Argenta Spaarbank

IFRS Annual Financial Statements

2020

argenta.be

Financial statements for the 2020 financial year (1 January 2020 to 31 December 2020) of Argenta Spaarbank nv, prepared in accordance with the International Financial Reporting Standards (IFRS).

The IFRS financial statements and tables are always in EUR, unless otherwise explicitly stated in the table in question.

Table of Contents

Management Report

Developments in 2020

During 2020, the Covid-19 crisis produced unprecedented health, social and economic consequences. At the end of the first quarter of 2020, the Belgian and Dutch governments each introduced a lockdown lasting several weeks, followed by a gradual reopening of society in the months thereafter. Various restrictions were again imposed in the second half of 2020. It is clear that the Covid-19 crisis will have significant short-term economic repercussions, especially in specific sectors with potential implications for employment, consumer confidence, savings and spending, payment and investment behaviour (including home purchases). In the aftermath of the Covid-19 crisis, long-term interest rates in developed markets have also fallen further (low-for-longer).

The governments of Belgium and the Netherlands have taken various emergency measures that can help to limit the overall impact, but the long-term economic consequences will depend on the further evolution of the Covid-19 crisis and the effectiveness of the support measures. Since the start of the pandemic, Argenta has supported its customers through various measures, including a legally regulated moratorium for Belgian loans and customer-specific measures (including payment deferment) in Belgium and the Netherlands.

During this difficult period, we have managed to maintain our usual service levels to our customers, while continuing our efforts and investments for a more digital future, in which human interaction with our customers remains an important ingredient and building block. Last year's investments in the expertise and well-being of our workforce, and the dedication we have experienced from our employees have made all of this possible.

Despite these challenges, Argenta Spaarbank nv, in abbreviated from Aspa (hereinafter referred to as the Company), was able to present good and solid results. The Company achieved a result (including minority interests) of EUR 136,255,276 for the financial year ending on 31 December 2020, compared with EUR 117,498,756 for the previous financial year. This increase reflects an improvement in the result at Argenta Spaarbank (EUR + 5.0 million) and especially an increase in the results of management companies Argenta Asset Management (EUR + 11.0 million) and Arvestar (EUR + 3.3 million).

The interest result remains the main driver of the recurring operating result, supplemented to a significant extent by a further increase in the net income from commissions and fees related to the offering and management of investment funds. The credit risk cost has risen due to the economic impact of the Covid-19 crisis, but remains low.

EUR 6.6 billion of mortgage loans were granted to customers, (EUR 3.3 billion in Belgium and EUR 3.3 billion in the Netherlands), as against EUR 6.0 billion in 2019. This brings the mortgage loan portfolio to EUR 32.5 billion as of 31 December 2020, compared to EUR 30.6 billion at end-2019.

The proprietary investment portfolio amounted to EUR 7.4 billion as of 31 December 2020, an increase of just EUR 0.3 billion on the situation at of 31 December 2019. This reflects the reinvestment of part of the money raised from customers in this portfolio (and partly in assets held with the European Central Bank (ECB)).

The Company pursues a cautious investment policy in its granting of loans and in the management of its investment portfolio. This caution is also apparent in the level of the credit risk cost. Recognized impairment losses have increased compared to 31 December 2019. This situation largely reflects the unfavourable development brought about by the Covid-19 crisis.

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 in absolute terms, savings account balances continued to increase in 2020. With the limited interest paid on savings accounts narrowing the interest rate difference between savings and current accounts, current account balances remained high as in 2019.

Assets under management and custody in the Investment pillar increased by a further EUR 1.7 billion to EUR 10.9 billion owing to an increased volume of new customer investments, with a focus on the Argenta funds.

Aspa issued two bonds for EUR 500 million notional under the Euro Medium Term Note (EMTN) programme. These are senior non-preferred bonds that qualify for the Minimum Required Owned Funds and Eligible Liabilities (MREL) demanded by the resolution authority.

Key figures

The table below gives the Company's key figures.

	31/12/2019	31/12/2020
Return on equity	5.8%	6.4%
Return on total assets	0.27%	0.29%
Cost-income ratio (excluding bank levies)	55.5%	49.6%
Cost-income ratio (including bank levies)	69.3%	62.8%
Common equity tier 1 ratio	24.8%	23.3%
Total capital ratio	30.8%	28.5%
Leverage ratio	4.6%	4.9%
Liquidity coverage ratio	172%	159%
Net stable funding ratio	136%	136%

In calculating the cost-income ratio, the amounts recovered under cost sharing arrangements with the other group companies that are included under other operating income are allocated to the relevant other administrative costs and to expenses related to commissions and fees.

Evolution of the balance sheet

The Company's balance sheet total has risen by EUR 4.1 billion from EUR 43.0 billion as of 31 December 2019 to EUR 46.2 billion as of 31 December 2020.

Cash and balances with (central) banks increased by EUR 0.4 billion to EUR 3.0 billion as of 31 December 2020. To support the transmission of monetary policy via the banks, the ECB introduced a two-tier system in 2019, exempting part of the reserves held by the banks with the ECB from negative interest on the deposit facility. Part of the Company's excess liquidity is therefore held with the ECB pending reinvestment in mortgage loans or debt securities.

The investment portfolio as of 31 December 2020 is slightly higher than at the previous year-end.

This consists of i) a portfolio of EUR 3.7 billion stated at fair value with value adjustments recognised through other comprehensive income, and ii) a portfolio of EUR 3.6 billion stated at amortised cost. Finally, there is a limited portfolio of debt securities that IFRS standards require to be measured at fair value through profit or loss.

	31/12/2019	31/12/2020
Non-trading financial assets mandatorily at fair value through profit or loss	66,305,830	68,169,997
Financial assets at fair value through other comprehensive income	3,529,467,208	3,667,290,214
Financial liabilities at amortised cost - debt securities	3,546,562,674	3,650,443,377
Total securities portfolio	**7,142,335,712**	**7,385,903,588**

The portfolio of loans and receivables increased from EUR 32.3 billion as of 31 December 2019 to EUR 34.6 billion as of 31 December 2020, reflecting the strong production of new loans in both the Netherlands and Belgium.

	31/12/2019	31/12/2020
Financial liabilities at amortised cost - loans and advances	32,328,025,038	34,624,441,264

Financial liabilities measured at amortised cost increased by EUR 2.9 billion to EUR 42.8 billion as of 31 December 2020, mainly due to the strong growth in retail customer current and savings accounts. Deposits from central banks consist of debts incurred under the ECB's TLTRO program. The increase in senior debt securities is due to the issuing of debt securities in 2020 under the EMTN programme.

	31/12/2019	31/12/2020
Deposits from central banks	47,471,427	236,396,243
Deposits from credit institutions	10,513,043	9,749,260
Deposits from other than central banks and credit institutions	36,127,516,125	38,319,344,087
Senior debt securities issued, including savings certificates	3,168,041,068	3,628,658,376
Subordinated debt securities issued	532,656,609	511,087,585
Other financial liabilities	34,971,367	87,523,920
Financial liabilities at amortised cost	**39,921,169,639**	**42,792,759,471**

The lease obligations in an amount of EUR 87.5 million are included under other liabilities.

Result drivers

Net interest income has continued to rise and remains the main source of income. Interest income has declined to a limited extent and is the result of a growing mortgage and investment portfolio, but at falling returns (due to the effect of pricing in the persistently low interest rates).

Interest income in 2020 is positively impacted by a higher level of early redemptions on Dutch mortgages, which generated EUR 34.7 million in reinvestment fees compared to EUR 17.1 million in 2019. Financing costs (excluding derivatives) decreased due to the arrival at maturity of outstanding higher-yielding savings certificates and subordinated certificates to retail customers. The further diversification of funding sources with the issuance of securitisation bonds and EMTN bonds, and participation in the TLTRO programme have supported the decrease in funding costs.

The decrease in interest charges on derivatives is mainly due to the positive impact of the market valuation on the time value of the hedging swaptions portfolio of EUR 1.0 million in 2020, compared to a EUR 22.4 million negative impact in 2019.

Net fee and commission income increased by EUR 22.0 million to EUR -14.7 million for 2020. The increase in net fee and commission income is the result of the increase in net management fees received (after acquisition costs) on assets under management and custody in the Investment pillar as a result of the rise in assets under management. In addition, greater stock market volatility increased the number of transactions, generating additional commission income. The underlying commissions to branch managers have increased correspondingly.

The realised profit from financial assets not measured at fair value through profit or loss amounts to EUR 1.5 million for 2020.

Gains or losses from financial assets and liabilities held for trading and gains or losses from hedge accounting together amounted to EUR 0.6 million for 2020. The fall of EUR 9.8 million compared to 2019 reflects the further decrease in 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 2.8 million, which is an increase of EUR 1.6 million.

Net other operating income amounts to EUR 49.3 million and includes recoveries as a result of cost sharing with the other group companies, of the recovery of administrative costs from customers, and of rent and IT infrastructure-related recoveries from the independent branch managers.

Staff expenses amounted to EUR 84.7 million for 2020, compared to EUR 72.6 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 fell EUR from 288.9 million in 2019 to EUR 276.3 million in 2020. The decrease in administrative expenses was caused by lower professional fees (including legal, tax and general consultancy costs). IT expenses and costs inherent in staying compliant with various legal requirements have increased, as have banking levies. Investments in digitization and projects to renew the application and data infrastructure continued, although at a lower cost level lower than in previous years. Depreciation has reduced by EUR 1.9 million compared with 2019.

For the 2020 financial year, a net EUR 19.5 million of additional impairments were recorded. The increase reflects, among other things, (i) the unfavourable development of the future macroeconomic indicators that have been revised negatively in the light of the Covid-19 crisis, (ii) the change in measurement rules with the new definition of default, (iii) negative evolutions of ratings in the debt securities portfolio and of staging in the mortgage portfolio and (iv) in general a growing outstanding mortgage and debt securities portfolio.

Tax expense amounted to EUR 58.5 million. Deferred taxes are also included under this heading. The effective tax rate has increased from 25.9% to 30.0%. Leaving aside the EUR 7.5 million write-off of deferred taxes, the effective tax rate amounts to 26.2%.

Covid-19

The Covid-19 pandemic brought a massive economic shock in 2020, creating great uncertainty that could have a wide variety of potential consequences. To combat the Covid-19 pandemic, strict lockdowns were announced worldwide, which caused an economic contraction, especially in the second quarter of 2020. On the one hand, there was a negative supply shock driven by, among other things, the closure of a large part of Chinese industry and, on the other hand, a negative global demand shock driven by the strict lockdowns.

Initially, the central banks quickly introduced additional monetary stimulus. In addition, there was a rapid response from national and supranational governments in the form of major interventions to support household purchasing power and to protect the viability of the companies. A milestone was reached at European level with the creation of the EU Recovery Fund.

The monetary and budgetary policies pursued in reaction to the macroeconomic consequences of the Covid-19 pandemic caused interest rates to drop sharply in 2020. At the beginning of the Covid-19 crisis, long-term interest rates first saw an upward push. Intervention by the ECB and the creation of the EU Recovery Fund restored confidence in (the strength of) Europe, and interest rates fell sharply from mid-March to the end of the year.

The stock markets also saw a significant correction at the outbreak of the corona crisis, but with a remarkable recovery at the end of the year driven by the stimuli and vaccine hopes.

The impact for the Company has consisted of various, but in a number of cases difficult to measure, financial impacts.

In spring 2020, the Belgian federal government and Febelfin struck an agreement for additional support measures for non-financial companies, self-employed persons, as well as mortgage borrowers facing payment problems as a result of the Covid-19 crisis. These measures were extended in the autumn. The most important element of this for the Company is the deferment of payments (moratorium). For vulnerable customers (who met specific conditions) this was without charging interest. In 4,655 Belgian credit agreements, the Company granted payment deferments on EUR 751.5 million of credit claims. Slightly less than half, i.e. EUR 347.9 million in credit claims, related to borrowers in the vulnerable category for which a revision loss of EUR 3.3 million was recorded. In the Netherlands, the Company offered tailor-made solutions to its customers. Payment deferment was granted for 153 credit agreements with outstanding credit claims of EUR 27.3 million.

In addition, more detailed and periodic follow-up was applied to credit files for which Covid-19 payment deferment requests had been submitted or where credit quality was observed to have declined. In the context of the agreement between Febelfin and the Belgian government, the necessary caution was also shown with regard to the conversion of mandates. The macroeconomic outlook was revised negatively, partly offset by the revised scenario weightings and a higher forecast rate of early repayments. Because of this, in in the first half of the year, the majority of the Covid-19 credit files were placed in stage 2 of the IFRS 9 provisioning model. In the second half of the year, assessments of these loans meant that some were placed as non-performing (stage 3), while some reverted to stage 1 with the ending of payment deferment. A significant portion of the EUR 17.0 million increase in impairments compared to 2019 is due to the combined impact of the above elements.

As an indirect consequence, due to the negative macroeconomic outlook and the uncertainties caused by the Covid-19 crisis, the Company has written off part of the deferred tax assets from tax credits in an amount of EUR 7.5 million.

Argenta continues to closely monitor the financial impact of the corona crisis and will, as and when necessary, take the necessary operational measures and also take them into account in determining Argenta's financial position.

Solid capital base and liquidity position

The Company amply meets all regulatory requirements.

The Common EquityTier 1 (CET1) ratio amounted to 23.3% as of 31 December 2020, compared with 24.8% at the end of 2019. This decrease is mainly the result of the relatively higher increase in risk-weighted assets than 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 159% and an NSFR (Net Stable Funding Ratio) of 136% as of 31 December 2020 compared to 172% and 136% respectively as of 31 December 2019. Liquidity is further explained in Note 5.2.

The Statutory Auditor's report

Statutory auditor's report to the shareholders' meeting of Argenta Spaarbank NV for the year ended 31 December 2020 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Argenta Spaarbank 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 recommendation of the audit committee and presentation of the works council. In accordance with the application of the rotation rules of EU Regulation No 537/2014 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 Spaarbank NV for at least 22 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 2020, 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 46 231 854 (000) EUR and the consolidated statement of comprehensive income shows a profit for the year then ended of 136 255 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2020 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><th colspan="2">Impairments on mortgage loans</th></tr>
<tr><td>The mortgage loan portfolio of Argenta Spaarbank amounts to 32,517 mio EUR as per 31 December 2020.

The determination of the IFRS 9 split within Stages 1, 2 or 3 of mortgage loans contains subjective elements and requires judgement from management, mainly related to the definition of ‘significant increase in credit risk’ which determines the scope of stage 1 and 2.

The measurement of the IFRS 9 expected credit loss on a 12 month and full life time basis contains subjective elements and requires judgement from management, for example related to forward looking elements, economic scenarios, loss given defaults and probability of default.

Given the significance of impairments on mortgage loans and the related estimation uncertainty, we consider the determination and measurement of impairments on mortgage loans as a key audit matter.

Impairments on mortgage loans consist of:
■ Stage 1: performing credit exposures, for which there was no significant increase of credit risk since origination;
■ Stage 2: under-performing credit exposures, for which there has been a significant increase in credit risk between origination or purchase of the financial asset and reporting date
■ Stage 3: non-performing credit exposures, for which there is an objective evidence that the financial asset is impaired.

For collectively assessed impairments, multiple scenarios for future cashflow projections and collateral valuation are considered. The Covid-19 pandemic increases the estimation uncertainty following unprecedented economic circumstances.</td><td>Our audit approach included testing both the design and implementation of internal controls for determining impairments on mortgage loans as well as substantive audit procedures.

Our audit procedures related to internal controls, consists of, among others:
■ The assessment of the design and implementation of the relevant internal control measures;
■ Obtaining audit evidence in respect of key controls, showing the review and approval process that management has in place for:
- The identification of events leading to the determination and measurement of impairments; as well as
- The management judgments.

Our substantive audit procedures consist of, among others:
■ Reading the minutes of Risk Committees and Default Committees;
■ Challenging the completeness and accuracy of data included in credit impairment models;
■ Challenging the methodologies and assumptions applied for determining impairments by using our industry knowledge and experience, focusing on potential changes since 1st January 2018;
■ Obtaining audit evidence of management judgments, especially focusing on the reasonableness of the approach;
■ We assessed and challenged the management overlays applied to the loan portfolio and assessed whether the impact of Covid-19 has appropriately been incorporated in management’s assessment;
■ Testing a sample size of mortgage loans to ensure timely determination and measurement of the impairment charge;
■ For impairments in stage 3, we have performed, for a sample basis, detailed credit file reviews thereby challenging the assumptions taken in the context of the impairment;
■ For impairments in stage 1 and 2, we assessed the model used and tested the completeness and the accuracy of the input parameters;</td></tr>
</table>

- For collectively assessed loan impairment allowances, we involved our modelling specialists to assess the appropriateness of the applied models. We inspected and discussed internal model validation reports. We assessed the assumptions (use of macro-economic scenarios) and the variables (such as the expected evolution of the unemployment rates and housing prices) which were used in the development and validation of ECL model updates;
- For macro-economic variables, we challenged management's macro-economic forecast and scenarios, including the impact of Covid-19, using available external benchmarks.

Financial instruments at fair value for which no quoted prices on active markets are available

Financial instruments defined as Level 2 and Level 3 within the bank's IFRS 13 fair value hierarchy disclosure present a higher exposure to the risk of incorrect valuation as the valuation is highly dependent upon the market data used and / or the models used.

We consider the fair value measurement of the financial instruments of Level 2 and Level 3 as key audit matter in our procedures:

- Financial instruments classified as held for trading (0.9 mio EUR assets and 0.4 mio EUR liabilities);
- Financial assets at fair value through Other Comprehensive Income (284 mio EUR);
- Financial assets at fair value though Profit and Loss (52 mio EUR);
- Hedging derivatives (3.2 mio EUR assets and 889.5 mio EUR liabilities).

Valuation of complex financial instruments requires important efforts from the bank in terms of resources and governance. Our assessment is driven by multiple factors, including:

- The complexity of valuation models;
- The lack of adequacy of available market data for the purpose of valuing specific financial instruments;
- The necessity to use non-observable market data and
- The high degree of judgement required.

The use of different valuation techniques and/or assumptions could produce significantly different fair values. Those factors concern amongst others the following components:

- The use of models for the valuation of complex Level 2 and Level 3 financial instruments;
- The fair value adjustments made to derivatives to reflect the counterparty credit risk (CVA/DVA) and funding risk (FVA);
- The necessity of using derived and/or illiquid pricing parameters as input for valuations of Level 2 and Level 3 financial instruments.

Our audit procedures include, getting an insight in the group and its environment, including the internal control and governance that are relevant for the valuation of financial instruments, as well as the testing of parameters, valuation model setup and disclosures.

The assessment and control of valuation models involve an extensive participation of our valuation experts.

Our audit procedures related to internal controls, consists of, among others:

- Performing trade life-cycle product walkthrough to confirm our understanding of the bank's processes and controls in the area of concluding and recording financial instrument transactions;
- Getting an understanding of the control framework (including monitoring procedures) with regard to the valuation process of financial instruments;
- Follow-up the proper and timely documentation of models and parameter choices and the formal approval thereof by competent committees;
- Reading of model validation reports from the independent validation function.

Our substantive audit procedures consist of, among others:

- The assessment of market parameters and key assumptions used in the models on a sample basis;
- Assessment whether valuation methodologies are based on market practices, on experts' experience, market knowledge and are in line with IFRS 13;
- Identification of high judgmental areas by assessment of management impact analysis and notes of valuation specialists;
- Independent revaluation of financial instruments on a sample basis by our valuation experts;
- Reading of the disclosures in the financial statements on valuation to ensure compliance with IFRS requirements.

We refer to disclosure '2.3. Accounting policies – accounting rules: Fair value of financial instruments' in the consolidated financial statements; and disclosure '26.3. Financial instruments designated at fair value' in the consolidated financial statements.

IT continuity and integrity

The IT systems of Argenta Spaarbank are crucial for the activities of the entity. The entity is therefore highly dependent on these IT systems to ensure the continuity and integrity of its operational, financial and regulatory processes.

An adequate financial reporting towards the internal and external stakeholders (including the regulator) of Argenta Spaarbank, together with the increasing data granularity in the financial reporting, require high data quality.

In the financial process we further note that a correct and complete data flow from the different IT applications, used for operational purposes, to the accounting applications and finally to the financial reporting is of great importance to ensure the quality of the financial reporting.

In the context of our audit procedures, we therefore consider that data integrity and the data flow across the various applications are of crucial importance in the financial reporting process, and consequently we consider the integrity and continuity of the IT systems to be a key audit matter.

Our assessment thus takes into account:

- The variety of IT applications;
- The very high volume of transactions;
- The fact that several applications were developed in-house or are custom-made;
- The fact that qualitative information, recorded at transaction level by operational departments, is essential for financial reporting (e.g. by the nature of transactions, the nature of counterparties, ratings, etc.);
- The fact that important elements of the IT infra-structure are outsourced.

Our audit procedures related to the IT systems consist mainly of the following procedures:

- Obtain an understanding of the IT systems and processes;
- The review of the data flows from the various operational IT applications towards the accounting application;
- Conformity checks, on a sample basis, on the operational applications;
- The assessment of the adequacy of the internal controls implemented by the financial and IT department with regard to the data integrity and the dataflow towards the accounting application;
- The assessment of any changes made to systems and processes during the year as a result of, among other things, Covid-19 and other developments;
- The assessment on the adequacy of the internal controls processes implemented at the external service providers based on the ISAE 3402 reports.

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[1].

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 the audit committee 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.

We also provide those charged with the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

1 We are aware of the inconsistency between the French version (referring to "l'étendue du contrôle legal") and the Dutch version (referring to "de wettelijke controle"). It has been decided however to stick to the text as provided by law. For the English version, we have opted to align the translation based on the French version.

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 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, 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. In the context of the procedures performed, we are not aware of such material misstatement.

Argenta Spaarbank NV has opted for the exemption, as described in article 3:34 of the code for companies and associations, to include the non-financial information, as required by article 3:34 of the code for companies and associations, in the directors' report on the consolidated financial statements. The parent company, Argenta Bank-en Verzekeringsgroep NV includes the required information in a separate report, attached to the directors' report on the consolidated financial statements.

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.

