Argenta Bank- en Verzekeringsgroep nv

IFRS Annual Financial Statements

2021

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Financial statements for the 2021 financial year (1 January 2021 to 31 December 2021) of Argenta Bank- en Verzekeringsgroep nv, prepared in accordance with the *International Financial Reporting Standards* (IFRS)

The IFRS financial statements and tables are in EUR, unless otherwise explicitly stated in the table in question. The Dutch version of this report is the original text; the English version is a translation. In the event of any discrepancies, the Dutch version will take precedence.

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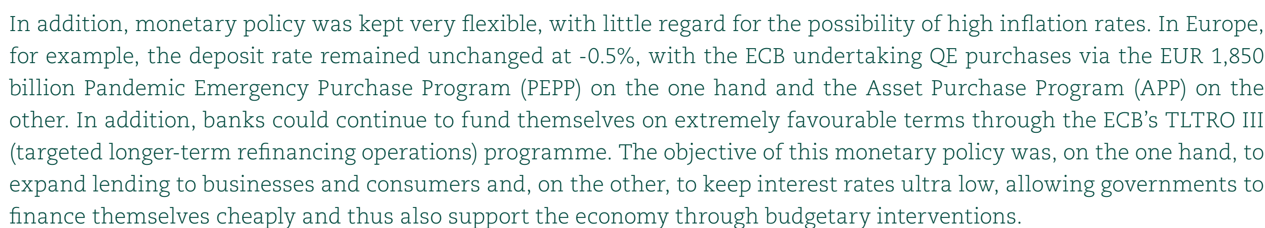
Management Report

Development in 2021

After experiencing the biggest economic shock since the Second World War in 2020, 2021 was another eventful year. As expected, events during the year were driven by the continued evolution of the corona crisis. However, there was also the inflation topic that came increasingly into the foreground as the year progressed. Both situations had a major impact on the economy, financial markets and interest rates.

The year started optimistically with the concrete expectation of the vaccination roll-out. This came up to speed from the second quarter onward. Throughout 2021 we were confronted with successive waves of Covid-19 infection. The vaccination campaign proved a great success, reducing the need, as the year progressed, for austerity measures to bring pressures on the health system under control. This in turn lessened the economic impact of the pandemic.

To mitigate the economic impact of the corona crisis huge fiscal and monetary stimuli had already been introduced by the governments in 2020. This policy was continued in 2021. In Europe, a first package of extra budgetary incentives from the EUR 750 billion Next Generation EU Fund was paid out to member states in the summer.



In addition, monetary policy was kept very flexible, with little regard for the possibility of high inflation rates. In Europe, for example, the deposit rate remained unchanged at -0.5%, with the ECB undertaking QE purchases via the EUR 1,850 billion Pandemic Emergency Purchase Program (PEPP) on the one hand and the Asset Purchase Program (APP) on the other. In addition, banks could continue to fund themselves on extremely favourable terms through the ECB's TLTRO III (targeted longer-term refinancing operations) programme. The objective of this monetary policy was, on the one hand, to expand lending to businesses and consumers and, on the other, to keep interest rates ultra low, allowing governments to finance themselves cheaply and thus also support the economy through budgetary interventions.

Nevertheless, we saw interest rates rise in 2021 as the topic of inflation increasingly came to the fore towards the end of the year. In the first half of the year this was mainly at the longer end of the yield curve (5 to 10-year point), but after the summer the shorter end (from the 2 to 3-year point upwards) also started to rise and financial markets began to price in faster interest rate hikes by central banks.

In 2021, the stock markets continued the strong rise that started shortly after the outbreak of the corona crisis in 2020. This increase was attributable to solid business results, the improving health situation and the strong economic recovery in 2021.

At the same time, Argenta successfully continued to maintain its services to its customers, without interrupting its efforts and investments for a digital future, in which human interaction with our customers remains an important ingredient and building block.

Key figures (unaudited)

The table below gives the key figures of Argenta Bank- en Verzekeringsgroep nv, in abbreviated form BVg (hereinafter the Company).

	31/12/2020	31/12/2021
Return on equity	7.6%	8.6%
Return on total assets	0.37%	0.48%
Cost-income ratio (excluding bank levies)	47.2%	44.1%
Cost-income ratio (including bank levies)	58.6%	55.6%
Common equity tier 1 ratio	23.7%	21.6%
Total capital ratio	25.9%	21.6%
Leverage ratio	5.3%	5.2%
Liquidity coverage ratio	160%	167%
Net stable funding ratio	135%	146%
Minimum requirement for own funds and eligible liabilities	9.2%	8.1%

The Tier II issuance of EUR 500 million was called in 2021, as a result of which there are no more Tier II instruments outstanding and the total capital ratio becomes equal to the Tier 1 core capital ratio.

Evolution of the balance sheet

The balance sheet total has risen by 4.64% from EUR 53.0 billion as of 31 December 2020 to EUR 55.5 billion as of 31 December 2021.

Cash and balances with (central) banks increased by EUR 0.5 billion to EUR 3.5 billion as of 31 December 2021.

To support the transmission of monetary policy via the banks, the ECB applies a two-tier system, exempting part of the reserves held by the banks with the ECB from negative interest on the deposit facility. Part of the Company's liquidity is therefore held with the ECB pending reinvestment in mortgage loans or debt securities.

In the investment portfolio, the main focus was on replacing expired positions and reinvesting the released funds profitably and cautiously. The investment portfolio as of 31 December 2021 has fallen by EUR 438 million since the previous year-end.

At the end of 2021, the stated value on the balance sheet of the securities portfolio was EUR 9.5 billion. This consists of (i) a limited (EUR 128.7 million) portfolio of bonds that have to be recognised at market value through profit and loss, (ii) a portfolio of securities (EUR 5.0 billion) recognised at market value through other comprehensive income of which a limited position of equities (EUR 207.6 million), and (iii) a portfolio of debt securities measured in the balance sheet at amortised cost (EUR 4.4 billion). The intention with this latter portfolio is to keep it until maturity.

	31/12/2020	31/12/2021
Non-trading financial assets mandatorily at fair value through profit or loss	139,614,545	128,724,107
Financial assets at fair value through other comprehensive income	5,043,170,122	5,015,411,230
Financial assets at amortised cost - debt securities	4,808,447,059	4,408,840,209
Total securities portfolio	**9,991,231,726**	**9,552,975,546**

The portfolio of loans and advances increased from EUR 36.0 billion as of 31 December 2020 to EUR 38.3 billion as of 31 December 2021, reflecting the strong production of new loans in both the Netherlands and Belgium.

EUR 7.9 billion of mortgage loans were granted to customers (EUR 4.2 billion in Belgium and EUR 3.7 billion in the Netherlands) in comparison with EUR 6.6 billion in 2020.

In Belgium, we saw strong production volumes in the first half of the year, which then levelled out again as interest rates started to rise slightly for the first time. Despite this, record amount of production was again achieved. New production in Belgium amounted to EUR 3.2 billion. In addition, EUR 0.3 billion in bridging loans were provided. Low interest rates also stimulated refinancing (EUR 671 million), which has remained at a high level for several years now.

In the Netherlands, production remained high throughout the year. There was a peak in production in December as low interest rates and expectations of increases stimulated refinancing. The Dutch housing market was tight, resulting in high real estate prices and an increased need for financing. New production in the Netherlands amounted to EUR 3.2 billion. In addition, EUR 0.5 billion in bridging loans were subscribed.

This brings the mortgage loan portfolio to EUR 36.2 billion as of 31 December 2021, compared to EUR 33.7 billion at end-2020.

	31/12/2020	31/12/2021
Financial liabilities at amortised cost - loans and advances	35,988,938,702	38,330,154,782
Of which: Mortgage loans	33,651,270,744	36,240,076,359

Financial liabilities measured at amortised cost increased by EUR 42.9 billion to EUR 45.2 billion as of 31 December 2021.

Deposits from central banks consist of debts incurred under the ECB's TLTRO program. Balances on current and savings accounts continued to grow, but less sharply than in 2020, when the first lockdowns stimulated savings behaviour. The volume of term deposits continued to decline.

The Company continues to diversify its funding by raising non-retail funding. As part of the newly established covered bond programme, EUR 1.0 billion of covered bonds were issued in two rounds. In addition, EUR 650 million of residential mortgage-backed securities (RMBS) were issued by the SPV Green Apple. The EUR 500 million Tier II issue arrived at its call date.

	31/12/2020	31/12/2021
Deposits from central banks	236,396,243	258,262,863
Deposits from credit institutions	224,751,332	49,268,441
Deposits from other than central banks and credit institutions	38,188,316,014	39,978,540,951
Senior debt securities issued, including saving certificates	3,616,199,207	4,835,431,890
Subordinated debt securities issued	511,087,585	0
Other financial liabilities	151,757,645	110,978,085
Financial liabilities at amortised cost	**42,928,508,026**	**45,232,482,230**

The other financial liabilities include the reserves of investment contracts in the Insurance Pool that are treated as financial instruments. The reserves in question have fallen significantly with the systematic coming to maturity of these products. Lease obligations are also included under other liabilities.

Liabilities under insurance and reinsurance contracts (technical provisions) have fallen by EUR 40.5 million. Liabilities related to branch 23 insurance contracts increased from EUR 2.6 billion at end-2020 to EUR 3.0 billion as of 31 December 2021.

	31/12/2020	31/12/2021
Financial assets related to unit-linked insurance contracts (branch 23)	2,642,811,557	3,019,742,125
Assets under reinsurance and insurance contracts	29,736,890	18,797,766
Financial liabilities related to unit-linked insurance contracts (branch 23)	2,642,811,557	3,019,742,125
Liabilities under reinsurance and insurance contracts	3,113,005,847	3,072,471,702

Result drivers

The Company achieved a consolidated profit after tax (including minority interests) of EUR 268,202,607 for the financial year ending on 31 December 2021, compared with EUR 218,719,105 for the previous financial year. The Company's result is driven by developments in the underlying Bank Pool and Insurance Pool.

The Company's Bank Pool achieved a profit (including minority interests) of EUR 177,982,095 for the financial year ending on 31 December 2021, compared with EUR 134,023,594 for the previous financial year. This increase reflects an improvement in the result at Argenta Spaarbank (+ EUR 28.8 million) and an increase in the result of the management company Argenta Asset Management (+ EUR 14.5 million).

The Company's Insurance Pool achieved a profit of EUR 91,562,932 for the financial year ending on 31 December 2021, compared with EUR 84,695,513 for the 2020 financial year.

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 and branch 23 insurance contracts, and a solid insurance-technical result.

Net interest income fell slightly in 2021. Interest income 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). This income was positively impacted by the high level of early redemptions on mortgages, which generated EUR 47.6 million in reinvestment fees 2021 in compared to EUR 43.9 million in 2020.

Financing costs (excluding derivatives) decreased due to the arrival at maturity of savings certificates and the subordinated Tier II loan. The further diversification of funding sources with the issuance of RMBSs, covered bonds and EMTN Bonds are supporting the decrease in funding costs.

The hedging result showed a dual evolution, which means that the global result is in line with 2020. With lower Euribor interest rates, the net interest costs on the derivatives increased. Additional hedging swaps were also entered into for a notional amount of EUR 2.2 billion. The higher yield curve on the long end had a positive impact on the time value in the market valuation of the portfolio of hedging swaptions.

Net fee and commission income increased by EUR 42.6 million from EUR 10.3 million to EUR 52.9 million for the 2021 financial year. 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 and branch 23 insurance contracts as a result of the rise in assets under management.

In the meantime, customers are increasingly finding their way to the range of investment funds. Argenta's strategic focus on in-house funds and a rationalised range of funds resulted in high investment production, a rising market share and an increase in the portfolio of investments under management. Sound asset management and a well-performing stock exchange also supported this. This resulted in increased income from asset management activities, mainly due to a significantly higher net management result.

The realised profit from financial assets not measured at fair value through profit or loss amounts to EUR 0.8 million for 2021.

Gains or losses from financial assets and liabilities held for trading and gains or losses from hedge accounting together amounted to EUR 3.9 million for 2021. The increase of EUR 3.3 million compared to 2020 reflects the evolution of the fair value of the hedging derivatives.

The gains or losses on financial assets (mandatorily) measured at fair value through profit or loss amounts to EUR 13.8 million, which is an increase of EUR 12.9 million. The significant increase is mainly the result of the positive market value evolution on shares in the Insurance Pool.

The insurance-technical result increased by EUR 16.4 million. The increase in non-life is characterised by: (i) an overall favourable claims evolution in non-life, (ii) a negative impact of the July floods of EUR 11.4 million (after reinsurance), and (iii) a reversal of a provision for an expected but not implemented adjustment of the indicative tables and capitalisation interest rate. The insurance-technical result for life rose further to a limited extent and remains at a high level.

Net other operating income amounts to EUR 14 million and includes recovery of administrative costs from customers, and of rent and IT infrastructure-related recoveries from the independent branch offices.

Staff expenses amounted to EUR 105.9 million for 2021, compared to EUR 102.6 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 increased from EUR 299.8 million in 2020 to EUR 311.9 million in 2021. Expenses for complying with various legal requirements and bank levies have increased by EUR 13.8 million. Investments in digitization and projects to renew the application and data infrastructure were continued. Depreciation fell from EUR 31.1 million to EUR 30.0 million,

In 2020, there was a significant net impairment charge of EUR 21.9 million, partly due to the unfavourable development of future macroeconomic indicators, which had been adjusted negatively in the light of the Covid-19 crisis. In 2021, part of the impairment charge was reversed following a recovery in this outlook.

Tax expense in 2021 amounted to EUR 95.7 million. Deferred taxes are also included under this heading. The effective tax rate fell from 29.5% to 26.3%.

Solid capital base and liquidity position

In the fourth quarter of 2021, an interim dividend of EUR 140.8 million was paid to the shareholders, followed by a capital increase of EUR 70.0 million. The 2021 dividend was higher than in previous years. This represents a one-off catch-up following the temporary suspension of dividend payments during the Covid-19 crisis. By adding the profit to the reserves, shareholders' equity continued to grow and capital ratios remained healthy, as a result of which all solvency requirements were comfortably met. The liquidity ratios remained comfortable.

The Common EquityTier 1 (CET1) ratio amounted to 21.6% at 31 December 2021 compared with 23.7% at the end of 2020.

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 167% and an NSFR (Net Stable Funding Ratio) of 146% as of 31 December 2021 compared to 160% and 135% respectively as of 31 December 2020. Liquidity is further explained in Note 5.2.

Consolidated balance sheet statement (before profit distribution)

Assets	Note	31/12/2020	31/12/2021
Cash and cash equivalents	11	58,712,247	52,504,898
Cash balances at central banks and other demand deposits	11	2,968,480,515	3,485,928,716
Financial assets held for trading	12	960,263	18,595,343
Assets related to unit linked contracts (branch 23)	13	2,642,811,557	3,019,742,125
Non-trading financial assets mandatorily at fair value through profit or loss	14	139,614,545	128,724,107
Financial assets at fair value through other comprehensive income	15,28	5,043,170,122	5,015,411,230
Financial assets at amortised cost	16	40,797,385,761	42,738,994,991
Derivatives used for hedge accounting	17	3,248,972	88,616,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	17	768,565,472	353,166,530
Investments in subsidaries, joint ventures and associates	18	2,584,000	4,966,466
Tangible assets	19,28	80,155,227	83,582,967
Property, plant and equipment		79,020,719	82,638,762
Investment property		1,134,508	944,204
Intangible assets	20	148,375,048	137,608,955
Goodwill		98,150,460	98,150,460
Other intangible assets		50,224,588	39,458,495
Tax assets	21	23,470,410	38,230,020
Current tax assets		17,688,150	36,688,839
Deferred tax assets		5,782,260	1,541,181
Assets under reinsurance and insurance contracts	22	29,736,890	18,797,766
Other assets	23	284,637,928	266,613,986
Non-current assets and disposal groups classified as held for sale	24	0	0
Total assets		**52,991,908,958**	**55,451,484,264**

Liabilities and equity	Note	31/12/2020	31/12/2021
Financial liabilities held for trading	12	465,526	16,545,565
Liabilities related to unit linked contracts (branch 23)	13	2,642,811,557	3,019,742,125
Financial liabilities at amortised cost	25,28	42,928,508,026	45,232,482,230
Deposits from central banks		236,396,243	258,262,863
Deposits from credit institutions		224,751,332	49,268,441
Deposits from other than central banks and credit institutions		38,188,316,014	39,978,540,951
Senior debt securities issued, including saving certificates		3,616,199,207	4,835,431,890
Subordinated debt securities issued		511,087,585	0
Other financial liabilities		151,757,645	110,978,085
Derivatives used for hedge accounting	17	889,545,635	491,094,431
Fair value changes of the hedged items in portfolio hedge of interest rate risk	17	0	0
Provisions	26	3,524,092	6,057,514
Tax liabilities	21	27,402,118	30,066,500
Current tax liabilities		5,477,152	5,023,584
Deferred tax liabilities		21,924,966	25,042,916
Liabilities under reinsurance and insurance contracts	22	3,113,005,847	3,072,471,702
Other liabilities	27	270,647,761	286,487,371
Liabilities included in disposal groups classified as held for sale	24	0	0
Total liabilities		**49,875,910,561**	**52,154,947,436**
Equity attributable to owners of the parent	3	3,115,783,558	3,296,248,523
Equity attributable to minority interests	4	214,840	288,304
Total equity		**3,115,998,397**	**3,296,536,827**
Total liabilities and equity		**52,991,908,958**	**55,451,484,264**

Consolidated statement of profit or loss

	Note	31/12/2020	31/12/2021
Total operating income		**739,622,645**	**805,051,742**
Net interest income	31	669,292,685	668,622,207
Interest income		913,039,459	894,462,355
Interest expenses		-243,746,774	-225,840,148
Dividend income	32	4,499,011	6,172,490
Net fee and commission income	33	10,267,627	52,858,065
Fee and commission income		194,583,452	266,916,787
Fee and commission expenses		-184,315,825	-214,058,722
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	34	7,087,646	800,714
Financial assets at fair value through other comprehensive income		3,922,761	47,862
Financial assets and liabilities at amortised cost		3,164,886	752,852
Gains or losses on financial assets and liabilities held for trading	35	-631,117	1,555,041
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	36	886,254	13,782,749
Gains or losses from hedge accounting	37	1,266,542	2,337,910
Gains or losses on derecognition of non-financial assets	38	6,322	57,562
Net result from reinsurance and insurance contracts	39	28,505,435	44,877,051
Net other operating income	40	18,442,239	13,987,952
Other operating income		20,932,417	18,042,007
Other operating expenses		-2,490,178	-4,054,055
Administrative expenses	41	**-402,359,598**	**-417,785,933**
Staff expenses		-102,604,564	-105,872,493
Other administrative expenses		-299,755,034	-311,913,441
Depreciation	19,20,28	**-31,059,370**	**-29,991,169**
Property, plant and equipment		-9,958,141	-12,454,196
Investment properties		-17,903	-17,228
Other intangible assets		-21,083,327	-17,519,744
Modification gains or losses		**-3,258,931**	**-113,534**
Provisions or reversal of provisions		**-449,173**	**-1,275,323**
Impairments or reversal of impairments	42	**-21,895,769**	**10,229,279**

	Note	31/12/2020	31/12/2021
Financial assets (debt securities) at fair value through other comprehensive income		-3,513,507	3,616,776
Financial assets at amortised cost		-17,997,635	6,612,503
Goodwill		0	0
Property, plant and equipment		-384,627	0
Share in results of associated companies and joint ventures		**0**	**-2,204,012**
Profit or loss before tax from continuing operations		**280,599,804**	**363,911,048**
Tax expense related to continuing operations	43	-82,848,994	-95,708,441
Profit or loss after tax from continuing operations		**197,750,810**	**268,202,607**
Profit or loss before tax from discontinued operations		27,878,540	0
Tax expense related to discontinued operations		-6,910,245	0
Profit or loss after tax from discontinued operations		**20,968,296**	**0**
Profit or loss of the year		**218,719,105**	**268,202,607**
Profit or loss attributable to owners of the parent		218,564,954	268,001,360
Profit or loss attributable to minority interests		154,152	201,248

Note 24 provides more information on the after-tax profit or loss on discontinued operations.

Consolidated statement of comprehensive income

Overview of the comprehensive income	Note	31/12/2020	31/12/2021
Profit or loss		**218,719,105**	**268,202,607**
Profit or loss attributable to owners of the parent		218,564,954	268,001,360
Profit or loss attributable to minority interests		154,152	201,248
Items that will not be reclassified to profit or loss		**2,823,068**	**36,117,628**
Equity instruments measured at fair value through other comprehensive income	14	1,494,304	35,446,014
Valuation gains or losses taken to equity		1,916,894	39,000,893
Deferred taxes		-422,590	-3,554,879
Actuarial gains or losses on defined benefit pension plans	23	1,328,764	671,614
Gross actuarial gains or losses on liabilities defined benefit pension plans		1,770,719	895,485
Deferred taxes		-441,955	-223,871
Items that may be reclassified to profit or loss		**31,512,821**	**-32,184,542**
Debt securities at fair value through other comprehensive income	14	28,113,228	-33,486,112
Valuation gains or losses taken to equity		38,081,754	-41,018,804
Transferred to profit or loss		-409,255	-3,629,348
Deferred taxes		-9,559,271	11,162,040
Cash flow hedges	16	3,399,593	1,301,570
Valuation gains or losses taken to equity		41,613	6,028
Transferred to profit or loss		4,227,000	1,729,399
Deferred taxes		-869,020	-433,857
Total other comprehensive income		**34,335,889**	**3,933,086**
Total comprehensive income		**253,054,995**	**272,135,693**
Profit or loss attributable to owners of the parent		252,900,672	271,934,512
Profit or loss attributable to minority interests		154,323	201,182

Note 3 provides further information on all changes to the various equity positions in the above table. The valuation gains or losses recognised in the revaluation reserve for equity instruments have been adjusted retroactively for the reference year in order to correct a presentation error.

Consolidated statement of changes in equity

	Accumulated other comprehensive income										
	Paid up capital	Share premium	Fair value changes of debt securities meaesered at fair value through other comprehensive income	Fair value changes of equity instru-ments measured at fair value through other comprehensi-ve 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 attribu-table to owners of the parent	Minority interests	Total Equity
Equity position 01/01/2020	**687,413,600**	**356,795,403**	**70,689,152**	**37,106,453**	**-4,701,136**	**-1,427,331**	**1,543,017,138**	**173,989,604**	**2,862,882,881**	**139,047**	**2,863,021,929**
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	218,564,954	218,564,954	154,152	218,719,105
(Interim) dividends	0	0	0	0	0	0	0	0	0	-78,530	-78,530
Fair value gains or losses taken to equity	0	0	38,081,577	1,916,889	41,613	1,770,712	0	0	41,810,790	221	41,811,004
Fair value gains or losses transferred to profit or loss	0	0	-409,260	0	4,226,976	0	0	0	3,817,716	5	3,817,721
Deferred taxes on fair value gains or losses	0	0	-9,559,223	-422,590	-869,015	-441,953	0	0	-11,292,781	-55	-11,292,836
Total other comprehensive income	**0**	**0**	**28,113,093**	**1,494,299**	**3,399,574**	**1,328,759**	**0**	**0**	**34,335,725**	**171**	**34,335,889**
Other changes	0	0	0	0	0	0	0	0	0	0	0
Transfer to retained earnings	0	0	0	3,065,261	0	0	170,924,343	-173,989,604	0	0	0
Equity position 31/12/2020	**687,413,600**	**356,795,403**	**98,802,245**	**41,666,013**	**-1,301,562**	**-98,572**	**1,713,941,481**	**218,564,954**	**3,115,783,560**	**214,840**	**3,115,998,399**
Capital increase	17,485,300	52,468,140	0	0	0	0	0	0	69,953,440	0	69,953,440
Profit or loss of the year	0	0	0	0	0	0	0	268,001,360	268,001,360	201,248	268,202,608
(Interim) dividends	0	0	0	0	0	0	-79,052,564	-82,352,149	-161,404,713	-146,371	-161,551,084
Fair value gains or losses taken to equity	0	0	-41,018,675	39,000,860	6,028	895,481	0	0	-1,116,306	-100	-1,116,406
Fair value gains or losses transferred to profit or loss	0	0	-3,629,334		1,729,389	0	0	0	-1,899,945	-4	-1,899,949
Deferred taxes on fair value gains or losses	0	0	11,162,002	-3,554,874	-433,854	-223,870	0	0	6,949,403	38	6,949,441
Total other comprehensive income	**0**	**0**	**-33,486,007**	**35,445,986**	**1,301,562**	**671,611**	**0**	**0**	**3,933,152**	**-66**	**3,933,086**
Other changes	0	0	0	0	0	0	-18,276	0	-18,276	18,653	377
Transfer to retained earnings	0	0	0	-4,477,009	0	0	223,041,963	-218,564,954	0	0	0
Equity position 31/12/2021	**704,898,900**	**409,263,543**	**65,316,238**	**72,634,990**	**0**	**573,039**	**1,857,912,604**	**185,649,211**	**3,296,248,522**	**288,304**	**3,296,536,826**

Notes 3, 4, 26 and 34 provide further information on all changes to the various equity positions in the above table. The valuation gains or losses recognised for equity instruments transferred to reserves have been adjusted retroactively for the reference year in order to correct a presentation error.

