575,394,236	532,656,609
Other financial liabilities	615,310,397	455,248,057
Total	**37,660,873,657**	**40,266,470,279**

25.1 Deposits from central banks

The deposits from central banks are break down as follows:

	31/12/2018	31/12/2019
Deposits from central banks	**0**	**47,471,427**
Breakdown by product type		
Targeted Long term refinancing operations	0	47,471,427
Geographical breakdown		
Belgium	0	0
European Monetary Union	0	47,471,427
Rest of the world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	0	0
1 to 5 year	0	47,471,427
Effective interest rate at 31/12	**0.00%**	**-0.50%**

25.2 Deposits from credit institutions

The deposits from credit institutions break down as follows:

	31/12/2018	31/12/2019
Deposits from credit institutions	**159,930,533**	**95,513,992**
Breakdown by product type		
Deposits on demand	1,087,803	9,244,316
Repurchase agreements	155,000,003	85,000,950
Cash Collateral from financial institutions	3,842,727	1,268,727
Geographical breakdown		
Belgium	100,839,600	42,621,778
European Monetary Union	59,090,933	52,892,214
Rest of the world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	94,930,532	93,498,815
1 to 5 year	65,000,001	2,015,177
Effective interest rate at 31/12	**-0.21%**	**-0.39%**

At the end 2018, Aras had EUR 155,000,003 of repos on its balance sheet, at the end of 2019 this figure was EUR 85,000,950.

25.3 Deposits from other than central banks and credit institutions

Deposits from institutions other than central banks credit institutions – essentially deposits by the Company's retail customers – break down as follows:

	31/12/2018	31/12/2019
Deposits from other than central banks and credit institutions	**33,916,930,075**	**35,967,539,125**
Breakdown by product type		
Deposits on demand	4,588,194,542	5,277,693,406
Deposits on term	2,509,063,785	2,241,535,902
Regulated saving deposits	24,259,375,993	25,957,965,567
Mortgage-linked deposits	593,829,758	600,233,290
Other deposits	1,966,465,997	1,890,110,960
Breakdown by residual term or maturity date		
Up to 1 year	892,587,511	789,680,303
1 to 5 year	1,317,184,875	1,231,490,548
More than 5 years	299,291,400	220,365,051
Undefined	31,407,866,289	33,726,003,223
Effective interest rate at 31/12	**0.24%**	**0.19%**

The portfolio of regulated savings deposits continues to rise gradually. Deposits linked to mortgage loans include the undrawn amounts of mortgage loans and 'savings' linked with Dutch mortgage loans that have meanwhile been made available in blocked accounts (home construction account) and the mortgage investment part linked to the endowment mortgage insurance built up at the branch office of group entity Aras. The 'other deposits' consist mainly of the savings deposits in the Netherlands branch. .

25.4 Senior debt securities issued – savings certificates

The senior debt securities issued in the form of savings certificates are composed as follows:

	31/12/2018	31/12/2019
Senior debt securities issued – saving certificates	**415,930,699**	**98,335,882**
Breakdown by residual term or maturity date		
Up to 1 year	317,513,018	98,335,882
1 to 5 years	98,417,681	0
More than 5 years	0	0
Effective interest rate at 31/12	**2.33%**	**2.37%**

The downward trend of this portfolio in recent years continues because a few years ago the Bank Pool decided to cease offering retail savings certificates, as its features are mirrored by the 'term account' product.

25.5 Senior debt securities issued – bonds

The heading contains the bonds issued by Green Apple and the EMTN issue.

	31/12/2018	31/12/2019
Senior debt securities issued - other	**2,047,236,993**	**3,069,705,186**
Green Apple 2017-I NHG	1,063,315,054	907,591,648
Green Apple 2018-I NHG	983,921,939	856,125,475
Green Apple 2019-I NHG	0	803,024,027
EMTN	0	502,964,036
Breakdown by residual term or maturity date		
Up to 1 year	239,268,614	389,275,474
1 to 5 year	757,031,323	1,926,603,057
More than 5 years	1,050,937,056	753,826,655
Effective interest rate at 31/12	**-0.10%**	**0.02%**

The A notes of SPV Green Apple 2017 were issued on 5 October 2017 in a notional amount of EUR 1.2 billion and were placed with institutional investors. As of 31 December 2019, an amount of EUR 907,591,648 of notes was still outstanding. The interest rate on these notes is Euribor 3 months plus 40 basis points. On 31 December 2019, the effective interest rate was 0.004%. The notes run until 2056 with a prepayment option from March 2024.

The A notes of SPV Green Apple 2018 were issued on 26 June 2018 in a notional amount of EUR 1 billion and were placed with institutional investors. As of 31 December 2019, an amount of EUR 856,125,475 of notes was still outstanding. The interest rate on these notes is Euribor 3 months plus 40 basis points. On 31 December 2019, the effective interest rate was -0.018%. The notes run until 2057 with a prepayment option from January 2025.

The A notes of SPV Green Apple 2019 were issued on 26 June 2019 in a notional amount of EUR 0.82 billion and were placed with institutional investors. As of 31 December 2019, an amount of EUR 803,024,027 of notes was still outstanding. The interest rate on these notes is Euribor 3 months plus 25 basis points. On 31 December 2019, the effective interest rate was -0.168%. The notes run until 2058 with a prepayment option from January 2026.

In 2019, Aspa also issued a EUR 500 million bond as part of a newly launched Euro Medium Term Note (EMTN) programme.

25.6 Subordinated debt securities issued

The subordinated certificates are placed by the Company with the retail public. The Tier 2 bond issued in 2016 was offered to institutional investors only.

The subordinated liabilities are composed as follows:

	31/12/2018	31/12/2019
Subordinated debt securities issued	**575,394,236**	**532,656,609**
Breakdown by type		
Subordinated certificates	64,784,757	22,422,953
Tier 2 debt securities issued	510,609,479	510,233,656
Breakdown by residual term or maturity date		
Up to 1 year	44,094,158	22,326,335
1 to 5 year	531,300,078	510,330,274
More than 5 years	0	0
Effective interest rate at 31/12	**3.80%**	**3.88%**

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

In 2016, a Tier 2 bond was placed with institutional investors. This was an issue for a notional amount of EUR 500 million and with a call option in 2021.

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

25.7 Other financial liabilities

The other financial liabilities consist of lease liabilities measured and recorded under the IFRS 16 standard, and liabilities linked to investment contracts.

The liabilities break down as follows:

	31/12/2018	31/12/2019
Other financial liabilities	**615,310,397**	**455,248,057**
Breakdown by type		
Leasing	0	35,187,861
Investment ontracts linked to insurance contracts	615,310,397	420,060,196
Breakdown by residual term		
Up to 1 year	531,289,295	384,546,814
1 to 5 year	84,021,102	61,045,522
More than 5 years	0	9,655,721
Effective interest rate at 31/12	**3.04%**	**2.92%**

The item ‘investment contracts linked to insurance agreements’ consists of the reserves of investment contracts in the Insurance Pool recognized in accordance with IFRS 9.