Signed at Zaventem.
The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Bernard De Meulemeester

Consolidated balance sheet statement (before profit distribution)

	Note	31/12/2019	31/12/2020
Cash, cash balances at central banks and other demand deposits	11	2,629,656,772	3,022,551,779
Financial assets held for trading	12	2,342,550	960,263
Non-trading financial assets mandatorily at fair value through profit or loss	13	66,305,830	68,169,997
Financial assets at fair value through other comprehensive income	14	3,529,467,208	3,667,290,214
Financial assets at amortised cost	15,25	35,874,587,712	38,274,884,642
Derivatives used for hedge accounting	16	4,135,142	3,248,972
Fair value changes of the hedged items in portfolio hedge of interest rate risk	16	571,941,790	768,565,472
Investments in subsidaries, joint ventures and associates	17	90,000	90,000
Tangible assets	18,25	26,392,946	79,376,457
Property, plant and equipment		25,785,274	78,783,688
Investment property		607,672	592,770
Intangible assets	19	57,628,087	48,065,059
Goodwill		0	0
Other intangible assets		57,628,087	48,065,059
Tax assets	20	19,884,985	17,243,511
Current tax assets		715,913	11,548,486
Deferred tax assets		19,169,071	5,695,025
Other assets	21	238,406,824	281,407,271
Non-current assets and disposal groups classified as held for sale		0	0
Total assets		**43,020,839,845**	**46,231,853,637**

	Note	31/12/2019	31/12/2020
Financial liabilities held for trading	12	1,216,696	465,526
Liabilities related to unit linked contracts (branch 23)		0	0
Financial liabilities at amortised cost	22,25	39,921,169,639	42,792,759,471
Deposits from central banks		47,471,427	236,396,243
Deposits from credit institutions		10,513,043	9,749,260
Deposits from other than central banks and credit institutions		36,127,516,125	38,319,344,087
Senior debt securities issued, including saving certificates		3,168,041,068	3,628,658,376
Subordinated debt securities issued		532,656,609	511,087,585
Other financial liabilities		34,971,367	87,523,920
Derivatives used for hedge accounting	16	684,439,863	889,545,635
Fair value changes of the hedged items in portfolio hedge of interest rate risk	16	0	0
Provisions	23	3,625,610	3,520,005
Tax liabilities	20	18,261,538	16,208,264
Current tax liabilities		8,867,039	5,477,152
Deferred tax liabilities		9,394,500	10,731,112
Other liabilities	24	268,474,754	241,462,927
Liabilities included in disposal groups classified as held for sale			
Total liabilities		**40,897,188,100**	**43,943,961,827**
Equity attributable to owners of the parent	3	2,123,436,996	2,287,560,995
Equity attributable to minority interests	4	214,750	330,815
Total equity		**2,123,651,746**	**2,287,891,810**
Total liabilities and equity		**43,020,839,845**	**46,231,853,637**

Consolidated statement of profit or loss

	Note	31/12/2019	31/12/2020
Total operating income		**550,302,673**	**608,753,116**
Net interest income	28	537,599,264	569,213,278
Interest income		812,944,406	808,562,443
Interest expenses		-275,345,142	-239,349,165
Dividend income	29	225,000	0
Net fee and commission income	30	-36,744,062	-14,695,329
Fee and commission income		137,089,582	173,246,885
Fee and commission expenses		-173,833,644	-187,942,214
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	31	6,712,877	1,464,708
Financial assets at fair value through other comprehensive income		4,895,245	1,071,482
Financial assets and liabilities at amortised cost		1,817,632	393,226
Gains or losses on financial assets and liabilities held for trading	32	-4,829,371	-631,117
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	33	1,239,789	2,849,580
Gains or losses from hedge accounting	34	-4,287,046	1,266,542
Gains or losses on derecognition of non-financial assets	35	-103,301	6,322
Net other operating income	36	50,489,523	49,279,132
Other operating income		61,608,547	59,288,084
Other operating expenses		-11,119,024	-10,008,952
Administrative expenses	37	**-361,549,235**	**-360,993,049**
Staff expenses		-72,639,519	-84,684,627
Other administrative expenses		-288,909,716	-276,308,422
Depreciation	18,25	**-31,658,029**	**-29,807,689**
Property, plant and equipment		-8,231,727	-9,703,056
Investment properties		-17,401	-17,903
Other intangible assets		-23,408,902	-20,086,730
Modification gains or losses		**0**	**-3,258,931**
Provisions or reversal of provisions	23	**3,993,350**	**-449,173**
Impairments or reversal of impairments	39	**-2,554,506**	**-19,488,396**

	Note	31/12/2019	31/12/2020
Financial assets (debt securities) at fair value through other comprehensive income		-321,747	-2,115,395
Financial assets at amortised cost		-2,232,759	-16,988,375
Property, plant and equipment		0	-384,627
Goodwill		0	0
Profit or loss before tax		**158,534,252**	**194,755,877**
Tax expense	40	-41,035,496	-58,500,601
Profit or loss after tax		**117,498,756**	**136,255,276**
Profit or loss attributable to owners of the parent		117,361,155	136,007,825
Profit or loss attributable to minority interests		137,601	247,451

Consolidated statement of comprehensive income

Overview of the comprehensive income	Note	31/12/2019	31/12/2020
Profit or loss		**117,498,756**	**136,255,276**
Profit or loss attributable to owners of the parent		117,361,155	136,007,825
Profit or loss attributable to minority interests		137,601	247,451
Items that will not be reclassified to profit or loss		**-2,465,627**	**927,089**
Equity instruments measured at fair value through other comprehensive income	14	-1,236,425	32,712
Valuation gains or losses taken to equity		513,788	43,616
Transferred to retained earnings		-2,162,355	0
Deferred taxes		412,142	-10,904
Actuarial gains or losses on defined benefit pension plans	23	-1,229,202	894,377
Gross actuarial gains or losses on liabilities defined benefit pension plans		-1,640,877	1,189,875
Deferred taxes		411,675	-295,498
Items that may be reclassified to profit or loss		**24,172,820**	**27,189,087**
Debt securities at fair value through other comprehensive income	14	20,723,478	23,789,494
Valuation gains or losses taken to equity		32,489,060	30,675,412
Transferred to profit or loss		-4,895,245	1,043,912
Deferred taxes		-6,870,338	-7,929,830
Cash flow hedges	16	3,449,343	3,399,593
Valuation gains or losses taken to equity		17,169	41,613
Transferred to profit or loss		4,231,000	4,227,000
Deferred taxes		-798,826	-869,020
Total other comprehensive income		**21,707,193**	**28,116,176**
Total comprehensive income		**139,205,949**	**164,371,452**
Profit or loss attributable to owners of the parent		139,068,348	164,124,001
Profit or loss attributable to minority interests		137,601	247,451

Consolidated statement of changes in equity

Consolidated statement of changes in equity											
	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	Retained earnings	Profit or loss attributable to owners of the parent	Equity attributable to owners of the parent	Minority interests	Total Equity
Equity position 01/01/2019	**770,019,400**	**0**	**12,959,803**	**1,236,425**	**-8,150,506**	**21,076**	**1,109,137,174**	**129,933,047**	**2,015,156,419**	**107,148**	**2,015,263,567**
Capital increase	45,623,250	0	0	0	0	0	0	0	45,623,250	0	45,623,250
Profit or loss of the year	0	0	0	0	0	0	0	117,361,155	117,361,155	137,601	117,498,756
Dividends	0	0	0	0	0	0	-78,573,377	0	-78,573,377	-30,000	-78,603,377
Fair value gains or losses taken to equity	0	0	32,489,061	513,788	17,169	0	0	0	33,020,018	0	33,020,018
Fair value gains or losses transferred to profit or loss	0	0	-4,895,245	0	4,231,000	0	0	0	-664,245	0	-664,245
Fair value gains or losses transferred to retained earnings	0	0	0	-2,162,355	0	0	2,162,355	0	0	0	0
Deferred taxes on fair value gains or losses	0	0	-6,870,338	412,142	-798,826	411,675	0	0	-6,845,347	0	-6,845,347
Other changes	0	0	0	0	0	-1,640,877	0	0	-1,640,877	0	-1,640,877
Transfer to retained earnings	0	0	0	0	0	0	129,933,047	-129,933,047	0	0	0
Equity position 31/12/2019	**815,642,650**	**0**	**33,683,281**	**0**	**-4,701,163**	**-1,208,126**	**1,162,659,199**	**117,361,155**	**2,123,436,996**	**214,749**	**2,123,651,745**
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Profit or loss of the year	0	0	0	0	0	0	0	136,007,825	136,007,825	247,451	136,255,276
Dividends	0	0	0	0	0	0	0	0	0	-131,385	-131,385
Fair value gains or losses taken to equity	0	0	30,675,412	43,616	41,613	1,189,875	0	0	31,950,516	0	31,950,516
Fair value gains or losses transferred to profit or loss	0	0	1,043,912	0	4,227,000	0	0	0	5,270,912	0	5,270,912
Fair value gains or losses transferred to retained earnings	0	0	0	0	0	0	0	0	0	0	0
Deferred taxes on fair value gains or losses	0	0	-7,929,830	-10,904	-869,020	-295,498	0	0	-9,105,252	0	-9,105,252
Other changes	0	0	0	0	0	0	0	0	0	0	0
Transfer to retained earnings	0	0	0	0	0	0	117,361,155	-117,361,155	0	0	0
Equity position 31/12/2020	**815,642,650**	**0**	**57,472,775**	**32,712**	**-1,301,570**	**-313,749**	**1,280,020,354**	**136,007,825**	**2,287,560,995**	**330,815**	**2,287,891,810**

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

Consolidated cash flow statement

	31/12/2019	31/12/2020
Cash and cash equivalents at the start of the period	**1,173,627,145**	**3,162,349,538**
Operating activities		
Profit or loss before tax	158,534,252	194,755,877
Adjustments for:		
Depreciation	28,005,162	25,452,179
Provisions or reversal of provisions	-3,993,350	449,173
Gains or losses on derecognition of non-financial assets	103,301	-6,322
Impairments or reversal of impairments	2,554,506	22,747,327
Changes in assets and liabilities from hedging derivatives and hedged item	28,422,590	12,767,853
Other adjustments (among which interest expenses financing activities)	24,346,592	26,057,757
Cash flows from operating profits before changes in operating assets and liabilities	**237,973,053**	**282,223,845**
Changes in operating assets (excluding cash and cash equivalents)		
Financial assets held for trading	7,686,148	1,382,287
Financial assets at amortised cost	-1,363,265,011	-2,205,433,613
Financial assets at fair value through other comprehensive income	302,817,773	-116,116,194
Non-trading financial assets mandatorily at fair value through profit or loss	-1,743,680	-1,864,167
Other assets	-57,072,919	-29,526,400
Changes in operating liabilities (excluding cash and cash equivalents)		
Deposits from central banks	0	0
Deposits from credit institutions	5,582,513	-763,783
Deposits from other than central banks and credit institutions	2,210,586,050	2,191,827,962
Debt securities issued, retail	-317,594,817	-98,335,882
Financial liabilities held for trading	-2,856,776	-751,170
Other liabilities	58,505,538	-25,335,616
(Paid) refunded income taxes	-36,656,083	-72,723,060
Net cash flow from operating activities	**1,043,961,790**	**-75,415,791**
Investing activities		
Cash payments to acquire property, plant and equipment	-7,846,042	-21,070,121
Cash proceeds from disposal of property, plant and equipment	597,048	12,192,725
Cash payments to acquire intangible assets	-17,964,909	-13,556,077

	31/12/2019	31/12/2020
Cash proceeds from disposal of intangible assets	58,429	3,032,375
Changes concerning consolidated companies	-90,000	0
Net cash flow from investing activities	**-25,245,474**	**-19,401,098**
Financing activities		
Paid dividends	-78,573,377	0
Cash proceeds from a capital increase	45,623,250	0
Cash proceeds from the issue of subordinated debt securities	0	0
Cash payments from subordinated debt securities	-42,737,627	-21,569,024
Cash proceeds from the issue of senior debt securities	1,330,918,750	0
Cash payments from senior debt securities	-308,450,557	-438,574,747
Cash proceeds from issuing EMTN	0	994,820,000
Cash proceeds from TLTRO-III ECB	47,480,000	189,910,000
Interest paid	-24,254,363	-27,361,292
Net cash flow from financing activities	**970,006,077**	**697,224,937**
Cash and cash equivalents at the end of the period	**3,162,349,538**	**3,764,757,587**
Components of cash and cash equivalents		
Cash	68,561,270	58,712,247
Cash balances with central banks	2,423,415,691	2,803,109,816
Cash balances with other credit institutions	520,555,576	737,199,523
Other advances	149,817,000	165,736,000
Total cash and cash equivalents at the end of the period	**3,162,349,537**	**3,764,757,587**
Cash flow from operating activities:		
Received interest income	812,944,406	808,562,443
Dividends received	225,000	0
Paid interest expenses	-275,345,142	-239,349,165
Cash payments for the principal portion of lease liabilities	-3,706,955	-3,287,547
Payments for lease contracts that fall under the valuation exemptions for lease contracts (low value and short term)	-174,327	-168,170
Cash flow from financing activities:		
Paid interest expenses	-24,254,363	-27,361,292

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 central banks and assets at other credit institutions 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 details can be found in Note 28 on interest amounts received and paid, and in note 29 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 having made a public call for savings. The Company has been established for an unlimited term. The Company's registered office is at Belgiëlei 49-53, 2018 Antwerp.

The Company has the status of a Belgian credit institution. The Company is part of the Argenta Group.

Argenta Bank- en Verzekeringsgroep nv (hereafter BVg) is the holding company of the Argenta Group. Its activities encompass Internal Audit, Compliance, Risk & Validation, Non-Financial Risks & Supervisory Office, Legal Affairs and Organisation & Talent. These activities are organised and managed centrally for all Argenta Group companies.

BVg 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. BVg consolidates and is responsible for the joint control of its subsidiaries Aspa 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. Aspa also has a non-consolidated participation in Jofico, a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost that jointly manages the ATMs of these institutions.

The Bank Pool mainly focuses on: attracting funds in the retail market in the form of savings and term accounts, attracting funds in the institutional market in the form of bonds, offering payment transactions via current accounts and reinvesting the collected funds in mortgage and personal loans, securities and lending to local governments, public-private partnerships and real estate developers and operators. 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, fire insurance, private civil liability, legal assistance insurance and also hospitalisation insurance.

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

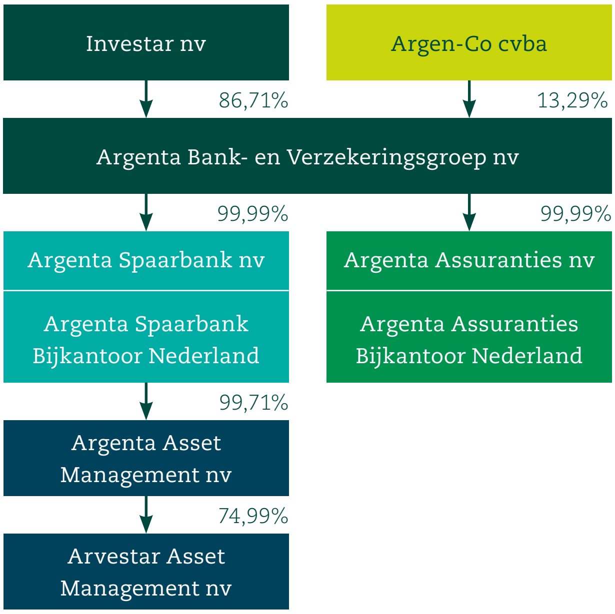
The subsidiaries and branch offices of the Company

(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 is 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 Company's balance sheet.

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.

	%	31/12/2019	31/12/2020
Argenta Spaarbank nv		consolidating entity	consolidating entity
Argenta Asset Management nv	99.71%	full consolidation	full consolidation
Arvestar Asset Management	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	full consolidation
Jofico cvba	20.00%	equity method	equity method

Note on the number of personnel

In 2020, the average number of employees in the Company and its subsidiaries was 886.60 (856.40 in 2019). A breakdown of personnel expenses for the year can be found in Note 37.

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 2020 consolidated financial statements are consistent with those applied as of 31 December 2019.

The following standards and interpretations came into application during 2020:
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies: definition of material importance;
- Amendments to IFRS 3 Business Combinations: definition of a business in business combinations;
- Amendments to IFRS 9 and IAS 39 Financial Instruments - Measurement and IFRS 7 Financial Instruments - disclosures: interest rate benchmark reform - Phase one;
- Amendments to the references to the Conceptual Framework for Financial Reporting - IFRS standards.

The first phase of the interest rate benchmark reform relates to the 'pre-replacement' effects of the change in an underlying interest rate benchmark on hedge accounting and effectiveness testing. This change is further explained in section 2.2. The other new provisions had no material impact on the Company's results for 2020 or on its equity as of 31 December 2020 or on the presentation of its financial statements.

Standards and Interpretations published but not yet effective for the annual period commencing on 1 January 2020:
- IFRS 17 Insurance Contracts (effective for annual periods commencing on or after 1 January 2023, but not yet adopted in the European Union);
- Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current (effective for annual periods commencing on or after 1 January 2023, but not yet adopted in the European Union);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: disclosure of financial reporting principles (effective for annual periods commencing on or after 1 January 2023 but not yet adopted in the European Union);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Estimates (effective for annual periods commencing on or after 1 January 2023 but not yet adopted in the European Union);
- Amendments to IAS 16 Property, Plant and Equipment: proceeds before intended use (effective for annual periods commencing on or after 1 January 2022 but not yet adopted in the European Union);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: onerous contracts - cost of fulfilling a contact (effective for annual periods; commencing on or after 1 January 2022 but not yet adopted in the European Union);
- Amendments to IFRS 3 Business Combinations: references to the conceptual framework (effective for annual periods commencing on or after 1 January 2022 but not yet adopted in the European Union);
- Amendment to IFRS 4 Insurance Contracts – deferral of effective date of IFRS 9 (effective for annual periods commencing on or after 1 January 2021);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in relation to phase two of the interest rate benchmark reform (effective for annual periods commencing on or after 1 January 2021);
- Amendments to IFRS 16 Leases: rent concessions in connection with Covid-19 (applicable for annual periods beginning on or after 1 June 2020);
- Annual improvements (2018-2020) (effective for annual periods beginning on or after 1 January 2022 but not yet adopted by 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 is continuing to monitor the developments and potential impact of the interest rate benchmark reform. This is explained further in Note 2.2.

2.2. Implementation and impact of changes in accounting policies and estimates for financial reporting

Definition of default

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

The definition used for internal credit risk management follows the requirements of the prudential definition from the solvency legislation ('Capital Requirements Regulation' or 'CRR'). In order to remain in line with the relevant guidelines of the European Banking Authority ('EBA') and the CRR, the definition of default has been changed. The Company received ECB approval on 9 March 2020 to make the material changes to the definition.

The following changes were made to the definition of default:

- The counting of the number of days' arrears takes into account the materiality thresholds from the CRR (from arrears of > 1% of the exposure value, and in absolute amounts from more than EUR 100 for retail counterparties and more than EUR 500 for non-retail counterparties);
- The number of days' arrears is counted on a daily basis from the moment that the materiality thresholds are exceeded (instead of one derived on the basis of an arrears of three monthly payments);
- The granting of forbearance measures gives rise to the recording of default in the cases provided for in the CRR (forbearance measures with a modification loss of more than 1% of the exposure value, the granting of a second consecutive forbearance measure, or the granting of a forbearance measure when the financial instrument is in arrears of > 30 days);
- Applying a probation period pending the remediation of a financial instrument in default by at least 3 months.

Additionally, the following optimisations were implemented in the credit risk management process and the valuation of guarantees:

- Improvements to the Unlikely-to-pay (UTP) follow-up and scoring framework;
- Application of a 95% success ratio for the conversion of NHG guarantees (5% haircut);
- Improvements in the valuation of mortgage mandates.

The above elements resulted, on initial application, in a change in the non-performing receivables and an adjustment of the estimate of the impairments included under the heading 'Financial assets measured at amortised cost' in the balance sheet and the heading 'Impairment or reversal of impairments' in the profit or loss statement. The change in estimate affects only the current period and is therefore immediately recognized in the results of the financial year. This resulted:

- For Belgian mortgage loans, in no significant change in the number of defaulted instruments and recognised impairment;
- For Dutch mortgage loans, in an increase in the number of instruments in default with a EUR 1.3 million increase in the recognized impairment;
- For consumer credits, in an increase in recognized impairments for default of EUR 1.0 million.

Interest Rate Benchmark Reform

The changes in IFRS 9, IAS 39 and 1FRS 7 in phase 1 of the interest rate benchmark reform 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.

As part of phase two of the interest rate benchmark reform, amendments were made to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These changes relate to the accounting for the effect of the change of interest rate benchmark on the measurement of financial instruments and lease contracts, hedge accounting and the option to continue when adjusting the hedge documentation, and required disclosures.

A working group has been set up within the Company to monitor 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 where necessary communication to customers;
- Monitoring the adjustment of contracts.

The main benchmark interest rates to which the hedging derivatives are exposed are Euribor (mainly 3 months) and Eonia/Estr for discounting (OIS). For cash collateral exchanged under these above derivative contracts the interest payments are based on Eonia or Estr. More specifically, the following volumes are involved:

- Cleared swaps: EUR 4.38 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr;
- Uncleared swaps: EUR 4.26 billion notional with Euribor reference interest rate, discounted according to Eonia, and interest for exchanged collateral in Eonia;
- Caps and swaption (non-cleared): EUR 7.59 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr.

For derivatives cleared through a central counterparty, the calculation of the interest on cash collateral exchanged under these contracts was transferred from an Eonia to an Estr basis in 2020. For these derivatives, the discounting curve used was switched simultaneously. To compensate for the decrease in fair value, a payment of EUR 2,368,062 was received, which was accounted for in the profit or loss statement under 'Gains or losses from hedge accounting'.

In addition, the Company has an exposure of EUR 1.9 billion in debt securities, EUR 0.4 billion in loans to non-retail counterparties and EUR 0.1 billion in mortgage loans with floating interest rate structures (also mainly Euribor) and EUR 10.0 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).

The Company uses the amendment to IFRS 9 with regard to the consequences of the reform on the hedge relationship in respect of fair value hedge accounting contracts (notional EUR 8.54 billion). The cash flow hedge will not be impacted given the limited residual maturity and with the most recent interest rate revision (of both the hedging derivative and the hedged item) being undertaken prior to the implementation of the reform.

For the uncleared derivatives, the Eonia curve is currently still used, as the bilateral counterparties have not yet made any adjustments. For the bilateral ISDA/CSAs, negotiations for the necessary adjustments will take place in the course of 2021.

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 interest (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');
- Assessing whether a significant increase in credit risk has taken place since the initial recognition based on which the financial instrument is allocated to a particular stage (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 of financial assets - general model').

Estimates are mainly made in the following areas:

- 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 the recoverable amount of the cash flow-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 liabilities (see section 'employee benefits - long-term benefits').