Consolidated cash flow statement

	31/12/2020	31/12/2021
Cash and cash equivalents at the start of the period	**3,179,528,947**	**3,774,925,273**
Operating activities		
Profit or loss before tax	280,599,804	363,911,048
Adjustments for:		
Depreciation	26,462,095	22,025,682
Provisions or reversal of provisions	449,173	1,275,323
Gains or losses on derecognition of non-financial assets	-6,322	-57,562
Impairments or reversal of impairments	25,154,699	-10,115,745
Changes in assets and liabilities from hedging derivatives and hedged item	12,767,853	-67,117,885
Other adjustments (among which interest expenses financing activities)	27,361,292	33,649,610
Cash flows from operating profits before changes in operating assets and liabilities	**372,788,595**	**343,570,472**
Changes in operating assets (excluding cash and cash equivalents)		
Financial assets held for trading	1,382,287	-17,635,080
Financial assets related to unit-linked insurance contracts (branch 23)	-257,485,720	-376,930,567
Financial assets at amortised cost	-2,077,835,905	-2,301,274,348
Financial assets at fair value through other comprehensive income	-111,376,035	33,335,571
Non-trading financial assets mandatorily at fair value through profit or loss	-3,930,453	10,890,438
Assets under reinsurance and insurance contracts	-7,108,594	10,939,124
Other assets	-44,276,002	22,265,022
Changes in operating liabilities (excluding cash and cash equivalents)		
Deposits from central banks	0	0
Deposits from credit institutions	129,237,340	-175,482,891
Deposits from other than central banks and credit institutions	2,213,393,089	1,787,625,289
Debt securities issued, retail	-98,335,882	0
Financial liabilities held for trading	-751,170	16,080,039
Financial liabilities related to unit-linked insurance contracts (branch 23)	257,485,720	376,930,567
Liabilities under insurance and reinsurance contracts	-332,163,371	-87,289,934
Other liabilities	-29,075,482	18,371,077
Net cash flow from discontinued operations	18,414,180	0
Paid (refunded) income taxes	-100,759,881	-115,162,698
Net cash flow from operating activities	**-70,397,285**	**-453,767,917**

	31/12/2020	31/12/2021
Investing activities		
Cash payments to acquire property, plant and equipment	-21,110,610	-8,267,533
Cash proceeds from disposal of property, plant and equipment	12,199,981	816,232
Cash payments to acquire intangible assets	-13,081,570	-6,510,409
Cash proceeds from disposal of intangible assets	3,020,041	-243,241
Changes concerning consolidated companies	0	0
Net cash flow from investing activities	**-18,972,157**	**-14,204,950**
Financing activities		
Paid dividends	0	-161,483,243
Cash proceeds from a capital increase	0	69,953,440
Cash proceeds from the issue of subordinated debt securities	0	0
Cash payments from subordinated debt securities	-21,569,024	-511,087,585
Cash proceeds from the issue of senior debt securities	0	1,669,227,000
Cash payments from senior debt securities	-438,574,747	-448,873,598
Cash proceeds from issuing EMTN	982,360,831	0
Cash proceeds from TLTRO-III ECB	189,910,000	23,740,000
Interest paid	-27,361,292	-33,649,610
Net cash flow from financing activities	**684,765,768**	**607,826,403**
Cash and cash equivalents at the end of the period:	**3,774,925,273**	**3,914,778,809**
Components of cash and cash equivalents		
Cash	58,712,247	52,504,898
Cash balances with central banks	2,803,109,816	3,225,473,830
Cash balances with other credit institutions	747,367,209	536,847,079
Other advances	165,736,000	99,953,000
Total cash and cash equivalents at the end of the period	**3,774,925,273**	**3,914,778,807**
Cash flow from operating activities:		
Received interest income	913,039,459	894,462,355
Dividends received	4,499,011	6,172,490
Paid interest expenses	-243,746,774	-225,840,148
Cash payments for the principal portion of lease liabilities	-3,530,191	-8,273,487
Payments for lease contracts that fall under the valuation exemptions for lease contracts (low value and short term)	-190,580	-254,702
Cash flow from financing activities:		
Paid interest expenses	-27,361,292	-33,649,610

For the preparation of the consolidated cash flow statement 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 31 on interest amounts received and paid, and in Note 32 on dividends received.

Notes

1. General information

The Company is established in Belgium under Belgian law. Its legal form is that of a public limited liability company (naamloze vennootschap). The Company has been established for an unlimited term. The Company's registered office is at Belgiëlei 49- 53, 2018 Antwerp.

The Company has the status of a mixed financial holding company, a parent company which is not a regulated company and which is at the head of a financial conglomerate pursuant to Art. 3, 39 of the Banking Act. Argenta BVg submitted an application for approval as a mixed financial holding company to the ECB on 06 September 2021, in accordance with Article 212/1 of the Banking Law. This application was approved by the ECB on 02/03/2022.

The Company consolidates and is responsible for the joint control of its subsidiaries Argenta Spaarbank (hereinafter Aspa), a Belgian credit institution, and Argenta Assuranties (hereinafter Aras), a Belgian insurance company.

Aspa, together with its branch office in the Netherlands and the management subsidiaries Argenta Asset Management (AAM) and Arvestar Asset Management, forms the 'Bank Pool'. The Insurance Pool consists of Aras. The Bank Pool, Insurance Pool and BVg are collectively referred to as the Argenta Group.

The Company 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.

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 third-party undertakings for collective investment (UCIs) with which Argenta has partnerships.

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

Aspa and Aras are the subsidiaries of the Company.

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

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

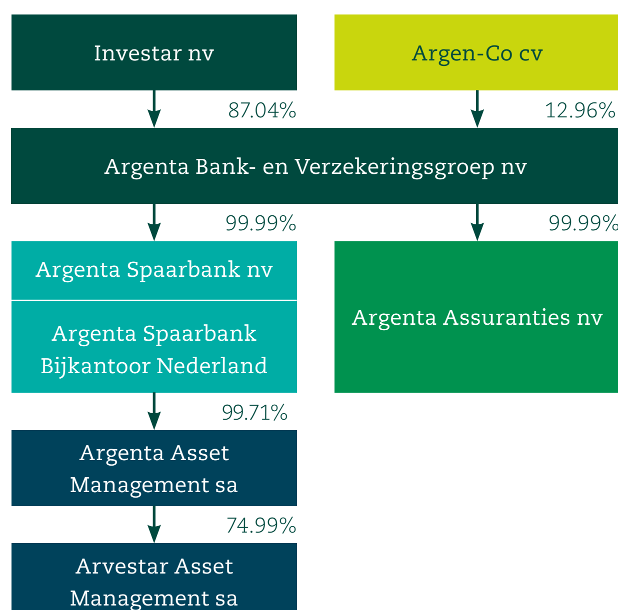
Aspa also has a participating interest in Jofico to which the equity method is applied. This is a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost that jointly manages the ATMs of these institutions.

Securitisation transactions were carried out in 2017, 2018, 2019 and 2021. 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, given that 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. In this way, the loans transferred return onto the balance sheet of the Bank Pool.

The Dutch insurance activities, organised in a branch of Aras, were discontinued and the life insurance portfolios were transferred in 2020 to Waard Leven, following the sale agreement concluded in November 2019. The Dutch branch of Argenta Assuranties nv has now been fully wound up and closed as of September 30, 2021.

Aspa and Aras also have a participation in Epico, a Benelux infrastructure fund, which is an associated company at the consolidated level.

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.

	%	31/12/2020	31/12/2021
Argenta Bank- en Verzekeringsgroep nv		consolidating entity	consolidating entity
Bankpool			
Argenta Spaarbank nv	99.99%	full consolidation	full consolidation
Argenta Asset Management nv	99.99%	full consolidation	full consolidation
Arvestar Asset Management nv	74.99%	full consolidation	full consolidation
Green Apple 2017 bv (SPV)	0.00%	full consolidation	full consolidation
Green Apple 2018 bv (SPV)	0.00%	full consolidation	full consolidation
Green Apple 2019 bv (SPV)	0.00%	full consolidation	full consolidation
Green Apple 2021 bv (SPV)	0.00%	full consolidation	full consolidation
Epico nv	27.46%	equity method	equity method
Jofico cv	20.00%	equity method	equity method
Insurance Pool			
Argenta Assuranties nv	99.99%	full consolidation	full consolidation

Note on the number of personnel

In 2021, the average number of employees in the Argenta Group amounted to 1,044.80 (1,064.80 in 2020). A breakdown of personnel expenses for the year can be found in Note 41.

2. Financial reporting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including these interpretations 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 2021 consolidated financial statements are consistent with those applied as of 31 December 2020.

The following standards and interpretations came into application during 2021:

- Amendments to IFRS 9 and IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Disclosures), IFRS 4 (Insurance Contracts) and IFRS 16 (Leases) related to Phase 2 of the benchmark reform. These changes relate to the accounting for 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. The reform of the benchmarks rates - phase 2 is explained in a separate section below.
- Amendment to IFRS 16 (Leases) in respect of rent concessions in connection with Covid-19 (applicable for annual periods beginning on or after 1 June 2020). There is no impact on the financial statements as no such rent concessions have been granted to the Company.
- Amendments to IFRS 4 Insurance Contracts. Extension of the temporary exemption from applying IFRS 9 until 1 January 1, 2023 (applicable for annual periods beginning on or after 1 January 2021).

These new provisions had no material impact on the Company's results for 2021 or on its equity as of 31 December 2021 or on the presentation of its financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective for financial years ended 31 December 2021 and have not been applied in the preparation of these consolidated financial statements:
IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023);

- 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, 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 IFRS 3 (Business Combinations): references to the conceptual framework (effective for annual periods commencing on or after 1 January 2022);
- Amendments to IAS 12 (Income Taxes): deferred taxes on assets and liabilities arising from a single transaction (effective for annual periods beginning 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);
- Amendments to IAS 37 (Provisions, Contingent liabilities and Contingent assets – onerous contracts—cost of fulfilling a contract (effective for annual periods commencing on or after 1 Jabnuary 2022);
- Annual improvements (2018-2020 (effective for annual periods commencing on or after 1 January 2022).

The Company will apply all of the foregoing standards, amendments to standards and interpretations upon their entry into force. These amendments are not expected to have a material impact on the Company's consolidated financial statements, with the exception of the implementation of IFRS 17.

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

IFRS 17 Insurance contracts

The IFRS 17 standard contains a revision of the accounting model and the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard introduces a principles-based framework for accounting for all types of insurance contracts, including retained or issued reinsurance contracts and investment contracts with discretionary profit-sharing. The new standard replaces IFRS 4 and is applicable from 1 January 2023 (not yet adopted in the European Union), but early application is allowed. The standard is required to be applied retroactively, unless not feasible, in which case alternative approaches can be used.

IFRS 17 introduces a current value-based measurement model for insurance contracts, in contrast to the liabilities of IFRS 4, which are largely based on grandfathering of the former local (BeGAAP) principles and principles of valuation.

Based on the implementation process, the IFRS 17 standard appears to have a significant impact on the financial reporting of the Company's insurance activities. In 2021, the group focused on validating the measurement methodologies and the options taken for IFRS 17, further elaborating the 'to be' processes and elaborating the financial reporting requirements.

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

Interest Rate Benchmark Reform

In August 2020, the IASB published Phase 2 of the benchmark interest rate reform, amending IFRS 9 and IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Disclosures), IFRS 4 (Insurance Contracts) and IFRS 16 (Leases).

These changes relate to the effects of the transition from an interest rate benchmark on the measurement of financial instruments, lease contracts and hedge accounting. They offer the option to continue hedge accounting, by adjusting the hedge documentation, and set out the required disclosures.

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 instruments and volumes are involved:

- Cleared swaps: EUR 6.7 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr;
- Uncleared swaps, caps and swaptions: EUR 11.1 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr;
- Caps, swaps and swaptions (non-cleared): EUR 2.1 billion notional with Euribor reference interest rate, discounted according to Estr, and interest for exchanged collateral in Estr + spread (8.5 basis points).

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 statement of profit or loss under 'Gains or losses from hedge accounting'. For the non-cleared derivatives with bilateral counterparties, a switch was made in the course of 2021 from Eonia to Estr or modified Estr. To compensate for the decrease in fair value, net compensation of EUR 360,530 was received.

In addition, the Company has exposure of EUR 1.6 billion in debt securities and EUR 0.4 billion in loans to non-retail counterparties and approximately EUR 0.1 billion in mortgage loans with floating interest structures (also mainly Euribor). The debt securities issued by the Company as part of 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.

2.3. Accounting policies – accounting 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 existence of control in structured entities (where there is no capital link with the Company);
- 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:

- Determining the expected useful life and residual value of tangible and intangible non-current assets (see section 'tangible and intangible non-current assets');
- Estimating the recoverable amount of financial assets in default 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 provisions for insurance contracts and 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 material adjustment in the measurement of the relevant assets or liabilities for the upcoming financial year.

Operating segments

An operating segment is part of the Company:
- That conducts business activities that generate revenue and that generate costs;
- The results of which are regularly assessed separately by management;
- For which separate financial information is available.

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

The operating segments derive from the operating activities and the economic environments in which the Company operates and are best represented by the following segments:
- Business activities consisting of the Bank Pool and Insurance Pool;
- Economic activities in Belgium, the Netherlands and Luxembourg.

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

Consolidation

Scope of consolidation

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

All companies included in the consolidated financial statements of the Company end their financial year on 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 euros, which is the functional currency of the financial statements of all companies within the group.

Transactions in foreign currencies

Transactions in foreign currencies are recognised 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 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 assets measured at amortised cost

Debt instruments held in a business model that is designed to receive contractual cash flows and where the contractual cash flows consist solely of repayments and interest payments on the 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 measured 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 adjustments in fair value included in a specific heading in 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).

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, with the difference between the initial measurement and the repayment amount periodically recognised in net interest income 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 or contractually 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 derecognition of the financial asset, a modification gain or loss is recognised 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. Management overlays may also be added to cover the model risk and uncertainties inherent in budget projections and estimates of forward-looking information.

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, 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 ("pull through effect").

If the criteria for recognising the financial asset under default status no longer apply, the financial asset can be remediated if no new criteria for recognising 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 (owing 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 net interest income.

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

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 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 time that the software is available for use.

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

Goodwill

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

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

The Company allocates the goodwill to cash-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. 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 ('branch managers').

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 correspondingly in property, plant and equipment.

After initial recognition the lease liability is recognised as borrowings, with the interest payments recognised using the effective interest method. Revisions or reassessments of the lease liability are recognised when determined. These result in the revaluation of the lease liability and the adjustment of the right-of-use asset. Where the right-of-use asset no longer has a carrying amount and the revaluation concerns a decrease in the lease liability, the revaluation is recognised in the statement of income 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 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 come from changes in actuarial assumptions, experience adjustments, return on scheme assets and changes in the asset ceiling.

Tax expense

Taxes on the profit of the financial year include both the current and deferred taxes. These taxes are calculated in accordance with the tax laws that apply in each country where the enterprise operates.

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

Deferred taxes are calculated for all taxable temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the financial statements, along with unused tax loss carryforwards.

These taxes are measured using the tax rates expected to be in effect at the time of the realisation of the assets or settlement of the liabilities to which they relate.

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

Deferred tax assets and liabilities are compensated and presented netted solely and exclusively if they are taxes levied by the same tax authorities on the same taxable entity. Current and deferred taxes are recognised in the statement of profit or loss with the exception of those related to instruments, transactions or events that are measured directly in (comprehensive income in) equity. These are booked directly to equity.

Levies

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

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

Share capital

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

Product classification of insurance products

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

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

Technical provisions for (re)insurance contracts

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

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

Provisions for unearned premiums and outstanding risks

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

Provisions for life insurance

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

Each separate agreement includes an insurance account, to which cash inflows and from which cash outflows are booked. Cash inflows are, for example, premium payments by the policyholder. Cash outflows are, for example, the settlement of costs for management and insured risks.

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

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

On top of this, a complementary interest rate risk provision (flashing light reserve) is set up as required by law.

Provisions for claims

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

Provisions for profit-sharing and rebates

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

Provisions - health insurance

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

Liability adequacy test

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

Reinsurance

Reinsurers' balances are recognised as an asset in the balance sheet. Where there are objective indications that not all amounts will be received under the reinsurance contract, the carrying amount of the reinsurance asset is reduced correspondingly and an impairment loss is recognised in the statement of profit or loss.

3. Equity attributable to the owners of the parent

The Company is the consolidating company. 86.04% of its shares are owned by Investeringsmaatschappij Argenta (hereinafter Investar) and 12.96% by Argenta Coöperatieve (hereinafter Argen-Co). Equity including equity attributable to minority interests amounts as of 31 December 2021 to EUR 3,296,536,827 compared to EUR 3,115,998,397 as of 31 December 2020. The minority interests amount to EUR 288,304 as of 31 December 2021. Further explanation can be found in Note 4.

	31/12/2020	31/12/2021
Paid up capital	687,413,600	704,898,900
Share premium	356,795,403	409,263,543
Accumulated fair value changes of debt securities measured at fair value through other comprehensive income	98,802,245	65,316,238
Accumulated fair value changes of equity instruments measured at fair value through other comprehensive income	41,666,013	72,634,990
Accumulated cash flow hedge reserve	-1,301,563	0
Accumulated actuarial gains or losses on defined benefit pension plans	-98,573	573,039
Reserves	1,713,941,479	1,857,912,604
Profit or loss attributable to owners of the parent	218,564,954	268,001,360
Interim dividends	0	-82,352,149
Minority interests	214,840	288,304
Total equity	**3,115,998,397**	**3,296,536,827**

The increase in equity in 2021 is the combined result of several factors. The individual elements of equity are further discussed in the text below.

Paid-up capital and share premium

The paid-in capital, represented by 7,048,989 shares, is EUR 704,898,900, and the issue premium is EUR 409,263,543 as of 31 December 2021.

Capital increases in the Company

In 1 December 2021, a capital increase of EUR 69,953,439.71 took place at the Company, whereby 174,853 new shares were issued. This capital increase explains the increase in paid-up capital and share premium in 2021.

Capital increases at the Argenta Group

In October 2021, after a dividend payment of EUR 125,041,500, a capital increase of EUR 72,659,250 (EUR 430 per share) took place at Argenta Spaarbank level.

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 2021 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 140,468,647 as of 31 December 2020 to EUR 137,951,531 as of 31 December 2021.

	31/12/2020	to profit or loss	to reserves	to other comprehensive income	taxes	31/12/2021
Debt securities at fair value through other comprehensive income						
Accumulated valuation gains or losses	206,207,121	-3,629,348		-74,372,851		128,204,922
Accumulated fair value changes of the hedged items in micro fair value hedge	-74,470,307	0		33,354,041		-41,116,266
Deferred taxes	-32,934,202				11,162,040	-21,772,162
Equity instruments at fair value through other comprehensive income						
Accumulated valuation gains or losses	46,871,011		-4,477,012	39,000,893		81,394,892
Deferred taxes	-5,204,976				-3,554,879	-8,759,855
Accumulated other comprehensive income for debt securities and equity instruments	**140,468,647**	**-3,629,348**	**-4,477,012**	**-2,017,917**	**7,607,161**	**137,951,531**

In the 2021 financial year a total of EUR -3,629,348 was recycled to profit or loss. Note 17 gives further information on the processing of the micro hedges.

Accumulated reserve for cash flow hedging

The Company had in the past concluded one interest rate swap that was accounted for as a cash flow hedge. This swap matured in 2021.

	31/12/2020	to profit or loss	to provisions	to other comprehensive income	taxes	31/12/2021
Cash flow hedges						
Accumulated valuation gains or losses taken to equity	-1,735,427	1,729,399		6,028		0
Deferred taxes	433,857				-433,857	0
Accumulated other comprehensive income for cash flow hedges	**-1,301,570**	**1,729,399**	**0**	**6,028**	**-433,857**	**0**

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 come from changes in actuarial assumptions, experience adjustments, return on scheme assets and changes in the asset ceiling.

Reserves

The reserves position (EUR 1,857,912,604 as of 31 December 2021) contains the statutory reserves (legal reserves, available reserves and retained earnings) and the consolidated reserves of the Company. The legal reserve is the reserve fund as referred to in Articles 7:211 of the Companies Code, which requires the formation of a legal reserve amounting to at least one tenth of the share capital. The available reserves are the reserves that are eligible for distribution. The retained earnings are the sum of profits or losses that have not been added to the available reserves during the appropriation of the result and which it has nevertheless been decided to keep in the Company.

Profit or loss attributable to owners of the parent

The consolidated result (excluding minority interests) for the year ending on 31 December 2021 was EUR 268,001,360, compared to EUR 218,564,954 for the year ending on 31 December 2020.

Dividends

On 17 November 2021, a dividend of EUR 140.78 million (EUR 20.48 per share) was paid. This consisted of a dividend of EUR 58,430,156 (from available reserves) and an interim dividend – from the profit of the 2021 financial year – of EUR 82,352,149.

A proposal for a dividend will be made by the Company's Board of Directors to the General Meeting of shareholders. It consists of a final dividend payment of EUR 103,197,198.96 (EUR 14.64 per share) in respect of financial year 2021 via the profit appropriation.

4. Minority interests

In 2020, EUR 214,840 was attributable to the minority interests, and EUR 288,304 in 2021.

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 operates as a bank-insurer and asset manager. As such it is 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, investor managers, supervisory authorities and rating agencies, as well as directors, management and employees.

The risk management function at Argenta is centrally organised at Argenta Bank- en Verzekeringsgroep (Bvg) level, with the exception of the risk management function of the asset managers, which is organised decentrally in the relevant management companies, and local aspects 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 organisation and by supporting and advising the organisation in the implementing and monitoring of risk management (supported risk culture). The risk management function ensures that all significant risks are demonstrably under control, 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 and insurer 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/risk capacity limits for each risk category. Overarching this is the Integrated Risk Management policy, which defines the most important components and processes on the basis of which Argenta has set up its risk management policy. 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 and planning 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 entities and 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.