26. Provisions

The changes in the provisions during the year are:

	Pension liabilities	Ligitation	Loan commitments, financial guarantees and other commitments given	Other provisions	Totaal
Closing balance at 31 December 2017	**2,104,922**	**0**	**0**	**2,712,615**	**4,817,537**
Additions	0	2,002,873	637,794	159,804	2,800,471
Amounts used	0	0	0	0	0
Unused amounts reversed during the period					
Other	-2,049,381	0	499,015	0	-1,550,366
Closing balance at 31 December 2018	**55,541**	**2,002,873**	**1,136,809**	**2,872,419**	**6,067,642**
Additions	0	560,388	0	0	560,388
Amounts used	0	-566,079	0	-691,792	-1,257,871
Unused amounts reversed during the period	0	-1,130,350	-214,876	-1,950,641	-3,295,867
Other	1,895,438	0	0	0	1,895,438
Closing balance at 31 December 2019	**1,950,979**	**866,832**	**921,933**	**229,986**	**3,969,730**

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 relate to litigation with branch managers with whom cooperation has been discontinued.

For ‘loan commitments, financial guarantees and other commitments given’, expected credit losses are also recognised in the form of stage 1 and stage 2 impairment amounts. Further information can be found in section 5.3.

A substantial part of the reversal of this item in 2019 relates to the provision for possible soil remediation of land. The corresponding provision was reversed in full in 2019.

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 schemes are funded solely by the employer through a group insurance, in which the insurer guarantees a minimum return.

Under Article 24 of the Supplementary Pensions Act of 28 April 2003 (the so-called ‘WAP/LPC’), the employer is required to guarantee a minimum return on defined contribution schemes. 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 scheme (the ‘horizontal’ approach).

Because of the legally imposed minimum guaranteed return, Belgian defined contribution schemes are considered as defined benefit schemes. The contributions to the pension scheme 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 schemes, the final benefit at retirement date for the employee depends on various elements such as years of service and final remuneration.

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

Mutation table	31/12/2018	31/12/2019
Defined benefit obligations at the beginning of the period	**67,913,070**	**66,000,009**
Current service cost	5,262,797	5,561,478
Past-service cost	0	0
Interest exenses	669,793	622,430
Actuarial gain or loss resulting from changes in demographic assumptions	35,999	-300,870
Actuarial gain or loss resulting from changes in financial assumptions	-7,360,625	13,330,739
Experience adjustments	339,052	222,961
Benefits paid	-860,077	-764,535
Defined benefit obligations at the end of the period	**66,000,009**	**84,672,212**
Fair value of plan assets (insurance contracts) at the beginning of the year	**65,468,162**	**67,469,654**
Interest income	643,151	640,962
Administrative expenses and taxes	-693,073	-691,181
Employer contributions	6,384,773	6,368,818
Actuarial gain or loss resulting from changes in financial assumptions	-6,421,139	11,014,778
Experience adjustments	2,947,857	-1,300,752
Benefits paid	-860,077	-764,535
Fair value of plan assets (insurance contracts) at the end of the year	**67,469,654**	**82,737,744**
Funded status	**1,469,644**	**-1,934,468**
Asset ceiling limit	1,525,186	16,512
Net defined benefit obligations	**-55,542**	**-1,950,980**
Net defined benefit obligations at the beginning of the year	**-2,080,909**	**-55,542**
Current service cost	-6,346,512	-6,234,127
Changes to the amounts recognised in other comprehensive income	1,987,106	-2,030,130
Employer contributions	6,384,773	6,368,818
Net defined benefit obligations at the end of the year	**-55,542**	**-1,950,981**
Amounts recognised in the statement of profit or loss	**-6,346,512**	**-6,234,127**
Current service cost	-5,262,797	-5,561,478
Past-service cost	0	0
Interest charges	-669,793	-622,430
Interest income	643,151	640,962
Administrative expenses and taxes	-693,073	-691,181
Changes to the amounts recognised in other comprehensive income	**1,987,106**	**-2,030,130**
Actuarial gain or loss from changes in demographic assumptions	-35,999	300,870
Actuarial gain or loss from changes in financial assumptions	939,486	-2,315,961
Experience adjustments	2,608,805	-1,523,713
Asset ceiling limit	-1,525,186	1,508,674

Additional information about the contracts

	Belgian employees	Dutch employees
Nature of the benefits of the pension scheme	Capital on retirement age Death capital in the event of death during active employment	Pension annuity from retirement age (lifelong). Partner annuity in the event of the death of the participant or pensioner of the scheme (lifelong). Orphan capital in the event of the death of the participant or pensioner of the scheme (lifelong)
Legislative framework	Governed by the Belgian LPC/WAP (supplementary pension law) and included in a set of pension regulations. The National Bank of Belgium (NBB) and the Financial Services and Markets Authority (FSMA) act as the supervisors.	Regulated by the Dutch Pensions Act. The Nederlandsche Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM) act as the supervisors.
Plan changes	Since 1 May 2011 there has been a fixed contribution scheme, financed with employer's contributions, replacing the previous scheme. Since 1 May 2017, the distinction in premium budget between wage scales has been abolished.	Since 1 March 2008 there has been a fixed benefit scheme, financed with employer's contributions.
Limitations and settlements	Not applicable	
Active affiliates	944	63
Passive affiliates	1,253	41
Estimated contributions 2019	5,726,987	641,831

Hypotheses used

For the Belgian fixed contribution schemes, the following assumptions were used: discount rate 0.95% (1.30% in 2018), inflation rate 1.70% (1.30%-2% in 2018), salary increase 3% (3% in 2018). For mortality tables the Assuralia 2011-2015 experience tables were used, and for employee turnover, observed historical data, broken down by age category.

For the Dutch fixed contribution schemes, the following assumptions were used: discount rate 0.95% (1.30% in 2018), inflation rate 1.70% (1.30%-2% in 2018), salary increase 3% (2.5% in 2018). For mortality tables the AG 2014 prognosis table was used, and for employee turnover, observed historical data.

Sensitivity of the gross pension liability

	31/12/2018	31/12/2019
Discount rate	**-25 bp**	**-25 bp**
Impact on the defined benefit obligations	+5.23%	+5.06%
Impact on the fair value of plan assets (insurance contracts)	+4.93%	+6.05%
Salary increase rate	**- 25 bp**	**-25 bp**
Impact on the defined benefit obligations	-0.09%	-0.32%
Impact on the fair value of plan assets (insurance contracts)	+0.00%	+0.00%

Weighted average term

	31/12/2018	31/12/2019
Average duration of the pension obligation	20.3	20.2

27. Other liabilities

The other liabilities break down as follows:

	31/12/2018	31/12/2019
Social security charges	8,904,451	9,346,296
Accrued charges	984	1,012
Accounts payable suppliers	46,808,852	40,402,981
Debts - other group companies	667,879	468,918
Debts - agents	29,708,363	36,119,943
Liabilities under insurance contracts	30,785,652	54,321,655
Liabilities under reinsurance contracts	4,561,102	10,893,854
Suspense accounts - lending transactions	31,906,321	69,345,135
Suspense accounts - payment transactions	22,956,877	20,533,714
Suspense accounts - securities transactions	8,183,426	6,859,084
Other taxes	3,097,735	3,995,775
Other	31,954,125	47,302,424
Total	**219,535,767**	**299,590,792**

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

28. Leases

The valuation rules for leases and the initial application of the IFRS 16 standard are further explained in Note 2.2.1.