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:

- Activities in Belgium;
- Activities in the Netherlands;
- Activities in 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 31 December. 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 gain or loss 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 ventures 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 de iure or de facto obligation has been entered into or a guarantee has been given.

Structured undertakings

Structured undertakings are undertakings 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 in the revalued net assets of the acquired party. The consideration 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 EUR, which is the functional currency of the financial statements of all companies within the group.

Transactions in foreign currencies

Transactions in foreign currencies are recongised 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 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 through 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 particular 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 the Asset Liability Committee (Alco).

Contractual cash flows test

The contractual cash flows test determines whether the cash flows of the financial asset consist solely of redemptions 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 options for early redemption (taking into account early termination penalties) and extension, 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 fixed interest period 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 liabilities 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 principal outstanding, and where the Company has not opted for designation as measured 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 relate to 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 initial recognition onwards, expected credit losses are recognised in the statement of profit or loss. The interest is included in the statement of profit or loss 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 redemptions and interest payments on the outstanding principal, are measured at fair value through other comprehensive income. This applies provided that the Company has not opted to designate them as measured at fair value through profit or loss.

After recognition, these debt instruments are measured at fair value, with any adjustments in fair value included in a specific heading of other comprehensive income in equity. The interest is taken into profit or loss 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 the other components of comprehensive income via the statement of profit or loss. Upon sale, the cumulative fair value changes 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 recognised in (a specific heading of) the other comprehensive income. Upon 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 results carried forward. Dividends are recognised in the statement of profit or loss where they form consideration for this investment. No impairment losses should be recognised on these instruments.

Financial assets measured at fair value through profit or loss include:
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 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) or which are held for liquidity reasons.

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 methods give rise to inconsistencies in the measurement (accounting mismatch).

Debt instruments required to be measured at fair value through profit or loss include debt instruments that do not meet the contractual cash flow test.

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 consist of investments in equity instruments in respect of which it was not irrevocably opted upon initial recognition 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 obligations are measured at amortised cost, whereby the difference between the initial measurement 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 the section 'financial assets and liabilities - derivatives'.

For 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 net interest income 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. Sales of financial assets 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).

Contract modifications

In the event of a change in the contractual terms of the cash flows of a financial asset that does not lead to the derecognition of the financial asset, a revision gain or loss is recognized in the results.

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 recorded 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 recorded under financial assets measured at amortised cost – loans and advances.

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

Securities that are lent out 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 stage 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 and meets the requirements of the CRR default definition. 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 more than 90 consecutive days;
- 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 and fees). The day count of arrears takes into account the materiality thresholds from the CRR regulations.

UTP (unlikely to pay) indicators showing that payment in unlikely are recorded at individual debtor level. Here the Company makes a distinction between:
- Indicators that immediately give rise to a recording of default;
- Indicators that give rise to a manual evaluation by a credit manager with a possible recording as a default.

The granting of forbearance measures gives rise to the registration of default in the cases provided for in the CRR regulation.

When a significant portion (more than 20%) of the debtor's total outstanding debt is considered in default, the Company considers it unlikely that the debtor's other obligations will be fully discharged and the entire amount of this debtor's financial assets are also classified as in default ("pulling effect").

If the criteria for recognizing the financial asset under default status no longer apply, the financial asset can be remediated if no new criteria for recognizing the financial asset under default status are established during the probation period of at least 3 months.

If the conditions for remediation are violated during the probation period, a new period of at least 3 months will start. For financial assets in default due to forbearance measures, the probation period is 12 months.

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 components of 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 and movements are 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-off of the financial asset and the application of the already-recognised impairment loss 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 subordinated 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 of instalment loans the following criteria apply:

- The loan has been called. The loan is written off no later 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 received by the Company at a later date, 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 the recognition of hedging transactions. 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 hedge), 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 recorded 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 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 to net carrying value the expected future cash flows (taking into account contractual payments and including transaction costs and commissions 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, inter alia, 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 non-current assets are recorded at cost (i.e. acquisition value including directly allocable acquisition costs), less accumulated depreciation and any impairment losses.

Tangible and intangible non-current 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 non-current 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 regular 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.

Upon disposal of tangible and intangible non-current 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, being 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.

IT

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 by the straight-line method from the moment that the software is available for use.

The purchase price and purchase costs of acquired software are amortised 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-generating units or groups. Impairment losses are recognised on goodwill whenever the carrying amount of the cash-generating unit to which the goodwill belongs exceeds its realisable value. The recoverable 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 and 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.

Leases

For each contract that is entered into, the Company assesses whether the contract is or contains a lease. A contract is or contains 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. Where it cannot be easily determined, the marginal interest rate is used.

The right-of-use asset is recognised and measured in accordance with the 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 recognized 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 availed of 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 through 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.

A scheme is backloaded if an employee's pension build-up in later years of his career 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 arise 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 obligation 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.

3. Equity attributable to the owners of the parent

The Company is the consolidating company. Its shares are 99.99% owned by BVg.

Equity including equity attributable to minority interests amounts as of 31 December 2020 to EUR 2,287,891,810 compared to EUR 2,123,651,746 as of 31 December 2019. The minority interests amount to EUR 330,815 as of 31 December 2020. Further explanation can be found in note 4.

Overview of equity	31/12/2019	31/12/2020
Paid up capital	815,642,650	815,642,650
Share premium	0	0
Accumulated fair value changes of debt securities measured at fair value through other comprehensive income	33,683,281	57,472,775
Accumulated fair value changes of equity instruments measured at fair value through other comprehensive income	0	32,712
Accumulated cash flow hedge reserve	-4,701,163	-1,301,570
Accumulated actuarial gains or losses on defined benefit pension plans	-1,208,126	-313,749
Reserves	1,162,659,199	1,280,020,354
Profit or loss attributable to owners of the parent	117,361,155	136,007,825
Minority interests	214,749	330,815
Total equity	**2,123,651,746**	**2,287,891,810**

The increase in equity in 2020 is the combined result of several factors. These include the addition of the profit for the financial year and an increase in the accumulated other components of comprehensive income.

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

Paid-up capital and share premium

The paid-up capital, represented by 168,975 no par shares, is EUR 815,642,650, and is unchanged from the amount as of 31 December 2019.

Capital increases in the Company

No capital increases took place at the Company in 2020.

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 2020 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 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 33,683,281 as of 31 December 2019 to EUR 57,505,486 as of 31 December 2020.

	31/12/2019	to profit or loss	to reserves	to other comprehensive income	taxes	31/12/2020
Debt securities at fair value through other comprehensive income						
Accumulated valuation gains or losses	107,767,562	1,043,912		42,289,199		151,100,672
Accumulated fair value changes of the hedged items in micro fair value hedge	-62,856,520	0		-11,613,787		-74,470,307
Deferred taxes	-11,227,760				-7,929,831	-19,157,591
Equity instruments at fair value through other comprehensive income						
Accumulated valuation gains or losses	0		43,616	0		43,616
Deferred taxes	0				-10,904	-10,904
Accumulated other comprehensive income for debt securities and equity instruments	**33,683,281**	**1,043,912**	**43,616**	**30,675,412**	**-7,940,735**	**57,505,486**

EUR 1,043,912 of income was recycled to profit or loss in the 2020 financial year. Note 16 gives further information on the processing of the micro hedges.

Accumulated cash flow hedge reserve

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.

	31/12/2019	to profit or loss	to other comprehensive income	taxes	31/12/2020
Cash flow hedges					
Accumulated valuation gains or losses taken to equity	-6,004,040	4,227,000	41,613		-1,735,427
Deferred taxes	1,302,877			-869,020	433,857
Accumulated other comprehensive income from cash flow hedges	**-4,701,163**	**4,227,000**	**41,613**	**-869,020**	**-1,301,570**

The transfer of EUR 4,227,000 to profit or loss is due to the swap in question coming closer to maturity. No transfers were made for reasons of ineffectiveness or where the hedged future cash flows are no longer expected to occur. This cash flow hedge is explained in greater detail in the note 16 on derivatives.

Accumulated actuarial gains or losses on defined benefit pension plans

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 1,280,020,354 as of 31 December 2020) 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 2020 was EUR 136,007,824 compared with EUR 117,361,155 for the year ending on 31 December 2019.

Dividend income

No dividends were paid in 2020

A proposal will be made by the Company's Board of Directors to the General Meeting of shareholders of the Company that no dividend be declared in respect of the 2020 financial year.

4. Minority interests

Overall, the Company owns 99.71% of AAM. One share of these companies is held by BVg.

In 2019, EUR 214,749 was attributable to the minority interests, and EUR 330,815 in 2020.

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

5. Risk management

Introduction

The Company is active as a bank and asset manager and is therefore exposed to various risks. The Company's risk management distinguishes here between financial 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, branch managers, investors, managers, supervisory authorities and rating agencies, as well as directors, management and employees.

The risk management function within Argenta is centrally organized at Argenta Bank- en Verzekeringsgroep (BVg), with the exception of the risk management function of the asset managers, which is organized decentrally in the relevant management companies, and local interpretation in the Argenta branch office in the Netherlands.

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

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.

2nd line risk management monitors the embedding of risk awareness in the 1st line and the control of the risk management exercised at headquarters and in the branch network. This management takes the form of risk-based monitoring and of testing 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.

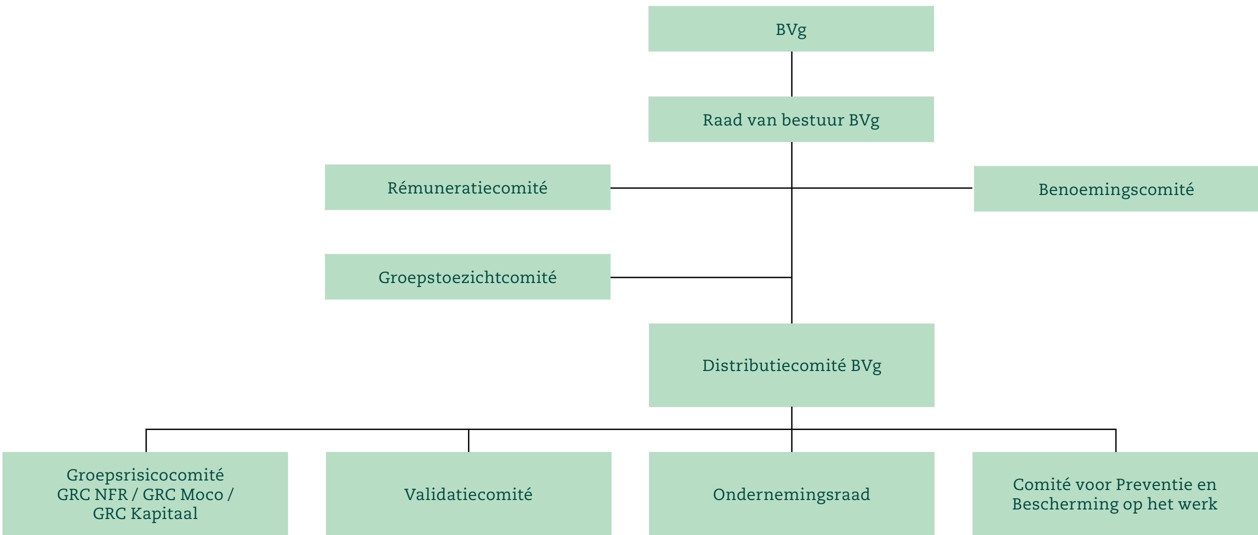
Risk policy

The main components of our risk policy model are:

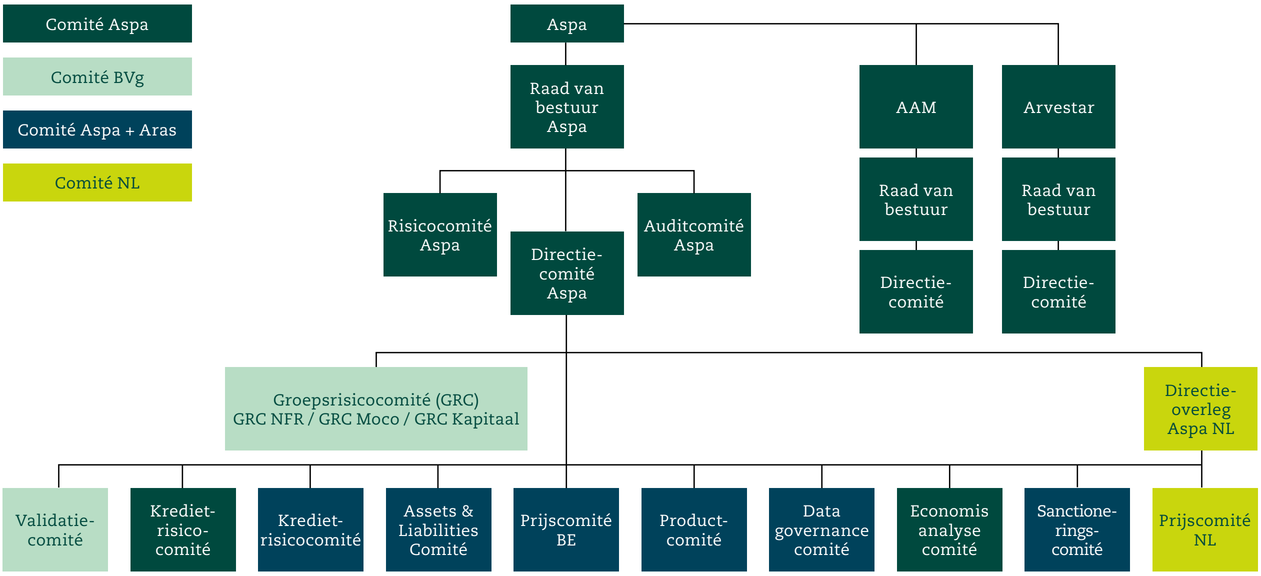
- The Board of Directors that, with the support of the Risk Committee, establishes and oversees the risk appetite and general risk tolerance of the Company. The Board of Directors also approves the main risk management strategies and policies;
- The Risk Committee of the Board of Directors, which supervises 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.

Governance of risk management

The overview below shows the committee and consultation structure responsible for risk management within BVg, to which the Group Supervisory Committee was added in 2020.



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



The Group Risk Committee, Group Supervisory Committee and the Validation Committee are organised at BVg level. The other committees are organised within the Company.

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 statements, Risk Appetite Framework (RAF), 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 Committee deals with the management of all aspects of Pillar 2 capital management, and discusses RAF financial reporting and RAM (Risk Asset Management) reporting;
  - 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 consistent 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 Group Supervisory Committee has a specific advisory role at group level to ensure that:
  - The Board of Directors always has a view at a consolidated level of the activities of the various Argenta entities and that internal control of these activities is in line with the role of the Audit Committees and the Risk Committees set up within Aspa and Aras;
  - The agreements between and the processes of the various group entities are consistently organised and operate in an integrated fashion;
  - The impact on the group is always taken into account in the decisions of individual entities.

  Meetings are held as often as the chair of the committee considers desirable, and at least twice a year with the half-year and annual results.

- 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.

- Alco is responsible for ensuring:
  - The optimal balance sheet equilibrium by evaluating, following up and proposing actions aimed at minimising the value and result 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;
  - The provision of 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;
  - Optimal funding diversification including the covered bond framework;
  - The follow-up and approval of non-retail credit provisions (IFRS 9);
  - The PARP (Product Approval and Review Process) for non-retail products.

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

- The Credit Risk Committee Retail (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;
  - The monitoring and approval of retail credit provisions (IFRS 9);
  - Proposing and deciding on action to mitigate credit risks;
  - The functional environment with regard to the acceptance and authorization 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:
  - The tariff-setting, the product range and the evolution of commercial margins and deciding on any requisite adjustments;
  - The diversification of the product range.

  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) for retail products 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 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 capitalization 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 priority focal points for 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).

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;
- Functions as a starting point for operational policies that include a wide set of operational limits and flashing lights.

The RAF indicators themselves are assessed annually as to their appropriateness and replaced or adjusted if necessary), with discussion in the Risk Committees and approval by the Board of Directors. The quantitative and qualitative RAF on financial and non-financial risks and the RAM reporting is reported on a quarterly basis to the Risk Committees, with feedback to the Board.

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 flashing lights and Early Warning Indicators	GRC, Alco, Kreco	■ 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 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 financial indicators are subdivided into the following categories/risks:
- Market risk;
- Credit risk;
- Liquidity risk;
- Capital risk, including income and value stability risk.

The non-financial indicators are subdivided into the following categories/risks:
- Non-financial risks;
- Compliance risk.

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 of ICAAP, ILAAP with Business Plan and Recovery Plan

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

In the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Assessment Process (ILAAP) under Pillar 2, the Company assesses 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 1. For these risks, either additional capital is provided in Pillar 2 or no additional capital is provided for these risks because these have already been implicitly included in the risks in Pillar I or because there are processes in place that strongly mitigate these risks.

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 together form the stress testing programme, and are implemented making maximum use of consistent processes, models and tools. In this way the conclusions are robust and consistent and can be included in the managing of capital and liquidity planning and in calibrating the RAF limits.
The group risk management function with a focus on financial risks is performed by the Risk & Validation department.

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 EUR. The Company has no trading portfolio (‘trading book’).

Interest rate risk

Exposure

The single largest market risk to which the Company is 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 the products) and the basic 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 both endogenously and exogenously ways. Endogenous management refers to managing the balance mix between assets and liabilities products. Exogenous hedges involve concluding 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 16 and 27.

Sensitivity analysis – interest rate risk

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

In the absence of a trading book, the interest rate risk in the banking book therefore represents the Company's entire interest rate risk.

	31/12/2019		31/12/2020	
	+100bp	-100bp	+100bp	-100bp
Impact on earnings (over 12 months)	61,926,337	-46,093,689	33,946,390	-54,397,282
Impact on equity	51,756,580	-271,833,374	90,495,895	-120,852,496

This tells us that interest rate risk lies entirely in an up-shock and is slightly lower than last year.

These sensitivity analyses are measured using the following internal method (this method is in line with the EBA's IRRBB guidelines that came into effect on 30 June 2019):

- Repricing behaviour of savings accounts without contractual maturity dates is modelled on the basis of business-economic replicating models (specifically for the savings portfolios in Belgium, savings in the Netherlands and current accounts in Belgium);
- Loan prepayments and refinancings are taken into account based on Conditional Prepayment Rate (CPR) models (specifically for the Belgium and Netherlands mortgage portfolios);
- 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 place in four steps of 25bp (immediately, after 3 months, after 6 months, and after 9 months);
- To determine the impact on equity, the full interest rate shock is calculated immediately;
- Expected drawdowns 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;
- The negative market value impact on reaching the interest rate floor on regulated savings is taken into account in the capital simulations.

The sensitivity of equity to an interest rate increase of +100bp for the endogenous balance sheet improved in 2020 owing to:
- The fall in market interest rates, which has had the effect of increasing the modelled prepayments on Belgian mortgages;
- Increased prepayment behaviour on Dutch mortgages, reflected in the CPR model for Dutch mortgages;
- Two EMTN issues in a total amount of EUR 1 billion, reducing the asset/liability mismatch.

Overall, risks were kept within the desired risk appetite. Exogenously, adjustments were made by concluding a EUR 100 million payer swaption and a EUR 150 million forward starting payer swap. Given the current macroeconomic environment, the hedging strategy aims to keep the risk exposure under upward shocks under control and to gradually mitigate it for downside risks. A global equity and result perspective is taken into account, among other things by analysing the impact of the 6 EBA interest rate scenarios.

The hedging instruments used are subject to hedge accounting; the qualification criteria are monitored monthly and continued to be met over 2020.

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 Company's financial policies, 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 framework, where it is calculated together with credit risk.

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 2020, the impact for the Company of a 1 basis point increase in the credit spread was EUR -3,740,708 compared to EUR -3,471,817 at the end of 2019. The increase in sensitivity is the result of a slight increase in average term and an increase in the overall portfolio.

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 through profit or loss.

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 into its investment portfolio equity positions in real estate developers and/or operators.

Risk management

The portfolio of individual shares is limited and is managed within a rigorous risk management framework, including limits on size, permitted sectors (here: real estate), 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.

	31/12/2019	31/12/2020
	-10%	-10%
Impact on earnings	0	0
Impact on equity	-106,250	-801,005

Equity instruments at fair value through other comprehensive income amount to EUR 8,010,057 (market value) as of 31 December 2020. If the markets fall by 10%, the amount in equity will decrease by EUR 801,005 and no impairments will be recorded. The company has no equity instruments measured at fair value through profit or loss.

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 (see under 'credit risk' below).

Direct real estate investments 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 - property risk

The fair value of the direct real estate investments is obtained based on the individual assessment reports of the respective investments. In 2019 this involved a portfolio with a carrying value of EUR 607,672. As of end-2020, the carrying value was EUR 592,770.

A decrease of 10% of the market value will - as long as there is no permanent impairment - have no impact on the result. The maximum risk of loss is EUR 592,770.

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 mainly short or medium-term funds and to reinvest these through various forms of mainly longer-term loans and investments.

Sources of liquidity

The Company's financing model and liquidity profile are mainly characterised by:

- A substantial base of customer deposits;
- A spread over the Belgian and Dutch markets;
- 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 payments and savings accounts and term deposits. Customer deposits constitute the largest and most important primary funding source of the Company's banking activities. The current and savings accounts of private individuals are available on demand and as such represent sources of liquidity risk. At the same time they provide a stable long-term financing basis. This stability is determined by customers' confidence in the Company's solvency, profitability and risk management.

The Company also goes to the interbank or professional market to fund itself. This is does to diversify its sources of financing (securitisation of Dutch *Residential Mortgage Backed Securities* (RMBS)) and to meet new legal requirements or support the S&P rating (EMTN programme with the possibility to issue Tier-2, Senior Non Preferred (SNP) or Senior Preferred (SP) instruments). At the beginning of 2021, after obtaining a licence from the regulator, the Company also issued a first Belgian Covered Bond (*pandbrief*) Repurchase agreements (repos) are also concluded periodically in the context of liquidity management, and in 2019 and 2020, the Company also took part in the ECB's TLTRO-III operations.

On the asset side, the readily available sources of liquidity consist of high-quality financial instruments, mainly a diversified portfolio of central bank reserves, government bonds, securitisations and corporate bonds. In addition to the liquid assets eligible for the LCR, the Company also has a portfolio of ECB-eligible and other saleable securities.

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

The Company 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 (Liquidity Coverage Ratio) liquid buffer. The LCR also takes into account potential collateral outflows due to fluctuations in the valuation of the portfolio and a negative rating evolution of the Company. The evolution of the collateral is closely monitored.