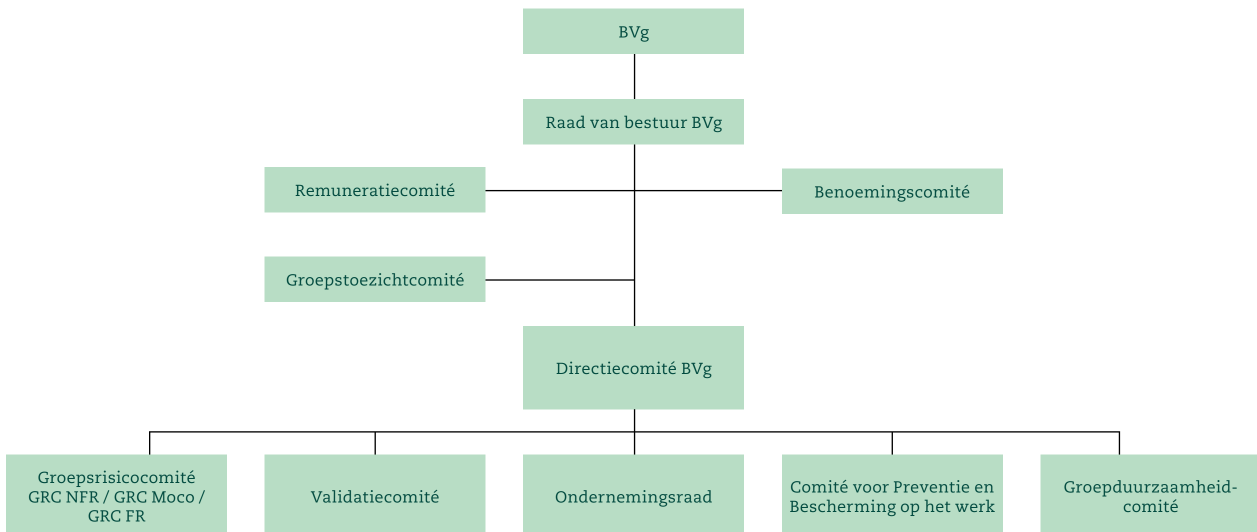
Risk policy

The main components of our risk policy model are:

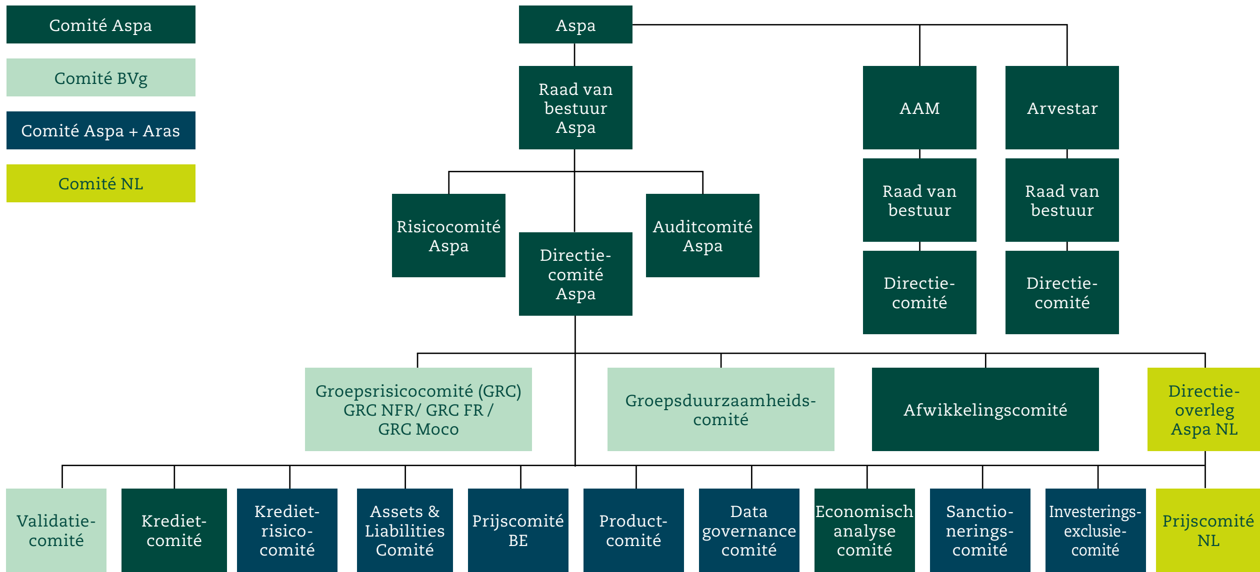
- The Board of Directors that, with the support of the Risk Committee, establishes and oversees the risk appetite and general risk tolerance of the Company. The Board of Directors also approves the main risk management strategies and policies.
- The Risk Committee of the Board of Directors, which supervises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

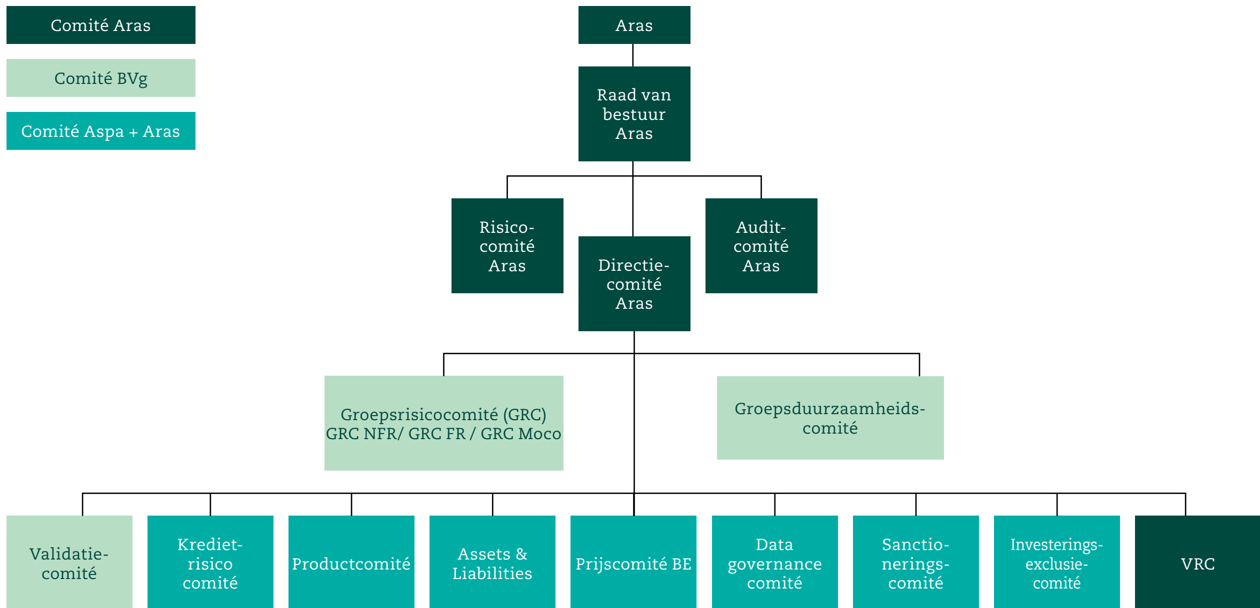
The overview below shows the committee and consultation structure responsible for risk management within BVg, to which the Group Sustainability Committee was added in 2021.



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



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



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

Relevant risk management bodies and control functions reporting to the Board of Directors or the Executive Committee:

- The Appointments Committee advises the Board of Directors on the composition and functioning of the Board of Directors and the Executive Committees of the 3 main Argenta Group entities: Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties.

- The Remuneration Committee advises the Board of Directors on establishing and maintaining the remuneration policy of all entities of the Argenta group, for supervising its implementation, for approving changes to the remuneration policy and for monitoring the impact of the remuneration policy.

- The Group Supervisory Committee has a specific advisory task at group level in order to ensure, on a limited number of topics and with a view to potential conflicts of interest, that:
  - The Board of Directors has at all times 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 it desirable, and at least twice a year with the half-year and annual results.

- 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 financial risks, model overview and non-financial risks.

  - The GRC/Financial Risk Committee (GRC FR) addresses all financial risks in a broad sense including all aspects of Pillar 2 capital management, discusses the financial RAF reporting and RAM (Risk Asset Management) reporting and monitors the climate risk action plan;
  - The GRC/Model Overview Committee (GRC/ MOCO) is responsible for monitoring governance in respect of model risk management, managing the methodology, development and follow-up of all models in the model management framework in order to maintain a central overview and ensure consistency in the model choices across all model types within the Company.

    The GRC/Non-financial Risk Committee (GRC NFR) is responsible for monitoring the non-financial risks including compliance risks and advises the Executive Committee on non-financial risk management.

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

- The Asset & Liability Committee (Alco) is responsible for ensuring:
  - The optimal balance sheet equilibrium by evaluating, following up and proposing actions aimed at minimising the value and result shocks caused by assets and liabilities mismatches;
  - The liquidity position, the interest rate risk and the solvency position including leverage and MREL (Minimum Requirement for own funds & Eligible Liabilities);
  - The diversification and the risk profile of the investment portfolio;
  - Providing information on risks that impact the current and future profits and capital position of the Company, with the exception of the insurance risks that are monitored in the Insurance Risk Committee;
  - The optimal funding diversification including potential wholesale issuances, among these 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 Insurance Risk Committee ('VRC') is responsible for discussing, monitoring and managing the technical insurance risk risks. The following themes are discussed in this committee:
  - Adequacy (LAT) and reservation;
  - Value new business;
  - Reporting on returns and actuarial follow-up reports;
  - Recommendations from the Actuarial function;
  - Subscription risk and hedging insurance risks including reinsurance;
  - Hypotheses for determining technical provisions;
  - Solvency with regard to underwriting and reinsurance risks;
  - Advice on profit sharing.

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

- The Credit Risk Committee 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;
  - Deliberating and deciding on changes to acceptance and authorisation frameworks;
  - 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 authorisation framework and operational processes.

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

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

  Prico is organised on an at least monthly 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;
  - Selective review on an annual basis of each active product in relation to any changes in, for example, processes, regulations, etc.
  - Thorough review of each product on a three-year basis.

  Proco meets monthly or on an ad hoc basis.

- The Group Sustainability Committee (GDC) develops a global sustainability policy for Argenta and supervises the various aspects of sustainability at group level in order to achieve consistent and coherent coordination, monitoring, follow-up, awareness-raising, adjustment and policy preparation with regard to sustainability, in respect of both the Bank Pool and the Insurance Pool.

  To this end, the GDC provides advice on the development of a global sustainability policy across all Argenta departments, including:
  - Its integration into the commercial policy (new products development, pricing, KPI, ...) in respect of the Lending, Investment and Insurance pillars and with linking to Operations and IT via the Value Streams;
  - Monitoring of sustainability-related risk management (risk appetite, RAF framework;
  - Monitoring the reporting of financial and non-financial sustainability;
  - Monitoring sustainability in respect of employees, customers and society and with regard to ecological efforts.

- The Investment Exclusion Committee (IEC) implements the wish to maintain a consistent and coherent exclusion policy across all Argenta entities. The exclusion policy is part of a sustainable investment policy, whereby the Argenta Group wishes to manage its customer portfolios and its own investment portfolios in a responsible manner.

  The exclusion policy is applied to all investments in the proprietary investment portfolios of both the Bank Pool (Aspa) and the Insurance Pool (Aras), and to the investments of Argenta Asset Management and those of Arvestar.

- Separate audit and risk committees have been set up within the Boards of Directors of Argenta Spaarbank and Argenta Assuranties. At Argenta Spaarbank, both committees are chaired by an independent director not belonging to the Board of Directors of Argenta Assuranties. At Argenta Assuranties, both committees are chaired by an independent director not belonging to the Board of Directors of Argenta Spaarbank. The (limited) specific activities of Argenta Bank- en Verzekeringsgroep are overseen by the Audit Committee and the Risk Committee set up within the Board of Directors of Argenta Spaarbank.

  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.

  The Audit Committee must include at least one independent director having the requisite individual competence in accounting and/or auditing. The majority of the members of the Audit Committee must be independent directors. On the other hand the Audit Committee members are required to have collective expertise in the area of Bank's activities and in the area of accounting and auditing.

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.

In 2021, the Integrated Risk Management Policy (formerly RAF Policy) was updated and approved by the Board of Directors. This policy defines the most important components and processes on the basis of which Argenta has set up its risk management policy. The end-to-end Integrated risk management process is the basis and was rationalised together with Process excellence. This end-to-end integrated risk management universe was further rolled out in 2021 and completed by writing the L3 procedures and L4 working instructions.

The risk cartography and the risk appetite statements for all risk types (financial and non-financial) were evaluated and aligned with the current monitoring and policy framework, with discussion in the risk committees and approval by the Board of Directors.

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 assessed, (ii) the risk appetite statements are formulated (iii) the monitoring and capitalisation of the risks within the RAF is updated, and (iv) the monitoring of these risks within the 3 Lines of Defence framework is confirmed. The risks are assessed during workshops with the Executive Committee and the management teams. During these workshops, the priority focal points ('hot spot risks') for the following year are also determined.

For each of these risk types the Company establishes the desired risk appetite. 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 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 Boards of Directors. The quantitative and qualitative RAF on financial and non-financial risks, the forward-looking RAF and the Risk Asset Management (RAM) reporting is reported on a quarterly basis to the Risk Committees, with feedback to the Board.

The RAF provides the basis for the risk-escalation framework. It forms the set of highest limits and indicators, which are further translated into the policy lines, with the setting of operational limits, 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, VRC and other relevant committees	■ 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 every quarter/year-end. A number of RAF indicators also apply at Group level. 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 8 financial risk types are subdivided into the following categories/risks:
- Market risk;
- Credit risk;
- Liquidity risk;
- Business risk;
- Capital risk;
- Model risk;
- Climate risk;
- Underwriting risk.

The 12 non-financial indicators are subdivided into the following categories/risks:
- Sourcing risk:
- Human Resources risk;
- Information Security & Cyber Risk;
- Legal (& Regulatory) risk;
- Fraud risk;
- Data management risk;
- Strategic & Change risk;
- Business continuity risk;
- Brand & Sustainability risk;
- IT risk;
- Process risk;
- Compliance risk.

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

Interaction of ICAAP, ORSA, 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), which consolidates the ICAAP of the Bank Pool and the ORSA - Own Risk and Solvency Assessment - of the Insurance Pool, and the Internal Liquidity Assessment Process (ILAAP) under Pillar 2, the Company evaluates its capital and liquidity adequacy in various base case and adverse scenarios, taking into account all risks identified by the Company. Attention is therefore also paid to climate risk. 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 timing-wise 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 are already 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 in sufficient 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.

In line with the updated FR hot spot risks - as determined by the Executive Committee members - the priorities remain focused on climate risk, market risk and business risk.
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 euros. Exchange rate risk only exists for branch 23 insurance products, but this risk is borne by the policyholder. The Company has no trading portfolio (‘trading book’).

Interest rate risk

Exposure

The single largest market risk to which the Company is exposed is the interest rate risk of the banking book (the Company has no trading 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 by nature sensitive to such interest rate changes because the business model consists of raising funds in the short to medium term (mainly from private individuals through savings and term deposits supplemented, but to a lesser extent, with 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 result. This result is subject to interest rate risk, which is managed according to 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 management, Alco takes into account the sub-types of interest rate risk to which the Company is potentially subject. These include the gap risk (risk from interest rate mismatch between assets and liabilities), the option risk (risk from the embedded options in assets and/or liabilities) and the basis risk (risk arising from a difference in the reference indexes used for repricing the asset and liabilities products). In addition, business risks (including the risk that the price elasticity of products without contractual interest maturity dates will evolve differently than is modelled for the purpose of interest rate risk management) are also monitored and managed or capitalised.

In order to keep the relevant risks within the risk appetite (RAF) determined by the Board of Directors and within legal limits, the balance sheet is managed both endogenously and and exogenously, including a Hedging Consultation (HO) reporting to Alco. 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 17 and 30.

Sensitivity analysis - interest rate risk in the Bank Pool

The following table shows the interest rate sensitivity of the result over 12 months and of the equity of Aspa in the event of a a parallel interest rate shock of 100 bp, both upwards and downwards.

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

	31/12/2020		31/12/2021	
	+100bp	-100bp	+100bp	-100bp
Impact on earnings (over 12 months)	33,946,390	-54,397,282	43,027,002	-61,305,202
Impact on equity	90,495,895	-120,852,496	-979,042	-273,034,356

These sensitivity analyses are measured using the following internal method. This method is in line with the prevailing 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 are taken into account based on Conditional Prepayment Rate (CPR) models, based on observations in the Belgium and Netherlands mortgage portfolios;
- Results 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 draw-downs of approved but not yet fully drawn-down credit facilities at position date are calculated in;
- Interest rate caps and floors on variable interest rate loans are taken into account;
- Call options in the securities portfolio are taken into account on a weighted average life (WAL) basis;
- The prevailing EBA floor serves as the interest rate floor in sensitivity analyses under -100bp;
- The negative market value impact on reaching the interest rate floor on regulated savings is taken into account in the capital simulations.

The negative impact on equity from a +100bp interest rate rise increased in 2021 owing to the higher market interest rates, which reduced the modelled (interest-sensitive) prepayments on Belgian mortgages, coupled with strong new mortgage production. The interest rate risk was mitigated, on the one hand by two covered bond issues with an interest maturity that is more in line with that of the mortgages than the retail funding, and on the other by taking out additional exogenous hedges.

The exogenous hedges have a certain adverse effect at -100bp. The negative impact of the exogenous hedges on down-risk is mitigated by an appropriate mix of (long-term) forward payer swaps and swaptions, supplemented by (short-term) receiver swaps. The down risk increased mainly because the rise in market interest rates caused the simulated interest rate shock to increase to the EBA floor.

The hedging strategy continues to focus on keeping the interest rate risk under active control (i.e. within the internally set limits). To this end, not only are the sensitivities under parallel up and down shocks considered, but also the possible impact under the 6 defined EBA interest rate shocks. In each case a capital and a result perspective are taken into account.

The exogenous hedging instruments used fall under the application of hedge accounting. The qualification criteria are monitored monthly. These continued to be respected in 2021.

In 2022, in line with NBB Circular_2021_20, an Article 36bis derogation request will be submitted for macro hedging transactions and for current securitisation transactions.

Sensitivity analysis - interest rate risk in the Insurance Pool

The following equity and income sensitivity analysis shows the impact on the result for 12 months and on equity at Aras in the event of parallel interest rate shocks.

	31/12/2020		31/12/2021	
	+100bp	-100bp	+100bp	-100bp
Impact on earnings (over 12 months)	745,967	-911,413	1,384,754	-1,611,105
Impact on equity	-22,416,340	-761,376	-22,965,381	1,755,412

The calculation of income sensitivity is based on:
- Balance sheet position with production as foreseen in the business plan;
- Flat rates;
- The interest result on the Life portfolio.

The calculation of equity sensitivity is based on:
- The methodology applied under Solvency II, Pillar 1;
- Interest rate sensitivity over the entire balance sheet.

A 100 basis points increase or decrease in interest rates over the first year has hardly any impact on Life insurance income. This is expected to remain limited until the end of 2022 owing to good cash flow matching.

The sensitivity of income to falling interest rates increased slightly due to a cautious assumption as to the guaranteed interest rates on new business.

In 2021, a 100 basis points increase in interest rates would have had a negative impact of EUR 22.9 million on the market value of equity. A fall in interest rates under the Solvency II down scenario has a limited positive impact on equity (EUR 1.7 million). Thus, the interest rate risk lies fully in an up-shock and is quasi unchanged since last year.

Spread widening risk

Exposure

The return on the investment portfolio is largely determined by the credit spread earned on the investments made. The evolution and fluctuations of the credit spread are often market driven and determined also by other factors than those 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 Aspa's and Aras'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 and ORSA 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 2021, the impact for Aspa of a 1 basis point increase in the credit spread was EUR -3,287,423 compared to EUR -3,740,708 at the end of 2020. The decrease in sensitivity is the result of a decrease in average term given an stable portfolio.

Aras had a spread sensitivity of EUR -921,056 as of 31 December 2021 compared with EUR -1,108,885 as of 31 December 2020. Here the decrease is mainly due to a decrease in portfolio volume.

53% of both portfolios are measured 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 46% 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 equity positions into its investment portfolio. Aspa has in its portfolio a limited number of shares in counterparties involved in real estate development and/or operation. Aras' equity portfolio contains corporates and real estate counterparties.

Risk management

The portfolio of individual shares is very limited and is managed within a rigorous risk management framework, including limits on size, permitted sectors, market capitalisation and concentration.

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

Sensitivity analysis - equity risk

The sensitivity analysis below shows the impact on the Company of a 10% fall in the market value of equity instruments.

	31/12/2020	31/12/2021
	-10%	**-10%**
Impact on earnings	-5,474,898	-7,276,253
Impact on equity	-15,501,316	-20,765,657

Equity instruments at fair value through other comprehensive income amount to EUR 207,656,571 (market value) as of 31 December 2021. If the markets fall by 10%, the amount in equity will decrease by EUR 20,765,657 and no impairments will be recorded. Equity instruments at fair value through profit or loss amount to EUR 72,762,534 as of 31 December 2021. A 10% decrease will be immediately recognised in the statement of profit or loss.

The Insurance Pool sells and distributes branch 23 insurance contracts. These insurance contracts invest, on behalf of the customer, in various funds that invest primarily in shares and bonds. The equity risk related to these insurance contracts is borne by the policyholder.

Property risk

Exposure

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

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

Risk management

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

In 2020 this involved a portfolio with a carrying value of EUR 1,134,508. As of end-2021, the carrying value was EUR 944,204.

A 10% decrease in market value will - as long as there is no permanent impairment - have no impact on the result. The maximum risk of loss is EUR 944,204.

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 types of mainly longer-term loans and investments.

Liquidity sources of the Bank Pool

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

- A substantial base of customer deposits;
- Being widely present across 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.

Aspa also goes to the interbank or professional market to fund itself. This it does to diversify its sources of financing 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). Since 2021 the Company may, after first obtaining a licence from the regulatory authority, issue Belgian Covered Bonds (Pandbrieven). Specific follow-up is provided through the Covered Bond Experts Consultation (CBEO), reporting to Alco. Repurchase agreements (repos) are also concluded periodically in the context of liquidity management, and in the past years the Company also took part in the ECB's TLTRO-III operations.

The immediately available liquidity sources consist of high-quality assets. These consist mainly of a diversified portfolio of central bank reserves, government bonds, securitisations and corporate bonds. In addition to the liquid assets eligible for the LCR, Aspa also has a portfolio of ECB-eligible and other saleable securities.

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

Aspa maintains a derivatives portfolio with a view to hedging the interest rate risk. The value of this portfolio is hedged with collateral. The assets used as collateral are excluded from the LCR (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 evolution of Aspa's rating. The evolution of the collateral is closely monitored.

Funding sources	31/12/2020	31/12/2021
Deposits from central banks	0.54%	0.56%
Deposits from credit institutions	0.02%	0.11%
Deposits from other than central banks and credit institutions	87.20%	86.93%
Savings certificates issued to retail customers	0.00%	0.00%
Senior debt securities issued to retail customers	0.00%	0.00%
Other debt securities issued to institutional investors	8.26%	10.46%
Subordinated debt securities issued to retail customers	0.00%	0.00%
Subordinated debt securities issued to institutional investors	1.16%	0.00%
Other liabilities	2.82%	1.94%
Total liabilities	100.00%	100.00%
Total liabilities in euro	**43,943,961,827**	**46,336,516,329**

Risk management in the Bank Pool

The Company has a continuous internal risk-based assessment of both current and future funding and liquidity requirements to ensure that sufficient liquidity and funding resources are available to cover the risks arising from the business strategy. All this is contained in the Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP Policy, which has been approved by the Board of Directors, provides an overview and description of the key elements of ILAAP and their interaction, and explains how ILAAP is integrated into the Company's operations and how its findings are used.

Alco monitors the liquidity indicators on a systematic 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 (funding stability). 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, Aspa 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. Daily financing reports are distributed to a broad target group within the Company.

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.

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	31/12/2020	31/12/2021
LCR	100%	159%	164%
NSFR	100%	136%	151%
AER strikt (RAF limit)	95%	106.9%	106.6%
AER ruim (RAF flashing light)	110%	115.0%	113.4%

The flashing light threshold and the recovery plan threshold for the AER depend on the category in which the Company is located. This category is determined as a function of the eligible deposits as defined in Article 389 of the Banking Act in relation to the total assets of the institution. In 2021, Aspa was in category 2.

Risk management in the Insurance Pool

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

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

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

Maturity analysis Bank Pool

Notes 14, 15 and 16 contain additional information on the remaining terms of the financial assets 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.

31/12/2020	< 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**

31/12/2021	< 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	258,262,863	0
Deposits from credit institutions	49,255,578	0	12,863	0
Deposits from other - on demand	38,925,489,393	0	0	0
Deposits from other - on term	330,946,276	246,386,554	683,527,719	93,719,104
Debt securities issued - saving certificates	0	0	0	0
Debt securities issued - other	94,353,089	283,666,102	2,650,759,262	1,819,126,477
Subordinated debt securities issued	0		0	0
Other financial liabilities	3,243,478	9,730,434	41,988,699	38,206,515
Derivatives used for hedge accounting	30,001,141	80,051,403	287,924,969	339,959,919
Total financial liabilities	**39,433,288,955**	**619,834,493**	**3,922,476,375**	**2,291,012,015**

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 2021 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.