The Company has leases in various asset categories such as buildings and cars. The total leasing cost of low value items (mainly ITC equipment and bicycles), for which the exemption option was applied, amounts to EUR 208,255 in 2019.

The table below shows the movement for the 2019 financial year.

	Right-of-use assets	Lease receivables	Lease liability
Opening balance as per 1 January 2019	**12,018,993**	**22,807,103**	**34,775,306**
Additions	2,959,242	8,745,790	10,293,172
Interest expense (liability) /income (receivable)		254,934	371,912
Lease payments		-4,400,195	-8,248,219
Depreciation expense	-3,794,925	0	0
Adjustments due to remeasurements	-2,004,310	-1,405,678	-2,004,310
Adjustments due to modifications	0	0	0
Closing balance as per 31 December 2019	**9,179,000**	**26,001,954**	**35,187,861**

Interest income related to lease receivables is included under 'interest income on financial assets measured at amortised cost'.

Right-of-use assets
The rights of use relate to leases on office buildings for own use, other buildings and cars. The leases that are subleased to the branch managers are recorded as lease receivables and are therefore not part of the overview below.

The details per asset category are shown in the table below:

Right-of-use asset	Depreciation	Carrying amount
Company cars	1,685,641	2,361,395
Leased buildings without sublease	359,005	1,417,644
Leased other buildings	1,750,279	5,399,961
Total	**3,794,925**	**9,179,000**

Lease liabilities

The tables below give the maturity profile of the lease liabilities as at 31 December 2019:

Lease liabilities (undiscounted)	
Up to 1 year	7,682,049
1 to 5 years	18,904,237
More than 5 years	9,954,735
Total at 31/12/2019	**36,541,022**

Lease liabilities (discounted)	
Up to 1 year	7,374,020
1 to 5 years	18,158,120
More than 5 years	9,655,721
Total at 31/12/2019	**35,187,861**

The average discount rate on the lease liabilities is 0.26%.

The Company has, as tenant, committed to renting the new buildings for its own use. These leases will not start until 2020. These contracts will represent an increase in lease liabilities in 2020 of EUR 46,568,296.

Lease receivables

The tables below give the maturity profile of the lease receivables as at 31 December 2019:

Lease receivables (undiscounted)	
Up to 1 year	4,478,815
1 to 5 years	15,334,749
More than 5 years	6,979,156
Total at 31/12/2019	**26,792,720**

Lease receivables (discounted)	
Up to 1 year	4,260,188
1 to 5 years	14,835,283
More than 5 years	6,906,483
Total at 31/12/2019	**26,001,954**

Exercise of option clauses in lease contracts

Certain office building leases provide for lending options that can be exercised by the Company. Based on the estimate by the Company, these lease options are included in the initial estimate of lease term, given that the Company intends to use the contracts for the maximum contractual term (including lease options) in its lease contracts. The extension options held are only exercisable by the Company and not by the lessors. In exceptional circumstances giving rise to the premature termination of a lease, a reassessment will be carried out.

29. Fair value of financial instruments

29.1 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 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 the assumptions to be used are those that other market participants would use for 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 identity 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 measured at fair value. CVA (Credit Valuation Adjustment) is an adjustment of the market value of derivative financial instruments to reflect 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 recorded at fair value financial instruments and of financial instruments recorded at fair value are explained and validated by Alco on a quarterly basis.

The Company's valuation hierarchy 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 not 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 matter 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 this 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. 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. They are based on assumptions used by the Company in the valuation. Examples of non-observable inputs are the historical volatility of a quoted share, and non-observable interest rates derived from observable data, but which are not confirmed by observable data.

When the fair value measurement uses inputs from different levels, the asset or liability is classified according to the lowest level of the inputs concerned (with level 1 as the highest and level 3 as the lowest level).

29.2 Financial instruments not recognised at fair value

The fair values recorded have been obtained on the basis of internal calculations. These can, however, 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:

- The fair value of consumer credits, mortgage loans, term loans and term financial liabilities (fixed-term deposits, retail savings certificates, bonds and subordinated loans and bonds) is determined by discounting contractual cash flows by the discounted cash flow method. The discounting percentage 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 ‘economic values’ calculation mentioned there (here with the impact of all levels);
- 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;
- 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 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.

	Carrying amount 31/12/2018	Fair value 31/12/2018	Carrying amount 31/12/2019	Fair value 31/12/2019
Cash, cash balances at central banks and other demand deposits	1,155,122,720	1,155,122,720	2,640,476,141	2,640,476,141
Financial assets at amortised cost				
Loans to credit institutions	0	0	1,100,248	1,100,248
Cash collateral to financial institutions	40,106,068	40,106,068	537,952,557	537,952,557
Loans and advances to other customers				
Consumer loans	162,833,480	169,371,969	233,426,589	240,307,986
Mortgage loans	29,800,569,991	32,318,647,003	31,649,644,905	34,809,247,752
Term loans	929,306,418	978,512,648	1,131,930,351	1,217,165,096
Advances and overdrafts	11,998,784	11,998,784	3,852,705	3,852,705
Leasing	0	0	26,001,954	26,001,954
Debt securities	5,620,881,539	5,777,287,728	4,942,619,828	5,138,987,129
Total financial assets	**37,720,819,000**	**40,451,046,920**	**41,167,005,278**	**44,615,091,569**
Financial liabilities measured at amortised cost				
Deposits from central banks	0	0	47,471,427	47,471,427
Deposits from credit institutions	159,930,533	159,930,533	95,513,992	95,513,992
Deposits from other than central banks and credit institutions				
Deposits on demand	4,541,378,031	4,541,378,031	5,277,693,406	5,277,693,406
Deposits on term	2,476,462,296	2,608,383,322	2,241,535,902	2,354,843,931
Regulated savings deposits	24,258,292,696	24,258,292,696	25,957,965,567	25,957,965,567
Mortgage-linked deposits	604,471,779	604,471,779	600,233,290	780,808,987
Other deposits	1,966,465,997	1,966,465,997	1,890,110,960	1,890,110,960
Senior debt securities issued				
Saving certificates	415,930,699	430,185,355	98,335,882	100,780,436
Other	2,047,236,993	2,058,633,745	3,069,705,186	3,096,824,656
Subordinated debt securities issued				
Subordinated certificates	64,784,757	67,679,048	22,422,953	23,084,697
Tier 2 debt securities issued	510,609,479	528,235,000	510,233,656	521,875,000
Other financial liabilities	615,310,397	619,956,954	455,248,057	456,087,289
Total financial liabilities	**37,660,873,656**	**37,843,612,459**	**40,266,470,278**	**40,603,060,349**

The table below shows the fair values of the listed IFRS classifications presented 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 fair value -, while a level 3 is assigned to all other calculated fair values.