Funding sources	31/12/2019	31/12/2020
Deposits from central banks	0.12%	0.54%
Deposits from credit institutions	0.03%	0.02%
Deposits from other than central banks and credit institutions	88.34%	87.20%
Savings certificates issued to retail customers	0.24%	0.00%
Senior debt securities issued to retail customers	0.00%	0.00%
Senior debt securities issued to institutional investors	7.51%	8.26%
Subordinated debt securities issued to retail customers	0.05%	0.00%
Subordinated debt securities issued to institutional investors	1.25%	1.16%
Other liabilities	2.47%	2.82%
Total liabilities	100.00%	100.00%
Total liabilities in EUR	**40,897,188,100**	**43,943,961,827**

Risk management

The Asset and Liability Committee (Alco) monitors the liquidity indicators on a permanent basis. 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 funding). 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 permanently 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 Framework. Daily financing reports are distributed to a broad target group within the Company.

The 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) 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;
- 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 limits	31/12/2019	31/12/2020
LCR	100%	172%	159%
NSFR	100%	136%	136%
AER strict (RAF limit)	95%	107.6%	106.9%
AER wide (RAF flashing light)	110%	112.9%	115.0%

The flashing light threshold and the recovery plan threshold for the AER depend on the category in which the Company is located, 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 2020, the Company was in category 2.

Remaining term analysis

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

31/12/2019	< 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	**34,496,360,726**	**808,074,120**	**4,080,327,024**	**1,324,137,587**

31/12/2020	< 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	236,396,243	0
Deposits from credit institutions	9,738,401	0	10,859	0
Deposits from other - on demand	36,572,354,168	0	0	0
Deposits from other - on term	320,667,840	316,804,578	963,285,284	146,232,217
Debt securities issued - saving certificates	0	0	0	0
Debt securities issued - other	110,539,789	254,040,647	2,479,695,156	784,382,784
Subordinated debt securities issued	0	511,087,585	0	0
Other financial liabilities	2,550,547	7,651,640	37,185,880	40,135,855
Derivatives used for hedge accounting	27,731,764	76,121,828	306,696,792	286,677,536
Total financial liabilities	**37,043,582,509**	**1,165,706,278**	**4,023,270,214**	**1,257,428,392**

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 paid 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 for hedging purposes' the interest flows can be found in the interest rate swaps for the categories in question. This interest is calculated using the fixed and variable rates as of 31 December 2020 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 'subordinated liabilities' on 31 December 2020 consist of a Tier 2 loan in a nominal amount of EUR 500 million.

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 two segments of importance for credit risk: (i) the retail market and in particular the retail mortgage lending market (in both Belgium and the Netherlands), and (ii) the investment portfolio together with the portfolio of loans to local and regional authorities and (selectively) to corporates. Credit risk management is therefore focused on these two segments.

Risk management

In the retail segment, the Company seeks to have a low risk profile. 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 limits for creditworthiness, monitoring procedures and a monthly follow-up of the credit risk indicators on portfolio production, along with targeted detail analyses. More detailed and periodic follow-up was applied to credit files for which Covid-19 payment deferment requests had been submitted or where credit quality was observed to have declined. There is no regulatory moratorium in the Netherlands. Customers can, however, be considered for a deferment in the event of payment problems as a result of Covid-19. Approved Covid-19 deferments are classified as a forbearance measure, with a watch kept on credit quality. For production year 2020, 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 (Kreco) 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 between investments in national governments, financial institutions, corporates, indirect real estate, structured products such as RMBS, covered bonds, and into securities of or loans to local authorities and public-private partnerships (PPS).

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), Legal 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 the Rating Consultation (RC) and ALCO.

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. The first-line report, which includes credit risk, is also drawn up and reported to Alco on a monthly basis.

Internal models for credit risk

The Company 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 internal 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 the Company has opted for an internal rating system, 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. Currently, the internal mortgage rating models are being redeveloped to bring them into line with the new default definition, and to comply with EBA guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures.

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 Company 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 (Basel) equity regulations. The table below shows the outstanding credit risk of the Company as reported in the prudential COREP tables. For the off-balance sheet exposures, this is the maximum exposure (for the application of the conversion factors, the so-called 'credit conversion factor' or 'CCF' in the Basel regulations. The Pillar 3 Disclosures give further information and interpretation of this total exposure.

	31/12/2019	31/12/2020
Total on-balance sheet	42,736,869,553	45,915,283,018
Total off-balance sheet	2,368,925,725	3,688,981,675
Total derivatives	189,950,325	154,551,088
Total exposure to credit risk	**45,295,745,603**	**49,758,815,781**

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 mortgage may be registered, in certain cases combined with a proxy) 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 frameworks for Belgium and the Netherlands. 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 take collateral samples for individual expert valuation. Individual estimates can also be performed at the start of a foreclosure procedure. Counterparties with large exposures (above EUR 3,000,000) are monitored annually to determine whether a recent expert estimate has been made on the underlying guarantees. The same applies to loans in default where the exposure is greater than EUR 300,000.

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 partially 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 2020, no significant negative changes took place in the quality of the collateral present and no major changes were made to the collateral solicitation policy. An overarching policy for valuation of collateral, with guiding principles with which Argenta must comply, has been drawn up (approved by the Board of Directors in January 2021). The guiding principles are based on the Capital Requirements Regulation (CRR), the EBA and ECB guidelines, and the EBA guidance with regard to loan origination and monitoring that will apply from 30 June 2021. 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.

	31/12/2019		31/12/2020	
	Carrying amount	%	Carrying amount	%
Advances and overdrafts	3,850,660	0.01%	4,511,041	0.01%
Consumer loans	233,426,589	0.75%	290,897,981	0.88%
Mortgage loans Belgium	13,795,831,122	44.50%	15,115,327,772	45.85%
Mortgage loans Netherlands	16,814,912,217	54.23%	17,402,148,720	52.78%
Term loans	156,981,136	0.51%	156,862,873	0.48%
Total	**31,005,001,724**	**100.00%**	**32,969,748,387**	**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, public-private partnerships and real estate developments and/or operators.

	31/12/2019		31/12/2020	
	Carrying amount	%	Carrying amount	%
Financial assets at fair value through other comprehensive income	**3,528,404,710**	**100.00%**	**3,659,280,157**	**100.00%**
Debt securities				
General Governments	944,478,702	26.77%	1,032,932,962	28.23%
Credit Institutions	1,375,945,071	39.00%	1,112,437,831	30.40%
Other Financial corporations	439,865,692	12.47%	413,637,947	11.30%
Non Financial corporations	768,115,245	21.77%	1,100,271,416	30.07%
Financial assets at amortised cost	**4,336,893,223**	**100.00%**	**4,562,930,447**	**100.00%**
Debt securities				
General Governments	865,665,106	19.96%	796,575,988	17.46%
Credit Institutions	557,995,935	12.87%	520,780,014	11.41%
Other Financial corporations	1,046,629,154	24.13%	1,039,049,725	22.77%
Non Financial corporations	1,076,272,479	24.82%	1,294,037,650	28.36%
Term loans	764,328,595	17.62%	884,146,467	19.38%
Leasing	26,001,954	0.60%	28,340,603	0.62%
Non-trading financial assets mandatorily at fair value through profit or loss	**66,305,830**	**100.00%**	**68,169,997**	**100.00%**
Debt securities				
General Governments	24,501,282	36.95%	20,028,219	29.38%
Credit Institutions	19,891,138	30.00%	27,318,750	40.07%
Other Financial corporations	21,913,410	33.05%	20,823,028	30.55%
Non Financial corporations	0	0.00%	0	0.00%

The table below provides a geographical breakdown of the non-retail portfolio. It documents a large exposure to Belgium (Company head office location).

	31/12/2019	31/12/2020		31/12/2019	31/12/2020
Belgium	30.94%	29.70%	Iceland	0.92%	0.87%
The Netherlands	18.17%	17.30%	Finland	0.76%	1.17%
France	13.46%	13.22%	Slovenia	1.61%	2.46%
Spain	4.59%	6.77%	Czech Republic	0.70%	0.68%
Germany	6.29%	6.56%	Italy	0.25%	0.22%
Ireland	5.35%	3.69%	Romania	0.40%	0.39%
United Kingdom	2.38%	0.54%	Mexico	0.36%	0.17%
Luxembourg	3.47%	3.45%	Slovakia	0.00%	0.68%
Sweden	2.76%	2.84%	Indonesia	0.25%	0.33%
Poland	2.64%	2.13%	Hungary	0.07%	0.50%
Canada	2.14%	2.07%	Croatia	0.04%	0.06%
Austria	0.00%	0.27%	Chile		0.10%
Denmark	1.49%	1.43%	Latvia		0.43%
United States of America	0.96%	1.72%	Lithuania		0.26%
			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 down scenario and a 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 injcludes 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 for the Dutch portfolio 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;
- Given the uncertainty factor, management overlays are applied (haircut property values, loss given loss (LGL) factor and cure rate capping).

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. The Company does not estimate the likelihood of early redemptions and projects cash flows to maturity or the instrument's first call date where applicable;
- The effective interest rate is 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 percentages are based on the standard approach Basel percentages (covered: 11.25%; senior unsecured: 45%; subordinated: 75%).

Incorporation of forward-looking (FL) information

For the retail portfolios, macroeconomic FL information is included both in the ECL calculations and in determining the PIT LT PD (Point-in-time Lifetime Probability of Default). For the ECL and PIT LT PD, 3 different scenarios (baseline, downturn and 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 an average risk of the baseline, downturn and recovery scenarios weighted with their weights.

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. Subsequently, the long-term PDs are converted to PIT PDs. The economic indicators included in this analysis are the evolution of GDP growth, unemployment figures, the S&P 500 indices, World Bank Energy and World Bank Non-Energy. They provide a measure of the proportion of negative revisions in creditworthiness. In calculating the PIT Pds, different scenarios are taken into account (baseline, down and recovery) per system factor per year and with a weighting per scenario. The scenarios and their weightings are determined internally based on the Company's business plan. The final FL PIT PDs are reviewed at least semi-annually and are approved by Alco.
The scenarios and their weightings are established every least six months and are approved by Alco.

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. As per the reporting date the remaining 'lifetime' PD (PD_{LT}) is compared with the upper limit of remaining 'lifetime' PD taking into (account the characteristics of the instrument as they were present at the time of initial recording of the instrument (PD_{bg}) . The 'staging' model can be summarised as follows:

- Stage 1 – 12-months 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;
- More than 30 days' arrears on contractual payments.

Apart from the above automatic criteria, the Company assesses whether for certain sub-portfolios an increased risk is estimated that these loans will not be repaid in full and on time, and should be considered in stage 2.

In this way 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 further 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 (in the event of initial non-investment rating) one credit score lower. Deviations to this rule are permitted only if there is no significant credit deterioration and with the approval of the Rating Consultation (RO).

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;
- 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-'.

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 were no changes in valuation techniques or significant assumptions underlying the models used during the reporting period. However, a recalibration of the PIT PD for the Belgian mortgage portfolio was carried out in line with the evolution of the macroeconomic variables, while for the Belgian and Dutch mortgage portfolios the update of the expected evolution of the CPR was taken into account. The management overlays were not changed during 2020.

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

A loan receivable is considered to be in default as from 90 consecutive days in arrears for a material exposure (more than EUR 100 and 1% of exposure for 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 of 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 and the debtor or, specifically for Belgium, also contacts between the branch manager or intermediary 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. Argenta has applied the new definition since 9 March 2020 in its reporting and then, in step two, has to adjust its models to the internal rating approach by December 2021.

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

	31/12/2019			31/12/2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost	**33,991,856,510**	**1,797,100,624**	**111,915,216**	**33,682,103,157**	**4,463,490,425**	**172,417,028**
Debt securities	3,506,974,400	41,554,566	0	3,628,663,264	26,740,303	0
Loans and advances	30,484,882,110	1,755,546,058	111,915,216	30,053,439,893	4,436,750,122	172,417,028
of which leasing receivables	26,001,954	0	0	28,340,603	0	0
Financial assets at fair value through other comprehensive income	**3,529,312,919**	**0**	**0**	**3,662,303,760**	**0**	**0**
Debt securities	3,529,312,919	0	0	3,662,303,760	0	0
Equity instruments						
Total financial assets	**37,521,169,429**	**1,797,100,624**	**111,915,216**	**37,344,406,916**	**4,463,490,425**	**172,417,028**
Loan commitments, financial guarantees and other commitments given	**1,387,104,192**	**21,031,592**	**0**	**2,606,767,432**	**51,004,485**	**0**
of which purchased credit-impaired financial assets	0	0	0	0	0	0

31/12/2019	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	**2,271,203,881**	**4,998,474,440**	**68,678,684**	**53,424,156**	**6,903,145**	**399,727**
Debt securities	41,234,114	0	0	0	0	0
Loans and advances	2,229,969,767	4,998,474,440	68,678,684	53,424,156	6,903,145	399,727
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	**2,271,203,881**	**4,998,474,440**	**68,678,684**	**53,424,156**	**6,903,145**	**399,727**
Loan commitments, financial guarantees and other commitments given	**132,814,734**	**100,827,189**	**0**	**0**	**0**	**0**

31/12/2020	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	**2,830,146,225**	**514,375,583**	**61,350,551**	**20,004,884**	**42,057,798**	**700,584**
Debt securities	26,269,583	36,911,900	0	0	0	0
Loans and advances	2,803,876,642	477,463,683	61,350,551	20,004,884	42,057,798	700,584
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	**2,830,146,225**	**514,375,583**	**61,350,551**	**20,004,884**	**42,057,798**	**700,584**
Loan commitments, financial guarantees and other commitments given	**7,633,952**	**1,892,136**	**0**	**0**	**0**	**0**

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

	31/12/2018	Origination and acquisition	Derecognition	Changes in credit risk (net)	Modifications without derecognition (net)	Write-offs	Other	31/12/2019
Stage 1	**-3,022,237**	**-1,595,082**	**675,658**	**-390,747**	**1,890**		**-1,119,774**	**-5,450,292**
Debt securities	-1,803,880	-539,504	292,556	-462,579	0		-2	-2,513,409
Loans and advances	-1,218,357	-1,055,578	383,102	71,832	1,890		-1,119,772	-2,936,883
Stage 2	**-10,239,722**	**-921,778**	**2,043,360**	**4,890,613**	**-2,018**		**-5,239,954**	**-9,469,499**
Debt securities	-486,039	0	748,505	-623,558	0		0	-361,092
Loans and advances	-9,753,683	-921,778	1,294,855	5,514,171	-2,018		-5,239,954	-9,108,407
Stage 3	**-12,561,924**	**-453,299**	**3,471,067**	**-6,121,769**	**257,705**	**3,135,163**	**0**	**-12,273,057**
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-12,561,924	-453,299	3,471,067	-6,121,769	257,705	3,135,163	0	-12,273,057
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	**-26,960,694**	**-6,048,000**	**9,614,830**	**-1,615,838**	**257,577**	**3,135,163**	**-6,497,819**	**-28,114,781**

	1/01/2020	Origination and acquisition	Derecognition	Changes in credit risk (net)	Modifications without derecognition (net)	Write-offs	Other	31/12/2020
Stage 1	**-5,450,292**	**-4,318,879**	**1,922,066**	**-2,360,589**	**488**		**-1,139,983**	**-11,347,189**
Debt securities	-2,513,409	-2,638,851	569,788	-2,934,970	0		0	-7,517,442
Loans and advances	-2,936,883	-1,680,028	1,352,278	574,381	488		-1,139,983	-3,829,747
Stage 2	**-9,469,499**	**-1,732,290**	**2,227,009**	**-2,247,634**	**-103,343**		**-3,384,578**	**-14,710,335**
Debt securities	-361,092	0	70,648	-175,908	0		0	-466,352
Loans and advances	-9,108,407	-1,732,290	2,156,361	-2,071,726	-103,343		-3,384,578	-14,243,983
Stage 3	**-12,273,057**	**-820,723**	**3,003,626**	**-11,988,501**	**235,097**	**1,751,558**	**0**	**-20,092,002**
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-12,273,057	-820,723	3,003,626	-11,988,501	235,097	1,751,558	0	-20,092,002
Provisions on loan commitments, financial guarantees and other commitments given	**-921,933**	**-3,533,567**	**3,076,706**	**-11,988,501**	**235,097**	**0**	**501,715**	**-940,941**
Stage 1	-872,003	-3,453,757	2,883,018	76,193	0		515,982	-850,567
Stage 2	-49,930	-79,810	193,688	-140,364	309		-14,267	-90,374
Stage 3	0	0	0	0	0	0	0	0
Total	**-28,114,781**	**-10,405,459**	**10,229,406**	**-28,585,225**	**367,339**	**1,751,558**	**-4,022,846**	**-47,090,467**

For the receivables in stage 3 amounting to EUR 172,417,028, EUR 20,092,002 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 (committed loans, financial guarantees and other commitments) are recorded as a provision.

Write-off method

A detailed description of the write-off method is included in the valuation rules in the 'Write-offs' section'.

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.

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 servicer to or the Argenta Nederland Special Management sub-department (for Dutch loans), and the 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);
- Interest pause (specifically for Dutch loans);
- Maturity extension (for Dutch and Belgian loans);
- Internal refinancing (specifically for Belgian loans);
- Deferment of payment (specifically for Belgian credits);
- Payment agreements (specifically for Belgian loans).

A modification specifically permitted in 2020 outside the normal forbearance measures was the regulatory moratorium as part of the Covid-19 measures, permitted by the Belgian regulator. Files with Covid-19 measures were scored with Covid-UTP indicators, followed by an assessment in accordance with the existing procedures for UTP soft default. The maximum number of months is reached after 9 months.

In the Netherlands there is no Covid-19-related regulatory moratorium. Argenta Nederland offers its customers the possibility of a payment break for interest and repayments. This payment break is initially for 3 months, with the option of extending it after a reassessment by 3 months until the maximum of 12 months has been reached. All granted Covid-19 measures are classified as forbearance. Covid-19 measures that are extended after the first three months are given a UTP soft default in accordance with existing procedures.

Further information about the Covid-19 payment deferment measures is included in Note 38.

Internal refinancings give rise to the recording of a credit receivable, and the repayment (and derecognition) of the refinanced credit receivable. 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 recorded, in such a way that the instrument is permanently included in the balance sheet and no significant valuation impact arises.

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

	31/12/2019	31/12/2020
Gross carrying amount of exposures with forbearance measures	71,450,219	160,604,536
of which performing exposures wirth forbearance measures	44,299,119	103,410,481
of which non-performing exposures with forbearance measures	27,151,101	57,194,055
Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	1,790,052	4,255,725
Collateral and financial guarantees received	65,902,145	150,854,921

5.4. Non-financial risks

Exposure

The overarching definition for non-financial risks is the chance of negative consequences (both financial and non-financial) as a direct or indirect consequence of inadequate or failing internal processes, people or systems, or of external events. The non-financial risks are defined, in the Company's risk mapping 2020, as compliance risk, project risk, legal risk, business continuity risk, sourcing risk, data security risk, physical asset risk, image risk, process risk, human resources risk, sustainability & strategic risk, data risk and fraud & cyber risk.

All businesses carrying out activities of any kind have to contend with operational risk or, as defined above, non-financial risks. The Company's activities depend on its ability to process a very large number of transactions efficiently, accurately and in compliance with its policies and with laws and regulations. Non-financial 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, among other things, increased digitization, the increased speed of change, and additional laws and regulations. This translates, 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 (history of 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.

The group risk management function with a focus on non-financial risks is performed by the Non-financial Risk Management & Supervisory Office department.

With the distinction between "advisory" and "monitoring & investigations", a division is made based on the dual role of the second line management, viz. i) advisory and ii) independent control function ("monitoring & investigations"). Both departments make no distinction in terms of scope (both head office and offices) or domain (all non-financial risks, with the exception of compliance[2]).

2 In the Compliance department, a distinction is also made between "advisory" and "monitoring & investigations".

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 the non-financial risks at company level.

The risk profiles have been measured and reported for all non-financial risk profiles since Q2 2020. This is done through the updated RAF dashboard that is formatted in Tableau.

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. At Argenta group level, the positive trend continues and the global maturity score rose to 3.37 in 2020 (on a scale to 5). A score of 3+ indicates a defined maturity level, where the control measures are present.

Argenta, as an integrated bank-insurer, opts to assess its banking and insurance activities jointly in the area of governance and internal control. Argenta therefore prepares a single report, the Internal Control Annual Report. 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.

The second-line independent audit is carried out, both in the branches and at head office by means of 4 types of surveys (Standard surveys, Special surveys, and Target and Domain surveys). The main results are fed back via the GRC-NFR, the recommendations are registered and followed up via pentana (tooling).

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.

The reporting includes both quantitative reporting (RAF reporting of non-financial risks, KRS branch risk score, etc.) and qualitative reporting (activities report, internal control annual report, action plan, etc.).

Finally, the Legal Affairs department is tasked with the management of the corporate insurance programme (CIP), whereby a number of appropriate insurance covers for non-financial risks are concluded with the help of a broker.

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

The Company is subject to the CRR and CRD legislation. Information about Pillar 1 (minimum capital requirements) and Pillar 2 (SREP process) is given below. The Pillar 3 disclosures of BVg are published separately on the Argenta website, with part of this information taken from the present financial statements.

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: gives an additional CET1 requirement of 0.01% calculated as a weighted average of the requirement imposed per country and the exposure to that country present in the Company;
- 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 (P2R) of 1.75% and a Pillar 2 recommendation (P2G).

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 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.

In light of the Covid-19 pandemic, the capital decision included in the annual global SREP review was maintained by the ECB at 2019 levels. The P2R therefore remained at 1.75% (to be fulfilled with a minimum of 56.25% in CET1 and 75% in T1 with the remaining requirement in T2). The ECB is paying particular attention to the impact of the Covid-19 pandemic on credit risk for the entire banking sector.

The minimum solvency ratios increased by the Pillar 2 recommendation (P2G) 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 Company) all material risk factors are modelled. In this way a more complete picture is obtained of the economic capital requirement.

The ICAAP 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 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;
- Allocation of the capital requirements across the business lines and product groups.

The RAF provides for the monitoring of the capital risk via the following RAF limits, among others:
- CET1 ratio;
- TC ratio (total capital);
- Leverage;
- MREL;
- ICAAP 99.90%.