Maturity analysis Insurance Pool

The Insurance Pool does not use derivatives. The maturity analysis of the liabilities is shown by category in the table below.

Fiscal year 2020	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities related to unit-linked insurance contracts (branch 23)	118,204,824	191,395,193	704,821,262	1,628,390,278
Financial liabilities measured at amortised cost				
Deposits from credit institutions	120,001,616	95,000,456	0	0
Other deposits - no fixed term	0	0	0	0
Other deposits - fixed term	0	0	0	14,752,684
Other financial obligations	7,142,947	39,102,694	17,749,154	0
Liabilities under reinsurance and insurance contracts				
Life	26,173,954	268,789,696	1,374,703,718	1,224,588,079
Non-life	26,051,248	78,153,743	56,593,000	57,953,012
Total financial and insurance liabilities	**297,574,589**	**672,441,782**	**2,153,867,134**	**2,925,684,053**

Fiscal year 2021	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities related to unit-linked insurance contracts (branch 23)	78,376,421	213,482,669	889,719,479	1,838,163,556
Financial liabilities measured at amortised cost				
Deposits from credit institutions	0	0	0	0
Other deposits - no fixed term	0	0	0	0
Other deposits - fixed term	2,695	0	0	14,070,252
Other financial obligations	10,285,711	5,741,772	1,337,053	0
Liabilities under reinsurance and insurance contracts				
Life	68,396,756	613,074,657	983,161,970	1,203,787,968
Non-life	22,340,866	67,022,598	59,749,536	54,937,889
Total financial and insurance liabilities	**179,402,449**	**899,321,696**	**1,933,968,037**	**3,110,959,665**

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

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

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

5.3. Credit risk

Exposure

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

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

Risk management

In the retail segment, the Company's target group consists of individuals, families, self-employed persons and liberal professions having their usual place of residence in Belgium or the Netherlands and wishing to take out loans for mainly non-professional purposes. The financing may also be for professional purposes, in the case of Argenta's own branch managers.

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

The most important elements of risk management are the Acceptance and Authorisation Framework for the granting of loans, along with set limits for creditworthiness, monitoring procedures and a monthly follow-up of the credit risk indicators on production and portfolios, along with targeted detail analyses. More detailed and periodic follow-up was applied in Belgium 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 could apply, however, qualify 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 2021, 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 into 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 (IO), in which representatives of the Executive Committee (in the case of escalation), Treasury and Investment Management (TIM), Treasury & 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 (RO) and Alco.

Every year, credit analysis of the banking, corporate and property 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 in, 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.

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

Internal models for credit risk

Aspa has opted, for its mortgage lending, subject to non-material exceptions, and for banking and corporate counterparties, to use internal ratings and to calculate its own capital requirements using the IRB(F) method. The bank has developed internal rating models for this. A distinction is made between models for Probability of Default - PD and Loss Given Default - LGD (incl. Expected Loss Best- ELBE and LGD in 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 using these PD and LGD models (AIRB approach) and a PD category and a LGD determined for each loan. These risk parameters form the basis for calculating the capital charge for unexpected losses. The internal mortgage rating models are being redeveloped to bring them into line with the new default definition, in order to comply with EBA guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures. The redeveloped models are audited internally and externally and can only be applied after approval by the ECB.

For banking, corporate and property counterparties, this is a FIRB approach, for which a PD model has been developed. The internal rating models are subjected to internal review on an at least annual basis.

Maximum credit risk

The total credit risk exposure of the Bank Pool consists of the carrying value of financial assets on the balance sheet (the major part of the asset side of the balance sheet), the calculated exposure to financial derivatives, and specific off-balance-sheet items (including securities purchases in progress, credit commitments and financial guarantees) as specified in the (Basel) equity regulations. The table below shows the outstanding credit risk of the Bank Pool as reported in the prudential COREP tables. For the off-balance sheet exposures, this is the maximum exposure (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.

	31/12/2020	31/12/2021
Total on-balance sheet	46,140,050,731	48,578,047,426
Total off-balance sheet	3,688,981,675	4,168,012,424
Total derivatives	154,551,088	141,834,525
Total exposure to credit risk	**49,983,583,495**	**52,887,894,375**

The maximum exposure to credit risk in the Insurance Pool consists largely of on-balance sheet positions and amounts to EUR 6,443,014,117 as of 31 December 2021, compared with EUR 6,490,177,142 as of 31 December 2020. The on-balance sheet amounts and derivatives have been changed retroactively in order to correct a presentation error.

Collateral and other forms of credit improvement

Personal guarantees or collateral are always required when granting retail mortgage loans. For such collateral (in this case the properties on which a registration may be registered, in certain cases combined with a power of attorney) individual expert valuations are periodically undertaken at different points in the credit cycle.

Valuations can be made at the start of the credit using the rules defined in the acceptance frameworks for Belgium and the Netherlands. In Belgium, control estimates of collateral are performed on a random sample of collateral one year after the start of the credit, in cases where the collateral was not assessed by an expert at the outset. This methodology will be replaced from 2022 by the implementation of the new EBA guidelines on valuations. This type of sampling does not apply in the Netherlands because a property is always estimated at the start of the loan by an expert by means of a (desktop) appraisal. 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 2021, no significant negative changes took place in the quality of the collateral present and no major changes were made to the collateral solicitation policy. There is an overarching policy for the valuation of collateral, with guiding principles with which Argenta is required to comply. 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. Action plans have been drawn up to make improvements in the property valuation processes, including the recording of energy performance certificates and energy labels as part of the collection and reporting of information on the energy efficiency of real estate exposures.

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 advances within the 'loans and advances' heading.

	31/12/2020		31/12/2021	
	Carrying amount	%	Carrying amount	%
Advances and overdrafts	4,516,610	0.01%	6,922,623	0.02%
Consumer loans	290,897,981	0.85%	329,566,906	0.90%
Mortgage loans Belgium	16,088,299,697	47.18%	16,862,250,753	45.89%
Mortgage loans Netherlands	17,562,971,047	51.50%	19,377,825,605	52.74%
Term loans	156,605,911	0.46%	165,134,868	0.45%
Total	**34,103,291,246**	**100.00%**	**36,741,700,757**	**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 and repayment 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.

	31/12/2020		31/12/2021	
	Carrying amount	%	Carrying amount	%
Financial assets at fair value through other comprehensive income	**4,888,156,960**	**100.00%**	**4,807,754,658**	**100.00%**
Debt securities				
General Governments	1,158,581,592	22.97%	1,139,171,787	23.69%
Credit Institutions	1,426,469,886	28.29%	1,315,145,399	27.35%
Other Financial corporations	594,056,745	11.78%	1,773,891,172	36.90%
Non Financial corporations	1,709,048,738	36.96%	579,546,299	12.05%
Financial assets at amortised cost	**5,946,362,005**	**100%**	**5,620,949,041**	**100.00%**
Debt securities				
General Governments	1,669,993,152	28.08%	1,173,053,162	20.87%
Credit Institutions	520,780,014	8.76%	425,288,625	7.57%
Other Financial corporations	1,224,376,178	20.59%	1,215,446,006	21.62%
Non Financial corporations	1,393,297,715	23.43%	1,595,052,415	28.38%
Term loans	1,109,574,343	18.66%	1,178,658,532	20.97%
Leasing	28,340,603	0.48%	33,450,300	0.60%
Non-trading financial assets mandatorily at fair value through profit or loss	**139,614,545**	**100%**	**128,724,107**	**100.00%**
Debt securities				
General Governments	20,028,219	14.35%	0	0.00%
Credit Institutions	27,318,750	19.57%	26,514,847	20.60%
Other Financial corporations	31,993,175	22.92%	30,449,528	23.65%
Non Financial corporations	60,274,401	43.17%	71,759,732	55.75%

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

	31/12/2020	31/12/2021		31/12/2020	31/12/2021
Australia	0.05%	0.05%	Luxembourg	3.39%	4.20%
Belgium	32.81%	33.59%	Mexico	0.57%	0.48%
Canada	1.73%	1.59%	The Netherlands	14.67%	14.36%
Denmark	1.17%	1.11%	Norway	0.05%	0.00%
Germany	5.91%	5.96%	Austria	0.53%	0.50%
Finland	0.96%	1.59%	Poland	1.77%	1.22%
France	14.01%	13.99%	Romania	0.39%	0.41%
Hungary	0.42%	0.44%	Slovenia	2.03%	1.53%
Ireland	3.11%	3.38%	Slovakia	0.89%	0.89%
Iceland	0.82%	1.61%	Spain	6.08%	6.17%
Indonesia	0.40%	0.41%	Czech-Republic	0.90%	0.30%
Italia	0.46%	0.41%	United Kingdom	0.80%	0.61%
Latvia	0.52%	0.44%	United States of America	1.88%	1.41%
Lithuania	0.40%	0.42%	Sweden	2.64%	1.97%
			Other	0.64%	0.96%
			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
Impairments on the financial instruments in the retail portfolio are determined on the basis of a scenario-weighted model in which the ratings are based on current and past information, while the scenarios themselves make forecasts for the future. The expected credit losses (ECL) are calculated as the sum of the weighted credit losses under a baseline scenario, a downward 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 on the basis of the IRB models, historical performance), based on a 'through-the-cycle' (TTC) component (average macroeconomic conditions) and a 'point-in-time' (PIT) component (forward-looking macroeconomic conditions);
- 'Exposure at Default' (EAD) is calculated on the reporting date and over the life of the instrument and includes both on- and off-balance sheet exposures. The on-balance sheet exposure consists of the sum of the outstanding capital plus any arrears. The projection of the on-balance sheet exposures over the remaining term takes into account the contractual repayments. Off-balance sheet exposures (being the credit pipeline, unused credit lines and building deposits) are included based on the modelled expected conversion and take-down. The EAD for the Dutch portfolio is corrected for the likelihood of partial prepayment. For Dutch mortgages there is an additional assessment for loans with a non-annuity repayment component;

- '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. Owing to the limited impact of direct costs on the effective interest rate, the contractual interest rate is used as an approximation;
- In view of the uncertainty, management overlays are applied (haircut pledge values, loss given loss - LGL factor), with, specifically for the Belgian portfolio, capping of the cure rate).

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 national 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 data to determine an average long-term migration matrix. After this the long-term PDs from the matrix are converted into expected 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 modelling the historical rating migration matrices and their relationship to macroeconomic factors. These relationships are then used to determine FL rating migration matrices in which the Point In Time (PIT) PDs are present. The economic indicators taken into account are the change in real GDP growth, the change in unemployment level and the change in headline inflation. 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 (for Q2 and Q4) and are approved by Alco.

Further information about the weightings used for the scenarios and the FL information is included in Note 43: Impairment losses.

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 (PD_{bg}) taking into account the characteristics of the instrument as they were present at the time of initial recording of the instrument. The 'staging' model can be summarised as follows:

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

In addition, a SICR (Significant Increase in Credit Risk) trigger has been introduced, which states that if the annualised 'lifetime' PD increases by at least a factor of 3, the instrument enters stage 2 in any event.

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 (backstop).

Apart from the above automatic criteria, the Company assesses whether for certain sub-portfolios an increased risk exists that these loans will not be repaid in full and on time, and should be considered in stage 2. Moreover, in 2021, in the context of the increased attention to SICR, additional EWS (early warning signals) were implemented.

In this way the Company does not avail of 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
The non-retail model for determining the PIT PDs was adapted at the end of the year to an internally developed model in place of an external S&P model. There were otherwise 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 Netherlands 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 (Conditional Prepayment Rate – estimate rhythm of prepayments) was taken into account.
The management overlays were not changed during 2021.

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

A loan receivable is considered to be in default once it is 90 consecutive days in arrears in a material amount (more than EUR 100 and 1% of exposure for retail credit portfolios), or 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 UTP indicators in Belgium and the Netherlands are aligned as much as possible. The main UTP indicators are:

- Indicator 'Relational problems with financial difficulties';
- Indicator 'Death (until the 2nd degree)';
- Indicator 'Credit increase';
- Indicator 'Impact on income due to unemployment';
- Indicator 'Other';
- Covid UTP indicators – these were phased out from Q1 2021 according to established criteria (not applicable for the Netherlands).

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, is adjusting its models to the internal rating approach. The application file for the non-retail models was submitted on 30 June 2021. The Belgian retail mortgage models were submitted on 24 December 2021 and the Dutch retail mortgage models will be submitted as a target at the end of April 2022.

The table below gives an overview of the stage 1, 2 and 3 receivables per category of financial instruments and the transfers between phases. The debt securities measured at fair value through other comprehensive income stage 2 and the committed loans stage 1 for the reference financial year have been modified retroactively in order to correct a presentation error.

	31/12/2020			31/12/2021		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost	**36,070,565,427**	**4,592,922,284**	**179,128,390**	**39,225,613,639**	**3,372,824,108**	**176,541,137**
Debt securities	4,784,747,310	29,776,085	0	4,384,068,653	26,504,603	0
Loans and advances	31,285,818,117	4,563,146,199	179,128,390	34,841,544,986	3,346,319,505	176,541,137
of which leasing receivables	28,340,603	0	0	33,450,300	0	0
Financial assets at fair value through other comprehensive income	**4,874,818,001**	**13,338,959**	**0**	**4,797,822,250**	**9,932,408**	**0**
Debt securities	4,874,818,001	13,338,959	0	4,797,822,250	9,932,408	0
Equity instruments						
Total financial assets	**40,945,383,428**	**4,606,261,243**	**179,128,390**	**44,023,435,889**	**3,382,756,516**	**176,541,137**
Loan commitments, financial guarantees and other commitments given	**2,694,279,269**	**51,004,485**	**0**	**3,234,757,687**	**33,431,070**	**0**
of which purchased credit-impaired financial assets	0	0	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	Naar fase 3 van fase 1	To stage 1 from stage 3
Financial assets at amortised cost	**2,881,238,479**	**534,556,337**	**63,698,715**	**21,003,125**	**42,709,186**	**735,716**
Debt securities	26,269,583	36,911,900	0	0	0	0
Loans and advances	2,854,968,896	497,644,437	63,698,715	21,003,125	42,709,186	735,716
of which leasing receivables	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	**13,338,959**	**0**	**0**	**0**	**0**	**0**
Debt securities	13,338,959	0	0	0	0	0
Equity instruments						
Total financial assets	**2,894,577,438**	**534,556,337**	**63,698,715**	**21,003,125**	**42,709,186**	**735,716**
Loan commitments, financial guarantees and other commitments given	**7,644,565**	**1,905,786**	**0**	**0**	**0**	**0**

31/12/2021	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	Naar fase 3 van fase 1	To stage 1 from stage 3
Financial assets at amortised cost	**598,422,879**	**1,536,526,681**	**48,719,003**	**38,179,606**	**18,265,986**	**812,862**
Debt securities	0	1,252,684	0	0	0	0
Loans and advances	598,422,879	1,535,273,997	48,719,003	38,179,606	18,265,986	812,862
of which leasing receivables	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	**0**	**3,406,550**	**0**	**0**	**0**	**0**
Debt securities	0	3,406,550	0	0	0	0
Equity instruments						
Total financial assets	**598,422,879**	**1,539,933,231**	**48,719,003**	**38,179,606**	**18,265,986**	**812,862**
Loan commitments, financial guarantees and other commitments given	**4,777,761**	**7,498,198**	**0**	**15,096**	**0**	**0**

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

	01/01/2020	Origination and acquisition	Derecognition	Changes in credit risk (net)	Changes due to update in the institution's methodology for estimation (net) and in the macroeconomic factors	Write-offs	Other	31/12/2020
Stage 1	**-6,724,336**	**-5,093,036**	**2,140,782**	**-3,469,484**	**462**		**-1,145,743**	**-14,291,356**
Debt securities	-3,635,147	-3,340,305	770,693	-3,928,248	0		0	-10,133,007
Loans and advances	-3,089,189	-1,752,731	1,370,089	458,763	462		-1,145,743	-4,158,349
Stage 2	**-9,627,552**	**-1,751,524**	**2,246,587**	**-2,861,558**	**-104,589**		**-3,454,624**	**-15,553,260**
Debt securities	-426,099		74,029	-577,556	0		0	-929,626
Loans and advances	-9,201,453	-1,751,524	2,172,558	-2,284,002	-104,589		-3,454,624	-14,623,634
Stage 3	**-12,504,179**	**-822,027**	**3,042,289**	**-12,073,511**	**233,851**	**1,772,670**	**-21,114**	**-20,372,021**
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-12,504,180	-822,027	3,042,289	-12,073,511	233,851	1,772,670	-21,114	-20,372,022
Provisions on loan commitments, financial guarantees and other commitments given	**-921,933**	**-3,533,567**	**3,076,706**	**-64,171**	**309**	**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	**-29,778,000**	**-11,200,154**	**10,506,365**	**-18,468,725**	**130,033**	**1,772,670**	**-4,119,766**	**-51,157,578**

	01/01/2021	Origination and acquisition	Dere-cognition	Changes in credit risk (net)	Changes due to update in the institution's methodology for estimation (net) and in the macroeconomic factors	Write-offs	Other	31/12/2021
Stage 1	**-14,291,356**	**-2,218,750**	**1,459,717**	**11,112,047**	**1,836**		**-1,633,490**	**-5,569,996**
Debt securities	-10,133,007	-782,090	666,629	8,290,978	0		-840,289	-2,797,779
Loans and advances	-4,158,349	-1,436,661	793,088	2,821,069	1,836		-793,201	-2,772,217
Stage 2	**-15,553,260**	**0**	**1,947,545**	**11,004,845**	**-59,015**		**-4,253,774**	**-6,913,659**
Debt securities	-929,626	0	11,487	432,531	0		180,823	-304,785
Loans and advances	-14,623,634	0	1,936,058	10,572,314	-59,015		-4,434,597	-6,608,873
Stage 3	**-20,372,021**	**0**	**1,804,521**	**-10,475,852**	**0**	**4,173,596**	**0**	**-24,869,756**
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-20,372,022	0	1,804,521	-10,475,852	0	4,173,596		-24,869,756
Provisions on loan commitments, financial guarantees and other commitments given	**-940,941**	**-2,252,437**	**1,937,776**	**-11,988,501**	**235,097**	**0**	**18,351**	**-969,798**
Stage 1	-850,567	-2,252,437	1,853,788	282,404	0		43,525	-923,286
Stage 2	-90,374	0	83,988	-14,962	10		-25,175	-46,512
Stage 3	0	0	0	0	0	0	0	0
Total	**-51,157,578**	**-4,471,187**	**7,149,558**	**-347,460**	**177,918**	**4,173,596**	**-5,868,913**	**-38,323,209**

For the receivables in stage 3 amounting to EUR 176,541,137, EUR 24,869,756 of impairments have been recorded as of 31 December 2021 (14.1% coverage ratio). For the phase 3 outstanding receivables, the Company holds collateral (in the form of immovable property) with an estimated value of EUR 146,045,168.

The other movements include the increase in stage 2 and 3 impairments owing to the recognition of off-balance sheet commitments (loan commitments) and changes due to adjustments to methodology, assumptions and techniques.

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. In the Netherlands, this task is undertaken by the NL Coordinator Special Management.

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 in direct consultation between the counterparty and the servicer or the NL Coordinator Special Management (for Dutch loans), or the Company's Curative Management (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 in Curative Management);
- Deferment of payment (specifically for Belgian loans);
- 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 granted by the Belgian regulator. The application of these regulatory moratoria was extended by the regulator until Q2 2021. Files with Covid-19 measures were scored by the Curative management department with Covid-UTP indicators, followed by an assessment in accordance with the existing procedures for UTP soft default. The maximum number of granted months for the regulatory moratoria was reached after 9 months.

There was no no Covid-19-related regulatory moratorium in the Netherlands. 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 42.

Internal refinancings give rise to the recording of a credit receivable, and the repayment (and derecognition) of the refinanced credit receivable. Where the refinancing is granted owing to a forbearance measure (forbearance is granted in such a way as to deviate from the normal acceptance framework and the normal conditions for refinancing), this is recorded as such. 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. If during the current forbearance measure an arrears of > 30 days occurs, or an additional forbearance measure is granted, then the loan migrates to stage 3. The increase in forbearance compared to 2020 is mainly the result of the Covid-19 measures taken in the Netherlands.

	31/12/2020	31/12/2021
Gross carrying amount of exposures with forbearance measures	169,207,728	217,594,949
of which performing exposures wirth forbearance measures	108,530,240	140,930,627
of which non-performing exposures with forbearance measures	60,677,488	76,664,322
Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	4,337,857	5,737,441
Collateral and financial guarantees received	159,457,578	204,164,563

5.4. Underwriting risks

Exposure

The underwriting risk includes generally all risks associated with the nature of the underwriting of insurance activities. It is the risk of a negative change in the financial situation, caused by the difference between expected and actual payments.

For property and casualty insurance, the Company's results depend mainly on the degree to which actual claims payments correspond to the principles applied in pricing products and in determining the level of the technical provisions. For life insurance, the underwriting risk consists of, among other things, the risk of deviating surrender behaviour, deviating benefits (in the event of death), deviating assessment of the medical risk, deviating estimate of the intention to take out the life insurance (reference to AML risks) and policy costs. In health insurance both types of risk - those specific to life insurance and those specific to casualty insurance - exist together.

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

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

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

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

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

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

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

Risk management

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

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

In its reservation policy, a distinction is made between 'frequency files' with smaller claim amounts and heavy claims (above EUR 150,000 for bodily injury and above EUR 200,000 for fire damage). The policy for frequency files is situated upfront, in the annual determination by the IRMS (actuarial) sub-department of the standard opening reserves, based on the historical cost of claims. This is a 'best' estimate (realistic estimate) of the average cost of claims.

The policy with regard to heavy claims requires a tailor-made approach. The Heavy Claims Consultation reports to the VRC (Insurance Risk Committee). These files are mapped by a process of constant evaluation of the interventions by the insurance undertaking, with analysis of the application of the insurance contract, of the conventions and exclusions, the approach taken to the claim, liability, the various liability allocation mechanisms, the deduction of the policyholder's own portion and the addition of costs. The base is a fair estimate of the heavy claims (based on all the above items) plus a risk margin, given the potential sizeable fluctuations. This precision approach, with frequent revisions, is intended to minimise upward and downward fluctuations.

Note 2.2 "Implementation and impact of changes in accounting policies" discusses the adjustment of the risk appetite reservation for loss reserves. The adequacy of the reserves or LAT is tested in accordance with the eponymous policy. These are systematically examined for adequacy. If the reserves are considered inadequate, a decision is made in most cases to assign supplementary provisions and/or adjust the pricing and risk acceptance strategies or to take other initiatives.

The Insurance Pool also uses reinsurance to limit, to mitigate claims volatility and to optimise solvency ratios. The retention levels and limits of the reinsurance treaties are determined based on the Company's acceptance policy and risk appetite and are enshrined in the 'Reinsurance' policy. The VRC continuously monitors these risks and reports on them to the Audit Committee and the Risk Committee of the Board of Directors.

Reinsurance is used in:

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

Given the floods of summer 2021, the renewal of the CAT (catastrophe) programme proved challenging: the non-Life 2022 reinsurance programme could finally be 100% placed, except for a negligible part on the second layer of the aggregate.
Unlike the Non-Life reinsurance programme, which must be renewed annually, the Life Reinsurance Program is a 3-year treaty, which was renewed at the end of 2019. This reinsurance programme offers mortality coverage. This means that Aras transfers part of the risk premium that Aras charges to customers to the reinsurers. In return, the reinsurer pays the death benefit upon the death of the customer. Just like the previous contract, it was decided - with retention of profit participation - to fully reinsure Aras for Life. The treaty negotiated is a 2-year rolling treaty.