31/12/2018	Fair value	level 1	level 2	level 3
Cash, cash balances at central banks and other demand deposits	1,155,122,720	0	1,155,122,720	0
Financial assets at amortised cost	39,295,924,200	3,544,416,998	2,284,975,582	33,466,531,620
Loans and advances	33,518,636,472	0	52,104,852	33,466,531,620
Debt securities	5,777,287,728	3,544,416,998	2,232,870,730	0
Financial liabilities measured at amortised cost	37,843,612,459	0	32,150,495,989	5,693,116,470

31/12/2019	Fair value	level 1	level 2	level 3
Cash, cash balances at central banks and other demand deposits	2,640,476,141	0	2,640,476,141	0
Financial assets at amortised cost	41,973,515,179	3,173,177,338	2,518,279,215	36,282,058,626
Loans and advances	36,834,528,050	0	567,807,216	36,266,720,834
Debt securities	5,138,987,129	3,173,177,338	1,950,471,999	15,337,792
Financial liabilities measured at amortised cost	40,603,060,349	0	34,505,651,629	6,097,408,720

Cash, cash balances at central banks and other demand deposits are measured at level 2 fair values (given the short-term nature).

Loans and advances 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.

Under the 'financial assets at amortised cost', the debt instruments in question are from the securities portfolio. The relevant fair values are obtained externally.

Financial liabilities measured at amortised cost under level 2 relate to deposits from credit institutions, demand deposits, regulated savings deposits and other deposits. Given the short-term nature of these liabilities, they are treated as a level 2 (carrying value equivalent to fair value).

The financial liabilities included in level 3 are the retail savings certificates, subordinated loans and fixed term deposits. Here a market valuation is calculated based on a DCF model.

29.3 Financial instruments stated 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.

In 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 for which the Company does not have a benchmark, prices are received from third parties.

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.

31/12/2018	Level 1	Level 2	Level 3
Assets measured at fair value	**6,619,122,274**	**887,173,806**	**9,320,198**
Financial assets held for trading	0	10,028,698	0
Assets related to unit-lined contracts (branch 23)	2,026,395,538	0	0
Financial assets at fair value through other comprehensive income	4,537,034,952	751,645,858	4,401,739
Non-trading financial assets mandatorily at fair value through profit or loss	55,691,784	51,788,123	4,918,459
Derivatives used for hedge accounting	0	73,711,127	0
Liabilities measured at fair value	**2,026,322,984**	**354,742,522**	**0**
Financial liabilities held for trading	0	4,073,472	0
Liabilities related to unit linked contracts (branch 23)	2,026,322,984	0	
Dervivatives used for hedge accounting	0	350,669,050	0

31/12/2019	Level 1	Level 2	Level 3
Assets measured at fair value	**6,613,755,199**	**800,727,295**	**12,574,658**
Financial assets held for trading	0	2,342,550	0
Assets related to unit-lined contracts (branch 23)	2,385,325,837	0	0
Financial assets at fair value through other comprehensive income	4,148,471,335	744,641,997	6,456,199
Non-trading financial assets mandatorily at fair value through other comprehensive income	79,958,027	49,607,606	6,118,459
Derivatives used for hedge accounting	0	4,135,142	0
Liabilities measured at fair value	**2,385,325,837**	**685,656,559**	**0**
Financial liabilities held for trading	0	1,216,696	0
Liabilities related to unit linked contracts (branch 23)	2,385,325,837	0	0
Dervivatives used for hedge accounting	0	684,439,863	0

In the 'financial assets at fair value through other comprehensive income' portfolio, there are sporadic changes between level 1 and level 2 as a result of changes in the liquidity of the instruments (for example, more providers).

In 2018 there was one change in level from level 1 to level 2 for the instruments measured at fair value. This involved a security with a notional value of EUR 6.95 million (with a carrying value of EUR 6,952,397). Quoted prices are used in the measurement of this instrument. Market observation showed that the market in which it is traded was no longer active, which led to the adjustment of the level hierarchy. There were no level changes in the portfolio in 2019. In 2019 there was one level change from level 2 to level 3.

Quoted prices are used in the measurement of this instrument. Market observation showed that the market in which it is traded was no longer active, which led to the adjustment of the level hierarchy.

The following table provides a reconciliation of level 3 fair values between 1 January 2018 and 31 December 2019.

	Debt securities at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial assets (mandatorily) at fair value through profit or loss
Opening at 01/01/2018	**20,027,855**	**2,492,355**	**4,406,106**
Purchases and new contracts	0	2,929,607	512,353
Expired instruments	-20,027,855	0	0
(Partial) repayments	0	0	0
Changes to other levels	0	0	0
Changes from other levels	0	0	0
Other changes (including value changes)	0	-1,020,223	0
Closing at 31/12/2018	**0**	**4,401,739**	**4,918,459**
Opening at 01/01/2019	**0**	**4,401,739**	**4,918,459**
Purchases and new contracts	0	0	1,200,000
Expired instruments	0	0	0
(Partial) repayments	0	0	0
Changes to other levels	0	0	0
Changes from other levels	2,054,460	0	0
Other changes (including value changes)	0	-64,543	0
Closing at 31/12/2019	**2,054,460**	**4,337,196**	**6,118,459**

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 debt securities and equity instruments measured at level 3 fair values was EUR 12,510,115 as of 31 December 2019.

Level changes have per se no P&L impact. The delta market values of the financial instruments at fair value through comprehensive income are recorded in other comprehensive income (OCI) in equity.

In 2018, EUR 20 million of securities (with level 3) arrived at maturity. In addition there were still EUR 4,401,739 of equities instruments with a level 3 fair value.

In 2019, EUR of 1,200,000 of level 3 debt securities were purchased. There was also a level change from level 2 for one debt security, owing to the disappearance of liquid price quotations. The level 3 instruments consist mainly of shares and funds where the Company receives pricing or valuation from third parties.

Note on the credit risk in the market value of derivatives

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 1.1 million on the 2019 valuation as against EUR 2.3 million in 2018, giving a negative impact of EUR 1.2 million in 2019.

30. Derivatives

Besides derivatives embedded in contracts, the Company has three types of derivatives (derived financial instruments) on its balance sheet on 31 December 2019: interest rate options (purchased and sold caps), (purchased) 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, under the influence of 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 have to 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 IAS 39 hedging transactions as approved by the EU. As a result, the particular hedging instruments are classified as derivatives used for hedging. The framework for recognising *micro hedges* on the portfolio at fair value through other comprehensive income and the framework for the recognition of derivative instruments such as cash flow hedge, was also embedded in the Company.

In 2018 and 2019 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.

At the end of 2019 the Company had 10 caps in its balance sheet in a notional amount of EUR 1.55 billion. These are used in managing its global interest rate risk.

It also has securitisation-related caps on its balance sheet. At end-2018 it had four caps (back-to-back) in notional amounts of EUR 2.1 billion each, at end-2019 it had six securitisation-related caps (back-to-back) relating to the securitisation transactions on its balance sheet.

Financial assets (unlisted)	Count	Notional	31/12/2018	Count	Notional	31/12/2019
Interest rate options - caps	10	1,550,000,000	5,938,432	10	1,550,000,000	1,122,971
Securisation transactions - caps	2	2,107,000,000	4,090,266	3	2,812,000,000	1,219,579

Financial liabilities (unlisted)	Count	Notional	31/12/2018	Count	Notional	31/12/2019
Interest rate options - caps	0	0	0	0	0	0
Securisation transactions - caps	2	2,107,000,000	4,073,472	3	2,812,000,000	1,216,696

Although serving to hedge the interest rate risk, these 10 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 to conclude swaptions. 2 swaptions were concluded that year. An additional 4 were concluded in 2018, and no additional swaptions were concluded in 2019.