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

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

		31/12/2019	31/12/2020
Available capital			
1	Tier 1 core capital (CET1)	2,065,532,277	2,265,275,494
2	Tier 1 capital (T1)	2,065,532,277	2,265,275,494
3	Total capital (TC)	2,564,201,845	2,769,655,153
Risk-weighted items			
4	Total risk-weighted items	8,334,496,585	9,712,247,223
Solvency ratio's			
5	Common Equity Tier 1 core capital(%)	24.78%	23.32%
6	Tier 1 capital ratio (%)	24.78%	23.32%
7	Total Capital Ratio (%)	30.77%	28.52%
Additional CET1 buffer requirements			
8	Capital Conservation Buffer requirements (%)	2.50%	2.50%
9	Contracyclical capital buffer requirements (%)	0.05%	0.01%
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)	3.30%	3.26%
12	% CET1 available to fulfill buffer requirement above the minimum capital requirements of 4.5%	20.28%	18.82%
Leverage ratio			
13	Leverage exposure	44,727,238,947	46,491,410,438
14	Leverage ratio (%) (row 2 / row 13)	4.62%	4.87%
Liquidity Coverage Ratio (LCR)			
15	Total high quality liquid assets	5,500,507,608	5,883,643,926
16	Total net cash outflow	3,192,298,271	3,704,525,626
17	LCR ratio (%)	172.31%	158.82%
Net Stable Funding Ratio (NSFR)			
18	Total available stable funding	38,599,867,965	41,109,508,694
19	Total required stable funding	28,328,508,038	30,318,865,652
20	NSFR ratio (%)	136.26%	135.59%

The Company therefore amply meets all 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 are similar in structure and composition. They include:
- 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. In principle, directors' mandates are for six years and are renewable.

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

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.

At the end of 2020, the Board of Directors of Argenta Spaarbank was composed as follows:
- Marc van Heel, Chairman of the Board and member of the Risk Committee
- Geert Ameloot, executive director and CFO
- Inge Ampe, executive director and COO
- Ann Brands, executive director and COO
- Marie-Anne Haegeman, non-executive director
- Carlo Henriksen, non-executive and independent director and chairman of the Risk Committee
- Marc Lauwers, executive director and CEO and Chairman of the Board of AAM
- Anne Leclercq, non-executive director, member of the Audit Committee
- Baudouin Thomas, non-executive and independent director, member of the Audit Committee and member of the Risk Committee
- Cynthia Van Hulle, non-executive director

- Bart Van Rompuy, non-executive director and member of the Risk Committee
- Raf Vanderstichele, non-executive and independent director, chairman of the Audit Committee and member of the Risk Committee
- Gert Wauters, executive director and CRO, member of the Board of AAM

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 2020 the Audit Committee of Aspa 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 2020 the Risk Committee met 6 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 beginning of 2020. The results of this confirm the professional functioning of the Board of Directors and the presence of the necessary competences and expertise to arrive at a balanced decision-making process. A new assessment was launched at the end of 2020.

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 Boards of Directors of the Argenta Group companies consists solely of 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, and 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).

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 Company.

In 2020, Argenta Spaarbank paid to Marc Lauwers (CEO of Argenta and chairman of the Executive Committees of Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties) a basic salary of EUR 388,080, an increase of 0.75 % compared with 2019. Added to this in 2020 was a contribution to the supplementary pension and disability group policies amounting to EUR 70,127 (EUR 69,493 in 2019).

In 2020, the total direct remuneration of the executive directors/Executive Committee members of Argenta Spaarbank (excluding that of the CEO), amounted to EUR 909,000 (EUR 1,020,390 in 2019). Contributions to the group supplementary pension and disability policies in respect of the Executive Committee members, excluding the CEO, amounted to EUR 170,679 (EUR 191,408 in 2019).

Severance pay

Executive directors are entitled to severance pay which, except for withdrawal of the mandate owing to serious misconduct, is equal to 18 months' remuneration. Its amount 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 the mandate 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 2020, no severance payments were made by the Company to Executive Committee members.

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 Bernard De Meulemeester.

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

The Company paid to the statutory auditor, Deloitte Bedrijfsrevisoren cvba, additional fees for additional non-audit services in a total amount of EUR 56,725 in 2019 and EUR 134,830 in 2020. In addition, companies having a relationship of professional cooperation with the statutory auditor or belonging to the statutory auditor's network were paid fees for additional, non-audit services in a total amount (including VAT) of EUR 188,978 in 2019 and EUR 999,472 in 2020.

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 363,242 in 2019 and EUR 368,687 in 2020.

Subsidiaries of the Company

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 69,696 in 2019 and EUR 68,970 in 2020.

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).

2019 balance sheet	Parent company	Managers in key positions	Other related parties	Other related parties - not consolidated
Financial assets at amortised cost	0	103,560	496,360	0
Other assets	2,355,054	0	21,632,559	0
Total assets	**2,355,054**	**103,560**	**22,128,919**	**0**
Financial liabilities at amortised cost	89,718,947	1,273,781	135,600,823	0
Other liabilities	567,459	0	41,421,479	0
Total liabilities	**90,286,406**	**1,273,781**	**177,022,302**	**0**

2020 balance sheet	Parent company	Managers in key positions	Other related parties	Other related parties - not consolidated
Financial assets at amortised cost	0	80,467	456,838	0
Other assets	3,326,823	0	5,893,576	0
Total assets	**3,326,823**	**80,467**	**6,350,414**	**0**
Financial liabilities at amortised cost	124,985,175	1,499,657	118,715,542	1,560,084
Other liabilities	390,297	0	52,247,435	0
Total liabilities	**125,375,472**	**1,499,657**	**170,962,977**	**1,560,084**

As explained, the majority shareholder of the Company is BVg. Above this is the holding Investeringsmaatschappij Argenta (hereafter Investar). The 'parent company(-ies)' column contains the data in respect of both holding companies.

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.

A natural person's close relatives are those family members who may be expected to influence the natural person (may include the natural person's co-habitant and his/her (co-resident) children.

'Other related parties' contains data from the Company's consolidated subsidiaries. 'Other related parties - not consolidated' contains data from the joint ventures and associates.

The increase in financial liabilities measured at amortised cost vis-à-vis the parent company concerns the lease liabilities for the buildings. The financial liabilities measured at amortised cost to 'other related parties - not consolidated' consist of the lease commitments to Jofico for the Company's ATMs.

2019 statement of profit or loss	Parent company	Managers in key positions	Other related parties	Other related parties - not consolidated
Interest expenses	20,987	1,176	4,061	0
Fee and commission expenses	0	0	13,013,983	0
Other operating expenses	9,467,849	0	79,386	0
Other administrative expenses	2,157,986	0	0	0
Total expenses	**11,646,821**	**1,176**	**13,097,430**	**0**
Interest income	179	1,802	699,611	0
Other operating income	420,081	0	40,781,131	0
Tax expense	0	0	17,363,460	0
Total income	**420,260**	**1,802**	**58,844,202**	**0**

2020 statement of profit or loss	Parent company	Managers in key positions	Other related parties	Other related parties - not consolidated
Interest expenses	61,852	787	2,264	3,314
Fee and commission expenses	0	0	17,156,988	0
Other operating expenses	9,417,111	0	0	0
Other administrative expenses	3,245,398	0	0	0
Total expenses	**12,724,361**	**787**	**17,159,252**	**3,314**
Interest income	571	1,475	9,300	0
Fee and commission income	0	0	140,436	0
Other operating income	422,357	0	39,655,905	0
Tax expense	0	0	775,000	0
Total income	**422,928**	**1,475**	**40,580,641**	**0**

The decrease in tax expenses compared to 2019 relates to the reimbursement of the group contribution of EUR 775,000, which is much lower in 2020 than in 2019 (EUR 17,363,460 - see also note 40).

No impairment losses were recognised in 2019 and 2020 on balance sheet items involving related parties.

Note on credit transfers 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 selection they are immediately transferred. The framework agreement was updated in 2020.

In this way the Company grants Dutch loans through the branch which are then taken over definitively by Aras. The total amount of the loans definitively transferred in 2020 amounted to EUR 217,295,980. 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	31/12/2019	31/12/2020
Severance compensation	337,838	0
Salaries and directors' fees	1,405,590	1,694,365
Total	**1,743,428**	**1,694,365**

10. 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 organizational format by the existence of Aspa in Belgium, 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 services fall under the general heading of 'retail' banking. Until further notice this is treated in the internal reporting as a single operating segment. The ultimate chief operating decision maker (CODM) is the Executive Committee of the Company.

Information on products and services

The Company operates under the general heading of 'retail' banking. In the consolidated internal reporting this is treated as a single operating segment.

Retail banking offers financial services to private individuals as well as to self-employed persons and, to a very limited extent, to small and medium-sized companies. In the Benelux, it provides advice on daily banking, saving, lending and investment.

Information on geographic regions

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

Assets	Belgium	The Netherlands	Luxembourg	31/12/2019
Cash, cash balances at central banks and other demand deposits	2,478,720,870	149,325,205	1,610,697	2,629,656,772
Financial assets held for trading	1,121,123	1,221,427	0	2,342,550
Non-trading financial assets mandatorily at fair value through profit or loss	66,305,830	0	0	66,305,830
Financial assets at fair value through other comprehensive income	3,529,467,208	0	0	3,529,467,208
Financial assets at amortised cost	19,058,575,247	16,814,912,217	1,100,248	35,874,587,712
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	90,000	0	0	90,000
Tangible assets	24,661,918	1,728,897	2,131	26,392,946
Intangible assets	57,541,815	73,940	12,332	57,628,087
Tax assets	19,884,985	0	0	19,884,985
Other assets	145,258,470	87,368,764	5,779,590	238,406,824
Total Assets	**25,878,030,101**	**17,134,304,747**	**8,504,998**	**43,020,839,846**

Assets	Belgium	The Netherlands	Luxembourg	31/12/2020
Cash, cash balances at central banks and other demand deposits	2,729,174,133	291,899,766	1,477,879	3,022,551,779
Financial assets held for trading	488,933	471,330	0	960,263
Non-trading financial assets mandatorily at fair value through profit or loss	68,169,997	0	0	68,169,997
Financial assets at fair value through other comprehensive income	3,667,290,214	0	0	3,667,290,214
Financial assets at amortised cost	20,871,635,687	17,402,148,720	1,100,234	38,274,884,642
Derivatives used for hedge accounting	3,248,972	0	0	3,248,972
Fair value changes of the hedged items in portfolio hedge of interest rate risk	701,614,824	66,950,648	0	768,565,472
Investments in subsidaries, joint ventures and associates	90,000	0	0	90,000
Tangible assets	78,035,442	1,339,950	1,065	79,376,457
Intangible assets	48,046,728	1,217	17,114	48,065,059
Tax assets	6,463,707	10,779,804	0	17,243,511
Other assets	123,583,578	149,974,950	7,848,743	281,407,271
Total Assets	**28,297,842,215**	**17,923,566,385**	**10,445,036**	**46,231,853,637**

Liabilities	Belgium	The Netherlands	Luxembourg	31/12/2019
Financial liabilities held for trading	0	1,216,696	0	1,216,696
Financial liabilities at amortised cost	34,981,358,864	4,939,810,775	0	39,921,169,639
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	2,744,488	881,122	0	3,625,610
Tax liabilities	72,549	17,272,960	916,029	18,261,538
Insurance liabilities	0	0	0	0
Other liabilities	162,526,983	104,211,916	1,735,855	268,474,754
Total liabilities	**35,732,575,220**	**5,161,960,996**	**2,651,884**	**40,897,188,100**

Liabilities	Belgium	The Netherlands	Luxembourg	31/12/2020
Financial liabilities held for trading	0	465,526	0	465,526
Financial liabilities at amortised cost	37,838,758,931	4,954,000,540	0	42,792,759,471
Derivatives used for hedge accounting	808,404,707	81,140,927	0	889,545,635
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	1,877,482	1,642,523	0	3,520,005
Tax liabilities	0	10,731,112	5,477,152	16,208,264
Insurance liabilities	0	0	0	0
Other liabilities	119,896,230	120,102,099	1,464,598	241,462,927
Total liabilities	**38,768,937,351**	**5,168,082,726**	**6,941,750**	**43,943,961,827**

Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	31/12/2019
Net interest income	282,035,076	255,561,068	3,120	0	537,599,264
Dividend income	225,000	0	0	0	225,000
Net fee and commission income	-60,089,114	1,626,340	23,195,592	-1,476,881	-36,744,062
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	6,117,464	-976,973	0	1,572,386	6,712,877
Gains or losses on financial assets and liabilities held for trading	1,239,789	0	0	0	1,239,789
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-4,812,970	1,555,985	0	-1,572,386	-4,829,371
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 other operating income	49,723,339	814,165	-17,056	-30,925	50,489,523
Administrative expenses	-314,477,863	-46,756,094	-1,823,083	1,507,805	-361,549,235
Depreciation	-30,373,665	-1,250,047	-34,317	0	-31,658,029
Provisions or reversal of provisions	3,737,600	255,750	0	0	3,993,350
Impairments or reversal of impairments	-2,933,470	378,964	0	0	-2,554,506
Profit or loss before tax	**-73,930,243**	**211,140,239**	**21,324,256**	**0**	**158,534,252**
Tax expense	22,719,971	-58,437,875	-5,317,591	0	-41,035,496
Profit or loss after tax	**-51,210,272**	**152,702,363**	**16,006,665**	**0**	**117,498,756**

Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	31/12/2020
Net interest income	233,422,616	335,795,550	-4,888	0	569,213,278
Dividend income	0	0	0	0	-0
Net fee and commission income	-54,199,914	2,384,625	38,729,780	-1,609,820	-14,695,329
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	1,292,631	-775,120	0	947,197	1,464,708
Profit or loss before tax	2,849,580	0	0	0	2,849,580
Gains or losses on financial assets and liabilities held for trading	-632,189	948,269	0	-947,197	-631,117
Gains or losses from hedge accounting	1,114,114	152,428	0	-0	1,266,542
Gains or losses on derecognition of non-financial assets	6,322	0	0	0	6,322
Net other operating income	166,915,686	-117,284,119	-8,162	-344,273	49,279,132
Administrative expenses	-312,756,245	-47,419,500	-2,771,398	1,954,093	-360,993,049
Depreciation	-29,377,492	-426,309	-3,888	0	-29,807,689
Modification gains or losses	-3,258,931	0	0	0	-3,258,931
Provisions or reversal of provisions	-457,640	8,466	0	0	-449,173
Impairments or reversal of impairments	-17,607,673	-1,880,723	0	0	-19,488,396
Profit or loss before tax	**-12,689,135**	**171,503,569**	**35,941,444**	**0**	**194,755,877**
Tax expense	-6,398,522	-43,139,464	-8,962,615	0	-58,500,601
Profit or loss after tax	**-19,087,657**	**128,364,105**	**26,978,829**	**0**	**136,255,276**

All transactions between segments are at arm's length. The most important result-related transaction between the operating segments (more specifically between Aspa's head office in Belgium and its branch office in the Netherlands) consists of the charging on of a funding cost for the capital made available (to enable loans to be made in the Netherlands). This is recorded under the heading 'Net interest income', while the 'Net other operating expenses' heading contains the profit allocation which serves to compensate the 'key entrepreneurial risk-taking' functions. Further information can be found in Note 40.

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.

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.

	31/12/2019	31/12/2020
Cash	68,561,270	58,712,247
Cash balances with central banks	2,423,415,691	2,803,109,816
Cash balances with other financial institutions	137,679,811	160,729,715
Total	**2,629,656,772**	**3,022,551,779**

As of 31 December 2020, there were EUR 2,803,109,816 in the current accounts at the central bank. A 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 this way, a portion of the overliquidity held by the banks is exempted from the negative interest on the deposit facility.

In 2020, the Company participated to a limited extent in the ECB/NBB's TLTRO programme. Further information can be found in Note 22.1.

12. Financial assets and liabilities held for trading

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

Financial assets	Count	Notional	31/12/2019	Count	Notional	31/12/2020
Interest rate options - caps	10	1,550,000,000	1,122,971	9	1,450,000,000	489,560
Securitization transactions - caps	3	2,812,000,000	1,219,579	3	2,668,000,000	470,703
Total			**2,342,550**			**960,263**

Financial liabilities	Count	Notional	31/12/2019	Count	Notional	31/12/2020
Interest rate options - caps	0	0	0	0	0	0
Securitization transactions - caps	3	2,812,000,000	1,216,696	3	2,668,000,000	465,526
Total			**1,216,696**			**465,526**

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, are entered into in the framework of economic hedges within the ALM policy, but were not documented for the application of hedge accounting.

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.

During the past 2 years no additional caps have been concluded in the context of the Company's interest rate risk management.

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, securitisation transactions were carried out, with two back-to-back 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. Non-trading financial assets mandatorily at fair value through profit or loss

In the context the classification and measurement of financial instruments, the 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.

As of 31 December 2020, there was EUR 68,169,997 under this classification, consisting of securities failing the SPPI test.

	31/12/2019	31/12/2020
Total portfolio	**66,305,830**	**68,169,997**
Breakdown by instrument type		
Equity instruments	0	0
Debt securities	66,305,830	68,169,997
Breakdown by interest rate type		
Variable	49,607,606	51,743,866
Fixed	16,698,225	16,426,131
Undefined	0	0
Geographical breakdown		
Belgium	5,621,097	5,774,847
European Monetary Union	60,684,733	62,395,150
Rest of world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	0	20,028,219
1 to 5 years	19,891,138	0
More than 5 years	46,414,692	48,141,778
Undefined	0	0
Breakdown according to counterparty		
General Governments	24,501,282	20,028,219
Credit Institutions	19,891,138	27,318,750
Other Financial Corporations	21,913,410	20,823,028
Non Financial Corporations	0	0
Effective interest rate at 31/12	**0.78%**	**0.59%**

14. Financial assets at fair value through other comprehensive income

Instruments recorded at fair value through other comprehensive income amount to EUR 3,667,290,214 (market value) as of 31 December 2020.

	31/12/2019	31/12/2020
Total portfolio	**3,529,467,208**	**3,667,290,214**
of which hedged via micro-hedges	945,383,925	942,066,357
Breakdown by instrument type		
Equity instruments	1,062,498	8,010,057
Debt securities	3,528,404,710	3,659,280,157
Breakdown by interest rate type		
Variable	1,469,167,203	906,475,847
Fixed	2,059,237,507	2,752,804,309
Undefined	1,062,498	8,010,057
Geographical breakdown		
Belgium	823,328,011	752,077,685
European Monetary Union	2,134,930,481	2,454,269,113
Rest of the world	571,208,716	460,943,416
Breakdown by residual term or maturity date		
Up to 1 year	428,902,681	217,157,612
1 to 5 year	2,083,286,093	2,190,272,448
More than 5 years	1,016,215,936	1,251,850,097
Undefined	1,062,498	8,010,057
Breakdown according to counterparty		
General Governments	944,478,702	1,032,932,962
Credit Institutions	1,375,945,071	1,112,437,831
Other Financial corporations	439,865,692	413,637,947
Non-Financial corporations	769,177,743	1,108,281,473
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	3,528,404,710	3,659,280,157
Stage 2	0	0
Stage 3	0	0
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-908,209	-3,023,603
Stage 2	0	0
Stage 3	0	0
Effective interest rate at 31/12	**0.57%**	**0.64%**

In the past two years, no individual (stage 3) impairments were recorded.

As of 31 December 2019, the total stage 1 impairment loss amounted to EUR 908,209. This figure increased during 2020 to EUR 3,023,603.

The securities involved are all recorded as financial assets at fair value through other comprehensive income. Note 26 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 its full portfolio of equity instruments at fair value through other comprehensive income. The underlying positions consist of an infrastructure fund that the Company maintains with a long-term investment perspective (the Company also provides loans to finance the underlying infrastructure projects), along with equity instruments of companies with which it pursues long-term relationships.

In 2019, various positions in this portfolio were sold and EUR 2,162,355 in valuation gains transferred from other comprehensive income to the reserves. EUR 225,000 of dividends were also received. In 2020, no valuation gains were transferred to reserves and no dividends were received.

As of the end of 2020 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, for which securities are encumbered as and when this credit line is used. Further information on encumbered assets can be found in Note 41.

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

31/12/2019	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	855,175,257	89,568,440	-264,994	944,478,703
Credit institutions	1,361,928,967	14,336,204	-320,100	1,375,945,071
Other Financial corporations	437,802,801	1,057,843	-57,449	438,803,195
Non-Financial corporations	766,638,334	2,805,074	-265,666	769,177,742
Equity instruments				
Shares and others	1,062,498	0		1,062,498
Total	**3,422,607,857**	**107,767,561**	**-908,209**	**3,529,467,208**

31/12/2020	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	931,408,000	102,360,777	-835,815	1,032,932,962
Credit institutions	1,095,756,083	17,304,485	-622,737	1,112,437,831
Other Financial corporations	404,772,102	990,274	-134,486	405,627,890
Non-Financial corporations	1,079,266,902	30,445,137	-1,430,566	1,108,281,473
Equity instruments				
Investment funds and other	7,904,178	105,879		8,010,057
Total	**3,519,107,265**	**151,206,552**	**-3,023,603**	**3,667,290,213**

15. Financial liabilities measured at amortised cost

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

	31/12/2019	31/12/2020
Total portfolio	**35,874,587,712**	**38,274,884,642**
Breakdown by instrument type		
Loans and advances	32,328,025,038	34,624,441,264
Debt securities	3,546,562,674	3,650,443,377
Breakdown by product type		
Loans to credit institutions	1,100,248	1,100,234
Cash collateral to financial institutions	531,592,517	741,105,574
Consumer loans	233,426,589	290,897,981
Mortgage loans	30,610,743,339	32,517,476,492
Term loans	921,309,730	1,041,009,340
Advances and overdrafts	3,850,660	4,511,041
Leasing	26,001,954	28,340,603
Debt securities	3,546,562,674	3,650,443,377
Breakdown debt securities by interest rate type		
Variable	825,916,245	695,091,081
Fixed	2,720,646,429	2,955,352,296
Geographical breakdown debt securities		
Belgium	1,380,749,294	1,435,519,989
European Monetary Union	1,657,291,470	1,761,234,482
Rest of the world	508,521,910	453,688,906
Breakdown by residual or maturity date		
Debt securities		
Up to 1 year	812,439,840	570,097,010
1 to 5 year	1,242,407,619	1,507,014,526
More than 5 years	1,491,715,215	1,573,331,841
Loans and advances		
Up to 1 year	1,808,247,101	2,141,761,305
1 to 5 year	4,864,270,149	5,533,713,511
More than 5 years	25,655,507,788	26,948,966,449
Breakdown debt securities according to counterparty		
General Governments	865,665,106	796,575,988
Credit Institutions	557,995,935	520,780,014
Other Financial corporations	1,046,629,154	1,039,049,725
Non-Financial corporations	1,076,272,479	1,294,037,650

	31/12/2019	31/12/2020
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	3,506,974,400	3,628,663,264
Stage 2	41,554,566	26,740,303
Stage 3	0	0
Loans and advances		
Stage 1	30,484,882,110	30,053,439,847
Stage 2	1,755,546,058	4,436,750,122
Stage 3	111,915,216	172,417,028
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-1,605,200	-4,493,838
Stage 2	-361,092	-466,352
Stage 3	0	0
Loans and advances		
Stage 1	-2,936,883	-3,829,747
Stage 2	-9,108,407	-14,243,983
Stage 3	-12,273,057	-20,092,002
Effective interest rate debt securities at 31/12	**1.00%**	**1.04%**
Effective interest rate loans and advances at 31/12	**2.29%**	**2.06%**

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 receivables, there are at the end of 2020 EUR 3,829,747 of stage 1 and EUR 14,243,983 of stage 2 impairments. The amount of stage 3 individual impairments has risen to EUR 20,092,002.

