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## ARGENTA DEMONSTRATES ITS RESILIENCE BY DELIVERING STRONG FIRST HALF-YEAR 2020 FIGURES

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Antwerp, 27 August 2020

During the first half of 2020, the worldwide corona pandemic created a major upheaval of unprecedented speed and proportions in social and economic environments.

Even in those circumstances, Argenta continued to guarantee personal and close-to-the-customer service. Almost all head office employees have been working from home since 16.03.2020; while Argenta branches have remained open throughout for customers by appointment. On top of this, Argenta regularly updates customers on how corona is impacting their investments. This instils a sense of confidence: with an increase of 3 billion euros, funds under management at Argenta have passed the 50 billion euros mark for the first time. The growth in savings and current accounts is accompanied by strong growth in Argenta investment funds and investment insurance policies.

Despite these challenges, which placed considerable pressure on the financial sector, Argenta was able to keep its recurring interest margin stable, post a good result from its fee activities and keep costs under control. Argenta confirms its strong position in the Belgian banking and insurance landscape and on the Dutch mortgage market by again presenting healthy growth figures in the first half of 2020.

Argenta presents at group level a consolidated result of 94 million euros for the first half of 2020, compared to 77 million euros for the first six months of 2019<sup>1</sup>.

*'In the given circumstances, we are satisfied with this first half of the year. Our solid buffers are helping us come through the corona crisis. Argenta's solvency remains excellent. Argenta's liquidity position also remains very robust, although that is both good and bad good news. The fact is that, given low market interest rates and costs, the funds in the savings accounts act as a drag on, rather than boost, Argenta's results',* says Argenta CEO Marc Lauwers.

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<sup>1</sup> In accordance with IFRS accounting standards and adjusted for IFRIC21 (even distribution of bank levies).

## Argenta's financial results remain stable in the first half of the year

**Argenta Bank- en Verzekeringsgroep** recorded a net profit of 94 million euros in the first half of the year. This is 17 million euros above the same period in 2019<sup>1</sup>. ROE rose to 6.8%.

Total assets under management increased by 2.7% in the first half-year to pass the 50 billion euros mark for the first time. First and foremost, current and savings account outstandings in Belgium grew by 1.6 billion euros, a record figure, driven by lower spending and stronger savings behaviour during the lockdown period. This was accompanied by strong interest in banking and insurance funds with a net production of 671 million euros. It is clear that, even in turbulent times, customers are looking for a trusted and stable partner to manage their assets.

On the credit side, mortgage loans amounting to EUR 2.2 billion were granted. This is 19 % less than in the same period last year. In Belgium, the rush for mortgage loans at the end of 2019 caused by the upcoming abolition of the housing bonus was followed by a flat period at the beginning of this year. In addition, the lockdown also obviously impacted house sales and therefore also mortgage production. In the Netherlands, the lockdown did not have the same effect and the new volumes are according to plan. The net profit of **Argenta Spaarbank** increased the first half of 2020 to EUR 67 million, compared with EUR 47 million euros in the first half of 2019<sup>1</sup>. The liquidity position and capital base remain very strong.

Recurring interest income is up as a larger mortgage and investment portfolio compensates for lower margins. Interest costs are being pushed down as expensive term accounts mature and with a fall in the cost of financing through bonds issued by Argenta on the institutional market. Added to this is an increase in reinvestment penalties on mortgages in the Netherlands, offset in turn by the recording of IFRS 9 provisions for impairment losses on loans and securities as a result of COVID-19. The increase compared to 2019 is mainly explained by one-off negative timing effects due to changes in the market value of hedging instruments in 2019.

The result from fee-driven activities ('fee reimbursements' in the income statement) rose by 45% to 71 million euros owing to higher income from investment funds. The investment funds portfolio grew in the first half of the year by 3% to 8.1 billion euros.

In collaboration with the Belgian government, support measures were developed to help customers impacted by the corona crisis. In this way 4,630 payment deferrals on mortgage loan or consumer loans have already been approved. This postponement of payment on mortgage and consumer loans results in a one-off loss of 3 million euros (modification loss). The COVID-19 crisis also led to adding 15 million euros in impairment provisions for the loan and investment portfolio. Real credit losses are currently limited but the probability of future losses has been calculated and accounted for using the models set up for this purpose.

Administrative expenses decreased compared to the first half of 2019 due to strict cost management, but without sacrificing the necessary investments in ICT platforms and digitization. Bank levies, however, have risen with the increase in regulated savings.

**Argenta Assuranties** achieved a net result of 31 million euros, compared to 29 million euros in the first half of 2019<sup>2</sup>. Premium income in the Life segment is up by 22 % on last year and the active Non-Life segments grew by 5 %. Claims settlements in the Non-Life segment were also somewhat more favourable than in the first half of 2019.

**Geert Ameloot, CFO:** *'Every year seems to pose a new financial challenge on top of the existing ones. Interest rates remain low and COVID-19 has now come on top of that. The pressure on margins due to the legal floor of 0.11% on savings, in combination with strongly increasing savings balances, is not a good development. In the long term it will place the interest margin under pressure even more strongly and faster. We can absorb the provisions for write-downs that we booked under COVID-19, in part because they are more limited within the retail banking segment. The longer term impact of course remains more difficult to predict. In this way we remain cautious and continue to work to increase our income and keep our costs under control.'*

In this context, Argenta wants to remain true to its DNA with consistently transparent rates, very correct pricing and an extensive free service. For this reason we shall be introducing a new range of daily banking services in the form of packages from the start of 2021. In addition to the most comprehensive free package on the market, there will be three paid packages with additional services. Argenta also wants to offer the best prices in the market for these paid packages. In this way, we are also making daily banking a healthy fourth pillar that will help guarantee healthy long-term growth.