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 accounting for as hedging derivatives (macro hedge). The hedge accounting framework for this type of instruments has been developed for this purpose.

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 lists all swaps and swaptions recognised at year-end, the hedged positions and the IFRS processing method.

2018				
Count	Notional	Hedge type	Treatment in IFRS	Derivative type
70	7,550,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Interest rate swaps
11	1,220,806,300	Interest rate risk on individual debt securities	Micro fair value hedge	Interest rate swaps
1	100,000,000	Interest rate risk on term products	Micro hedge - cash flow hedge	Interest rate swaps
6	600,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Swaptions

2019				
Count	Notional	Hedge type	Treatment in IFRS	Derivative type
71	7,650,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Interest rate swaps
11	849,373,888	Interest rate risk on individual debt securities	Micro fair value hedge	Interest rate swaps
1	100,000,000	Interest rate risk on term products	Micro hedge - cash flow hedge	Interest rate swaps
6	600,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Swaptions

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 2018, the swap concerned had a negative market value of EUR 10,252,209 and, after offsetting of an unrealised tax claim of EUR 2,101,703, an amount of EUR 8,150,506 was recorded under 'cash flow hedge reserve' in equity.

As of 31 December 2019, the swap concerned had a negative market value of EUR 6,004,040 and, after offsetting of an unrealised tax claim of EUR 1,302,877, an amount of EUR 4,701,163 was recorded under 'cash flow hedge reserve' in equity.

Notes to the consolidated statement of profit or loss

31. Net interest income

The breakdown of interest income and expenses by type of interest margin-generating financial instrument is as follows. Total interest income has remained virtually unchanged while interest expenses have fallen. The decrease in the interest expenses of the liability products is greater here than the increase in the hedging costs.

	31/12/2018	31/12/2019
Interest income	**925,351,846**	**922,316,711**
Non-trading financial assets mandatorily at fair value through profit or loss	1,164,086	1,216,121
Financial assets at fair value through other comprehensive income	64,677,737	52,600,129
Financial assets at amortised cost - loans and advances	770,117,031	784,437,002
Financial assets at amortised cost - debt securities	85,640,384	82,090,623
Derivatives used for hedge accounting	3,109,458	1,331,875
Other assets	643,150	640,962
Interest expenses	**302,268,361**	**291,395,785**
Deposits from central banks and credit institutions	22,098,241	2,435,988
Deposits from other than central banks and credit institutions	92,915,646	96,343,839
Senior debt securities issued	11,457,625	9,455,292
Subordinated debt securities issued	22,422,226	21,680,009
Leasing liabilities	0	371,911
Derivatives used for hedge accounting	152,689,202	158,966,020
Other liabilities	669,793	627,000
Interest expenses on assets	15,628	1,515,726
Net interest income	**623,083,485**	**630,920,927**
of which interest-income on credit impaired financial assets	192,517	193,645

32. Dividend income

Dividends received are specified below.

	31/12/2018	31/12/2019
Dividend income	**4,128,753**	**4,925,477**
Equity instruments at fair value through other comprehensive income	3,526,514	4,346,638
Equity instruments mandatorily valued at fair value through profit or loss	602,239	578,839

33. Net fee and commission income

The net income from commissions and fees can be found below. In total this is EUR 3 million less negative contribution. The EUR 18 million increase in income (mainly from the activity of the investment funds) outweighed the increase in expenses (with an increase mainly in acquisition costs and payment services costs).

	31/12/2018	31/12/2019
Fee and commission income	**146,055,557**	**163,796,208**
Securities: issuances and transfer orders	13,689,437	9,125,467
Asset management, including central administrative service for collective investment	76,880,251	96,278,638
Customer resources distributed but not managed	29,793,236	26,109,577
Payment services	14,422,812	15,097,675
Other	11,269,821	17,184,850
Fee and commission expenses	**-158,122,098**	**-173,305,936**
Acquisition charges	-130,674,957	-142,354,910
Custody	-1,924,046	-2,155,670
Payment services	-21,944,843	-24,765,058
Other	-3,578,252	-4,030,297
Net fee and commission income	**-12,066,541**	**-9,509,728**

The management fees received continue to rise and are linked to the inclusion of the branch 23 portfolio and sales of the existing portfolio of funds.

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

34. Gains and losses on financial assets and liabilities not measured at fair value through profit or loss

The realised result on, on the one hand, on financial assets measured at fair value through other comprehensive income and, on the other hand, on financial assets measured at amortised cost, can be presented as follows:

	31/12/2018	31/12/2019
Gains on derecognition		
Debt securities at fair value through other comprehensive income	5,198,175	6,502,287
Financial assets at amortised cost	3,234,931	2,017,105
Losses on derecognition		
Debt securities at fair value through other comprehensive income	-649,335	-100,319
Financial assets at amortised cost	-5,870	-118,679
Total result on derecognition	**7,777,901**	**8,300,394**
of which debt securities at fair value through other comprehensive income	4,548,840	6,401,968
of which financial assets at amortised cost	3,229,061	1,898,426

The fair values of the category ‘financial assets measured at amortised cost’ are given in Note 29.

In 2019, the net realised gains and losses amounted to EUR 6,401,968 (fair value through other comprehensive income) and EUR 1,898,426 (at amortised cost) respectively. The sales under the ‘financial assets at amortised cost’ heading relate to securities (8 positions) that were close to maturity. The other sales (2 positions) are not significant in terms of the IFRS 9 classification.

35. 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:

	31/12/2018	31/12/2019
Fair value changes related to caps	-1,977,633	-4,829,371

The result of interest options can be found under the net result. Under the ALM policy, all the caps concerned are concluded for the account of the Company.

The gains and losses on caps figure is the result of the recognition of the relevant instruments at market value on the balance sheet, with changes in fair value taken through profit and loss.

36. Gains or losses on non-trading financial assets mandatorily measured at fair value through profit and loss

This heading groups the gains or losses on assets that are not held for trading purposes but that are required to be recognised at fair value through profit or loss.

This is impact on fair value of a limited portfolio of securities measured at fair value through profit and loss that did not meet the SPPI tests and were therefore included on the balance sheet at fair value with adjustments through profit and loss.

	31/12/2018	31/12/2019
Fair value changes related to caps	-885,754	1,926,324
Fair value changes related to equity instruments	-6,067,625	9,554,343

37. Gains or 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'.

	31/12/2018	31/12/2019
Macro fair value hedge		
Fair value changes of the hedged item	-69,631,599	-382,420,182
Fair value changes of the derivatives used for hedge accounting	70,745,504	378,373,549
Micro fair value hedge		
Fair value changes of the hedged item	8,713,504	10,768,286
Fair value changes of the derivatives used for hedge accounting	-8,636,760	-11,008,699
Gains or losses from hedge accounting	**1,190,649**	**-4,287,046**

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).

The steep interest curves and changes in the interest curves produced a greater impact at the end of 2019 than in previous years. The impact on results is systematically monitored. In 2019, a number of micro hedge positions were sold and the related hedging derivatives redeemed in an amount of EUR 16,930,079.

In the case of the swap processed as a cash flow hedge, there was no ineffectiveness in 2018 and 2019, leaving no movements in connection with this swap under this heading.