The stage 1 and 2 impairments for debt securities increased to EUR 4,493,838 and EUR 466,352. There are no individual impairments (stage 3) for this portfolio.

16. 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 swap curve with 3 month tenor). 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

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 768,565,472 as of 31 December 2020. 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	31/12/2019	Count	Notional	31/12/2020
Change in fair value hedged positions			571,941,790			768,565,472
Derivatives with negative fair value (clean price)	71	7,650,000,000	-572,661,507	69	7,550,000,000	-770,548,823
Derivatives with positive fair value (clean price)	0	0	0	1	150,000,000	99,170

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').

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 2020, the Company had 8 swaptions concluded in a notional amount of 800 million (100 million per instrument). As of 31 December 2020, 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 Company 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 2020, this involved an amount of EUR 74,470,306.

Micro hedge - fair value hedge	Count	Notional	31/12/2019	Count	Notional	31/12/2020
Change in fair value hedges positions			62,856,520			74,470,306
Derivatives with negative fair value (clean price)	11	849,373,888	-62,983,253	11	836,373,888	-74,534,097
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 relevant swap had a negative market value of EUR -4,215,263 (of which a clean price of EUR -1,735,427) as of 31 December 2020.

Note on total 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	31/12/2019		31/12/2020	
Derivatives used for hedge accounting (assets)		4,135,142		3,248,972
Fair value macro hedges	4,135,142		3,248,972	
Fair value micro hedges	0		0	
Derivatives used for hedge accounting (liabilities)		684,439,862		889,545,635
Fair value macro hedges	607,196,555		805,073,374	
Fair value micro hedges	68,771,184		80,256,998	
Cash flow hedges	8,472,124		4,215,263	

Further information can be found in Notes 3 and 34.

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

31/12/2019	Notional	1 year	1-5 years	5-10 years	10-15 years	> 15 years
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	0
Micro hedge - cash flow hedge	100,000,000	0	100,000,000	0	0	0

31/12/2020	Notional	1 year	1-5 years	5-10 years	10-15 years	> 15 years
Macro hedge - fair value hedge	8,500,000,000	100,000,000	3,700,000,000	2,450,000,000	1,400,000,000	850,000,000
Micro hedge - fair value hedge	836,373,888	0	303,375,500	532,998,388	0	0
Micro hedge - cash flow hedge	100,000,000	100,000,000	0	0	0	0

17. Investments in associates and joint ventures

The investments in associates and joint ventures relate to a 20.00% share in Jofico. This is a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost that jointly manages all these institutions' ATMs.

	31/12/2019	31/12/2020
Investments in joint ventures	90,000	90,000
Investments in associates	0	0
of which not individual material	90,000	90,000
Total	**90,000**	**90,000**

The Company has not revalued its participation in Jofico as of 31 December 2020 owing to the unavailability as yet of the audited financial statements.

18. Tangible assets

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

	31/12/2019	31/12/2020
Property, plant and equipment	25,785,274	78,783,688
Investment properties	607,672	592,770
Total	**26,392,946**	**79,376,457**
Fair value of investment properties	**593,442**	**584,688**

The large increase in buildings, land and equipment is the result of the occupation of the renovated head office, that is leased from Investar and for which an asset (right of use) is 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, on an exceptional basis the Company co-invests in premises used as office buildings by self-employed branch managers. These are also accounted for under investment properties.

The fair value of the real estate investments (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 2019	**0**	**4,247,647**	**10,204,854**	**14,452,501**	**552,472**
Leasing	8,820,644	0	3,560,781	12,381,425	0
Acquisitions	0	2,757,512	5,015,929	7,773,441	72,601
Disposals	0	-58,429	-641,920	-700,349	0
Depreciation	-2,109,284	-1,881,038	-4,241,405	-8,231,727	-17,401
Transfer	0	0	0	0	0
Other changes	106,244	3,738	0	109,982	0
Closing balance at 31 December 2019	**6,817,604**	**5,069,430**	**13,898,239**	**25,785,273**	**607,672**

	Land and buildings	IT	Other material	Total	Investment property
Opening balance as of 1 January 2020	**6,817,604**	**5,069,430**	**13,898,239**	**25,785,273**	**607,672**
Leasing	50,919,979	1,679,634	1,206,219	53,805,832	0
Acquisitions	0	5,620,398	15,449,723	21,070,121	3,000
Disposals	0	-4,487,023	-7,705,702	-12,192,725	0
Depreciation	-2,685,030	-2,610,798	-4,407,228	-9,703,056	-17,903
Transfer	0	0	0	0	0
Other changes	0	0	18,243	18,243	0
Closing balance as of 31 December 2020	**55,052,553**	**5,271,641**	**18,459,494**	**78,783,688**	**592,770**

19. Intangible assets

As of 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 2019	**55,912,332**	**7,218,104**	**0**	**63,130,436**
Acquisitions	17,717,568	247,341	0	17,964,909
Disposals	-58,429	0	0	-58,429
Depreciation	-20,284,471	-3,124,430	0	-23,408,901
Transfer	0	0	0	0
Other changes	72	0	0	72
Closing balance at 31 December 2019	**53,287,072**	**4,341,015**	**0**	**57,628,087**

	Internally developed software	Other intangible assets	Goodwill	Total
Opening balance at 1 January 2020	**53,287,072**	**4,341,015**	**0**	**57,628,087**
Acquisitions	11,115,101	2,440,976	0	13,556,077
Disposals	-572,484	-2,459,891	0	-3,032,375
Depreciation	-20,083,907	-2,823	0	-20,086,730
Transfer	0	0	0	0
Other changes	0	0	0	0
Closing balance at 31 December 2020	**43,745,782**	**4,319,277**	**0**	**48,065,059**

The other intangible assets relate to the purchased software.

The amortisation of EUR 20,086,730 for 2020 can be found in the statement of profit or loss under the amortisation of the assets concerned.

20. Tax assets and liabilities

The tax position can be summarised as follows:

	31/12/2019	31/12/2020
Current tax assets	715,913	11,548,486
Deferred tax assets	19,169,071	5,695,025
Total tax assets	**19,884,985**	**17,243,511**
Current tax liabilities	8,867,039	5,477,152
Deferred tax liabilities	9,394,500	10,731,112
Total tax liabilities	**18,261,538**	**16,208,264**
Total globalised deferred taxes	**9,774,572**	**-5,036,086**

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

Deferred taxes by type	31/12/2018	Changes through other comprehensive income	Changes through profit or loss	31/12/2019	Changes through other comprehensive income	Changes through profit or loss	31/12/2020
Tax asset on derivatives	8,973,926	-798,826	4,057,164	12,232,263	-1,629,931	-1,626,238	8,976,095
DRD and fiscal losses	22,586,304	0	3,501,778	26,088,082	0	-4,612,905	21,475,177
Tax asset on other items	3,916,513	407,103	-91,724	4,231,892	0	2,999,634	7,231,526
Total deferred tax assets	**35,476,743**	**-391,723**	**7,467,217**	**42,552,237**	**-1,629,931**	**-3,239,509**	**37,682,798**
Tax liabilities on financial instruments at fair value	4,455,667	6,458,196	350,437	11,264,300	7,940,735	712,395	19,917,431
Tax liabilities on financial instruments at amortized cost	20,591,654	0	921,711	21,513,365	0	1,288,090	22,801,455
Tax liabilities on other items	0	0	0	0	0	0	0
Total deferred tax liabilities	**25,047,321**	**6,458,196**	**1,272,148**	**32,777,665**	**7,940,735**	**2,000,485**	**42,718,886**
Total deferred tax position	**10,429,422**	**-6,849,919**	**6,195,069**	**9,774,572**	**-9,570,666**	**-5,239,993**	**-5,036,088**

The main items in 2020 were a deferred tax liability of EUR 19,917,431 on the positive fair value delta of financial assets measured at fair value, a deferred tax liability of EUR 22,801,455 on the measurement at amortised cost (with effective interest rate) of the loans and a tax claim of EUR 8,976,095 relating to the processing of the derivative instruments and a tax claim of EUR 21,475,177 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. Due to the negative adjusted outlook and the uncertainties caused by the Covid-19 crisis, deferred tax assets were written down by EUR 7,500,000 in 2020. This counter-booking is included under the item 'DRD and fiscal losses'. This represents EUR 30.0 million of fiscally transferable assets (unused definitively taxed income) that have been accrued in current and previous years and are freely transferable.

Note 40 provides further information of the impact of corporate taxes on the Company's result.

21. Other assets

The other assets break down as follows:

	31/12/2019	31/12/2020
Prepaid expenses	9,638,109	12,287,867
Other assets in context of lending transactions	32,154,452	97,707,092
Other assets in context of securities transactions	2,144,608	1,961,481
Other assets in context of payment transactions	67,716,088	49,777,284
Suspense accounts	126,753,567	119,673,546
Total other assets	**238,406,824**	**281,407,271**

‘Other assets in the context of to lending transactions’ relate to credit advances to notary accounts and to the external manager in connection with the Dutch loans. The increase reflects mainly a higher volume of advances on notaries’ accounts pending payment to customers.

‘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.

22. Financial liabilities measured at amortised cost

	31/12/2019	31/12/2020
Deposits from central banks	47,471,427	236,396,243
Deposits from credit institutions	10,513,043	9,749,260
Deposits from other than central banks and credit institutions	36,127,516,125	38,319,344,087
Senior debt securities issued - saving certificates	98,335,882	0
Senior debt securities issued - other	3,069,705,186	3,628,658,376
Subordinated debt securities issued	532,656,609	511,087,585
Other financial liabilities	34,971,367	87,523,920
Total	**39,921,169,639**	**42,792,759,471**

22.1. Deposits from central banks

The deposits from central banks break down as follows:

	31/12/2019	31/12/2020
Deposits from central banks	**47,471,427**	**236,396,243**
Breakdown by product type		
Targeted Long Term Refinancing Operations	47,471,427	236,396,243
Geographical breakdown		
Belgium	0	0
European Monetary Union	47,471,427	236,396,243
Rest of the world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	0	0
1 to 5 year	47,471,427	236,396,243
Effective interest rate at 31/12	**-0.50%**	**-0.90%**

In 2020, the Company participated to a limited extent in two of the ECB's TLTRO operations, increasing the total amount under this heading to EUR 236,396,243.

The interest on the TLTRO operations is linked to the interest rate on the main refinancing operations, with an additional negative spread linked to the achievement of net lending growth. If the Company sufficiently improves its lending to the real economy, an additional interest discount is granted. For this reason the interest rate is determined at the maturity of the transaction. For the first TLTRO operation, the net growth was judged to be insufficient, and the main refinancing rate of 50 basis points was prorated.

For the second and third TLTROs, Company estimates that this condition will be met, based on the interim net growth of the eligible loans, and the additional discount is therefore pro-rated on top of the main refinancing rate. The Company monitors this net growth on a periodic basis. The TLTRO operations were recognized (from drawdown) under IFRS 9 (and not as government grants or loans at below market interest rates).

22.2. Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2019	31/12/2020
Deposits from credit institutions	**10,513,043**	**9,749,260**
Breakdown by product type		
Deposits on demand	9,244,316	8,955,533
Repurchase agreements	0	0
Cash Collateral from financial institutions	1,268,727	793,727
Geographical breakdown		
Belgium	7,621,778	8,740,605
European Monetary Union	2,891,265	1,008,655
Rest of the world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	8,497,866	9,749,260
1 to 5 year	2,015,177	0
Effective interest rate at 31/12	**-0.05%**	**-0.04%**

22.3. 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:

	31/12/2019	31/12/2020
Deposits from other than central banks and credit institutions	**36,127,516,125**	**38,319,344,087**
Breakdown by product type		
Deposits on demand	5,408,948,269	6,247,511,556
Deposits on term	2,280,036,471	1,746,989,919
Regulated saving deposits	25,959,686,667	26,905,745,223
Mortgage-linked deposits	588,733,758	639,202,028
Other deposits	1,890,110,960	2,779,895,360
Breakdown by residual term or maturity date		
Up to 1 year	828,180,872	637,472,418
1 to 5 year	1,231,490,548	963,285,284
More than 5 years	220,365,051	146,232,217
Undefined	33,847,479,654	36,572,354,168
Effective interest rate at 31/12	**0.19%**	**0.16%**

The portfolio of regulated savings deposits continues to rise gradually. In 2020, the regulated savings deposits of non-private individuals were converted into non-regulated savings deposits in an amount of EUR 882.8 million. The outstanding amounts on current accounts also increased further in line with previous years. Term deposits are decreasing due to the limited additional interest payment, which makes them less interesting for our customers. Mortgage-linked deposits 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 part linked to the endowment mortgage insurance.

The 'other deposits' consist mainly of the savings deposits in the Netherlands branch.

22.4. Senior debt securities issued – savings certificates

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

	31/12/2019	31/12/2020
Senior debt securities issued - saving certificates	**98,335,882**	**0**
Breakdown by residual term or maturity date		
Up to 1 year	98,335,882	0
1 to 5 year	0	0
More than 5 years	0	0
Effective interest rate at 31/12	**2.37%**	**0.00%**

Since term deposits have the same characteristics as a savings certificates, this product has not been offered for several years. In the course of 2020, all savings certificates matured and there are now no longer any savings certificates on the balance sheet.

22.5. Senior debt securities issued – bonds

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

	31/12/2019	31/12/2020
Senior debt securities issued - other	**3,069,705,186**	**3,628,658,376**
Green Apple 2017-I NHG	907,591,648	733,183,157
Green Apple 2018-I NHG	856,125,475	709,127,167
Green Apple 2019-I NHG	803,024,027	685,856,079
EMTN	502,964,036	1,500,491,973
Breakdown by residual term or maturity date		
Up to 1 year	389,275,474	364,580,436
1 to 5 year	1,926,603,057	2,479,695,156
More than 5 years	753,826,655	784,382,784
Effective interest rate at 31/12	**0.02%**	**0.19%**

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 2020, an amount of EUR 733,183,157 of notes was still outstanding. The interest rate on these notes is Euribor 3 months plus 40bp. 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 1.0 billion and were placed with institutional investors. As of 31 December 2020, an amount of EUR 709,127,167 of notes was still outstanding. The interest rate on these notes is Euribor 3 months plus 40 bp. 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 825 million and were placed with institutional investors. As of 31 December 2020, an amount of EUR 685,856,079 of notes was still outstanding. The interest rate on these notes is Euribor 3 months plus 25 bp. The notes run until 2058 with a prepayment option from January 2026.

A senior preferred bond for EUR 500 million with a term of 5 years was issued on 4 February 2019. The interest rate on this bond is 1.00% and the issue price was 99.971%.

In addition, two EUR 500 million bonds were issued in 2020 under the EMTN program. A senior non-preferred bond for EUR 500 million with a term of 7 years was issued on 27 January 2020. The interest rate on this bond is 1.00% and the issue price was 99.53%. On 9 October 2020, another senior non-preferred bond for EUR 500 million with a term of 6 years was issued. The interest rate on this bond is 1.00% and the issue price was 99.434%.

22.6. 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:

	31/12/2019	31/12/2020
Subordinated debt securities issued	**532,656,609**	**511,087,585**
Breakdown by type		
Subordinated certificates	22,422,953	0
Tier 2 debt securities issued	510,233,656	511,087,585
Breakdown by residual term or maturity date		
Up to 1 year	22,326,335	511,087,585
1 to 5 year	510,330,274	0
More than 5 years	0	0
Effective interest rate at 31/12	**3.88%**	**3.99%**

Since 2014, no more subordinated certificates have been offered to retail customers. The current portfolio fully matured in 2020.

In 24 May 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 years (the contractual term is 10 years). The bond has an interest rate of 3.875% and was issued at 99.59%.

22.7. Other financial liabilities

The other financial liabilities consist of lease liabilities measured and recorded under the IFRS 16 standard.

	31/12/2019	31/12/2020
Other financial liabilities	**34,971,367**	**87,523,920**

Breakdown by type		
Leasing	34,971,367	87,523,920
Breakdown by residual term or maturity date		
Up to 1 year	7,235,689	10,202,187
1 to 5 year	18,079,957	37,185,880
More than 5 years	9,655,721	40,135,855

The increase in lease obligations relates to the lease of the renovated headquarters building that is rented from Investar.

23. Provisions

The changes in the provisions during the year are:

	Pension liabilities	Ligitation	Loan commitments, financial guarantees and other commitments given	Other provisions	Total
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	1,551,318	0	0	0	1,551,318
Closing balance at 31 December 2019	**1,606,859**	**866,832**	**921,933**	**229,986**	**3,625,610**
Additions	0	751,018	19,007	0	770,025
Amounts used	0	0	0	-33,728	-33,728
Unused amounts reversed during the period	0	-286,424	0	-700	-287,124
Other	-554,778	0	0	0	-554,778
Closing balance at 31 December 2020	**1,052,081**	**1,331,426**	**940,940**	**195,558**	**3,520,005**

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 future obligations and guarantees given, expected credit losses are also recognised in the form of stage 1 and stage 2 impairment amounts. Further information can be found in 5.3.

The movement in ‘other provisions’ in 2019 records the write-back of a provision for soil remediation, after the sale of the land in question.

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 28.04.2003 (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 this Act. 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.

A defined contribution occupational pension scheme is offered for employees in Luxembourg.

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	31/12/2019	31/12/2020
Defined benefit obligations at the beginning of the period	**49,966,636**	**64,435,280**
Current service cost	4,577,499	5,530,257
Past-service cost	0	632,186
Interest exenses	470,113	635,089
Actuarial gain or loss resulting from changes in demographic assumptions	-230,313	-9,511
Actuarial gain or loss resulting from changes in financial assumptions	10,148,069	8,208,104
Experience adjustments	205,224	-575,484
Benefits paid	-701,948	-397,824
Defined benefit obligations at the end of the period	**64,435,280**	**78,458,097**
Fair value of plan assets (insurance contracts) at the beginning of the year	**50,761,608**	**62,828,419**
Interest income	482,235	621,242
Administrative expenses and taxes	-551,134	-650,178
Employer contributions	5,206,068	6,191,372
Actuarial gain or loss resulting from changes in financial assumptions	8,275,297	7,948,388
Experience adjustments	-643,707	1,395,321
Benefits paid	-701,948	-397,824
Fair value of plan assets (insurance contracts) at the end of the year	**62,828,419**	**77,936,740**
Funded status	**-1,606,861**	**-521,357**
Asset ceiling limit	0	530,724
Net defined benefit obligations	**-1,606,861**	**-1,052,081**
Net defined benefit obligations at the beginning of the year	**-55,540**	**-1,606,861**
Current service cost	-5,116,511	-6,826,468
Changes to the amounts recognised in other comprehensive income	-1,640,877	1,189,876
Employer contributions	5,206,068	6,191,372
Net defined benefit obligations at the end of the year	**-1,606,861**	**-1,052,081**
Amounts recognised in the income statement	**-5,116,511**	**-6,826,468**
Current service cost	-4,577,499	-5,530,257
Past-service cost	0	-632,186
Interest charges	-470,113	-635,089
Interest income	482,235	621,242
Administrative expenses and taxes	-551,134	-650,178
Changes to the amounts recognised in other comprehensive income	**-1,640,877**	**1,189,876**
Actuarial gain or loss from changes in demographic assumptions	230,313	9,511
Actuarial gain or loss from changes in financial assumptions	-1,872,772	-259,716
Experience adjustments	-848,931	1,970,805
Asset ceiling limit	850,513	-530,724

Additional information about the contracts

	Belgian employees	Dutch employees
Nature of the benefits of the pension plan	Capital on retirement age Death capital in the event of death during active employment	Pension annuity from retirement age (lifelong). Partner annuity in the death of the participant or pensioner of the plan (lifelong). Orphan capital in the event of the death of the participant or pensioner of the plan (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 out the supervisors.	Regulated by the Dutch Pensions Act. The Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM)act as out the supervisors.
Plan changes	Since 1 May 2011 there has been a fixed contribution plan, financed with employer's contributions, replacing the previous plan. Since 1 May 2017, the distinction in premium budget between wage scales has been abolished.	Since 1 March 2008 there has been a fixed benefit plan financed with employer's contributions.
Limitations and settlements	Not applicable	
Active affiliates	861	69
Passive affiliates	779	39
Estimated contributions 2021	7,463,163	1,533,778

Hypotheses used

For the Belgian fixed contribution schemes, the following assumptions have been used: discount rate 0.38% (0.95% in 2019), inflation rate 1.40% (1.70% in 2019) and salary increase 3.00% (3.00% in 2019). For mortality tables the Assuralia 2011-2015 experience tables have been used, and for turnover, observed historical data, broken down by age category.

For the Dutch fixed contribution schemes, the following assumptions have been used: discount rate 0.38% (0.95% in 2019), inflation rate 1.40% (1.70% in 2019) and salary increase 3.00% (3% in 2019). For mortality tables the AG 2014 prognosis table has been used, and for turnover, observed historical data.

Sensitivity of the gross pension liability

	31/12/2019	31/12/2020
Discount rate	**-25 bp**	**- 25 bp**
Impact on the defined benefit obligations	+5.08%	+5.30%
Impact on the fair value of plan assets (insurance contracts)	+5.98%	+5.18%
Salary increase rate	**- 25 bp**	**- 25 bp**
Impact on the defined benefit obligations	-0.32%	-0.04%
Impact on the fair value of plan assets (insurance contracts)	+0.00%	+0.00%

Weighted average term

	31/12/2019	31/12/2020
Average duration of the pension obligation	20.3	18.5

24. Other liabilities

The other liabilities break down as follows:

	31/12/2019	31/12/2020
Social security charges	7,506,325	8,369,573
Accrued charges	1,012	249
Accounts payable suppliers	38,365,488	34,488,808
Debts - other group companies	41,051,222	51,646,270
Debts - agents	35,776,702	31,772,512
Suspense accounts - lending transactions	70,443,954	42,967,082
Suspense accounts - payment transactions	20,533,714	15,063,340
Suspense accounts - securities transactions	6,859,084	6,119,375
Other taxes	2,783,629	1,970,277
Other	45,153,624	49,065,440
Total	**268,474,754**	**241,462,927**

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

25. Leases

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 168,170 in 2020.