The table below shows the reinsurance premiums paid:

	31/12/2020	31/12/2021
Property	1,998,017	2,248,131
Motor	1,753,543	2,088,328
Liability	34,472	46,259
Life	10,962,519	15,965,855
Total	**14,748,551**	**20,348,573**

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

- Earnings at risk 80%: income volatility across all risks/net income before taxes (in a 1-year-in-5 perspective);
- Value at risk 95%: value volatility across all risks/available economic capital (in a 1 year in 20 perspective);
- Net Interest Income margin - branch 21: interest margin compared to the limits required for 8% ROE and 0% ROE taken from the Business Plan;
- New Business Margin Life and Value New Business Life: Value of Life production for the financial year if 8% ROE target is achieved compared to discounted premiums;
- Combined Ratio Non life including reinsurance;
- Combined Health Ratio.

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

Sensitivity analysis

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

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

The following table shows the impact of the scenarios on the market value of equity. It is clear that the market value of equity is the most sensitive to changes in release. This is driven mainly by the debt balance insurance policies and the large portfolio of branch 23 savings and products (Argenta Life Plan). For both portfolios, a decline in the number of policies implies a decrease in future profits (in particular fee income for the branch 23 investment funds). The impact has risen compared to last year owing to the growth in the portfolio, both in branch 23 and in outstanding balance insurance.

The costs scenario generates an increase in the technical provisions, with all products being impacted. The largest effect occurs in outstanding balance insurance, the branch 21 savings product Argenta Flexx and the branch 23 savings and investment products portfolio of Argenta Life Plan. For the latter product, the impact on the market value of equity is relatively small compared to the product's technical provisions. The impact on the market value of equity decreased compared to last year due to a reduction in the duration of the branch 23 policies. This is because the surrender hypothesis takes into account a longer history of available data, so that the effect of turbulent stock market years is also included.

Finally, the impact of the mortality scenario on the market value of equity remains relatively limited. Here, the branch 23 savings and investment products portfolio (Argenta Life Plan) forms the largest share in the risk because more future profits are lost in the event of death.

	31/12/2020	31/12/2021
Sensitivity		
Release	-105,032,326	-110,383,618
Costs	-35,745,444	-33,117,801
Mortality risk	-9,832,257	-10,683,210

For the hospitalisation insurance portfolio life the following scenarios are examined with regard to the three main risks:
- Release: 40% reduction in the number of policies for natural persons;
- Costs: 10% relative increase in administration costs together with an 1% absolute increase in cost inflation;
- Mortality risk: 15% relative increase in mortality probabilities.

For the hospitalisation portfolio too, the release scenario shows the greatest impact on the market value of equity. This is driven by the profitability of the portfolio, as a result of which the release of contracts reduces future profits.

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

The mortality scenario generates a somewhat lower impact on the market value of equity. The profitability of the portfolio decreases due to an increase in mortality probabilities.

The shocks are smaller than last year due to the run-down of the portfolio and the increased discount curve. The cost shock also decreases owing to the lower cost inflation hypothesis.

	31/12/2020	31/12/2021
Sensitivity		
Release	-37,756,661	-34,918,868
Costs	-16,330,328	-13,536,945
Mortality risk	-5,560,041	-4,990,361

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

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

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

With catastrophe risk, the impact of catastrophe claims is greatest on the fire insurance portfolio. The storm, flood and hail scenarios in particular contribute to the impact. Reinsurance plays an important role in all catastrophe scenarios.

The premium and reserve risk remains stable compared to last year. Fundamentally, the premium risk increases owing to the growth of the portfolio. This is offset by a decrease in the reserve risk, which is driven by the decrease in Motor CL's best estimate claims reserves. The decrease in Motor CL best estimate claims reserves is mainly due to the fact that, contrary to what had previously been expected, the capitalisation interest rate has not been reduced in the new indicative tables, in combination with a further decrease in the number of outstanding claims owing to the corona measures. The increase in catastrophe risk reflects mainly portfolio growth, combined with the increase in the own risk retention in the reinsurance treaties in question.

	31/12/2020	31/12/2021
Sensitivity		
Premium and reserve	-38,114,390	-38,066,196
Catastrophe	-16,257,147	-23,412,999

Development of claims reserves

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

A claims triangle breaks down as follows:
- On the vertical axis are the settlement years;
- On the horizontal axis are the incident occurrence years;
- Diagonally the accounting years.

The more developed the claims history, the more reliable the valuation of the cost of claims. The amounts in the table below have been reconciled with the accounting.

31/12/2020 In million EUR	< 2002	2002-2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Estimate at the end of the incident year	0	506	53	57	74	73	72	70	81	80	69
1 year later	0	499	52	58	78	71	70	68	80	79	0
2 year later	0	491	51	57	73	68	69	67	78	0	0
3 year later	0	482	49	56	72	68	68	66	0	0	0
4 year later	0	476	48	57	71	68	69	0	0	0	0
5 year later	0	473	49	57	70	67	0	0	0	0	0
6 year later	0	466	49	56	71	0	0	0	0	0	0
7 year later	0	464	49	55	0	0	0	0	0	0	0
8 year later	0	460	48	0	0	0	0	0	0	0	0
9 year later	0	446	0	0	0	0	0	0	0	0	0
Current estimate	229	446	48	55	71	67	69	66	78	79	69
Cumulative payments	223	437	47	51	64	54	59	57	61	62	39
Current provisions	6	10	1	4	7	13	10	9	18	17	29

31/12/2021 In million EUR	< 2002	2002-2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Estimate at the end of the incident year	0	560	57	74	73	72	70	81	80	69	79
1 year later	0	550	58	78	71	70	68	80	79	68	0
2 year later	0	541	57	73	68	69	67	78	78	0	0
3 year later	0	531	56	72	68	68	66	71	0	0	0
4 year later	0	524	57	71	68	69	64	0	0	0	0
5 year later	0	522	57	70	67	68	0	0	0	0	0
6 year later	0	514	56	71	67	0	0	0	0	0	0
7 year later	0	512	55	70	0	0	0	0	0	0	0
8 year later	0	508	55	0	0	0	0	0	0	0	0
9 year later	0	494	0	0	0	0	0	0	0	0	0
Current estimate	229	494	55	70	67	68	64	71	78	68	79

31/12/2021 In million EUR	< 2002	2002-2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cumulative payments	223	484	51	64	55	60	58	62	65	55	49
Current provisions	6	10	3	6	12	8	6	8	13	14	30

Analysis of movement of technical provisions

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

	31/12/2020	31/12/2021
Opening balance technical provisions branch 21	2,807,540,751	2,846,779,194
Incoming payments	205,151,840	156,314,092
Surrenders, death, end term, annuities	-208,011,868	-162,752,932
Interest cost	46,013,375	43,549,336
Survival bonus	134,769	68,975
Other changes	-4,049,673	-60,752,441
Ending balance technical provisions branch 21	2,846,779,194	2,823,206,224
Other	0	0
Supplementary provisions life insurance	20,869,246	20,869,246
Total	**2,867,648,440**	**2,844,075,470**

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

	31/12/2020	31/12/2021
Opening balance technical provisions branch 23	2,385,325,837	2,642,811,557
Incoming payments	164,978,416	213,152,812
Surrenders and death	-176,961,092	-172,798,400
Value fluctuations	146,531,173	287,877,527
Other changes	122,937,223	48,698,629
Ending balance technical provisions branch 23	2,642,811,557	3,019,742,125
Other	0	0
Total	**2,642,811,557**	**3,019,742,125**

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

5.5. Non-financial risks

Exposure

The overarching definition for non-financial risks is the chance of negative consequences (both financial and 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 risk mapping as compliance risk, strategic and change risk, legal (& regulatory) risk, business continuity risk, sourcing risk, information security and cyber risk, brand and sustainability risk, IT risk, process risk, human resources risk, data management risk and fraud risk.

All businesses carrying out activities of any kind have to contend with operational risk and, 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 from external events (such as disasters, cyber-criminality 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 digitisation, 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 Integrated Risk Management policy, with 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.

NFRM & SO, as an independent second-line control function, monitors the embedding of risk awareness in the 1st line and the control of risk management as conducted.

The raison d'être of the 2nd line control function consists in providing assurance by:
- Developing and implementing an appropriate risk management framework;
- Facilitating risk awareness within the organisation;
- Supporting and advising the organisation in the implementation and monitoring of risk management;
- Ensuring that the risk appetite is respected company-wide.

With the distinction between 'advisory' and 'monitoring & investigations', a division is made based on the dual role of the 2nd line management, namely "advising and challenging" on the one hand and the role of independent control function ('monitoring & investigations') on the other. Both departments make no distinction in terms of scope (both head office and branches) or domain (all non-financial risks, with the exception of compliance[1]).

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.

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

A clear and well-functioning Risk Appetite Framework (RAF) exists, which is embedded as an active steering tool in the organisation. The RAF is the subject of quarterly reporting at the Risk Committees, with feedback to the Boards.

For the non-financial risks, the specific reporting of the risk profiles in the RAF dashboard is further extended to the group entities.

The annual voluntarist RAF exercise with the Risk Committee ahead of the business plan also incorporates the non-financial risks. In this way the risk check on the business plan also better covers the financial and non-financial risks.

At least once a year each department formally evaluates its internal control maturity ('COSO evaluation'). The maturity score is obtained by completing the COSO questionnaire (supported by requested supporting documents). The questionnaire is based on the international COSO framework and asks questions about the various COSO components, including control environment, risk management and control measures. The global maturity score was stable in 2021 at 3.36 (on a scale to 5). A score of 3+ indicates a defined maturity level, where the control measures are present. Argenta aims for a global average internal control maturity level of 3.50, with a minimum target score of 3.00[2] for each department. Specific attention is paid to fraud risk and cyber risk.

Argenta, as an integrated bank-insurer, has opted to assess its banking and insurance activities jointly in the area of governance and internal control. To this end it produces 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, Target and Domain surveys). The main results are fed back via the GRC-NFR (Group Risk Committee - non-financial risks), the recommendations are recorded 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 and ORSA.

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

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

In line with the updated NFR hot spot risks - as determined by the Executive Committee members - the priorities remain focused on improved internal control and strengthening of the internal control environment for information security & cyber risk and for fraud risk, as well as IT risk.

[2] A maturity score of 3 means that control measures are in place. They are standardised, documented, communicated and applied ('Do').
A maturity score of 4 means that the control measures are periodically evaluated internally (their effectiveness is tested) and adjusted ('Check' and 'Act').

6. Solvency and capital management

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

6.1. Capital management

The Company's capital management is aimed at maintaining a solid solvency position, with a constant search for a good balance between the amount of capital held and the risks run by the Company.

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

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

- CET1 growth with retention of profits;
- Capital increases;
- Hybrid Tier-1 issues;
- Subordinated loans (tier 2);
- Bail-in instruments.

6.2. Regulatory matters

Introduction

As a mixed financial holding company, the Company falls under the CRR and CRD legislation. The underlying Bank Pool is also subject to these rules, while the underlying Insurance Pool is required to comply with the Solvency legilsation. Information on Pillar 1 (minimum capital requirements) and Pillar 2 (SREP process) is given below. The Pillar 3 disclosures of the Bank Pool and the SFCR disclosure of the Insurance Pool are published separately on the Company's website, with part of this information taken from the present financial statements.

The solvency ratio at Company level is calculated according to the Danish compromise method. This is a compromise that - subject to approval by the regulator - can be applied by mixed financial holding companies. Under this method, the value of the insurance participation does not have to be deducted from equity. On the other hand, the participation value of of the historic acquisition value of EUR 176 million must be included in the calculation of the risk-weighted assets at 370%.

In addition to the solvency ratios, the Company must also disclose its solvency position as a financial conglomerate. This means that the available capital is calculated based on the consolidated position, under the respective CRR / CRD rules for the banking activities and under the Solvency II rules for the insurance activities. The available capital obtained in this way is then compared with the capital requirements expressed in terms of 'risk weighted assets'.

Legal capital requirements

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

- A capital conservation buffer: an additional CET1 requirement of 2.50%;
- A countercyclical capital buffer: gives an additional CET1 requirement of 0.01% calculated as a weighted average of the requirement imposed per country and the Company's exposure to that country;
- A buffer for systemically important institutions: the Belgian regulator has designated the Company as an O-SII or 'other systemically important 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 and Tier 2 capital of 1.50% and 2.00% 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.

The P2R imposed by the ECB in the SREP will decrease from 1.75% to 1.50% in 2022 (to be filled in with a minimum of 56.25% in CET-1 and 75% in T1 with the remaining requirement in T2).

The minimum solvency ratios increased by the Pillar 2 recommendation (P2G) define an early warning limit with an obligation of escalation to the supervisor.

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

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

The economic capital process consists of the following steps:

- Identification and assessment of the material risks;
- Calculation of the required economic capital;
- Calculation of the available economic capital;
- Calculation of the current and future capital adequacy of the Bank and Insurance Pools;
- Allocation of the capital requirements to the business lines and product groups.

The RAF provides for the monitoring of the capital risk via, inter alia, the following RAF limits (BVg, Aspa and/or Aras):

- CET-1 ratio;
- TC ratio (total capital);
- Leverage;
- MREL(Minimum Requirement for own funds & Eligible Liabilities);
- ICAAP 99.90%;
- Solvency II Pillar I;
- ORSA 99.50%.

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

6.3. Solvency

Solvency in the Company

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

		31/12/2020	31/12/2021
Available capital			
1	Tier 1 core capital (CET1)	2,459,158,880	2,497,211,416
2	Tier 1 capital (T1)	2,459,158,880	2,497,211,416
3	Total capital (TC)	2,688,058,402	2,497,211,416
Risk-weighted items			
4	Total risk-weighted items	10,382,396,823	11,578,513,602
Solvency ratio's as a percentage of RWA			
5	Common Equity Tier 1 core capital (%)	23.69%	21.57%
6	Tier 1 capital ratio (%)	23.69%	21.57%
7	Total Capital Ratio (%)	25.89%	21.57%
Additional CET1 buffer requirements as a percentage of RWA			
8	Capital Conservation Buffer requirements (%)	2.50%	2.50%
9	Contracyclical capital buffer requirements (%)	0.01%	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)	3.26%	3.26%
12	% CET1 available to fullfil buffer requirement above the minimum capital requirements of 4.5%	19.19%	17.07%
Leverage ratio			
13	Leverage exposure	46,668,879,413	47,763,247,799
14	Leverage ratio (%) (row 2 / row 13)	5.27%	5.23%
Liquidity Coverage Ratio (LCR)			
15	Total high quality liquid assets	5,883,643,926	6,046,952,418
16	Total net cash outflow	3,666,221,755	3,611,885,001
17	LCR ratio (%)	160.48%	167.42%
Net Stable Funding Ratio (NSFR)			
18	Total available stable funding	41,324,128,924	44,449,264,715
19	Total required stable funding	30,594,661,540	30,523,335,443
20	NSFR ratio (%)	135.07%	145.62%

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

The Company amply meets the statutory capital requirements. The change in core Tier 1 capital is the result of interim dividend payments in the fourth quarter of 2021 totalling EUR 140.8 million, followed by a capital increase of EUR 70.0 million, and the addition of the profit to the reserves. A proposal will be made by the Board of Directors of the Company to the General Meeting of shareholders to declare an additional dividend of EUR 103.2 million. This amount has already been deducted from the Tier 1 core capital.

The Tier 1 ratio has fallen from 22.03% to 20.03% at the end of 2021. The lower ratio is the result of larger loan portfolios, an increased percentage of non NHG- loans in the Dutch portfolio and a higher risk weighting in the securities portfolio.

Solvency in the Bank Pool

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

		RAF standard	31/12/2020	31/12/2021
Available capital				
1	Tier 1 core capital (CET1)		2,265,275,494	2,354,485,837
2	Tier 1 capital (T1)		2,265,275,494	2,354,485,837
3	Total capital (TC)		2,769,655,153	2,354,485,837
Risk-weighted items				
4	Total risk-weighted items		9,712,247,223	10,907,465,778
Solvency ratio's as a percentage of RWA				
5	Common Equity Tier 1 core capital (%)	15%	23.32%	21.59%
6	Tier 1 capital ratio (%)		23.32%	21.59%
7	Total Capital Ratio (%)	17%	28.52%	21.59%
Additional CET1 buffer requirements as a percentage of RWA				
8	Capital Conservation Buffer requirements (%)		2.50%	2.50%
9	Contracyclical capital buffer requirements (%)		0.01%	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)		3.26%	3.26%
12	% CET1 available to fulfill buffer requirement above the minimum capital requirements of 4.5%		18.82%	17.09%
Leverage ratio				
13	Leverage exposure		46,491,410,438	47,585,910,844
14	Leverage ratio (%) (row 2 / row 13)	4%	4.87%	4.95%
Liquidity Coverage Ratio (LCR)				
15	Total high quality liquid assets		5,883,643,926	6,046,952,418
16	Total net cash outflow		3,704,525,626	3,681,141,084
17	LCR ratio (%)	125%	158.82%	164.27%
Net Stable Funding Ratio (NSFR)				
18	Total available stable funding		41,109,508,694	44,306,539,136
19	Total required stable funding		30,318,865,652	30,523,335,443
20	NSFR ratio (%)	120%	135.59%	145.16%

From 1 January 2022 the Company is subject to a binding MREL intermediary obligation of 7.16% and of 6.41% subordinated. At the end of 2021, these MREL figures were 8.09% and 7.03% respectively.

The Bank Pool therefore amply meets the statutory capital requirements.

The change in core Tier 1 capital is the result of interim dividend payment by Argenta Spaarbank in the fourth quarter of 2021 totalling EUR 125.0 million, followed by a capital increase of EUR 72.7 million, and the addition of the profit to the reserves. A proposal will be made by the Company's Board of Directors to the General Meeting of shareholders of the Company that no additional dividend be declared in respect of the 2021 financial year.

The main differences between the solvency ratios of the Bank Pool (Aspa consolidated) and the Company (BVg onsolidated) concern the recognition of the additional equity capital at BVg level and the recognition of BVg's risk-weighted assets, comprising mainly the shareholding in Aras (which is weighed at 370%).

Solvency in the Insurance Pool

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

	31/12/2020	31/12/2021
Total of Balance Sheet SII	7,109,938,494	7,120,350,512
Excess of assets over liabilities	899,759,523	960,595,760
SCR	393,760,762	406,613,861
MCR	164,623,838	164,671,081
Ratio of Eligible own funds to SCR	2.29	2.36
Ratio of Eligible own funds to MCR	5.47	5.83

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

The solvency capital ratio requirement (SCR) is the minimum own funds that insurance and reinsurance undertakings are required to hold in order to ensure capital adequacy, applying a scenario with a probability of no more than 1 year in 200 (value at risk of 99.50% over one year).

The minimal capital ratio (SCR) is the minimum own funds that insurance and reinsurance undertakings are required to hold in order to ensure capital adequacy, applying a scenario with a 15% probability (value at risk of 85% over one year). The MCR must amount to a minimum of 25% and a maximum 45% of the SCR.

The Insurance Pool, with an SII ratio of 236%, therefore amply meets the statutory capital requirements.

7. Remuneration of directors

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

7.1. Composition of the Boards of Directors

The board of didectors of Argenta Bank- en Verzekeringsgroep consists of:
- The members of the Executive Committee (the executive directors);
- A number of independent directors;
- A number of directors representing the shareholders (together with the independent directors referred to below as the 'non-executive directors').

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

The number of directors in the Board of Directors should preferably not exceed fifteen. Board members 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 CCA (Code on Companies and Associations).

The Boards of Directors 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 2021, the Board of Directors of Argenta BVg was composed as follows:
- Marc van Heel, Chairman of the Board, Member of the Appointments Committee and of the Group Supervisory Committee
- Geert Ameloot, executive director and CFO
- Marie-Anne Haegeman, non-executive director
- Carlo Henriksen, non-executive and independent director, chairman of the Appointments Committee and member of the Remuneration Committee
- Marc Lauwers, executive director and CEO
- Anne Leclercq, non-executive director
- Baudouin Thomas, non-executive director, chairman of the Group Supervisory Committee
- Cynthia Van Hulle, non-executive director
- Bart Van Rompuy, non-executive director and member of the Appointments Committee, member of the Remuneration Committee and member of the Group Supervisory Committee
- Raf Vanderstichele, non-executive and independent director and Chairman of the Remuneration Committee
- Gert Wauters, executive director and CRO

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

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

The Appointments Committee advises the Board of Directors on the composition and functioning of the Board of Directors and the Executive Committees of the three main Argenta Group entities. In 2021, the Appointments Committee met three times.

The Remuneration Committee supports the Board of Directors in overseeing the remuneration policy. In 2021, the Remuneration Committee met three times.

In 2020, a Group Supervisory was set up within the Board of Directors of Argenta Bank- en Verzekeringsgroep. The Group Supervisory Committee's advisory role towards the Board of Directors has been transformed since 2020 into a specific advisory assignment at group level in order to ensure that:

- The Board of Directors has at all times a view at a consolidated level of the activities of the various Argenta entities and that internal control of these activities is aligned with the role of the Audit Committees and the Risk Committees set up in 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.

In 2021, the Group Supervisory Committee met twice.

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.

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 2021 the Aspa and the Aras Risk Committees each met 6 times.

The Executive Committee of Argenta Bank- en Verzekeringsgroep stipulates the limits within which the various group companies can perform their activities and exercise their responsibilities. The Executive Committees of the Argenta Group companies met in principle weekly during the past year. At these meetings various various relevant topics were on the agenda, including the development, approval and regular update of the mission, vision and values as these relate to economic, social and environmental issues.

The Executive Committee consists of the chairman, Marc Lauwers (CEO – Chief Executive Officer) and 2 members: Geert Ameloot (CFO – Chief Financial Officer) and Gert Wauters (CRO – Chief Risk Officer).

Policy decisions related to corporate social responsibility (including economic, environmental and social impact) are monitored directly by the CEO in his capacity as CSO (Chief Sustainability Officer). The CEO also chairs the Group Sustainability Committee, which develops a global sustainability policy for Argenta and exercises supervision at group level over the various aspects of sustainability.

The mission and the composition of the Executive Committees are defined with a view to the maximum operational integration of the individual companies in the interest of the group.

The 'Suitability of Key Executives' Charter produced for the Argenta Group, including the management companies AAM and Arvestar and the Dutch branch office, 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' are 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 2021. 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. The proposed improvements (including in the field of on-boarding) were also adopted and implemented. This exercise was repeated at the end of 2021 for evaluating the functioning of the Executive Committee.

External appointments and personal interests of the directors

Each director is encouraged to organise his personal and professional activities in such a way as to avoid conflicts of interest with the Argenta Group (in line with Article 7:96 CCA).

The Boards of Directors of the Argenta Group companies have in their internal rules of procedure established policies, including organisational and administrative arrangements (including keeping information on the application of the same), and procedures for identifying and forestalling conflicts of interest or, where this is not reasonably possible, managing the conflicts of interest without harming the interests of customers.