38. Realised gains or losses from the derecognition of non-financial assets

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

	31/12/2018	31/12/2019
Gains on property, plant and equipment	317,147	234,123
Gains on investment properties	15,857	0
Losses on property, plant and equipment	-143,221	-337,424
Losses on invesment properties	0	0
Total	**189,783**	**-103,301**

39. Net income from insurance and reinsurance contracts

Net income from insurance and reinsurance contracts consists of:

	31/12/2018	31/12/2019
Net income from issued insurance contracts	**-3,025,108**	**10,079,622**
of wich non-life	32,736,236	41,517,487
of which life	-35,761,346	-31,437,865
Net income from issued reinsurance contracts	**2,554,990**	**-3,124,516**
of wich non-life	4,291,792	-1,347,505
of which life	-1,736,802	-1,777,011
Net technical result from insurance	**-470,118**	**6,955,106**

The increase in the technical insurance result reflects a positive evolution of claims in Non-life for fire and legal assistance, with 2018 being a less favourable year in terms of claims. This evolution is partially offset by the negative evolution in Non-life reinsurance.

The increase in Life is the result of falling guaranteed interest rates in branch 21 reserves, offset by lower net interest income received from the assets that serve to cover the Insurance Pool obligations.

40. Net other operating income

Net other operating income consists of the following elements:

	31/12/2018	31/12/2019
Other operating income		
Rental income from investment properties	62,953	102,763
Agent recuperations	16,524,267	15,755,282
Other	14,498,362	5,842,967
Operating expenses		
Expenses with respect to rented-out investment properties	0	0
Other	-4,751,916	-4,562,692
Total	**26,333,667**	**17,138,319**

41. Administrative expenses

Staff expenses consist of the following components:

	31/12/2018	31/12/2019
Wages and salaries	57,917,193	61,439,211
Social security charges	15,281,322	15,990,986
Pension expenses	5,626,797	6,419,814
Share-based payments	0	0
Other	3,832,844	3,434,937
Staff expenses	**82,658,157**	**87,284,948**
Average number of employees in FTE	1,003.9	1,030.4

The Company has mainly pension obligations based on defined contribution schemes. The contributions are paid by the employer only. In Belgium such group insurance schemes are required to provide a minimum return.

There are no 'share-based payments' at the Company.

Other administrative expenses can be specified as follows:

	31/12/2018	31/12/2019
Marketing expenses	4,687,200	4,962,850
Professional fees - ICT	33,652,161	27,281,846
Professional fees (including legal and fiscal)	31,591,547	48,216,031
IT expenses	64,020,559	66,021,938
Rental expenses	11,273,687	8,233,270
Other taxes and bank levies	76,949,403	79,772,467
Servicing charges	22,773,994	19,484,417
Utilities	9,063,424	8,651,084
Supervisor	7,832,464	8,441,558
Postage	3,338,519	3,269,591
Interim labour	3,980,298	3,355,830
Other	32,110,157	30,135,070
Other administrative expenses	**301,273,413**	**307,825,952**

The 'other' heading includes expenses for telephone, postage, office supplies, professional contributions and travel expenses.

The increase in general and administrative expenses is due primarily to expenses incurred in the further development of the ICT infrastructure (ICT expenses) and the continuing high levels of 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. In addition, rent is also paid for the office buildings.

The professional fees item mainly includes costs of external ICT employees and/or managed services contracts. The increase in this item is the result of continued ICT investments in which the costs of the external (ICT) run support were directly included in the costs. Part of the increase also reflects the inability to capitalise the costs of specific business projects, which are therefore expensed directly.

42. Impairments

The changes in impairments can be broken down as follows:

	31/12/2018	31/12/2019
Goodwill	0	0
Debt securities at amortised cost	133,242	-400,223
Loans and advances at amortised cost	2,899,372	-2,047,919
Debt securities at fair value through other comprehensive income	-59,109	-495,180
Impairments	**2,973,505**	**-2,943,321**

The mutation tables below show the composition and evolution of the impairments at 31 December 2018 and 31 December 2019. The impairments on future obligations and guarantees given are explained in Notes 5.3 and 25.

For 2018 there is a net positive impact of EUR 2,973,505, consisting of a negative impact of EUR 74,133 (EUR 133,242 less EUR 59,109) on debt securities and EUR 2,899,372 on loans and advances.

For 2019 there is a net negative impact of EUR 2,943,322, of which EUR 400,223 and EUR 495,180 on debt securities and EUR 2,047,919 on loans and advances.

	1/01/2018	Changes of balance sheet impairments	31/12/2018	Recoveries in profit or loss	Direct write offs	Total impairments in profit or loss
Debt securities at amortised cost	**-2,321,476**	**133,242**	**-2,188,234**	**0**	**0**	**133,242**
Stage 1	-913,810	-681,232	-1,595,042			-681,232
Stage 2	-1,407,666	814,474	-593,192			814,474
Stage 3	0	0	0	0	0	0
Debt securities at fair value through other comprehensive income	**-918,500**	**-59,109**	**-977,609**	**0**	**0**	**-59,109**
Stage 1	-773,353	-195,486	-968,839			-195,486
Stage 2	-145,147	136,377	-8,770			136,377
Stage 3	0	0	0	0	0	0
Loans and advances at amortised cost	**-35,588,414**	**11,619,200**	**-23,969,214**	**1,853,595**	**-10,573,423**	**2,899,372**
Stage 1	-1,993,514	718,833	-1,274,681			718,833
Stage 2	-12,566,948	2,726,264	-9,840,683			2,726,264
Stage 3	-21,027,952	8,174,103	-12,853,850	1,853,595	-10,573,423	-545,726
of which consumer loans	-1,669,254	1,029,384	-639,869	305,298	-1,494,595	-159,913
of which mortgage loans	-18,063,935	7,000,458	-11,063,480	1,099,833	-8,679,208	-578,917
of which term loans	-337,797	210,906	-126,891	8,112	-223,599	-4,581
of which advances and overdarfts	-956,966	-66,645	-1,023,610	440,351	-176,021	197,685
of which other loan receivables	0	0	0	0	0	0
Total	**-38,828,390**	**11,693,333**	**-27,135,057**	**1,853,595**	**-10,573,423**	**2,973,505**

	31/12/2018	Changes of balance sheet impairments	31/12/2019	Recoveries in profit or loss	Direct write offs	Total impairments in profit or loss
Debt securities at amortised cost	**-2,188,234**	**-400,223**	**-2,588,457**	**0**	**0**	**-400,223**
Stage 1	-1,595,042	-567,316	-2,162,358			-567,316
Stage 2	-593,192	167,093	-426,099			167,093
Stage 3	0		0	0	0	0
Debt securities at fair value through other comprehensive income	**-977,609**	**-495,180**	**-1,472,789**	**0**	**0**	**-495,180**
Stage 1	-968,839	-503,950	-1,472,789			-503,950
Stage 2	-8,770	8,770	0			8,770
Stage 3	0	0	0	0	0	0
Loans and advances at amortised cost	**-23,969,214**	**-825,607**	**-24,794,821**	**1,958,551**	**-3,180,863**	**-2,047,919**
Stage 1	-1,274,681	-1,814,507	-3,089,188			-1,814,507
Stage 2	-9,840,683	639,230	-9,201,453			639,230
Stage 3	-12,853,850	349,670	-12,504,180	1,958,551	-3,180,863	-872,642
of which consumer loans	-639,869	-552,802	-1,192,671	260,569	-375,864	-668,097
of which mortgage loans	-11,063,480	1,184,809	-9,878,671	1,391,121	-2,580,483	-4,553
of which term loans	-126,891	-156,858	-283,749	8,280	-115,548	-264,125
of which advances and overdarfts	-1,023,610	-125,480	-1,149,090	298,581	-108,968	64,133
of which other loan receivables	0		0			0
Total	**-27,135,057**	**-1,721,010**	**-28,856,067**	**1,958,551**	**-3,180,863**	**-2,943,322**

The stage 3 impairments are the individual impairments that are applied. The detailed mutation table for impairments at 31 December 2018 and 2019 has been included in the notes on credit risk in Note 5.3.