The table below shows the changes over the past two financial years.

	Right-of-use assets	Lease receivables	Lease liability
Opening balance as per 01/01/2019	**11,778,847**	**22,807,103**	**34,529,412**
Additions	2,848,599	8,745,790	10,182,531
Interest expense (liability) /income (receivable)		254,934	370,884
Lease payments		-4,400,195	-8,107,150
Depreciation expense	-3,652,867	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 31/12/2019	**8,970,269**	**26,001,954**	**34,971,367**

	Right-of-use assets	Lease receivables	Lease liability
Opening balance as per 01/01/2020	**8,970,269**	**26,001,954**	**34,971,367**
Additions	57,775,958	7,146,019	63,551,539
Interest expense (liability) /income (receivable)		250,319	351,275
Lease payments		-5,228,704	-8,516,251
Depreciation expense	-4,355,511	0	0
Adjustments due to remeasurements	-3,951,880	171,014	-2,834,008
Adjustments due to modifications	0	0	0
Closing balance as per 31/12/2020	**58,438,836**	**28,340,602**	**87,523,922**

Interest income related to lease receivables is included under ‘interest income on financial assets measured at amortised cost’. The increase in right-of-use assets and lease obligations relates to the lease of the renovated headquarters building that is rented from Investar.

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	1,543,583	2,152,664
Other tangible assets	0	0
Leased buildings without sublease	359,005	1,417,644
Other leased buildings	1,750,279	5,399,961
Closing balance at 31/12/2019	**3,652,867**	**8,970,269**

Right-of-use asset	Depreciation	Carrying amount
Company cars	1,548,419	1,828,708
Other tangible assets	122,062	1,557,571
Leased buildings without sublease	439,102	1,889,753
Other leased buildings	2,245,927	53,162,803
Closing balance at 31/12/2020	**4,355,511**	**58,438,836**

Lease liabilities

The tables below provide the maturity profile of the lease liabilities:

Lease liabilities (undiscounted)	
Up to 1 year	7,543,221
1 to 5 years	18,825,937
More than 5 years	9,954,736
Total at 31/12/2019	**36,323,894**

Lease liabilities (undiscounted)	
Up to 1 year	10,657,023
1 to 5 years	38,392,359
More than 5 years	40,832,553
Total at 31/12/2020	**89,881,935**

Lease liabilities (discounted)	
Up to 1 year	7,235,689
1 to 5 years	18,079,957
More than 5 years	9,655,721
Total at 31/12/2019	**34,971,367**

Lease liabilities (discounted)	
Up to 1 year	10,202,187
1 to 5 years	37,185,880
More than 5 years	40,135,855
Total at 31/12/2020	**87,523,922**

The average discount rate on the lease liabilities is -0.02% (previous year 0.26%).

Lease receivables

The tables below provide the maturity profile of the lease liabilities:

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 (undiscounted)	
Up to 1 year	5,079,943
1 to 5 years	17,100,467
More than 5 years	6,848,657
Total at 31/12/2020	**29,029,067**

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**

Lease receivables (discounted)	
Up to 1 year	4,877,142
1 to 5 years	16,663,185
More than 5 years	6,800,275
Total at 31/12/2020	**28,340,602**

Exercise of option clauses - lease contracts

Certain office building leases include extension options that can be exercised by the Company. Based on the estimate by the Company, these extension options 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). The extension options held are exercisable by the Company only and not by the lessors. The majority of car lease contracts provide for purchase options, which the Company has no intention of exercising.

In exceptional circumstances giving rise to the premature termination of a lease, a revaluation will be carried out.

26. Fair value of financial instruments

26.1. Valuation methods and input

The Company defines the fair value as the price that would be received/paid on the sale of an asset or transfer of a liability in an ‘orderly’ transaction between market participants at the time of measurement. The 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 (Debit 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 examined 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 term ‘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).

26.2. 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 owing to the parameters used, such as interest rates, commercial margin, 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 commercial margin spread, 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 owing to a lack of market data - level 3).

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

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

	Carrying amount 31/12/2019	Fair value 31/12/2019	Carrying amount 31/12/2020	Fair value 31/12/2020
Cash, cash balances at central banks and other demand deposits	2,629,656,772	2,629,656,772	3,022,551,779	3,022,551,779
Financial assets at amortised cost				
Loans to credit institutions	1,100,248	1,100,248	1,100,234	1,100,234
Cash collateral to financial institutions	531,592,517	531,592,517	741,105,574	741,105,574
Loans and advances to other customers				
Consumer loans	233,426,589	240,307,986	290,897,981	301,092,008
Mortgage loans	30,610,743,339	33,632,461,414	32,517,476,492	35,786,905,380
Term loans	921,309,730	979,928,125	1,041,009,340	1,114,931,162
Advances and overdrafts	3,850,660	3,850,660	4,511,041	4,511,041
Leasing	26,001,954	26,001,954	28,340,603	28,340,603
Debt securities	3,546,562,674	3,628,683,445	3,650,443,377	3,628,683,445
Total financial assets	**38,504,244,483**	**41,673,583,121**	**41,297,436,420**	**44,629,221,226**
Financial liabilities at amortised cost				
Deposits from central banks	47,471,427	47,471,427	236,396,243	236,396,243
Deposits from credit institutions	10,513,043	10,513,043	9,749,260	9,749,260
Deposits from other than central banks and credit institutions				
Deposits on demand	5,408,948,269	5,408,948,269	6,247,511,556	6,247,511,556
Deposits on term	2,280,036,471	2,393,344,500	1,746,989,919	2,347,297,804
Regulated savings deposits	25,959,686,667	25,959,686,667	26,905,745,223	26,905,745,223
Mortgage-linked deposits	588,733,758	769,309,455	639,202,028	815,356,151
Other deposits	1,890,110,960	1,890,110,960	2,779,895,360	2,779,895,360
Senior debt securities issued				
Saving certificates	98,335,882	100,780,436	0	0
Other	3,069,705,186	3,096,824,656	3,628,658,376	3,678,639,379
Subordinated debt securities issued				
Subordinated certificates	22,422,953	23,084,697	0	0
Tier 2 debt securities issued	510,233,656	521,875,000	511,087,585	507,550,000
Other financial liabilities	34,971,367	34,971,367	87,523,920	87,523,920
Total financial liabilities	**39,921,169,639**	**40,256,920,477**	**42,792,759,471**	**43,615,664,897**

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.

31/12/2019	Fair value	Level 1	Level 2	Level 3
Cash, cash balances at central banks and other demand deposits	2,629,656,772	0	2,629,656,772	0
Financial assets at amortised cost	39,043,926,350	2,141,283,539	2,034,607,494	34,868,035,317
Loans and advances	35,415,242,905	0	562,545,380	34,852,697,525
Debt securities	3,628,683,445	2,141,283,539	1,472,062,114	15,337,792
Financial liabilities at amortised cost	40,256,920,477	0	34,121,011,188	6,135,909,289

31/12/2020	Fair value	Level 1	Level 2	Level 3
Cash, cash balances at central banks and other demand deposits	3,022,551,779	0	3,022,551,779	0
Financial assets at amortised cost	41,737,209,791	2,415,589,945	2,110,875,697	37,210.744,149
Loans and advances	37,977,986,002	0	775,057,452	37,202,928,550
Debt securities	3,759,223,789	2,415,589,945	1,335,818,245	7,815,599
Financial liabilities at amortised cost	43,615,664,897	0	37,082,177,714	6,533,487,183

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

Loans and advances measured at level 3 fair value relate primarily to mortgage loans to individuals for which Argenta has calculated a market valuation based on a DCF model. Here, certain assumptions are applied with respect to spread and prepayment rate. The spread used includes, among other things, a commercial margin a capital cost and a credit cost. The Company periodically monitors the commercial margin and compares it with the observed commercial margin in transactions in the market (in particular, the commercial margin ceded to investors in an RMBS transaction). This benchmark commercial margin was very limited at the beginning of 2020 and during 2020 the number of RMBS transactions that qualified as references point was very limited. However, the secondary spreads of the Argenta Green Apple 2019 transaction evolved in line with the spreads on comparable outstanding transactions of other issuers and, after a period of widening spreads during 2020, are back at the beginning of 2021 to levels comparable to the end of 2019. The sensitivity of the calculated market value per 1 basis point increase of commercial margin is EUR -8.6 million for Belgian mortgages and EUR -11.9 million for Dutch mortgages.

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.

26.3. Financial instruments stated at fair value

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

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

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

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

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

31/12/2019	Level 1	Level 2	Level 3
Assets measured at fair value	**2,966,991,367**	**634,196,866**	**1,062,498**
Financial assets held for trading	0	2,342,550	0
Financial assets at fair value through other comprehensive income	2,950,293,142	578,111,568	1,062,498
Non-trading financial assets mandatorily at fair value through profit or loss	16,698,225	49,607,606	0
Derivatives used for hedge accounting	0	4,135,142	0
Liabilities measured at fair value	**0**	**685,656,559**	**0**
Financial liabilities held for trading	0	1,216,696	0
Derivatives used for hedge accounting	0	684,439,863	0

31/12/2020	Level 1	Level 2	Level 3
Assets measured at fair value	**3,398,606,212**	**340,000,737**	**1,062,498**
Financial assets held for trading	0	960,263	0
Financial assets at fair value through other comprehensive income	3,382,180,081	284,047,636	1,062,498
Non-trading financial assets mandatorily at fair value through profit or loss	16,426,131	51,743,866	0
Derivatives used for hedge accounting	0	3,248,972	0
Liabilities measured at fair value	**0**	**890,011,160**	**0**
Financial liabilities held for trading	0	465,526	0
Derivatives used for hedge accounting	0	889,545,634	0

In the portfolio 'financial assets at fair value through other comprehensive income', 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 2019 and 2020 there were no level changes from level 1 to level 2 for the instruments measured at fair value.

The following table provides a reconciliation of level 3 fair values between 1 January 2019 and 31 December 2020.

	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 01/01/2019	**0**	**1,061,452**	**0**
Purchases and new contracts	0	0	0
Expired instruments	0	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	1,046	0
Closing at 31/12/2019	**0**	**1,062,498**	**0**
Purchases and new contracts	0	0	0
Expired instruments	0	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	0	0
Closing at 31/12/2020	**0**	**1,062,498**	**0**

As can be seen from the table, there is only a limited amount of level 3 market values in the financial instruments involved. The total of the debt securities and equity instruments measured at level 3 fair values was EUR 1,062,498 as of 31 December 2020)

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

The EUR 1,062,498 of equity instruments with a level 3 fair value consist of shares and an infrastructure fund 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 (Debit 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 0.8 million on the 2020 valuation as against EUR 1.1 million in 2019 with an ensuring impact on the results of EUR 0.2 million.

27. Derivatives

Besides derivatives embedded in contracts, the Company has three types of derivatives (derived financial instruments) on its balance sheet on 31 December 2020: 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 2019 and 2020 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 2020, the Company still had 9 caps in its balance sheet in a notional amount of EUR 1.45 billion. These are used in managing its global interest rate risk.

It also has securitisation-related caps on its balance sheet. At end-2020, it had six securitisation-related caps (back-to-back) on its balance sheet.

Financial assets (unlisted)	Count	Notional	31/12/2019	Count	Notional	31/12/2020
Interest rate options - caps	10	1,550,000,000	1,122,971	9	1,450,000,000	489,560
Securisation transactions - caps	3	2,812,000,000	1,219,579	3	2,668,000,000	470,703

Financial liabilities (unlisted)	Count	Notional	31/12/2019	Count	Notional	31/12/2020
Interest rate options - caps	0	0	0	0	0	0
Securisation transactions - caps	3	2,812,000,000	1,216,696	3	2,668,000,000	465,526

Although serving to hedge the interest rate risk, these 9 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. In 2020, 2 additional swaptions were concluded, resulting in a total of 8 swaptions with a nominal value of EUR 800 million.

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.

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

2020				
Count	**Notional**	**Hedge type**	**Treatment in IFRS**	**Derivative type**
70	7,700,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Interest rate swaps
11	836,373,888	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
8	800,000,000	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 2019, the swap concerned had a negative clean 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.

As of 31 December 2020, the swap concerned had a negative market value of EUR 1,735,427 and, after offsetting of an unrealised tax claim of EUR 433,865, an amount of EUR 1,301,562 was recorded under 'cash flow hedge reserve' in equity.

Notes to the consolidated statement of profit or loss

28. 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.

	31/12/2019	31/12/2020
Interest income	**812,944,406**	**808,562,443**
Non-trading financial assets mandatorily at fair value through profit or loss	716,728	486,564
Financial assets at fair value through other comprehensive income	27,161,001	22,402,058
Financial assets at amortised cost - loans and advances	745,883,420	745,267,473
Financial assets at amortised cost - debt securities	37,369,147	38,763,412
Derivatives used for hedge accounting	1,331,875	36,509
Other assets	482,236	621,242
Interest income on liabilities	0	985,184
Interest expenses	**275,345,142**	**239,349,165**
Deposits from central banks and credit institutions	2,418,237	1,143,685
Deposits from other than central banks and credit institutions	80,464,292	67,240,510
Senior debt securities issued	9,455,292	8,417,892
Subordinated debt securities issued	21,680,009	20,313,145
Leasing liabilities	370,884	356,124
Derivatives used for hedge accounting	158,966,020	138,045,197
Other liabilities	474,683	635,089
Interest expenses on assets	1,515,726	3,197,523
Net interest income	**537,599,264**	**569,213,278**
of which interest-income on credit impaired financial assets	193,645	250,019

Interest income has declined to a limited extent. This is the result of a growing mortgage and investment portfolio, but at falling returns (due to the effect of pricing in the persistently low interest rates).

Interest income in 2020 is positively impacted by a higher level of early redemptions on Dutch mortgages, which generated EUR 34.7 million in reinvestment fees compared with EUR 17.1 million in 2019. Financing costs (excluding derivatives) decreased due to the arrival at maturity of the issued higher-yielding savings certificates and subordinated certificates to retail customers. The further diversification of funding sources with the issuance of securitisation bonds and EMTN bonds, and participation in the TLTRO programme have supported the decrease in funding costs.

The decrease in interest expense on derivatives is mainly due to the negative impact in the 2019 financial year of the time value component of swaptions for which macro hedge accounting is applied. This time value represents the consideration paid by the Company for the option period and does not fall under the hedge accounting relationship. The time value is booked under interest costs and periodically (as a function of the passage of time and the prevailing interest rate) is taken to the result. With the decrease in the interest rate curve, EUR 22.4 million of time value was taken in the result in 2019, compared to EUR 1.0 million in 2020.

29. Dividend income

Dividends received are specified below.

	31/12/2019	31/12/2020
Dividend income	**225,000**	**0**
Equity instruments at fair value through other comprehensive income	225,000	0
Equity instruments mandatorily measured at fair value through profit or loss	0	0

In 2019, a dividend was received from the Bank Card Company. No dividends were received in 2020.

30. Net commission and fee income

The net income from commissions and fees can be found below. Net fee and commission income increased by EUR 22.0 million to EUR -14.7 million for 2020. The increase in net fee and commission income is the result of the increase in net management fees received (after acquisition costs) on assets under management and custody in the Investment pillar as a result of the rise in assets under management. In addition, the more volatile stock markets increased the number of transactions, generating additional commission income.

	31/12/2019	31/12/2020
Fee and commission income	**137,089,582**	**173,246,885**
Securities: issuances and transfer orders	9,125,467	20,481,555
Asset management, including central administrative services for collective investment	78,665,600	102,921,247
Customer resources distributed but not managed	21,675,214	25,506,740
Payment services	15,097,675	11,142,853
Other	12,525,626	13,194,491
Fee and commission expenses	**-173,833,644**	**-187,942,214**
Acquisition charges	-138,866,089	-153,630,987
Asset management	-4,319,573	-7,538,478
Custody	-2,155,670	-1,691,263
Payment services	-24,765,059	-20,768,579
Other	-3,727,253	-4,312,907
Net fee and commission income	**-36,744,062**	**-14,695,329**

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

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

The realised result, 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:

	31/12/2019	31/12/2020
Gains on derecognition		
Debt securities at fair value through other comprehensive income	4,984,481	1,109,477
Financial assets at amortised cost	2,137,748	835,479
Losses on derecognition		
Debt securities at fair value through other comprehensive income	-89,236	-37,995
Financial assets at amortised cost	-320,116	-442,253
Total result on derecognition	**6,712,877**	**1,464,708**
of which debt securities at fair value through other comprehensive income	4,895,245	1,071,482
of which financial assets at mortised cost	1,817,632	393,226

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

In 2020, the realized results were respectively EUR 1,071,482 for debt securities measured at fair value through other comprehensive income and EUR 393,226 for financial assets at amortised cost. The sales under the heading financial assets at amortised cost are 7 positions with a carrying amount of EUR 13,485,947 sold for reasons of credit risk, 5 positions with a carrying amount of EUR 35,274,804 sold because close to maturity, and 3 positions with a carrying amount of EUR 4,374,257 sold because of exceeding policy limits. The other sales (3 positions with a carrying value of EUR 18,118,327) are not significant in terms of the IFRS 9 classification.

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

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

	31/12/2019	31/12/2020
Fair value changes related to caps	-4,829,371	-631,117

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.

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

	31/12/2019	31/12/2020
Fair value changes related to debt securities	1,239,789	2,849,580

34. 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'.

	31/12/2019	31/12/2020
Macro fair value hedge		
Fair value changes of the hedged item	-382,420,182	-197,788,146
Fair value changes of the derivatives used for hedge accounting	378,373,549	196,623,684
Micro fair value hedge		
Fair value changes of the hedged item	10,768,286	-11,550,844
Fair value changes of the derivatives used for hedge accounting	-11,008,699	11,613,787
Compensation related to transition from Euribor to Ester (Euro short-term rate)	0	2,368,061
Gains or losses from hedge accounting	**-4,287,046**	**1,266,542**

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. With regard to the derivatives cleared through a central counterparty, the calculation of the interest on cash collateral exchanged under these contracts was transferred from an Eonia to an Estr basis in 2020. For these derivatives, the discounting curve used was switched simultaneously. To compensate for the decrease in fair value, a payment of EUR 2,368,062 was received, which was accounted for in the profit or loss statement under 'Gains or losses from hedge accounting'.

In the case of the swap processed as a cash flow hedge, there was no ineffectiveness in 2019 and 2020, leaving no movements in connection with this swap under this heading.

35. Realized gains or losses from the derecognition of non-financial assets

The gains and losses on derecognised assets are shown below.

	31/12/2019	31/12/2020
Gains on property, plant and equipment	234,123	325,856
Gains on investment properties	0	0
Losses on property, plant and equipment	-337,424	-319,534
Losses on invesment properties	0	0
Total	**-103,301**	**6,322**

36. Net other operating income

Net other operating income consists of the following elements:

	31/12/2019	31/12/2020
Other operating income		
Rental income from investment properties	102,763	6,579
Cost-sharing group companies	39,229,354	37,137,712
Agent recuperations	15,737,615	15,069,666
Other	6,538,815	7,074,127
Operating expenses		
Cost-sharing group companies	-9,452,602	-9,417,111
Other	-1,666,421	-591,841
Total	**50,489,523**	**49,279,132**

This includes recoveries of administrative costs (file costs) from customers and of rental costs and IT infrastructure cost from agents.

The 'cost-sharing, group companies' item refers to expenses recharged to and from 'entities not consolidated by the Company' of the Argenta Group (in this case the overarching holding BVg and Aras).

37. Administrative expenses

Staff expenses consist of the following components:

	31/12/2019	31/12/2020
Wages and salaries	51,467,801	59,693,590
Social security charges	13,072,010	14,626,158
Pension expenses	4,577,499	7,289,354
Share-based payments	0	0
Other	3,522,209	3,075,525
Staff expenses	**72,639,519**	**84,684,627**
Average number of employees in FTE	**856.4**	**886.6**

Remuneration has increased because in recent years there has been an active effort to reduce dependence on external consultants and to recruit staff.

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:

	31/12/2019	31/12/2020
Marketing expenses	4,857,135	5,108,666
Professional fees - ICT	47,614,986	41,583,790
Professional fees (including legal and fiscal)	25,767,842	16,005,479
IT expenses	64,006,067	63,314,169
Rental expenses	8,375,872	12,300,872
Other taxes and bank levies	73,027,394	77,860,842
Servicing charges	18,352,555	19,908,668
Utilities	8,607,779	8,886,393
Supervisor	6,998,975	7,406,122
Postage	3,215,075	3,744,468
Interim labour	2,470,076	1,815,870
Other	25,615,960	18,373,082
Other administrative expenses	**288,909,716**	**276,308,422**

The general decrease in general and administrative expenditure is the result of targeted cost control initiatives. The decrease in administrative expenses was caused by lower professional fees (including legal, tax and general consultancy costs).

The ‘professional fees - ICT’ and ‘ICT expenses’ items consists mainly of the costs of external ITC employees and/or managed services contracts, application management, storage, maintenance and infrastructure. Investments in digitization and projects to renew the application and data infrastructure continued, although at a lower level than in previous years. Most of these investment costs were charged immediately, owing to the current phase and nature of work within these projects.

The rents relate to additional charges and costs related to rental contracts and lease contracts that are considered to be short-term and/or immaterial.

The “business taxes and bank levies” remain a large part of the administrative costs and have increased from EUR 73.0 million to EUR 77.9 million.

The “other” heading includes expenses for telephone, postage, office supplies, professional contributions and travel expenses. This item has reduced significantly. These are cost items that were strictly monitored.

38. Modification gains or losses

	31/12/2019	31/12/2020
Financial assets at fair value through other comprehensive income	0	0
Financial assets at amortised cost	0	-3,258,931
Modification gains or losses	**0**	**-3,258,931**

The measures (relevant to the Company) introduced by the Belgian government to support the economy during the Covid-19 crisis include (under certain conditions):
- Payment deferment of up to 6 months on mortgage loans (with a possible extension of up to 3 months to a combined maximum of 9 months); and
- Payment deferment of up to 3 months for consumer credits (with a possible extension of up to 3 months to a combined maximum of 6 months).

This deferment includes principal and interest payments for retail customers. Interest is accrued over the deferment period, with the exception of households with a net disposable income of less than EUR 1,700. For the latter group, no interest is payable (and accrued) over the deferment period, resulting in a revision loss (EUR -3.3 million).

For Dutch mortgages, no government programme has been organized. To support its Dutch mortgage customers, the Company offered individual solutions (treated as forbearance measures) that defer payment of principal and interest for a period of 3 months (with possible 3-month extensions up to a maximum of 12 months. Interest continued to accrue during the deferment period.