The following directors of Argenta Bank- en Verzekeringsgroep nv and have exercised external mandates during the past financial year:

- Carlo Henriksen holds an external mandate at:
  - Royal Ostend Golf Club, a cooperative company, with its registered office at 8420 De Haan, Koninklijke Baan 2, as a non-executive director
- Marie Claire Pletinckx (mandate at Argenta BVg and Argenta Assuranties ended on 30/04/2021) holds an external mandate in:
  - Alpha Insurance, with its registered office at 1040 Brussels, Nerviërslaan 85, not listed on a regulated market, as non-executive director
- Raf Vanderstichele holds an external mandate in:
  - Korora, a private limited liability company (bvba), not listed on a regulated market, with its registered office at 3000 Leuven, Refugehof 4/0301, as general manager
- Cynthia Van Hulle holds external mandates in:
  - Miko nv, with its registered office at 2300 Turnhout, Steenweg op Mol 177, listed on a regulated market, as a non-executive director
  - Warehouses De Pauw nv, with its registered office at 1861 Meise, Blakebergen 15, listed on a regulated market, as a non-executive director
  - Argenta Coöperatieve cvba, with its registered office at 2018 Antwerp, Belgiëlei 49-53, not listed on a regulated market, as non-executive director
- Bart Van Rompuy holds external mandates in:
  - Raco bvba, with its registered office at 2018 Antwerp, Van Putlei 54-56, not listed on a regulated market, as general manager
  - Investeringsmaatschappij Argenta NV (abbreviated "Investar"), with its registered office at 2018 Antwerp, Belgiëlei 49-53, not listed on a regulated market, as managing director

- Anne Leclercq holds external mandates in:
  - Fluxys Belgium, with its registered office at 1040 Brussels, Kunstlaan 31, listed on a regulated market, as non-executive director
  - Warehouses De Pauw, a limited company, with its registered office at 1861 Meise, Blakebergen 15, listed on a regulated market, as a non-executive director
  - KULeuven – UZ Leuven, with its registered office at 3000 Leuven, Oude Markt 13, as a director
- Marie- Anne Haegeman holds an external mandate in:
  - Euroclear Bank nv, with its registered office at 1210 Sint-Joost-ten-Node, Koning Albert II-laan 1, as executive director
- Baudouin Thomas holds external mandates in:
  - BTH Consulting BVBA with its registered office at 1150, Sint-Pieters-Woluwe, Alfred Madouxlaan 8, as business manager
  - Reimagine BV, with its registered office at 1150, Sint-Pieters-Woluwe, Alfred Madouxlaan 8, as business manager
  - Tender Experts, a private limited company, with registered office at 1000, Brussels, Oud Korenhuis 3 as non-executive director via BTH Consulting

7.2. Remuneration of executive management

The remuneration of the directors is determined by the General Meeting on the basis of the relevant legal regulations and on the proposal of the Board of Directors, having obtained the advice of the Remuneration Committee.

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, Group Supervisory Committee, Appointments Committee and the 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 annual remuneration is in line with the stipulations contained in Circular NBB_2021_30 on the update of the legal framework and transposition of the EBA guidelines of 2 July 2021 on a sound remuneration policy in accordance with Directive 2013/36/EU (EBA/GL/2021/04), and also to 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), and from contractual severance compensation.

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

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

In 2021, the basic salary of Marc Lauwers (CEO of Argenta and chairman of the Executive Committees of Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties) amounted to EUR 649,200, an increase of 0.37% compared with 2020. Added to this in 2021 was a contribution to the supplementary pension and disability group policies amounting to EUR 117,516 (EUR 116,879 in 2020).

In 2021, the total direct remuneration of the executive directors/Executive Committee members of the Argenta Group (BVg, Aspa and Aras), excluding that of the CEO, amounted to EUR 1,830,000 (EUR 1,605,900 in 2020). Contributions to the group supplementary pension and disability policies in respect of the Executive Committee members, excluding the CEO, amounted to EUR 343,976 (EUR 302,343 in 2020).

Contractual severance indemnity

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

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

If the appointment as a director and the appointment to the Executive Committee is revoked other than for serious misconduct or is not renewed other than for serious misconduct, the Director is entitled to a severance indemnity 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.

The mandate and this agreement can be terminated at any time by the Director, either by the giving of 6 months' prior notice to Argenta notified by registered mail, and taking effect on the first business day after its sending, or with immediate effect, subject to payment of a substitute severance indemnity equal to six (6) months'.

In 2021, 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 has been assigned since 2021 to the statutory auditor, KPMG Bedrijfsrevisoren, represented by Kenneth Vermeire.

The fees received by auditors Deloitte (2020 financial year) and KPMG (2021 financial year) (including VAT) are broken out below in accordance with arts. 3:64 §5 and 3:65 of the CAA).

The Company

The Company paid to the respective statutory auditor additional fees for additional non-audit services in total amounts (including VAT) of EUR 15,125 in 2021 and 0 EUR 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 83,635 in 2020 and zero in 2021.

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 26,862 in 2020 and EUR 26,469 in 2021.

Argenta Group

Fees of EUR 163,943 (including VAT) were paid in 2020 and EUR 12,100 in 2021 to the respective statutory auditors for additional non-audit services. In addition, companies having a relationship of professional cooperation with the statutory auditors or belonging to the statutory auditors' networks were paid fees for additional, non-audit services in total amounts (including VAT) of EUR 1,004,917 in 2020 and EUR 18,150 in 2021.

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 691,757 in 2020 and EUR 581,288 in 2021.

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.

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).

2020 balance sheet	Parent company	Key management	Subsidiaries	Joint ventures	Associates	Other related parties
Financial assets at fair value through other comprehensive income	0	0	0	0	0	
Financial assets at amortised cost	0	80,467	0	0	9,824,570	456,838
Other assets	3,347,815	0	0	0	0	0
Total assets	**3,347,815**	**80,467**	**0**	**0**	**9,824,570**	**456,838**
Financial liabilities at amortised cost	86,681,238	1,499,657	0	1,560,084	0	3,630,074
Liabilities under reinsurance and insurance contracts	0	564,897	0	0	0	147,338
Other liabilities	29,949	0	0	0	0	0
Total liabilities	**86,711,187**	**2,064,554**	**0**	**1,560,084**	**0**	**3,777,412**

2021 balance sheet	Parent company	Key management	Subsidiaries	Joint ventures	Associates	Other related parties
Financial assets at fair value through other comprehensive income	0	0	0	0	0	0
Financial assets at amortised cost	0	57,224	0	0	10,543,252	419,034
Other assets	3,084,495	0	0	0	0	0
Total assets	**3,084,495**	**57,224**	**0**	**0**	**10,543,252**	**419,034**
Financial liabilities at amortised cost	110,332,140	1,295,543	6,963,355	2,571,192	0	5,403,588
Liabilities under reinsurance and insurance contracts	0	586,621	0	0	0	162,324
Other liabilities	54,711	0	63,229	0	0	0
Total liabilities	**110,386,852**	**1,882,164**	**7,026,585**	**2,571,192**	**0**	**5,565,912**

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

The 'managers in key positions' column contains information in respect of executive and non-executive directors (Note 7) and the close relatives of directors who are natural persons. The following are considered 'close relatives' in this context: spouses, partners who are regarded as equivalent to a spouse under their national law and first-degree blood relatives.

These are included under other related parties.

The 'subsidiaries' and other group companies column contains the data of the non-consolidated subsidiaries of the Company (there are no such companies as all subsidiaries are consolidated) and the other companies belonging to the Argenta group (namely Aula Invest).
The financial liabilities measured at amortised cost towards the parent company consist of the lease obligations for the business buildings, as well as sight and savings assets held by the parent companies with the Company. The balance on sight and savings accounts held by the parent companies increased further in 2021. The financial liabilities towards other group companies also consist of current and savings balances held by Aula Invest (newly established in 2021) with the Company, the other liabilities are cost-sharing and leasing debts. The financial liabilities at amortised cost towards 'joint ventures' represent the lease commitments to Jofico for the Company's ATMs. The associated company item relates to Epico.

2020 statement of profit or loss	Parent company	Key management	Subsidiaries	Joint ventures	Associates	Other related parties
Interest expenses	59,809	787	0	3,314	0	2,264
Other administrative expenses	3,245,398	0	0	1,238,379	0	0
Total expenses	**3,305,207**	**787**	**0**	**1,241,693**	**0**	**2,264**
Interest income	0	1,475	0	0	621,228	6,582
Other operating income	86,399	0	0	0	0	0
Net result from reinsurance and insurance contracts	0	56,088	0	0	0	52,402
Tax expense	0	0	0	0	0	0
Total income	**86,399**	**57,563**	**0**	**0**	**621,228**	**58,984**

2021 statement of profit or loss	Parent company	Key management	Subsidiaries	Joint ventures	Associates	Other related parties
Interest expenses	224,946	980	0	10,855	0	2,150
Other administrative expenses	1,212,611	0	52,256	942,132	0	0
Total expenses	**1,437,557**	**980**	**52,256**	**952,987**	**0**	**2,150**
Interest income	0	614	0	0	690,925	3,093
Other operating income	88,882	161	0	0	0	887
Net result from reinsurance and insurance contracts	0	23,771	0	0	0	75,769
Tax expense	0	0	0	0	0	0
Total income	**88,882**	**24,545**	**0**	**0**	**690,925**	**79,749**

No impairment losses were recognised in 2020 and 2021 on balance sheet items involving related parties.

Note on credit transfers from Aspa to Aras

Since 2013 credit transfers have taken place between 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 Aspa grants Dutch loans through the branch which are then taken over definitively by Aras. Loans totalling EUR 103,297,175 were definitively transferred in 2021. 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.

10 Operating segments and 'country by country reporting'

Operating segments

An operating segment is a component of the Company that performs business activities that may generate income or expenses, and of which, among other things, the business results or services rendered are assessed separately at regular intervals by management and for which separate financial information is available.

The Company's structure is explained in Note 1 'General Information'. The operating segments follow from the business activities (products and services) and the geographical areas in which the Company operates.

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

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

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

Information on products and services

The Bank Pool falls fully under the heading of 'retail' banking. The Insurance pool falls under the heading of retail insurance. In the tables below, Bvg's contribution to the statutory balance sheet and results is also included in the Bank Pool.

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.

Retail insurance offers insurance services to individuals and, to a very limited extent, self-employed professionals in the Life and Non-Life branches.

Assets	Bankpool	Insurance pool	31/12/2020
Cash and cash equivalents	58,712,247	0	58,712,247
Cash balances at central banks and other demand deposits	2,963,839,532	4,640,984	2,968,480,515
Financial assets held for trading	960,263	0	960,263
Financial assets related to unit-linked insurance contracts (branch 23)	0	2,642,811,557	2,642,811,557
Non-trading financial assets mandatorily at fair value through profit or loss	68,169,997	71,444,548	139,614,545
Financial assets at fair value through other comprehensive income	3,842,735,720	1,200,434,402	5,043,170,122
Financial assets at amortised cost	38,274,884,642	2,522,501,119	40,797,385,761
Derivatives used for hedge accounting	3,248,972	0	3,248,972
Fair value changes of the hedged items in portfolio hedge of interest rate risk	768,565,472	0	768,565,472
Investments in subsidaries, joint ventures and associates	1,090,000	1,494,000	2,584,000
Tangible assets	79,627,181	528,046	80,155,227
Intangible assets	146,215,519	2,159,529	148,375,048
Tax assets	18,113,807	5,356,603	23,470,410
Assets under reinsurance and insurance contracts	0	29,736,890	29,736,890
Other assets	275,568,464	9,069,465	284,637,928
Total Assets	**46,501,731,816**	**6,490,177,142**	**52,991,908,958**

Assets	Bankpool	Insurance pool	31/12/2021
Cash and cash equivalents	52,504,898		52,504,898
Cash balances at central banks and other demand deposits	3,484,082,966	1,845,750	3,485,928,716
Financial assets held for trading	18,595,343	0	18,595,343
Financial assets related to unit-linked insurance contracts (branch 23)	0	3,019,742,125	3,019,742,125
Non-trading financial assets mandatorily at fair value through profit or loss	41,200,393	87,523,714	128,724,107
Financial assets at fair value through other comprehensive income	3,900,170,859	1,115,240,371	5,015,411,230
Financial assets at amortised cost	40,572,390,257	2,166,604,734	42,738,994,991
Derivatives used for hedge accounting	88,616,165	0	88,616,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	353,166,530	0	353,166,530
Investments in subsidaries, joint ventures and associates	2,031,413	2,935,053	4,966,466
Tangible assets	82,925,707	657,260	83,582,967
Intangible assets	136,258,601	1,350,354	137,608,955
Tax assets	22,379,816	15,850,204	38,230,020
Assets under reinsurance and insurance contracts	0	18,797,766	18,797,766
Other assets	254,147,198	12,466,788	266,613,986
Total Assets	**49,008,470,147**	**6,443,014,117**	**55,451,484,264**

Liabilities and equity	Bankpool	Insurance pool	31/12/2020
Financial liabilities held for trading	465,526	0	465,526
Financial liabilities related to unit-linked insurance contracts (branch 23)	0	2,642,811,557	2,642,811,557
Financial liabilities measured at amortised cost	42,639,608,996	288,899,030	42,928,508,026
Derivatives used for hedge accounting	889,545,635	0	889,545,635
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0
Provisions	3,520,005	4,087	3,524,092
Tax liabilities	16,208,262	11,193,856	27,402,118
Liabilities under reinsurance and insurance contracts	0	3,113,005,847	3,113,005,847
Other liabilities	202,819,281	67,828,480	270,647,761
Total liabilities	**43,752,167,705**	**6,123,742,856**	**49,875,910,561**

Liabilities and equity	Bankpool	Insurance pool	31/12/2021
Financial liabilities held for trading	16,545,565	0	16,545,565
Financial liabilities related to unit-linked insurance contracts (branch 23)	0	3,019,742,125	3,019,742,125
Financial liabilities measured at amortised cost	45,205,685,311	26,796,919	45,232,482,230
Derivatives used for hedge accounting	491,094,431	0	491,094,431
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0
Provisions	6,056,923	590	6,057,514
Tax liabilities	17,417,647	12,648,853	30,066,500
Liabilities under reinsurance and insurance contracts	0	3,072,471,702	3,072,471,702
Other liabilities	225,433,480	61,053,891	286,487,371
Total liabilities	**45,962,233,357**	**6,192,714,080**	**52,154,947,436**

Income statement	Bankpool	Insurance pool	31/12/2020
Net interest income	569,209,976	100,082,709	669,292,685
Dividend income	0	4,499,011	4,499,011
Net fee and commission income	-14,835,765	25,103,391	10,267,627
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	1,464,708	5,622,938	7,087,646
Gains or losses on financial assets and liabilities held for trading	-631,117	0	-631,117
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	2,849,580	-1,963,326	886,254
Gains or losses from hedge accounting	1,266,542	0	1,266,542
Gains or losses on derecognition of non-financial assets	6,322	0	6,322
Net result from reinsurance and insurance contracts	0	28,505,435	28,505,435
Net other operating income	60,705,695	-42,263,456	18,442,239
Administrative expenses	-374,347,765	-28,011,834	-402,359,598
Depreciation	-30,005,022	-1,054,348	-31,059,370
Modification gains or losses	-3,258,931	0	-3,258,931
Provisions or reversal of provisions	-449,173	0	-449,173
Impairments or reversal of impairments	-19,488,396	-2,407,373	-21,895,769
Profit or loss before tax from continuing operations	**192,486,655**	**88,113,149**	**280,599,804**
Tax expense related to continuing operations	-58,463,063	-24,385,931	-82,848,994
Profit or loss after tax from continuing operations	**134,023,594**	**63,727,218**	**197,750,810**
Profit or loss before tax from discontinued operations	0	27,878,540	27,878,540
Tax expense related to discontinued operations	0	-6,910,245	-6,910,245
Profit or loss after tax from discontinued operations	**0**	**20,968,295**	**20,968,295**
Profit or loss of the year	**134,023,594**	**84,695,513**	**218,719,105**

Income statement	Bankpool	Insurance pool	31/12/2021
Net interest income	578,787,056	89,835,150	668,622,207
Dividend income	306,458	5,866,032	6,172,490
Net fee and commission income	16,059,100	36,798,965	52,858,065
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	56,478	744,236	800,714
Gains or losses on financial assets and liabilities held for trading	1,555,041	0	1,555,041
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-1,021,915	14,804,664	13,782,749
Gains or losses from hedge accounting	2,337,910	0	2,337,910
Gains or losses on derecognition of non-financial assets	131,976	-74,414	57,562
Net result from reinsurance and insurance contracts	0	44,877,051	44,877,051
Net other operating income	58,177,406	-44,189,454	13,987,952
Administrative expenses	-385,981,073	-31,804,861	-417,785,933
Depreciation	-29,192,366	-798,803	-29,991,169
Modification gains or losses	-113,534	0	-113,534
Provisions or reversal of provisions	-1,275,323	0	-1,275,323
Impairments or reversal of impairments	7,368,578	2,860,701	10,229,279
Share in results of associated companies and joint ventures	-897,592	-1,306,420	-2,204,012
Profit or loss before tax from continuing operations	**246,298,199**	**117,612,848**	**363,911,048**
Tax expense related to continuing operations	-68,316,104	-27,392,337	-95,708,441
Profit or loss after tax from continuing operations	**177,982,095**	**90,220,512**	**268,202,607**
Profit or loss before tax from discontinued operations	0	0	0
Tax expense related to discontinued operations	0	0	0
Profit or loss after tax from discontinued operations	**0**	**0**	**0**
Profit or loss of the year	**177,982,095**	**90,220,512**	**268,202,607**

Information on geographic regions

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

Assets	Belgium	The Netherlands	Luxembourg	31/12/2020
Cash and cash equivalents	58,712,247	0	0	58,712,247
Cash balances at central banks and other demand deposits	2,671,450,012	295,552,624	1,477,879	2,968,480,515
Financial assets held for trading	488,933	471,330	0	960,263
Financial assets related to unit-linked insurance contracts (branch 23)	2,642,811,557	0	0	2,642,811,557
Non-trading financial assets mandatorily at fair value through profit or loss	139,614,545	0	0	139,614,545
Financial assets at fair value through other compre-hensive income	5,043,170,122	0	0	5,043,170,122
Financial assets at amortised cost	23,233,314,479	17,562,971,047	1,100,234	40,797,385,761
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	2,584,000	0	0	2,584,000
Tangible assets	78,814,212	1,339,950	1,065	80,155,227
Intangible assets	148,356,716	1,217	17,114	148,375,048
Tax assets	11,670,062	11,800,348	0	23,470,410
Assets under reinsurance and insurance contracts	27,210,557	2,526,333	0	29,736,890
Other assets	126,954,672	149,834,513	7,848,743	284,637,928
Total Assets	**34,890,015,912**	**18,091,448,011**	**10,445,036**	**52,991,908,958**

Assets	Belgium	The Netherlands	Luxembourg	31/12/2021
Cash and cash equivalents	52,504,898	0	0	52,504,898
Cash balances at central banks and other demand deposits	3,079,534,986	403,898,729	2,495,001	3,485,928,716
Financial assets held for trading	2,021,813	16,573,530	0	18,595,343
Financial assets related to unit-linked insurance contracts (branch 23)	3,019,742,125	0	0	3,019,742,125
Non-trading financial assets mandatorily at fair value through profit or loss	128,724,107	0	0	128,724,107
Financial assets at fair value through other comprehensive income	5,015,411,230	0	0	5,015,411,230
Financial assets at amortised cost	23,360,069,167	19,377,825,605	1,100,219	42,738,994,991
Derivatives used for hedge accounting	88,616,165	0	0	88,616,165
Fair value changes of the hedged items in portfolio hedge of interest rate risk	313,757,088	39,409,442	0	353,166,530
Investments in subsidaries, joint ventures and associates	4,966,466	0	0	4,966,466
Tangible assets	82,445,191	1,136,698	1,078	83,582,967
Intangible assets	137,592,741	608	15,605	137,608,955
Tax assets	18,798,863	19,431,157	0	38,230,020
Assets under reinsurance and insurance contracts	18,797,766	0	0	18,797,766
Other assets	123,826,464	131,097,913	11,689,610	266,613,986
Total Assets	**35,446,809,069**	**19,989,373,682**	**15,301,513**	**55,451,484,264**

Liabilities	Belgium	The Netherlands	Luxembourg	31/12/2020
Financial liabilities held for trading	0	465,526	0	465,526
Financial liabilities related to unit-linked insurance contracts (branch 23)	2,642,811,557	0	0	2,642,811,557
Financial liabilities at amortised cost	37,969,656,965	4,958,851,061	0	42,928,508,026
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	1,881,569	1,642,523	0	3,524,092
Tax liabilities	11,193,854	10,731,112	5,477,152	27,402,118
Liabilities under reinsurance and insurance contracts	3,113,005,847	0	0	3,113,005,847
Other liabilities	198,174,869	72,174,587	298,305	270,647,761
Total liabilities	**44,745,129,368**	**5,125,005,736**	**5,775,457**	**49,875,910,561**

Liabilities	Belgium	The Netherlands	Luxembourg	31/12/2021
Financial liabilities held for trading	0	16,545,565	0	16,545,565
Financial liabilities related to unit-linked insurance contracts (branch 23)	3,019,742,125	0	0	3,019,742,125
Financial liabilities at amortised cost	39,952,450,668	5,280,031,562	0	45,232,482,230
Derivatives used for hedge accounting	441,668,729	49,425,702	0	491,094,431
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	3,452,657	2,604,857	0	6,057,514
Tax liabilities	12,652,679	12,392,665	5,021,156	30,066,500
Liabilities under reinsurance and insurance contracts	3,072,471,702	0	0	3,072,471,702
Other liabilities	211,301,721	74,901,052	284,598	286,487,371
Total liabilities	**46,713,740,279**	**5,435,901,403**	**5,305,754**	**52,154,947,436**

Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	31/12/2020
Net interest income	333,502,015	335,795,550	-4,888	8	669,292,685
Dividend income	4,499,011	0	0	0	4,499,011
Net fee and commission income	-29,096,523	2,384,625	38,729,780	-1,750,256	10,267,627
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	6,915,569	-775,120	0	947,197	7,087,646
Gains or losses on financial assets and liabilities held for trading	-632,189	948,269	0	-947,197	-631,117
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	886,254	0	0	0	886,254
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 result from reinsurance and insurance contracts	28,505,435	0	0	0	28,505,435
Net other operating income	136,098,866	-117,284,119	-8,162	-364,346	18,442,239
Administrative expenses	-354,109,157	-47,419,500	-2,771,398	1,940,457	-402,359,598
Depreciation	-30,629,173	-426,309	-3,888	0	-31,059,370
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	-20,015,046	-1,880,723	0	0	-21,895,769
Profit or loss before tax from continuing operations	**73,328,929**	**171,503,568**	**35,941,444**	**-174,137**	**280,599,804**
Tax expense related to continuing operations	-30,746,915	-43,139,464	-8,962,615	0	-82,848,994
Profit or loss after tax from continuing operations	**42,582,014**	**128,364,105**	**26,978,829**	**-174,137**	**197,750,810**
Profit or loss before tax from discontinued operations	0	27,704,403	0	174,137	27,878,540
Tax expense related to discontinued operations	0	-6,910,245	0	0	-6,910,245
Profit or loss after tax from discontinued operations	**0**	**20,794,158**	**0**	**174,137**	**20,968,296**
Profit or loss of the year	**42,582,014**	**149,158,263**	**26,978,829**	**0**	**218,719,105**

Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	31/12/2021
Net interest income	340,011,959	328,619,248	-9,001	0	668,622,207
Dividend income	6,172,490	0	0	0	6,172,490
Net fee and commission income	-6,086,718	2,789,562	58,180,738	-2,025,517	52,858,065
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	930,308	-129,594	0	0	800,714
Gains or losses on financial assets and liabilities held for trading	1,532,879	22,162	0	0	1,555,041
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	13,782,749	0	0	0	13,782,749
Gains or losses from hedge accounting	2,378,640	-40,730	0	-0	2,337,910
Gains or losses on derecognition of non-financial assets	57,562	0	0	0	57,562
Net result from reinsurance and insurance contracts	44,866,780	10,271	0	0	44,877,051
Net other operating income	126,392,843	-112,103,498	-58,842	-242,551	13,987,952
Administrative expenses	-367,443,349	-49,526,175	-3,084,478	2,268,068	-417,785,933
Depreciation	-29,653,820	-333,962	-3,387	0	-29,991,169
Modification gains or losses	-113,534	0	0	0	-113,534
Provisions or reversal of provisions	-1,243,365	-31,959	0	0	-1,275,323
Impairments or reversal of impairments	6,149,548	4,079,731	0	0	10,229,279
Share in results of associated companies and joint ventures	-2,204,012	0	0	0	-2,204,012
Profit or loss before tax from continuing operations	**135,530,963**	**173,355,055**	**55,025,029**	**0**	**363,911,048**
Tax expense related to continuing operations	-38,442,351	-43,708,405	-13,557,685	0	-95,708,441
Profit or loss after tax from continuing operations	**97,088,612**	**129,646,650**	**41,467,345**	**0**	**268,202,607**
Profit or loss before tax from discontinued operations	0	0	0	0	0
Tax expense related to discontinued operations	0	0	0	0	0
Profit or loss after tax from discontinued operations	**0**	**0**	**0**	**0**	**0**
Profit or loss of the year	**97,088,612**	**129,646,650**	**41,467,345**	**0**	**268,202,607**

The main transaction between the operating segments consists of:

- The distribution of profits between the Company's head office (located in Belgium) and the branch office (in the Netherlands). More information is included below.
- The retrocession of a portion of the management fees of portfolio management activities performed in Luxembourg to Aspa and Aras as consideration for the distribution of these investment products.