43. Tax expense

The details of current and deferred taxes are shown below:

	31/12/2018	31/12/2019
Current tax expenses for the financial year	77,803,138	66,445,765
Current tax expenses for prior periods	-3,393,066	130,258
Deferred taxes relating to fiscal losses and DRD	-15,369,550	-4,799,548
Deferred taxes for prior periods	0	1,650,609
Deferred taxes relating to accounting timing differences	-450,944	-3,353,827
Total taxes	**58,589,578**	**60,073,257**
Reconciliation of statutory and effective tax rate		
Profit or loss before tax	233,015,648	234,146,253
Statutory tax rate	29.58%	29.58%
Income tax calculated using statutory rate	68,926,029	69,260,462
Tax effect of different tax rates in other jurisdictions	-10,410,823	-11,916,700
Tax effect of non-taxable income	0	-3,807,782
Tax effect of non-tax-deductible expenses	3,241,455	1,393,612
Tax benefit not previously recognised	0	0
Prior period taxation	-3,393,066	1,780,867
Tax impact of change of tax rate	59,390	2,565,904
Other differences in statutory taxation	220,906	908,471
	-54,312	-111,577
Total income tax expense	**58,589,579**	**60,073,256**
Effective tax rate	25.14%	25.66%

As reflected in the table above, the effective tax rate was 25.66% in 2019 and 25.14% in 2018. This compares with the statutory tax rate of 29.58% in Belgium.

Part of the taxable basis is realised in the Netherlands and Luxembourg, which apply different statutory rates (25.00% in the Netherlands and 24.94% in Luxembourg) compared to Belgium. This has an impact of EUR -11,916,700 or a decrease compared to the statutory rate of 5.09%.

The prior period taxation consists of corrections for the difference between the tax provision recognized at the end of the financial year and the actual tax return.

The stepped change in tax rate in Belgium (from 29.58% in 2019 to 25.00% from 2020) and in the Netherlands (25.00% in 2019 and 2020 and 21.70% from 2021) had in 2019 an impact of EUR +2,565,904 on the deferred taxes.

Other increases mainly relate to the effect of the realised capital gains on equity instruments measured at fair value through other comprehensive income, for which no recycling is recorded under IFRS, but which are in fact fiscally recycled and taxed.

The group contribution scheme (fiscal consolidation) was introduced by the act of 25 December 2017 reforming corporate income tax and applies from the 2020 assessment year. The group contribution scheme is a system whereby one group company can transfer (part of) its taxable result via a purely fiscal group contribution to another loss-making group company. Aspa main house shifts, via the group contribution of EUR 58.7 million, part of the tax losses to Aras, for which Aras pays compensation to Aspa main house at the statutory tax rate of 29.58% (EUR 17,363,460). On a consolidated basis, the fee received at Aspa and the fee paid at Aras are eliminated.

Other notes

44. 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.

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 2018 and 2019, together with the average for 2019.

	31/12/2018 Notional value	31/12/2018 Fair value	31/12/2019 Notional value	31/12/2019 Fair value	Average 2019 Notional value	Average 2019 Fair value
Collateral for derivatives (caps en swaps)	371,160,000	412,719,719	314,054,000	352,355,292	377,993,250	417,751,741
Collateral for repo transactions	128,601,461	148,287,509	73,492,103	78,129,149	102,168,503	113,153,854
Collateral for Bank Card Company	43,500,000	43,595,212	47,000,000	50,029,101	46,416,667	48,489,520
Collateral for TLTRO	0	0	47,480,000	48,527,377	3,956,667	4,043,948
Total collateral given	**543,261,461**	**604,602,440**	**482,026,103**	**529,040,919**	**530,535,086**	**583,439,063**
Paid cash (derivatives)		33,487,068		531,592,517		476,633,438
Cash received (derivatives)		3,842,727		1,268,727		1,379,310
Net cash (derivatives)		**29,644,341**		**530,323,790**		**475,254,128**
Collateral NBB credit line	**250,000,000**	**256,135,687**	**204,008,000**	**209,941,855**	**246,167,333**	**248,423,590**

At the end of 2018, a notional EUR 371,160,000 was encumbered in respect of derivatives, EUR 128,601,461 for repos and a notional EUR 43.5 million in connection with the use of credit cards by the Company's customers. In addition, EUR 33.48 million of cash was paid and EUR 3.8 million of cash received in respect of collateral management for derivatives.

At the end of 2019, a notional EUR 314,054,000 was encumbered in respect of derivatives and repos and a notional EUR 47 million in connection with the use of credit cards by the Company's customers. EUR 47.5 million of assets were encumbered in respect of the Company's participation the ECB's TLTRO-III operation. At Aras, EUR 73,492,103 of debt securities are encumbered in respect of repo transactions. In addition, EUR 531.6 million of cash was paid and EUR 1.3 million of 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 45 - 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).

45. Securitisation policy

The operational framework and the policies for undertaking securitisation transactions were elaborated in mid-2007. Securitisation transactions were carried out in 2017, 2018 and 2019.

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. The Company invests only in the A tranches of securitisation transactions and has no 'resecuritisation' positions in its possession.

Per type	Country	Carrying amount 31/12/2018	Carrying amount 31/12/2019
MBS	Belgium	17,678,464	12,133,799
MBS	Spain	17,630,572	13,910,221
MBS	France	28,506,208	17,370,940
MBS	Ireland	32,187,807	15,005,583
MBS	The Netherlands	678,023,575	579,039,209
MBS	Great-Britain	14,752,635	14,750,477
ABS	Germany	48,638,983	41,839,397
ABS	Spain	0	0
ABS	United States of America	4,730,541	2,703,361
ABS	France	14,977,709	25,337,123
ABS	Ireland	18,821,150	6,488,253
ABS	Luxembourg	101,793,146	66,820,087
ABS	The Netherlands	28,071,872	18,375,096
Total securization positions		**1,005,812,662**	**813,773,546**

The MBSs are all related to securitised mortgage loans. The ABS from the USA relates to a securitisation of student loans and the ABS from Spain to the securitisation of covered bonds. The ABSs from other countries relate to securitised motor vehicle loans.

46. Off-balance sheet liabilities

The Company has issued guarantees against its own financial assets. The reasons and notional values of the assets involved can be found in the table below.

		31/12/2018	31/12/2019
Collateral given			
For repos	Notional value	128,601,461	73,492,103
For Swaps and caps	Notional value	375,168,000	314,054,000
For BankCardCompany	Notional value	43,500,000	47,000,000
For TLTRO	Notional value	0	47,480,000
Collateral received		**36,944,603,710**	**39,295,404,474**

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

The financial guarantees granted and received are given below.