The table below provides an overview of the number of credits for which payment deferment was granted during 2020. For the Belgian loans, the payment deferment expired on 31 December 2020. In 2020 the possibility was provided for a third wave of payment deferment on mortgage loans, available also to customers who had not previously requested or received a Covid-19 payment deferment. However, the maximum term for the accumulated deferments may not exceed 9 months. For this third waves, the deferments were not approved and processed until January 2021. For the Dutch loans, there are still EUR 7.8 million of loans with an ongoing payment deferment.

	Gross carrying amount			
31/12/2020	Performing	of which forbearance	of which stage 2	Non-performing (stage 3)
Belgian mortgage loans (regulatory moratium)	737,022,847	5,683,934	349,193,421	14,080,525
Belgian consumer loans (regulatory moratium)	458,410	0	4,212	23,354
Dutch mortgage loans (no regulatory moratium)	19,699,718	19,699,718	19,699,718	7,624,532
Total	**757,180,975**	**25,383,652**	**368,897,351**	**21,728,411**

At the time of granting deferment, the vast majority of the loans had been allocated to stage 1, and EUR 83,950,754 (with an associated revision loss of EUR 0.4 million) to stage 2. For these credits, an increased and periodic follow-up is carried out. As a result, in the first half of the year the majority of the Covid-19 credit files were placed in stage 2, and therefore no credits flowed to stage 1. In the second half of the year, assessments of these loans led to some being designated as non-performing (stage 3), while some reverted to stage 1.

39. Impairments

The changes in impairments can be broken down as follows:

	31/12/2019	31/12/2020
Debt securities at fair value through other comprehensive income	-321,747	-2,115,395
Debt securities at amortised cost	-262,834	-2,993,899
Loans and advances at amortised cost	-1,969,925	-13,994,476
Property, plant and equipment	0	-384,627
Goodwill	0	0
Impairments	**-2,554,506**	**-19,488,396**

The tables below show the composition and evolution of the impairments as of 31 December 2019 and 31 December 2020. The impairments on future obligations and guarantees given are explained in Notes 5.3 and 22.

For 2019 there was a net negative impact of EUR 2,554,506, consisting of a negative impact of EUR 584,581 (EUR 321,747 plus EUR 262,834) on debt securities and EUR 1,969,925 on loans and advances.

For 2020, there is a net negative impact of EUR 19,488,396, of which EUR 5,109,293 for debt certificates (EUR 2,115,395 for debt certificates measured at fair value through other comprehensive income and EUR 2,993,899 for debt certificates measured at amortised cost) and EUR 13,994,476 for loans and advances (mainly retail). In addition, there was a limited write-down of EUR 384,627 on ATMs withdrawn from use.

	01/01/2019	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 fair value through other comprehensive income	**-586,462**	**-321,747**	**-908,209**	**0**	**0**	**-321,747**
Stage 1	-586,462	-321,747	-908,209			-321,747
Stage 2	0	0	0			0
Stage 3	0	0	0	0	0	0
Debt securities at amortised cost	**-1,703,457**	**-262,834**	**-1,966,291**	**0**	**0**	**-262,834**
Stage 1	-1,217,418	-387,781	-1,605,199			-387,781
Stage 2	-486,039	124,947	-361,092			124,947
Stage 3	0	0	0	0	0	0
Loans and advances at amortised cost	**-23,533,964**	**-784,382**	**-24,318,346**	**1,949,620**	**-3,135,163**	**-1,969,925**
Stage 1	-1,218,357	-1,718,526	-2,936,883			-1,718,526
Stage 2	-9,753,683	645,276	-9,108,407			645,276
Stage 3	-12,561,924	288,868	-12,273,056	1,949,620	-3,135,163	-896,675
of which consumer loans	*-639,869*	*-552,802*	*-1,192,671*	*260,569*	*-375,864*	*-668,097*
of which mortgage loans	*-10,771,555*	*1,124,008*	*-9,647,547*	*1,382,190*	*-2,534,783*	*-28,585*
of which term loans	*-126,891*	*-156,858*	*-283,749*	*8,280*	*-115,548*	*-264,126*
of which advances and overdarfts	*-1,023,610*	*-125,480*	*-1,149,090*	*298,581*	*-108,968*	*64,133*
Total	**-25,823,883**	**-1,368,963**	**-27,192,846**	**1,949,620**	**-3,135,163**	**-2,554,506**

	01/01/2020	Changes of balance sheet impairments	31/12/2020	Recoveries in profit or loss	Direct write offs	Total impairments in profit or loss
Debt securities at fair value through other comprehensive income	**-908,209**	**-2,115,395**	**-3,023,604**	**0**	**0**	**-2,115,395**
Stage 1	-908,209	-2,115,395	-3,023,604			-2,115,395
Stage 2	0	0	0			0
Stage 3	0	0	0	0	0	0
Debt securities at amortised cost	**-1,966,291**	**-2,993,899**	**-4,960,190**	**0**	**0**	**-2,993,899**
Stage 1	-1,605,199	-2,888,639	-4,493,838			-2,888,639
Stage 2	-361,092	-105,260	-466,352			-105,260
Stage 3	0	0	0	0	0	0
Loans and advances at amortised cost	**-24,318,346**	**-13,847,385**	**-38,165,731**	**1,604,563**	**-1,751,653**	**-13,994,475**
Stage 1	-2,936,883	-892,864	-3,829,747			-892,864
Stage 2	-9,108,407	-5,135,576	-14,243,983			-5,135,576
Stage 3	-12,273,056	-7,818,945	-20,092,001	1,604,563	-1,751,653	-7,966,035
of which consumer loans	*-1,192,671*	*-1,736,782*	*-2,929,453*	*233,839*	*-265,587*	*-1,768,530*
of which mortgage loans	*-9,647,547*	*-6,771,532*	*-16,419,079*	*1,104,819*	*-411,647*	*-6,078,360*
of which term loans	*-283,749*	*28,448*	*-255,301*	*26,599*	*-39,599*	*15,447*
of which advances and overdarfts	*-1,149,090*	*660,921*	*-488,169*	*239,306*	*-1,034,820*	*-134,593*
Total	**-27,192,846**	**-18,956,679**	**-46,149,525**	**1,604,563**	**-1,751,653**	**-19,103,769**

The stage 3 impairments are the individual impairments that are applied. The detailed change table for impairments at 31 December 2019 and 2020 has been included in the disclosures on credit risk in Note 5.3.

Expected credit losses (ECL) on the financial instruments are calculated on the basis of a scenario-weighted model that includes historical and forward-looking information. The ECL figure is calculated as the sum of the weighted credit losses in a base scenario, a down-scenario and an up-scenario.

The ECL is calculated by applying the probability of a borrower defaulting 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 following approach has been used to calculate ECL as of 31 December 2020:

- Update of the forecast of the main forward-looking indicators causing credit losses in the retail and non-retail portfolios. In the first half of the year, macroeconomic indicators moved in an unfavourable direction for the three observed scenarios, but were revised towards the end of the year to a less pessimistic outlook. The recovery expectations differ among the scenarios, with the base scenario showing a steady recovery (U-curve), the up-scenario showing a full recovery (V-curve), and the down-scenario a continuing disturbed situation (L-curve);
- For the down-scenario - in view of the uncertainty - an additional caution was built in with regard to the evolution of Dutch house prices compared to the forecasts;
- Rebalancing of the probabilities of the scenarios from 60% baseline, 10% up and 30% down, to 60% baseline, 20% up and 20% down.

The table below shows the comparison of the main forward-looking indicators for the retail portfolio and the non-retail portfolio according to the base scenario as of 31 December 2020 compared to the end of 2019. The sensitivity of the stage 1 and stage 2 impairments to the main forward-looking macroeconomic indicators for the retail portfolio are estimated at EUR +3.3 million increase in impairments (stages 1 and 2) in the event of a parallel 1% increase in unemployment, and EUR +7.3 million increase in impairments (stages 1 and 2) in the event of a continuous downward adjustment of the house price index by 10%. A combined 1% rise in unemployment and a 10% fall in the house price index 10% has an estimated impact of EUR +12.3 million on impairments (stages 1 and 2).

	31/12/2019				31/12/2020			
	2020E	2021E	2022E	>2022E	2020E	2021E	2022E	>2022E
Retail								
Unemployment BE (%)	5.5	5.5	5.5	5.5	5.6	7.4	7.1	6.7
Unemployment NL (%)	3.7	3.7	3.7	3.7	4	6.5	6	5.5
House price index BE (%, JoJ)	2.3	1.7	1.8	1.9	2	-1	1.8	1.9
House price index NL (%, JoJ)	3.7	1.6	1.7	1.8	7.1	2	1.1	1.4
Non-retail								
GDP Eurozone (%, JoJ)	1.1	1.2	1.4	1.4	-7.3	3.9	4.2	2.1
Energy Index (%, JoJ)	1.9	1.9	1.9	1.9	-25	1.9	1.9	1.9
Non-energy Index (%, JoJ)	1.9	1.9	1.9	1.9	-5	1.9	1.9	1.9
Unemployment Eurozone (%)	7.5	7.5	7.5	7.5	8	9.3	8.2	7.5

The net impairments for non-retail positions (debt securities and a limited portfolio of loans to companies and local governments included under loans and advances at amortised cost of EUR 0.8 billion) amounted for the 2020 financial year to EUR -6.9 million.

Rating downgrades, mainly in the first half of 2020, resulted in a net increase in stage 2 of EUR 24.0 million (compared with end-2019), with approximately EUR 1.7 million in additional stage 2 impairments. The remainder of the net impairments relate to the impact of the deteriorating scenario-weighted forward-looking indicators.

The impact of net impairments on retail positions (mainly mortgage loans and consumer credits) for 2020 amounts to EUR -12.3 million.

In the Dutch mortgage portfolio, stage 3 impairments increased by EUR 2.5 million in 2020. The main reasons for this are:
- The introduction of the new default definition, with a probation period for files in default, which means that the outflow is slower;
- Customers who are 30 days behind on their forbearance measures are placed in default;
- The recording of short-term (<3 months) forbearance measures and Covid-19 payment deferments as forbearance. As a result, the number of forbearances increased and, together with the previous item, also the forbearance default figure;
- In addition, Covid-19 files for which the payment deferment was extended were placed in UTP soft default.

Overall, the stages 1 and 2 impairments on the Dutch mortgage portfolio increased by EUR 1.5 million.

An important factor in the growth of the stage 1 and stage 2 impairments in the Netherlands is the negative evolution of the macroeconomic outlook, as a result of the Covid-19 crisis. While the outlook was very gloomy in the second quarter of 2020, a certain degree of recovery was taken into account towards the end of the year. In particular, Dutch house prices continued to rise in the course of 2020. Moreover, a further increase is also expected in 2021, with a correction only later. The observed increase in house prices results in lower Loan-To-Values (LTV), with a downward effect (impact of EUR -1.8 million) on impairments.

Loans dating from before 2020 that do not contain an instalment repayment component and where the LTV remains above 100% after haircut, were placed in collective stage 2. This happened because of the growing uncertainty, associated with Covid-19, that it will not be possible to receive the full remaining outstanding amount on maturity.

In line with the adjustments to the macroeconomic outlook, the weighting of the various scenarios was adjusted to a limited extent.

In Belgium, stage 3 impairments for mortgages increased by EUR 4.2 million in 2020. The introduction of the new default definition resulted in an approximately EUR 1.0 million increase in stage 3 impairments for consumer loans (LOA).

In the first half of the year, the majority of the Covid-19 credit files were placed in stage 2. In the second half of the year, assessments of these loans led to some being designated as non-performing (stage 3). The stage 3 impairments increased more than proportionally due to the fact that the mandates for Covid-19 files could not be immediately converted. The impact of this is estimated at EUR 1.8 million.

Overall, the stages 1 and 2 impairments on the Belgian mortgage portfolio rose in 2020 by EUR 2.8 million. The the first instance, the macroeconomic outlook produced a rise of EUR 1.2 million, partly offset by the revision of the scenario weightings and a higher forecast rate of prepayments. The staging of Covid-19 files resulted in EUR 0.8 million in additional impairments. Finally, a recalibration of the Point-In-Time PD, in which more recent default information was processed, also increased the provisions.

In the LOA portfolio, impairments increased by EUR 1.8 million and stages 1 and 2 impairments by EUR 0.1 million. The effect is mainly visible for the purchase of second-hand cars and `other purposes', where the number of defaults and arrears is relatively higher.

For the retail portfolio, the ECL models cannot adequately reflect the specific characteristics of the uncertainties caused by the Covid-19 crisis and the impact of the various government measures. Therefore, at portfolio level, a management overlay was applied to the HPI for the Netherlands and a collective staging to stage 2 was performed for interest-only loans with a high residual LTV. The combined impact of all management overlays increased the stock of stage 1 and 2 impairments by EUR 10.7 million.

40. Tax expense

The details of current and deferred taxes are shown below:

	31/12/2019	31/12/2020
Current taxes		
Current tax expenses for the financial year	64,578,270	55,326,782
Current tax expenses for prior periods	15,754	-1,756,587
Current tax income related to fiscal consolidation	-17,363,460	-775,000
Deferred taxes		
Deferred taxes relating to fiscal losses and DRD	-4,799,548	2,888,214
Deferred taxes for prior periods	1,650,609	1,724,691
Deferred taxes relating to accounting timing differences	-3,046,130	1,092,501
Total taxes	**41,035,496**	**58,500,601**
Reconciliation of statutory and effective tax rate		
Profit or loss before tax	158,534,252	194,755,877
Statutory tax rate	29.58%	25.00%
Income tax calculated using statutory rate	46,894,432	48,688,969
Tax effect of different tax rates in other jurisdictions	-11,593,641	-22,000
Impairment fiscal deferred taxes	0	7,500,000
Tax effect of non-taxable income	0	0
Tax effect of non-tax-deductible expenses	652,106	578,834
Tax benefit not previously recognised	0	0
Prior period taxation	1,666,363	-31,896
Tax impact of change of tax rate	2,645,278	1,845,992
Other differences in statutory taxation	770,958	-59,299
Total income tax expense	**41,035,496**	**58,500,601**
Effective tax rate	25.88%	30.04%

As reflected in the table above, the effective tax rate was 30.04% in 2020 and 25.88% in 2019. This compares with the statutory tax rate of 25.00% in Belgium. Leaving aside the EUR 7.5 million write-off of deferred taxes, the effective tax rate amounts to 26.19%.

Part of the taxable basis is realised in the Netherlands and Luxembourg. With the lowering of the Belgian tax rate from 29.58% to 25.00%, the effect of the differing statutory rates (25.00% in the Netherlands and 24.94% in Luxembourg) compared to Belgium has reduced. The result in the Netherlands is realized largely by the Company's branch office, whereby the Company provides financing to the branch office and carries out a number of activities (mainly in the context of general strategy and risk management) for the branch office. The Company has a ruling for the allocation of the results to the branch office (remuneration for the central financing function and central functions). On 31 December 2019, the existing ruling expired and a new application was filed for a period of 3 years. The mechanism as in the filed application has been applied in preparing the balance sheet and results as of 31 December 2020.

Owing to the negative adjusted outlook and the uncertainties caused by the Covid-19 crisis, deferred tax assets were written down by EUR 7.5 million in 2020. This write-down of latent taxation relates to EUR 30.0 million of fiscally transferable assets (unused definitively taxed income) that have been accrued in current and previous years and are freely transferable.

The prior period taxation consists of corrections following a tax inspection and 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 rates in the Netherlands (25.00% in 2019 and 2020 and 21.70% from 2021) was cancelled by the Dutch government in 2020, with the rate remaining at 25.00%. This adjustment had in 2020 a EUR +1.8 million impact on deferred taxes.

Other increases mainly relate to the effect of realized capital losses on equity instruments measured at fair value through profit or loss (in the 'other differences' item) and disallowed expenses (in the 'non-tax-deductible expenses'' item).

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 transfers part of the tax losses to Aras through the EUR 3.1 million group contribution. For this, Aras pays a fee to Aspa main house in the amount of the tax at the statutory rate of 25.00% (EUR 775,000).

Other notes

41. Encumbered assets

By circular 2015/03 the Belgian regulator brought into effect in the Belgian prudential framework the guidelines of the European Banking Authority (EBA) of 27 June 2014 on the disclosure of encumbered and unencumbered assets.

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 2019 and 2020, together with the average for 2020.

	31/12/2019 Notional value	31/12/2019 Fair value	31/12/2020 Notional value	31/12/2020 Fair value	Average Notional value	Average Fair value
Securities Collateral						
Collateral for derivatives (caps en swaps)	314,054,000	352,355,292	307,481,000	330,467,997	322,462,750	346,588,878
Collateral for Bank Card Company	47,000,000	50,029,101	52,000,000	54,201,186	52,000,000	54,084,808
Collateral for TLTRO	47,480,000	48,527,377	237,390,000	248,816,609	166,175,000	171,394,214
Collateral for repo transactions	0	0	0	0	11,761,955	14,184,075
Collateral for Target2-platform	0	0	50,000,000	51,272,927	16,666,667	17,090,976
Collateral for unused credit line	204,008,000	209,941,855	250,903,000	257,290,624	241,607,916	247,417,005
Total collateral given	**612,542,000**	**660,853,625**	**897,774,000**	**942,049,343**	**810,674,288**	**850,759,956**
Cash collateral						
Paid cash (derivatives)		531,592,517		741,105,574		736,319,960
Cash received (derivatives)		1,268,727		793,727		1,582,227
Net cash (derivatives)		**530,323,790**		**740,311,847**		**734,737,733**

At the end of 2019, a nominal EUR 314.1 million was encumbered in respect of derivatives and repos and a nominal EUR 47.0 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. 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.

At the end of 2020, a notional EUR 307.5 million was encumbered in respect of derivatives and repos and a notional EUR 52.0 million in connection with the use of credit cards by the Company's customers. In addition, EUR 741.1 million of cash was paid and EUR 0.8 million of cash received in respect of collateral management for derivatives.

The loans that have been securitised are, as already explained, back in the Bank Pool balance sheet. The bank has a EUR 250.0 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.

42. 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 31/12/2019	Carrying amount 31/12/2020
MBS	Belgium	12,133,799	0
MBS	Spain	13,910,221	11,735,933
MBS	France	15,316,480	7,806,870
MBS	Ireland	13,128,305	5,247,338
MBS	The Netherlands	561,294,513	510,069,281
MBS	Great-Britain	14,750,477	6,153,598
ABS	Germany	41,839,397	21,555,677
ABS	United States of America	2,703,361	973,382
ABS	France	25,337,123	18,907,391
ABS	Ireland	6,488,253	2,836,250
ABS	Luxembourg	66,820,087	45,205,291
ABS	The Netherlands	18,375,096	9,395,104
Total securization positions		**792,097,112**	**639,886,116**

The MBSs are all related to securitised mortgage loans. The ABS in the USA relates to a securitisation of student loans. The ABSs from other countries relate to securitised motor vehicle loans.

43. Off-balance sheet liabilities

The Bank Pool has issued guarantees against its own financial assets. The reasons and nominal values of the assets involved can be found in the table below.

	31/12/2019	31/12/2020
Collateral received	37,884,620,694	40,459,338,909

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.

	31/12/2019	31/12/2020
Financial guarantees issued	4,724,912	5,854,440
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.

	31/12/2019	31/12/2020
Credit lines granted	1,408,135,784	2,739,429,315
Credit lines received	211,158,123	230,875,000

The Bank Pool has a EUR 250.0 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 section 5.3 and note 22.

Argenta also offers investments to its customers. The table below breaks down the securities in custody into (i) the funds managed by the subsidiaries Argenta Asset Management and Arvestar (ii) securities distributed but not managed by Argenta. Argenta has no discretionary management.

	31/12/2019	31/12/2020
Assets under custody	9,742,254,859	11,521,991,902
asset management	7,681,372,942	9,203,097,722
distributed but not managed	2,060,881,918	1,984,198,353

44. Contingent liabilities

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

The Company creates provisions for such cases when, in the opinion of management and after consultation with its legal advisers, it is probable that the Company will have to make payments, and the payable amount can be reasonably estimated.

These provisions were briefly explained in note 23. 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.

45. Events after the balance sheet date

Important events after balance sheet date

To the best of the knowledge of the Board of Directors, no other significant events have occurred since the end of the financial year concerning the Company and its individual subsidiaries.

In other words, no material events have occurred since the balance-sheet date that require an adjustment of the Company's consolidated financial statements as of 31 December 2020.

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.

Approval for publication

On 30 March 2021, 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 30 April 2021.

Additional Information

The Company's IFRS financial statements are published in Dutch and English. The English version is a translation of the original Dutch version and is published as a courtesy to stakeholders. In the event of any disparity between the two versions, the Dutch language version takes precedence. Questions related to the distribution of these reports should be directed to:

Argenta Bank- en Verzekeringsgroep nv
Belgiëlei 49-53
B-2018 Antwerp
Tel: +32 3 287 48 25
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 to try and do all they can to help resolve your problem. If you are not satisfied with the outcome, you can then contract Argenta Group's Complaint Management service for both Bank and Insurance issues.

Complaints Management
Belgiëlei 49-53
B-2018 Antwerp
Tel: +32 3 285 56 45
klachtenbeheer@argenta.be

Anyone not satisfied with the efforts of the Argenta Complaints Management service is free to contact Ombudsfin (the Banking - Credits - Investments mediation service) or the Insurance Ombudsman. Argenta Spaarbank is a member of Ombudsfin, Argenta Assuranties of the Insurance Ombudsman system.

Appendix: overview of abbreviations used

(F)IRB	Foundation of the Internal Ratings-Based approach
ABS	Asset Backed Security
ALCO	Assets and Liability Committee
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulations
CVA	Credit Value Adjustment
DNB	De Nederlandsche Bank
DRD	Dividends Received Deduction
DVA	Debt Valuation Adjustment
ECB	European Central Bank
ECL	Expected Credit Losses
EMTN	European Medium-Term Note
EONIA	Euro OverNight Index Average
ESTR	Euro Short Term Rate
FVOCI	Fair Value through Other Comprehensive Income
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IO	Investering Overleg
IRS	Interest Rate Swap
LCR	Liquidity Coverage Ratio
MBS	Mortgage-Backed Security
MFVTPL	Mandatorily Fair Value through Profit and loss
NBB	Nationale Bank van België
NHG	Nederlandse Hypotheek Garantie
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
RAF	Risk Appetite Framework
RMBS	Residential Mortgage-Backed Security
RWA	Risk Weighted Assets
SPPI	Solely Payments of Principal and Interest
SPV	Special Purpose Vehicle
SREP	Supervisory Review and Evaluation Process