The result in the Netherlands is realised by the Aspa branch office, whereby the Aspa head office (Belgium) largely finances the branch office and exercises a number of activities (mainly of a general strategy and risk management nature) for the branch office. Aspa applies a ruling (pending approval by the tax authorities) for determining the allocation of the results to the branch. The profit distribution in the ruling mechanism consists of:

- An interest payment for the financing provided, whereby a part of the total interest expenses of the head office is allocated (on the basis of the financing provided) to the branch (fungibility approach). This payment is recorded under 'Net interest income'.
- A fee for the responsibilities performed by the Company's head office for the value chain and key entrepreneurial risk-taking functions. This fee is recorded under 'Net other operating expenses'.

On 31 December 2019, the previous ruling agreement expired and a new application was submitted for a period of 3 years. The mechanism as in the submitted application, which had not yet been approved at the date of this report, has been applied in preparing the balance sheet and results as of 31 December 2021.

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.

Country-by-country reporting

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

Nations	Activities	31/12/2020						
		Return	Profit before tax	Current taxes	Deferred taxes	Total corporate tax	Received subsidies	Average number employees (FTE)
EU nation		**739,622,645**	**308,478,344**	**-88,071,265**	**-1,687,974**	**-89,759,239**	**0**	**1,065**
Belgium	Bank and insurance	479,684,281	73,328,929	-29,691,187	-1,055,728	-30,746,915	0	986
The Netherlands	Bank and insurance	221,221,634	199,207,971	-49,417,463	-632,246	-50,049,709	0	70
Luxembourg	Other financial services	38,716,730	35,941,444	-8,962,615	0	-8,962,615	0	9
Third nation		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**739,622,645**	**308,478,344**	**-88,071,265**	**-1,687,974**	**-89,759,239**	**0**	**1,065**

Nations	Activities	31/12/2021						
		Return	Profit before tax	Current taxes	Deferred taxes	Total corporate tax	Received subsidies	Average number employees (FTE)
EU nation		**805,051,742**	**363,911,048**	**-81,399,978**	**-14,308,462**	**-95,708,441**	**0**	**1,045**
Belgium	Bank and insurance	527,771,426	135,530,962	-25,460,677	-12,981,674	-38,442,351	0	958
The Netherlands	Bank and insurance	219,167,421	173,355,056	-42,381,617	-1326788,48	-43,708,405	0	77
Luxembourg	Other financial services	58,112,895	55,025,029	-13,557,685	0	-13,557,685	0	10
Third nation		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**805,051,742**	**363,911,048**	**-81,399,978**	**-14,308,462**	**-95,708,441**	**0**	**1,045**

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.

	31/12/2020	31/12/2021
Cash	58,712,247	52,504,898
Cash balances with central banks	2,803,109,816	3,225,473,830
Cash balances with other financial institutions	165,370,699	260,454,885
Total	**3,027,192,763**	**3,538,433,614**

As of 31 December 2021, there were EUR 3,225,473,830 in the current accounts at the central bank. A part of this amount consists of the monetary reserves that each financial institution is required to hold with the central bank, namely EUR 2,984,963,058 at the Belgian National Bank and EUR 155,235,490 at the Dutch Central Bank.

In order to support the transmission of monetary policy via the banks, a two-tier system for the reimbursement of reserves has been 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 2021, the Company participated again to a limited extent in the ECB/NBB's TLTRO programme. Further information can be found in Note 25.1.

12. Financial assets and liabilities held for trading

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

			31/12/2021			31/12/2021
Financial assets	**Count**	**Notional**	**Carrying amount**	**Count**	**Notional**	**Carrying amount**
Interest rate options - caps	9	1,450,000,000	489,560	7	1,250,000,000	2,021,813
Securitization transactions - caps	3	2,668,000,000	470,703	4	3,170,343,707	16,573,530
Total			**960,263**			**18,595,343**

			31/12/2020			31/12/2021
Financial assets	**Count**	**Notional**	**Carrying amount**	**Count**	**Notional**	**Carrying amount**
Interest rate options - caps	0	0	0	0	0	0
Securitization transactions - caps	3	2,668,000,000	465,526	4	3,170,343,707	16,545,565
Total			**465,526**			**16,545,565**

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

Not listed (OTC) - swaps (securitisation transactions)

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, 2019 and 2021, securitisation transactions were carried out, with two caps for each transaction.

The limited difference between the market value of the caps on the asset side and the liability side of the balance sheet is recognised in the statement of profit or loss.

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

Financial assets and liabilities relating to unit-linked insurance contracts relate to investments in transactions connected to an investment fund of the 'Life' group activities, where the investment risk is not borne by the undertaking (so-called branch 23 investments).

	31/12/2020	31/12/2021
Assets related to unit linked contracts (branch 23)	2,642,811,557	3,019,742,125
Liabilities related to unit linked contracts (branch 23)	2,642,811,557	3,019,742,125

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

	31/12/2020	31/12/2021
Investment funds	2,639,891,041	3,020,385,631
Cash and cash equivalents	2,920,516	-643,506
Composition of the assets	**2,642,811,557**	**3,019,742,124**

14. 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 recognised at fair value through profit or loss.

Also given below are the equity instruments for which Company has not applied the option to measure these at fair value through other comprehensive income.

As of 31 December 2021, there was EUR 128,724,107 under this classification. These are securities that failed the SPPI test and a portfolio of shares.

	31/12/2020	31/12/2021
Total portfolio	**139,614,545**	**128,724,107**
Breakdown by instrument type		
Equity instruments	54,748,976	72,762,534
Debt securities	84,865,569	54,433,628
Loans and advances	0	1,527,945
Breakdown by interest rate type		
Variable	51,743,866	30,263,370
Fixed	33,121,703	25,698,203
Undefined	54,748,976	72,762,534
Geographical breakdown		
Belgium	31,762,543	36,842,697
European Monetary Union	107,852,002	91,881,411
Rest of the world	0	0
Breakdown by residual term or maturity date		
Untill 1 year	20,028,219	0
1 to 5 year	0	1,527,945
More than 5 year	64,837,350	54,433,628
Undefined	54,748,976	72,762,534
Breakdown according to counterparty		
General Governments	20,028,219	0
Credit Institutions	27,318,750	26,514,847
Other Financial corporations	31,993,175	30,449,528
Non Financial corporations	60,274,401	71,759,732
Effective interest rate at 31/12	**1.11%**	**1.36%**

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

Instruments recorded at fair value through other comprehensive income amounted to EUR 5,015,411,230 (market value) as of 31 December 2021.

	31/12/2020	31/12/2021
Total portfolio	**5,043,170,122**	**5,015,411,230**
of which hedged via micro-hedges	942,066,357	909,854,764
Breakdown by instrument type		
Equity instruments	155,013,162	207,656,571
Debt securities	4,888,156,960	4,807,754,658
Breakdown by interest rate type		
Variable	1,016,138,843	1,096,454,083
Fixed	3,872,018,117	3,711,300,575
Undefined	155,013,162	207,656,571
Geographical breakdown		
Belgium	1,122,768,447	1,174,621,221
European Monetary Union	2,993,280,313	2,998,528,614
Rest of the world	927,121,362	842,261,394
Breakdown by residual term or maturity date		
Up to 1 year	402,530,483	552,098,056
1 to 5 year	2,799,310,937	3,082,986,951
More than 5 years	1,686,315,540	1,172,669,651
Undefined	155,013,162	207,656,571
Breakdown according to counterparty		
General Governments	1,158,581,592	1,139,171,787
Credit Institutions	1,426,469,886	1,315,145,399
Other Financial corporations	594,056,745	1,773,891,172
Non-Financial corporations	1,864,061,900	787,202,870
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	4,874,818,001	4,797,822,250
Stage 2	13,338,959	9,932,408
Stage 3	0	0
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-4,550,469	-1,244,761
Stage 2	-435,826	-124,758
Stage 3	0	0
Effective interest rate at 31/12	**0.96%**	**0.85%**

In the past years, no individual (stage 3) impairments were recorded on this portfolio.

As of 31 December 2020, there were in all EUR 4,550,469 of impairments in stage 1 and EUR 435,826 in stage 2. As of 31 December 2021, these had fallen to EUR 1,244,761 and EUR 124,758 repectively. Further information on the evolution of the impairments is included in Note 43.

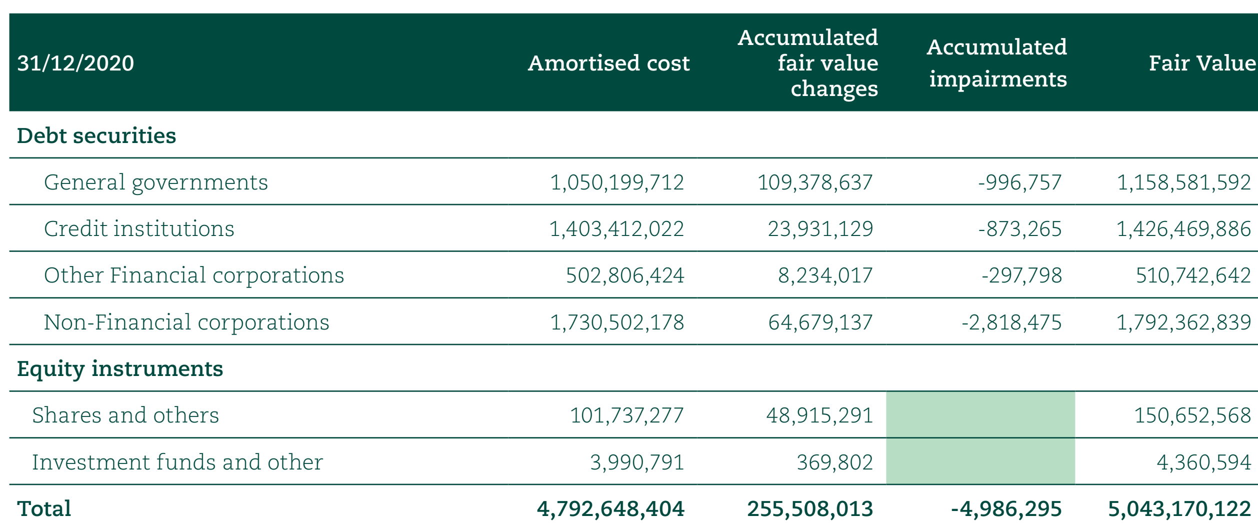
The securities involved are all recognised in the balance sheet as financial assets at fair value through other comprehensive income. Note 29 provides further information on the fair values used and in particular on the level hierarchy of the fair values involved.

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

In 2021, various positions in this portfolio were sold and EUR 4,477,009 in valuation gains transferred from other comprehensive income to the reserves. EUR 5,289,835 of dividends were also received. In 2020, EUR 3,065,263 in valuation gains were transferred to reserves and EUR 3,857,551 of dividends were received.

As of the end of 2021 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 45.

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



31/12/2020	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	1,050,199,712	109,378,637	-996,757	1,158,581,592
Credit institutions	1,403,412,022	23,931,129	-873,265	1,426,469,886
Other Financial corporations	502,806,424	8,234,017	-297,798	510,742,642
Non-Financial corporations	1,730,502,178	64,679,137	-2,818,475	1,792,362,839
Equity instruments				
Shares and others	101,737,277	48,915,291		150,652,568
Investment funds and other	3,990,791	369,802		4,360,594
Total	**4,792,648,404**	**255,508,013**	**-4,986,295**	**5,043,170,122**

31/12/2021	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	1,066,750,022	72,694,127	-272,361	1,139,171,788
Credit institutions	1,304,198,552	11,189,260	-242,412	1,315,145,400
Other Financial corporations	667,643,678	5,241,530	-61,732	672,823,476
Non-Financial corporations	1,642,327,005	39,080,005	-793,015	1,680,613,996
Equity instruments				
Shares	125,261,387	79,896,136		205,157,523
Investment funds and other	1,000,291	1,498,756		2,499,047
Total	**4,807,180,935**	**209,599,814**	**-1,369,519**	**5,015,411,229**

16. Financial liabilities measured at amortised cost

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

	31/12/2020	31/12/2021
Total portfolio	**40,797,385,761**	**42,738,994,991**
Breakdown by instrument type		
Loans and advances	35,988,938,702	38,330,154,782
Debt securities	4,808,447,059	4,408,840,209
Breakdown by product type		
Loans to credit institutions	1,100,234	1,100,219
Cash collateral	746,632,276	375,244,974
Consumer loans	290,897,981	329,566,906
Mortgage loans	33,651,270,744	36,240,076,359
Term loans	1,266,180,254	1,343,793,400
Advances and overdrafts	4,516,610	6,922,623
Leasing	28,340,603	33,450,300
Debt securities	4,808,447,059	4,408,840,209
Breakdown debt securities by interest rate type		
Variable	695,091,080	469,526,750
Fixed	4,113,355,979	3,939,313,459
Geographical breakdown debt securities		
Belgium	2,123,106,171	1,989,781,727
European Monetary Union	2,190,878,761	2,064,021,128
Rest of the world	494,462,127	355,037,355
Breakdown by residual or maturity date		
Debt securities		
Up to 1 year	1,016,521,238	921,201,273
1 to 5 year	1,981,943,144	2,511,573,878
More than 5 years	1,809,982,677	976,065,059
Loans and advances		
Up to 1 year	2,193,384,588	2,047,091,694
1 to 5 year	5,689,134,742	6,350,157,123
More than 5 years	28,106,419,372	29,932,905,965
Breakdown debt securities according to counterparty		

	31/12/2020	31/12/2021
General Governments	1,669,993,152	1,173,053,162
Credit Institutions	520,780,014	425,288,625
Other Financial corporations	1,224,376,178	1,215,446,006
Non-Financial corporations	1,393,297,715	1,595,052,415
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	4,784,747,310	4,384,068,653
Stage 2	29,776,085	26,504,603
Stage 3	0	0
Loans and advances		
Stage 1	31,285,818,117	34,841,544,986
Stage 2	4,563,146,199	3,346,319,505
Stage 3	179,128,390	176,541,137
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-5,582,538	-1,553,019
Stage 2	-493,799	-180,028
Stage 3	0	0
Loans and advances		
Stage 1	-4,158,349	-2,772,217
Stage 2	-14,623,634	-6,608,873
Stage 3	-20,372,021	-24,869,756
Effective interest rate debt securities at 31/12	**1.56%**	**1.22%**
Effective interest rate loans and advances at 31/12	**2.10%**	**1.88%**

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, stage 1 impairments had fallen by year-end 2021 to EUR 2,772,217 and stage 2 impairments to EUR 6,608,873. The amount of stage 3 individual impairments had risen to EUR 24,869,756. Further information on the evolution of the impairments is included in Note 43.

The portfolio of debt securities has declined to a limited extent, as, with yields on new debt securities very low, the Company has gone looking for alternative investment assets.

The phase 1 and 2 impairments for debt securities have fallen to EUR 1,553,019 and EUR 180,028. There are no individual impairments (phase 3) for the securities portfolio.

17. Derivatives used for hedging

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 endorsed 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 'fair value changes of the hedged items in portfolio hedge of interest rate risk' and amount to EUR 353,166,530 as of 31 December 2021. 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	31/12/2020	Count	Notional	31/12/2021
Change in fair value hedged positions			768,565,472			353,166,530
Derivatives with negative fair value (clean price)	69	7,550,000,000	-770,548,823	69	7,550,000,000	-408,521,471
Derivatives with positive fair value (clean price)	1	150,000,000	99,170	16	2,500,000,000	55,485,543

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 2021, the Company had 12 swaptions concluded in a notional amount of EUR 1.45 billion. As of 31 December 2021, these had no intrinsic value, so no change in fair value of the hedged positions was recorded. The time value is not included in the market value (clean price) in the table above as it is not part of the hedging relationship.

Note on micro hedges

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

Swaps have been entered into to hedge purchased securities that are included under 'Financial assets at fair value through other comprehensive income'. The changes in the fair value of the fixed rate legs of these swaps are offset by opposite changes in the fair value of the hedged positions.

Part of the change in fair value of the 'Financial assets at fair value through other comprehensive income' is not recorded on a separate line in equity but is recognised in the statement of profit or loss in the context of hedge accounting. As of 31 December 2021, this involved an amount of EUR 41,116,265.

Micro hedge - fair value hedge	Count	Notional	31/12/2020	Count	Notional	31/12/2021
Change in fair value hedged positions			74,470,306			41,116,265
Derivatives with negative fair value (clean price)	11	836,373,888	-74,534,097	10	799,373,888	-42,113,348
Derivatives with positive fair value (clean price)	0	0	0	1	37,000,000	895,891

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.

On 31 May 2021, the swap processed as a cash flow hedge (CFH) came to maturity.

Note on total derivatives used for hedging

As of 31 December 2021, 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	31/12/2020		31/12/2021	
Derivatives used for hedge accounting (assets)		3,248,972		88,616,165
Fair value macro hedges	3,248,972		87,727,218	
Fair value micro hedges	0		888,948	
Derivatives used for hedge accounting (liabilities)		889,545,635		491,094,431
Fair value macro hedges	805,073,374		443,226,096	
Fair value micro hedges	80,256,998		47,868,335	
Cash flow hedges	4,215,263		0	

Further information can be found in Notes 3 and 37.

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

31/12/2020	Notional	1 year	1-5 year	5-10 year	10-15 year	> 15 year
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

31/12/2021	Notional	1 year	1-5 year	5-10 year	10-15 year	> 15 year
Macro hedge - fair value hedge	11,500,000,000	300,000,000	5,350,000,000	1,550,000,000	2,850,000,000	1,450,000,000
Micro hedge - fair value hedge	836,373,888	0	354,040,500	482,333,388	0	0
Micro hedge - cash flow hedge	0	0	0	0	0	0

18. Investments in associates and joint ventures

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

The investments in EPICo, a Benelux infrastructure fund, concern a participating interest of 27.46%.

The investments in Jofico consist of a participating interest of 20.00%. This is a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost that jointly manages all these institutions' ATMs.

	31/12/2020	31/12/2021
Investment in joint ventures	90,000	66,852
Investement in associates	2,494,000	4,899,614
of which not indivual material	2,584,000	4,966,466
Total	**2,584,000**	**4,966,466**

The Company has revalued its participations in EPICo and Jofco as of 31 December 2021, recognising a loss of EUR 2.2 million for Epico in the statement of profit and loss.

	31/12/2020	31/12/2021
Share of investments in joint ventures or associates that are not individually material	0	4,966,466
Profit before taxes	0	-2,204,012
Net profit	0	-2,204,012
Other components total result	0	0
Total impact in profit or loss	**0**	**-2,204,012**

19. Tangible assets

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

	31/12/2020	31/12/2021
Property, plant and equipment	79,020,719	82,638,762
Investment properties	1,134,508	944,204
Total	**80,155,227**	**83,582,967**
Fair value of investment properties	**1,126,426**	**944,204**

The item "property, plant and equipment" includes the renovated head office that is rented from Investar and various rented buildings where offices are located (and which are in many cases sub-leased to the branch managers) for which an asset (right of use) is set up that is depreciated over the term of the contract. This involves a net book value of EUR 51,874,886 (leasing of buildings without sublease with a net book value of EUR 1,080,847 and leasing other buildings with a net book value of EUR 50,794,038). The items "IT equipment" and "other material" include rights of use under lease contracts with net book values of EUR 4,076,721 and EUR 2,989,551 respectively, the latter item relating to leased vehicles.

The portfolio of real estate investments relates mainly to properties purchased 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.

	Land and buildings	IT	IT Leasing	Other material	Other material leasing	Total	Investment property
Acquisition value at 1 January 2020	**8,820,644**	**26,257,088**	**0**	**23,549,366**	**3,911,570**	**62,538,668**	**1,202,026**
Leasing	48,613,301	0	1,678,395	0	397,013	50,688,709	0
Acquisitions	0	1,333,886	0	9,761,885	0	11,095,771	3,000
Disposals	0	-4,487,023	0	-7,262,629	0	-11,749,653	0
Transfer	0	0	0	0	0	0	0
Other changes	0	-159,292	0	-1,159,377	0	-1,318,668	0
Acquisition value at 31 December 2020	**57,433,945**	**22,944,659**	**1,678,395**	**24,889,245**	**4,308,583**	**111,254,827**	**1,205,026**
Accumulated depreciation and impairment losses at 1 January 2020	**-2,003,040**	**-21,187,499**	**0**	**-11,802,958**	**-1,550,174**	**-36,543,671**	**-52,615**
Leasing	2,306,678	0	1,239	0	1,073,287	3,381,204	0
Acquisitions	0	289	0	0	0	289	0
Disposals	0	4,481,564	0	6,404,646	0	10,886,210	0
Depreciation	-2,685,030	-2,501,550	-122,062	-2,859,316	-1,790,183	-9,958,141	-17,903
Transfer	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
Accumulated depreciation and impairment losses at 31 December 2020	**-2,381,392**	**-19,207,196**	**-120,823**	**-8,257,628**	**-2,267,070**	**-32,234,109**	**-70,518**
Carrying amount at 31 December 2020	**55,052,553**	**3,737,463**	**1,557,573**	**16,631,617**	**2,041,513**	**79,020,719**	**1,134,508**

	Land and buildings	IT	IT Leasing	Other material	Other material leasing	Total	Investment property
Acquisition value at 1 January 2021	**57,433,945**	**22,944,659**	**1,678,395**	**24,889,245**	**4,308,583**	**111,254,827**	**1,205,026**
Leasing	825,666	0	4,491,967	0	2,828,202	8,145,835	0
Acquisitions	0	1,308,105	0	2,017,157	0	3,325,262	0
Disposals	0	-6,452,921	0	-4,318,477	0	-10,771,399	-203,857
Transfer	0	0	0	0	0	0	0
Other changes	0	5,023,060	0	-80,788	0	4,942,271	0
Acquisition value at 31 December 2021	**58,259,611**	**22,822,902**	**6,170,362**	**22,507,136**	**7,136,785**	**116,896,796**	**1,001,169**
Accumulated depreciation and impairment losses at 1 January 2021	**-2,381,392**	**-19,207,196**	**-120,823**	**-8,257,628**	**-2,267,070**	**-32,234,109**	**-70,518**
Leasing	705,736	0	-669,814	0	54,085	90,007	0
Acquisitions	0	0	0	0	0	0	0
Disposals	0	6,438,290	0	3,516,875	0	9,955,164	30,782
Depreciation	-4,709,069	-2,349,286	-1,303,003	-2,138,590	-1,954,248	-12,454,196	-17,228
Transfer	0	0	0	0	0	0	0
Other changes	**0**	**943**	**0**	**384,157**	**0**	**385,100**	**0**
Accumulated depreciation and impairment losses at 31 December 2021	**-6,384,725**	**-15,117,249**	**-2,093,640**	**-6,495,186**	**-4,167,233**	**-34,258,033**	**-56,964**
Carrying amount at 31 December 2021	**51,874,886**	**7,705,653**	**4,076,722**	**16,011,950**	**2,969,552**	**82,638,763**	**944,204**

The ‘other changes’ line in the above tables shows the movement in assets under construction.