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<sup>2</sup> In accordance with BGAAP.

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

Income statement (consolidated) Argenta Spaarbank (in EUR millions)	1H 2019	1H 2020
Net interest income	259	287
<i>Interest income</i>	410	406
<i>Interest expenses</i>	-151	-119
Fee and commission result	-18	-9
<i>Fee reimbursements</i>	49	71
<i>Commissions to agents</i>	-67	-80
Financial gains and losses	-2	3
Financial and operating income and expenses	239	281
Operating expenses	-135	-130
Depreciation	-15	-14
Bank levies	-72	-77
Other income	10	10
Administrative expenses and depreciation	-212	-211
Impairment losses	0	-15
Modifications	0	-3
Profit before taxes	26	52
Taxes	-5	-14
Net profit	21	39
Adjusted net profit <sup>1</sup>	47	67
<i>ROE<sup>1</sup></i>	4.6 %	6.4 %
<i>Cost/Income<sup>1</sup></i>	69 %	63 %

Main items in the first half 2020 result:

- Adjusted net profit<sup>1</sup> of 67 million euros and return on equity of 6.4 %.<sup>1</sup>
- Net interest income of 287 million euros with a net interest margin of 1.31 %. In a declining interest rate environment, the NII is preserved as a result of an increased loan portfolio and the decrease in interest costs due to the diversification of funding sources. A temporary positive effect is the additional volume of penalties paid on Dutch mortgage prepayments.
- Decline in production of retail mortgage loans in Belgium (- 28 %) and increase in the Netherlands (+ 11 %).
- Income from fee products is up due to an increasing share of management fees and higher entry costs paid as a result of strong commercial performance. At end-June 2020, total investment products under management amounted to 8.1 billion euros.
- Operating costs have dropped as a result of strict cost management without sacrificing the necessary further investments in digital, ICT and personnel. The recurring cost/income ratio is 63 %.<sup>1</sup>
- The legal framework in which a portion of interest charges on mortgages are waived for vulnerable target groups as a result of the COVID-19 pandemic produces a cost of 3 million (modifications).

<sup>3</sup> For a complete overview of the consolidated profit and loss account and balance sheet, the statement of changes in equity and the notes, we refer to the semi-annual report.

### Overview of Argenta Spaarbank balance sheet<sup>3</sup>

Main balance sheet items (consolidated) Argenta Spaarbank (in EUR millions)	31 Dec 2019	30 June 2020
Balance sheet total	43,020	44,786
Loans and advances to customers	32,328	32,769
Financial assets (at amortised cost)	3,547	4,110
Financial liabilities (at fair value)	3,529	4,075
Deposits from customers and debt securities	36,660	37,891
Securitisation issues and debt securities issued to institutions	3,168	3,369
Equity	2,124	2,156
<b>Selected ratios</b>		
Solvency		
<i>CET-1</i>	24.8%	22.1%
<i>Leverage</i>	4.6%	4.4%
Liquidity		
<i>Net Stable Funding Ratio (NSFR)</i>	136%	135%
<i>Liquidity Coverage Ratio (LCR)</i>	172%	156%
Credit risk (loans and receivables)		
<i>Cost-of-risk ratio</i>	0.01%	0.06%
<i>Non-performing credit ratio</i>	0.36%	0.45%
<i>Coverage ratio</i>	10.97%	10.53%

#### Main changes in the balance sheet for the first half of 2020:

- The balance sheet total increased by over 1.7 billion euros or 4.1 % to 44.8 billion euros. The liabilities side increased with a 1.2 billion euros rise in current accounts and customer deposits.
- On the asset side, the customer loan portfolio grew by 0.4 billion or 1.4 % to 32.8 billion euros.
- As risk-weighted assets rose relatively more strongly, owing mainly to credit growth, the CET-1 ratio fell from 24.8 % to 22.1 %. The MREL<sup>4</sup> ratio is 7.98 % compared to a minimum requirement of 4.85 % for Argenta Spaarbank.
- In addition to Argenta's strong solvency, the liquidity position is also strong with an LCR of 156 % and NSFR of 135 %.
- The credit risk increased as a result of the current health and economic crisis. The cost-of-risk ratio in particular rose due to the increase in provisions for impairment losses on mortgages.

<sup>4</sup> Minimum Requirement for own funds and Eligible Liabilities

## PRESS RELEASE

Argenta Bank- en Verzekeringsgroep nv



### Key indicators - Argenta Group

Overview (consolidated) Argenta Spaarbank (in EUR millions)	1H 2019	1H 2020
Financial and operating income and expenses	321	364
Administrative expenses and depreciation	-255	-258
Impairment losses and adjustments	-1	-21
Taxes	-15	-22
Net profit	50	62
Adjusted net profit <sup>1</sup>	77	94
<i>ROE</i> <sup>1</sup>	5.8 %	6.8 %
<i>Cost/Income</i> <sup>1</sup>	67 %	59 %

### Risk statement

The risk management data are included in our annual reports and in our annual risk reports that are available on [www.argenta.eu](http://www.argenta.eu).

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END PRESS RELEASE

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### About Argenta

Argenta Bank- en Verzekeringsgroep is a bank and insurer company for families, operating in Belgium and the Netherlands. Argenta Spaarbank focuses on the banking activities and Argenta Assuranties on the insurance activities.

Further information can be found on [www.argenta.eu](http://www.argenta.eu).

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