	31/12/2018	31/12/2019
Financial guarantees issued	4,413,712	4,724,912
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.

	31/12/2018	31/12/2019
Credit lines granted	1,674,745,521	1,426,724,701
Credit lines received	250,000,000	202,520,000

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.

The impairments on future obligations (credit commitments) and guarantees given are explained in notes 5.3 and note 22.

47. Contingent liabilities

The Company is a 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.

These provisions were briefly explained in note 26. Provisions

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 statement of profit or loss.

48. Events after the balance sheet date

Important events after balance sheet date

While this annual report was being written, the world was struck by a pandemic - COVID-19 - which also affects Belgium and Belgian business companies.

Coronavirus

In early 2020, China's Hubei province was hit by coronavirus (COVID-19), a highly aggressive virus that leads to potentially fatal pneumonia. With strict measures taken by the Chinese government, this virus appeared to have remained isolated within China and a small number of Asian countries. It was only in the last week of February that the reality of further dissemination became clearer when Europe was hit, primarily by an eruption in Northern Italy. The worldwide dissemination of the virus was by then a fact.

Since the last week of February, the coronavirus has caused hitherto unseen and acute uncertainty with a wide range of potential consequences. The contamination, both as a virus and as a bringer of chaos, has spread in economies and markets around the world.

Since the beginning of March, stringent measures have also been taken in Europe to curb the spread of the virus. These mainly consist of 'social abstinence', in its extreme form of a complete 'lock- down', in which only vital economic activity continues to function.

The financial markets in Europe have been particularly volatile since the last week of February, with stock market falls of 30-40% worldwide and a steady decline in interest rates. On 3 March, the US Federal Reserve dropped its benchmark interest rate by 50 basis points. After that, interest rates worldwide continued to slide with expectations that the ECB would follow suit on 12 March with a cut. The fact that this did not happen sparked European market interest rates to rise to levels that are higher today than in the first months of 2020.

Impact on Argenta Bank en Verzekeringen

On 18 March the Belgian government emphasized that the financial sector is necessary to protect the country's vital interests and the needs of the population. Argenta had already taken the necessary measures to guarantee its continued activity and to protect its clients and employees.

Argenta branch offices remain accessible by phone and continue to work by appointment. Daily banking can continue to be conducted through online banking and the Argenta app. Cash is available at the ATMs. Thanks to the existing technology, all Argenta head office employees can work from home, ensuring services for our customers and the continuity of our company.

From Argenta, we continue to monitor the situation in every area through daily internal consultation and consultation with government bodies, regulators, sectoral federations and others. Every possible step will be taken to limit this pandemic and the possible economic consequences.

At the date of preparation of this annual report, the immediately measurable financial impact of this crisis is limited. Liquidity and solvency have been affected to a limited extent and remain very strong. The current market interest rates are currently almost neutral for Argenta's balance sheet and result compared to the financial position as at 31 December 2019.

The negative stock market evolution (equity markets) does have a direct impact on the market valuation of the equity portfolio of Argenta Assuranties, but does not yet lead to the booking of potential losses compared to the original purchase values. The stock market evolution could have an indirect effect for the bank and the insurer in terms of the size of the management fees received on funds subscribed by customers. The potential impact of this is currently estimated at approximately 5% of group profit before tax. The above-mentioned securities will fluctuate with the evolution of share prices to which we are directly and indirectly exposed.

There is also currently no directly measurable impact on the credit risk to which Argenta is exposed. The impact on the projected credit risk in the future will depend on the ultimate economic impact in Belgium and the Netherlands and the associated repayment capacity of our customers. Given that the elements to support an additional credit provision for future losses in accordance with the IFRS 9 accounting standard were not available on 31 December 2019, and are still not today, Argenta has not recognized additional provisions at year-end in accordance with IFRS 9. With the further economic and social developments, we will take these new elements into account when determining expected credit losses. Today, based on the currently known factors, their impact is not considered to be directly material.

On Sunday 22 March 2020, the Belgian federal government and Febelfin concluded an agreement for additional support measures for non-financial companies, self-employed persons, and for mortgage borrowers with payment problems as a result of the coronavirus crisis. The most important element of this for Argenta is the deferral of payment until 30 September 2020 without charging costs. The practical implementation of this agreement has yet to be completed. These measures do not concern the home loans that Argenta has outstanding in the Netherlands.

Argenta will continue to closely monitor the financial impact of the coronavirus crisis and will, in due course, take the necessary operational measures and also take these into account in determining Argenta's financial position.

Circumstances that could significantly influence the development of Argenta

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.

To the best of the Board of Directors' knowledge, there are also no circumstances other than those mentioned in this Annual Report that could have a material impact on the development of its individual subsidiaries.

Approval for publication

On 24 March 2020, 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 24 April 2020.

49. 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:

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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
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Appendix: overview of abbreviations used

ALCO	Asset and Liability Committee
AAM	Argenta Asset Management
ABS	Asset Backed Securities
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
CBFA	Commissie Bank-, Financie- en Assurantiewezen (Banking, Finance and Insurance Commission)
CBHK	Centraal Bureau voor Hypothecaire Kredieten
CCO	Chief Commercial Officer
CET 1	Common Equity Tier 1
CFH	Cash Flow Hedge
CFO	Chief Financial Officer
CGU	Cash-Generating Unit
CODM	Chief Operating Decision Maker
COO	Chief Operating Officer
COREP	Common Reporting
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRA	Credit Risk Analysis
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulations
CVA	Credit Valuation Adjustment
DC	Danish Compromise
DCF	Discounted Cash Flow method
DTA	Deferred Tax Asset
DVA	Debt Valuation Adjustment
EAD	Exposures At Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses
EMIR	European Market Infrastructure Regulation
FICOD	Financial Conglomerates Directive
FIRB	Foundation Internal Ratings Based
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 Consultation
IPT	Individual Pension Commitment
IRB	Internal Ratings Based
IRS	Interest Rate Swap
JST	Joint Supervisory Team
Kreco	Credit Risk Committee – retail
KRI	Key Risk Indicator
KRS	Branch Risk Score
LAT	Liability Adequacy Test
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LTRO	Long Term Refinancing Operation
MBS	Mortgage Backed Securities
MCR	Minimum Capital Requirements
NHG	National Mortgage Guarantee (Netherlands)
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income (or Other Elements of Comprehensive Income or Unrealised Income)
OLO	Obligation Linéaire/Lineaire Obligatie/Linear Bond
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-Counter
PD	Probability of Default
PIT	Point In Time
Prico	Pricing Committee
RACI	Responsible Accountable Consulted Informed
RAF	Risk Appetite Framework
RMBS	Residential Mortgage Backed Security
RO	Rating Consultation
ROE	Return On Equity
ROI	Return On Investment
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
TC	Total Capital
TIM	Treasury and Investment Management
TIS	Treasury and Investment Service
TTC	Through The Cycle
VRC	Insurance Risk Committee
WAP	Supplementary Pensions Act (LPS/WAP)
WVV	Companies and Associations Code (Wetboek van Vennootschappen en Verenigingen)