20. Intangible assets

As of 31 December, the intangible assets included on the basis of the paid costs (cost model) were composed as follows:

	Purchased software	Developed software	Goodwill	Total
Acquisition value at 1 January 2020	**20,531,765**	**196,519,806**	**98,150,460**	**315,202,031**
Acquisitions	1,362,585	9,494,203	0	10,856,788
Disposals	-2,447,558	-1,361,662	0	-3,809,220
Transfer	0	0	0	0
Other changes	0	0	0	0
Acquisition value at 31 December 2020	**19,446,792**	**204,652,347**	**98,150,460**	**322,249,599**
Accumulated depreciation and impairment losses at 1 January 2020	**-15,126,391**	**-140,678,794**	**0**	**-155,805,186**
Acquisitions	0	0	0	0
Disposals	2,432,658	581,304	0	3,013,962
Depreciation	-2,180,012	-18,903,315	0	-21,083,327
Transfer	0	0	0	0
Other changes	0	0	0	0
Accumulated depreciation and impairment losses at 31 December 2020	**-14,873,746**	**-159,000,805**	**0**	**-173,874,550**
Carrying amount at 31 December 2020	**4,573,047**	**45,651,542**	**98,150,460**	**148,375,048**

	Purchased software	Developed software	Goodwill	Total
Acquisition value at 1 January 2021	**19,446,792**	**204,652,347**	**98,150,460**	**322,249,599**
Acquisitions	1,691,764	4,818,645	0	6,510,409
Disposals	-1,816,993	-24,911,697	0	-26,728,690
Transfer	0	0	0	0
Other changes	0	0	0	0
Acquisition value at 31 December 2021	**19,321,563**	**184,559,294**	**98,150,460**	**302,031,317**
Accumulated depreciation and impairment losses at 1 January 2021	**-14,873,746**	**-159,000,805**	**0**	**-173,874,550**
Acquisitions	0	0	0	0
Disposals	2,134,648	24,837,284	0	26,971,932
Depreciation	-1,742,997	-15,776,747	0	-17,519,744
Transfer	0	0	0	0
Other changes	0	0	0	0
Accumulated depreciation and impairment losses at 31 December 2021	**-14,482,094**	**-149,940,268**	**0**	**-164,422,363**
Carrying amount at 31 December 2021	**4,839,469**	**34,619,026**	**98,150,460**	**137,608,955**

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

At the end of each year, goodwill is tested for impairment by comparing the realisable value of the cash generating unit (CGU) with the carrying value. The cash-generating unit is identical to the legal entity Aspa.

The realisable value of the CGU Aspa is determined by measuring the present value of the expected cash flow (dividends and free capital). The following data are used here:

- The more recent update of the 5-year financial plan as approved by management;
- Discount rate: an ROE of 7.00;
- A long-term growth for Belgium and the Netherlands of 1.50%.

Based on the analysis, no impairment loss needs to be recorded on goodwill. For 2021 this analysis was established based on a discount rate of 10% and a long-term growth rate of 1.50%.

The amortisation of EUR 17,519,744 for 2021 can be found in the statement of profit or loss under the amortisation of the assets concerned.

21. Tax assets and liabilities

The tax position can be summarised as follows:

	31/12/2020	31/12/2021
Current tax assets	17,688,150	36,688,839
Deferred tax assets	5,782,260	1,541,181
Total tax assets	**23,470,410**	**38,230,020**
Current tax liabilities	5,477,152	5,023,584
Deferred tax liabilities	21,924,966	25,042,916
Total tax liabilities	**27,402,118**	**30,066,500**
Total globalised deferred taxes	**-16,142,705**	**-23,501,736**

The deferred taxes originate in the following elements:

Deferred taxes by type	31/12/2019	Changes through other com-prehensive income	Changes through profit or loss	31/12/2020	Changes through other com-prehensive income	Changes through profit or loss	31/12/2021
Tax asset on derivatives	12,232,264	-1,629,931	-1,626,238	8,976,096	-433,857	-8,542,238	0
DTI and fiscal losses	26,088,082	0	-4,612,905	21,475,177	0	0	21,475,177
Tax assets on technical provisions	4,850,926	0	3,132,630	7,983,556		-3,027,195	4,956,361
Tax asset on other items	4,811,410	0	3,087,127	7,898,537	-199,756	-2,494,695	5,204,086
Total deferred tax assets	**47,982,682**	**-1,629,931**	**-19,386**	**46,333,366**	**-633,613**	**-14,064,128**	**31,635,624**
Tax liabilities on financial instruments at fair value	28,435,890	10,061,992	236,231	38,734,113	-7,619,570	171,704	31,286,247
Tax liabilities on financial instruments at amortized cost	22,666,952		1,036,932	23,703,884	0	-435,147	23,268,737
Tax liabilities on derivatives	0	0	0	0	0	507,777	507,777
Tax liabilities on other items	0	26136	11,938	38,074	36,524.00		74,598
Total deferred tax liabilities	**51,102,842**	**10,088,128**	**1,285,101**	**62,476,071**	**-7,583,046**	**244,334**	**55,137,359**
Total deferred tax position	**-3,120,160**	**-11,718,059**	**-1,304,487**	**-16,142,705**	**6,949,433**	**-14,308,463**	**-23,501,735**

The main items in 2021 were a deferred tax liability of EUR 31,286,247 on the positive fair value delta of financial instruments measured at fair value (decreased owing to the decrease in the fair value of financial assets), a deferred tax liability of EUR 23,268,737 on the measurement at amortised cost (with effective interest rate), and a tax asset of EUR 21,475,177 related to tax loss carryforwards and definitively taxed income (DTI). Deferred taxes on derivatives decreased in 2021 owing to the positive evolution of the fair value.

When creating deferred tax assets (DTAs), an assessment is always made as to whether they can be used. Owing to the negatively 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 'DTI and fiscal losses'. In 2021, no additional deferred tax assets for tax losses and DTI were recognised. In all, no DTAs have been recorded in respect of EUR 53.3 million of fiscally transferable assets (unused definitively taxed income) that have been accrued in current and previous years and are freely transferable.

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

22. Assets and liabilities under insurance and reinsurance contracts

The assets under reinsurance contracts as of 31 December break down as follows:

	31/12/2020	31/12/2021
Share reinsurers in life insurance contracts	17,052,994	11,425,840
Reinsurers share in non-life insurance contracts	12,683,896	7,371,926
Share reinsurers in technical provisions	**29,736,890**	**18,797,766**

Liabilities under insurance contracts break down as follows:

	31/12/2020	31/12/2021
Provisions non-life	**219,660,070**	**205,094,151**
Premium provions	34,772,268	33,329,606
Loss provisions	138,241,245	127,762,811
Other technical provisions	46,646,558	44,001,734
Provisions life	**2,893,345,778**	**2,867,377,550**
Mathematical provisions	2,846,779,194	2,823,206,225
Loss provisions	38,298,874	36,584,439
Profit-sharing provisions	8,267,710	7,586,887
Liabilities under insurance contracts	**3,113,005,847**	**3,072,471,702**

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

The non-life and health insurance portfolio – consisting of fire, car, family and hospitalisation insurance – grew overall in 2021. The growth is largely due to the continued strong production in fire insurance. Thanks to the combined offering of fire and family insurance through the 'Insured Housing +' policy, growth has also continued in the family policy. The car insurance portfolio reduced slightly in 2021. Hospitalisation insurance is no longer actively offered (run off portfolio), resulting in a declining number of insureds. On health claims claims reserves, COVID-19 has had a favorable (downward) impact in 2021. With fewer car trips made, the number of claims in the car-related branches was also lower than before the pandemic. At the end of 2021, there is no longer any additional provision due to the COVID-19 pandemic.

The branch 21 life insurance product range has been offering our customers a wide range for several years: investment and interest insurance, outstanding balance and term life insurance, savings insurance accounts in various tax regimes. For the reinvestment of maturing branch 21 contracts, customers again in 2021 opted more often to reinvest in branch 23, as a result of which the mathematical reserves fell to a limited extent.

23. Other assets

The other assets break down as follows:

	31/12/2020	31/12/2021
Prepaid expenses	12,578,649	12,615,797
Other assets in context of lending transactions	99,299,457	69,476,796
Other assets in context of securities transactions	1,961,481	975,445
Other assets in context of payment transactions	49,777,284	61,502,299
Suspense accounts	121,021,057	122,043,649
Total other assets	**284,637,928**	**266,613,985**

'Other assets in the context of lending transactions' relate to credit advances to notary accounts and to the external manager in connection with the Dutch loans.

'Assets in the context of securities transactions' relate to fees receivable for the sale of investment funds of external fund managers (on entry and on portfolio). These fees are are settled periodically (monthly).

'Assets in the context of payment transactions' relate to transition accounts for debit and credit cards.

'Suspense accounts' contains amounts awaiting final allocation to specific bookkeeping accounts, advances to agents and personnel and current accounts of affiliated companies.

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

Following the agreement concluded in 2019 between Aras and Waard Leven, the Dutch insurance portfolios were recognised as held for sale at the end of 2019. In 2020, with the conditions precedent all met, both portfolios were transferred and realised proceeds of EUR 26,075,927 were recognised.

Since the Aras branch office no longer carries out other operational activities, the related results of the sold portfolios were in 2020 recognised as profit or loss on discontinued activities.

In the meantime, the Aras branch office in the Netherlands has been completely liquidated.

	31/12/2020	31/12/2021
Non-current assets and disposal groups classified as held for sale	0	0
Liabilities included in disposal groups classified as held for sale	0	0

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The profit or loss on discontinued operations of the Aras branch consists of the following elements.

Statement of profit or loss	31/12/2020	31/12/2021
Net interest income	-23,362	0
Dividend income	0	0
Net fee and commission income	2,023,848	0
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	0	0
Gains or losses on financial assets and liabilities held for trading	0	0
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	0	0
Gains or losses from hedge accounting	0	0
Gains or losses on derecognition of non-financial assets	0	0
Net result from reinsurance and insurance contracts	1,305,348	0
Net other operating income	165,259	0
Administrative expenses	-1,654,818	0
Depreciation	-13,661	0
Modification gains or losses	0	0
Provisions or reversal of provisions	0	0
Impairments or reversal of impairments	0	0
Profit or loss before tax (excluding derecognition result)	**1,802,613**	**0**
Tax expense	-391,263	0
Profit or loss after tax (excluding derecognition result)	**1,411,350**	**0**
Derecognition result	26,075,927	0
Tax expense related to derecognition	-6,518,982	0
Profit or loss after tax	**20,968,295**	**0**

25. Financial liabilities measured at amortised cost

	31/12/2020	31/12/2021
Deposits from central banks	236,396,243	258,262,863
Deposits from credit institutions	224,751,332	49,268,441
Deposits from other than central banks and credit institutions	38,188,316,014	39,978,540,951
Senior debt securities issued - saving certificates	0	0
Senior debt securities issued - other	3,616,199,207	4,835,431,890
Subordinated debt securities issued	511,087,585	0
Other financial liabilities	151,757,645	110,978,085
Total	**42,928,508,026**	**45,232,482,230**

25.1. Deposits from central banks

The deposits from central banks break down as follows:

	31/12/2020	31/12/2021
Deposits from central banks	**236,396,243**	**258,262,863**
Breakdown by product type		
Targeted Long Term Refinancing Operations	236,396,243	258,262,863
Geographical breakdown		
Belgium		0
European Monetary Union	236,396,243	258,262,863
Rest of the world		0
Breakdown by residual term or maturity date		
Up to 1 year		0
1 to 5 year	236,396,243	258,262,863
Effective interest rate at 31/12	**-0.90%**	**-0.91%**

In 2021, the Company participated to a limited extent in one of the ECB's TLTRO operations, increasing the total amount under this heading to EUR 258,262,863.

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.

The Company estimates, based on the interim net growth of the eligible loans, that this condition will be met, 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 recognised (from drawdown) under IFRS 9 (and not as government grants or loans at below market interest rates).

25.2. Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2020	31/12/2021
Deposits from credit institutions	**224,751,332**	**49,268,441**
Breakdown by product type		
Deposits on demand	8,955,533	8,635,441
Repurchase agreements	215,002,072	0
Cash Collateral from financial institutions	793,727	40,633,000
Geographical breakdown		
Belgium	38,740,605	30,968,147
European Monetary Union	186,010,727	18,300,294
Rest of the world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	224,751,332	49,268,441
1 to 5 year	0	0
Effective interest rate at 31/12	**-0.49%**	**-0.52%**

At the end 2020, Aras had EUR 215,002,072 of repos on its balance sheet, at the end of 2021 there were no repos. The cash collateral refers to outstanding derivatives contracts. With the increase in fair value, some of these contracts have acquired a positive fair value, as a result of which the Company receives (additional) collateral.

25.3. Deposits from other than central banks and credit institutions

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

	31/12/2020	31/12/2021
Deposits from other than central banks and credit institutions	**38,188,316,014**	**39,978,540,951**

Breakdown by product type		
Deposits on demand	6,139,407,216	6,722,924,866
Deposits on term	1,709,289,919	1,211,095,278
Regulated saving deposits	26,905,658,529	28,432,763,500
Mortgage-linked deposits	654,064,989	683,584,988
Cash collateral	0	4,378,000
Other deposits	2,779,895,360	2,923,794,318
Breakdown by residual term or maturity date		
Up to 1 year	599,772,418	433,848,455
1 to 5 year	963,285,284	683,527,719
More than 5 years	146,232,217	93,719,104
Undefined	36,479,026,095	38,767,445,672

Modification gains or losses	**0.19%**	**0.14%**

The outstanding amounts on current ('on demand') accounts increased further in line with previous years. Term deposits are decreasing, owing to the limited additional interest payment, which makes them less interesting for our customers.

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 (included under 'other deposits').

Mortgage-linked deposits contain the undrawn amounts of mortgage loans and 'savings' linked to 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 and the non-regulated savings accounts in Belgium.

25.4. Senior debt securities issued – bonds

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

	31/12/2020	31/12/2021
Senior debt securities issued - other	**3,616,199,207**	**4,835,431,890**
Green Apple 2017-I NHG	733,183,157	571,906,238
Green Apple 2018-I NHG	709,127,167	558,831,751
Green Apple 2019-I NHG	685,856,079	571,144,219
Green Apple 2021-I	0	646,117,596
EMTN programme	1,488,032,804	1,489,912,697
Belgian Mortgage Pandbrieven Programme	0	997,519,388
Breakdown by residual term or maturity date		
Up to 1 year	364,580,436	378,019,191
1 to 5 year	2,479,695,156	2,638,286,222
More than 5 years	771,923,615	1,819,126,477
Effective interest rate at 31/12	**0.19%**	**0.17%**

The Green Apple SPVs serve for the securitisation of Dutch mortgage loans. The A-notes of these transactions have been placed with external institutional investors.

The A notes of SPV Green Apple 2017 I NHG were issued on 5 October 2017 in a notional amount of EUR 1.2 billion. The notes run until 2056 with a prepayment option from March 2024.

The A notes of SPV Green Apple 2018 1 NHG were issued on 26 June 2018 in a notional amount of EUR 1.0 billion. The notes mature contractually in 2057, with a prepayment option from January 2025.

The A notes of SPV Green Apple 2019 I NHG were issued on 26 June 2019 in a notional amount of EUR 825 million. The notes run until 2058 with a prepayment option from January 2026.

On 23 June 2021, an additional securitisation was carried out via the SPV Green Apple 2021-I with A notes in a notional amount of EUR 650 million. The notes run until 2060 with a prepayment option from January 2028.

On 4 February 2019, a senior preferred bond for EUR 500 million with a term of 5 years was issued. On 27 January 2020, a EUR 500 million senior non-preferred bond with a maturity of 7 years was issued, followed on 9 October 2020 by another EUR 500 million senior non-preferred bond with a maturity of 6 years was issued.

In 2021, the Company continued to diversify its funding by raising non-retail funding. As part of the newly established covered bond programme, EUR 1.0 billion of covered bonds were issued in two rounds, the first on 11 February 2021 for EUR 500 million with a 10-year term, and a second on 8 October 2021 for another EUR 500 million with a 20-year term.

25.5. Subordinated debt securities issued

The Tier 2 bond issued in 2016 was offered to institutional investors only. The existing call option was exercised in 2021.

The subordinated liabilities are composed as follows:

	31/12/2020	31/12/2021
Subordinated debt securities issued	**511,087,585**	**0**
Breakdown by type		
Subordinated certificates	0	0
Tier 2 debt securities issued	511,087,585	0
Breakdown by residual term or maturity date		
Up to 1 year	511,087,585	0
1 to 5 year	0	0
More than 5 years	0	0
Effective interest rate at 31/12	**3.99%**	**0.00%**

25.6. Other financial liabilities

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

The liabilities break down as follows:

	31/12/2020	31/12/2021
Other financial liabilities	**151,757,645**	**110,978,085**
Breakdown by type		
Leasing	87,745,208	93,721,437
Investment contracts linked to insurance contracts	64,012,437	17,256,648
Breakdown by residual term or maturity date		
Up to 1 year	72,378,247	30,046,950
1 to 5 year	39,243,543	42,722,338
More than 5 years	40,135,855	38,208,797

The item 'investment contracts linked to insurance agreements' consists of the reserves of investment contracts in the Insurance Pool recognised in accordance with IFRS 9. These contracts are no longer offered and are systematically arriving at maturity.

The limited increase in lease obligations reflects the concluding of new (mainly IT) lease contracts.

26. Provisions

The changes in the provisions during the year are:

	Pension liabilities	Litigation	Loan commit-ments, financial guarantees and other commitments given	Other provisions	Total
Closing balance at 31 December 2019	**1,950,979**	**866,832**	**921,933**	**229,986**	**3,969,730**
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	-894,811	0	0	0	-894,811
Closing balance at 31 December 2020	**1,056,168**	**1,331,426**	**940,940**	**195,558**	**3,524,092**
Additions	0	1,886,910	28,858	26,846	1,942,614
Amounts used	0	-527,121	0	0	-527,121
Unused amounts reversed during the period	0	-140,170	0	0	-140,170
Other	1,258,098	-6,320	0	6,320	1,258,098
Closing balance at 31 December 2021	**2,314,266**	**2,544,725**	**969,798**	**228,724**	**6,057,513**

The provisions for legal disputes and the other provisions are based on the best possible accounting estimates available at year-end, taking account of the opinions of legal and tax advisers. They relate to ongoing legal disputes.

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 Note 5.3.

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 on the premiums paid.

Under Article 24 of the Supplementary Pensions Act of 28.04.2003 on Supplementary Pensions (the so-called 'WAP/LPC'), the employer is required to guarantee a minimum return on defined contribution plans. The legal minimum guaranteed return which the employer is required to pay in respect of employer contributions was until 31 December 2015 set at 3.25%. The guaranteed return was amended by the Act of 18 December 2015, with the guaranteed return 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 contribution paid for this plan amounted in 2021 to EUR 125,021.

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	31/12/2020	31/12/2021
Defined benefit obligations at the beginning of the period	**84,672,212**	**102,026,963**
Current service cost	7,510,148	9,038,549
Past-service cost	0	0
Interest exenses	833,314	372,661
Actuarial gain or loss resulting from changes in demographic assumptions	-58,971	-60,930
Actuarial gain or loss resulting from changes in financial assumptions	10,538,481	-10,196,889
Experience adjustments	-985,272	1,690,546
Benefits paid	-482,949	-854,669
Defined benefit obligations at the end of the period	**102,026,963**	**102,016,231**
Fair value of plan assets (insurance contracts) at the beginning of the year	**82,737,744**	**101,752,114**
Interest income	815,280	368,657
Administrative expenses and taxes	-802,676	-806,998
Employer contributions	7,454,952	7,695,968
Actuarial gain or loss resulting from changes in financial assumptions	10,260,649	-8,899,395
Experience adjustments	1,769,114	525,563
Benefits paid	-482,949	-854,669
Fair value of plan assets (insurance contracts) at the end of the year	**101,752,114**	**99,781,240**
Funded status	**-274,849**	**-2,234,991**
Asset ceiling limit	781,318	79,275
Net defined benefit obligations	**-1,056,167**	**-2,314,266**
Net defined benefit obligations at the beginning of the year	**-1,950,981**	**-1,056,168**
Current service cost	-8,330,858	-9,849,551
Changes to the amounts recognised in other comprehensive income	1,770,719	895,485
Employer contributions	7,454,952	7,695,968
Net defined benefit obligations at the end of the year	**-1,056,168**	**-2,314,266**
Amounts recognised in the income statement	**-8,330,858**	**-9,849,551**
Current service cost	-7,510,148	-9,038,549
Past-service cost	0	0
Interest charges	-833,314	-372,661
Interest income	815,280	368,657
Administrative expenses and taxes	-802,676	-806,998
Changes to the amounts recognised in other comprehensive income	**1,770,719**	**895,484**
Actuarial gain or loss from changes in demographic assumptions	58,971	60,930
Actuarial gain or loss from changes in financial assumptions	-277,832	1,297,494
Experience adjustments	2,754,386	-1,164,983
Asset ceiling limit	-764,806	702,043

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	1017	88
Passive affiliates	1203	84
Contibutions	Annual funding through premium payment in function of the reference salary and the seniority in accordance with the pension regulations for the additional year of service - deficits are adjusted according to use	Annual funding through premium payment in function of the reference salary and the seniority in accordance with the pension regulations for the additional year of service - deficits are adjusted according to use
Estimated contributions 2021	6,691,115	1,004,853

Hypotheses used

For the Belgian fixed contribution schemes, the following assumptions have been used: discount rate 0.85% (0.38% in 2020), inflation rate 1.60% (1.40% in 2020), salary increase 3.00% (3.00% in 2020). For mortality tables the Assuralia 2011-2015 experience tables were used, and for employee turnover, observed historical data, broken down by age category.

For the Dutch fixed contribution schemes, the following assumptions have been used: discount rate 0.85% (0.38% in 2020), inflation rate 1.40% (1.40% in 2020), salary increase 3.00% (3.00% in 2020). For mortality tables the AG 2014 prognosis table has been used, and for employee turnover, observed historical data.

Sensitivity of the gross pension liability

	31/12/2020	31/12/2021
Discount rate	**-25 bp**	**- 25 bp**
Impact on the defined benefit obligations	+5.25%	+5.20%
Impact on the fair value of plan assets (insurance contracts)	+5.14%	+4.55%
Salary increase rate	**-25 bp**	**- 25 bp**
Impact on the defined benefit obligations	-0.04%	-0.09%
Impact on the fair value of plan assets (insurance contracts)	+0.00%	+0.00%

Weighted average term

	31/12/2020	31/12/2021
Average duration of the pension obligation	18.3	17.6

27. Other liabilities

The other liabilities break down as follows:

	31/12/2020	31/12/2021
Social security charges	10,200,291	10,926,437
Accrued charges	249	51
Accounts payable suppliers	38,047,587	49,376,523
Debts - other group companies	522,713	544,872
Debts - agents	32,711,188	33,476,167
Liabilities under insurance contracts	62,640,623	55,325,545
Liabilities under reinsurance contracts	6,710,976	6,969,227
Suspense accounts - lending transactions	43,246,084	39,837,300
Suspense accounts - payment transactions	15,071,085	16,234,097
Suspense accounts - securities transactions	6,119,375	6,152,124
Other taxes	3,853,214	4,645,987
Other	51,524,376	62,999,042
Total	**270,647,761**	**286,487,371**

The suspense accounts contain primarily amounts that stay on these accounts for a few days only (until definitively allocated). The decrease in insurance and reinsurance liabilities relates to a decrease in technical liabilities towards the reinsurer. The ‘other’ item consists of suspense accounts relating to trade payables and securitisations, containing amounts pending final allocation. This item has temporarily increased.

28. 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, amounted to EUR 254,702 in 2021.

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

	Right-of-use assets	Lease receivables	Lease liability
Opening balance as per 01/01/2020	**9,179,000**	**26,001,954**	**35,187,861**
Additions	57,994,370	7,146,232	63,770,164
Interest expense (liability) /income (receivable)		250,315	352,665
Lease payments		-5,228,704	-8,758,895
Depreciation expense	-4,597,275		
Adjustments due to remeasurements	-3,924,455	170,805	-2,806,585
Adjustments due to modifications	0	0	0
Closing balance as per 31/12/2020	**58,651,640**	**28,340,602**	**87,745,210**

	Right-of-use assets	Lease receivables	Lease liability
Opening balance as per 01/01/2021	**58,651,640**	**28,340,602**	**87,745,210**
Additions	8,849,027	10,762,751	19,611,778
Interest expense (liability) /income (receivable)		237,521	510,422
Lease payments		-6,330,868	-14,604,356
Depreciation expense	-7,966,320		
Adjustments due to remeasurements	-613,189	440,293	458,382
Adjustments due to modifications	0	0	0
Closing balance as per 31/12/2021	**58,921,158**	**33,450,300**	**93,721,437**

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

Right-of-use assets

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

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

Right of use asset	Depreciation	Acquisition value	Accumulated depreciation	Carrying amount
Company cars	1,790,184	4,308,582	-2,267,070	2,041,513
Tangible assets	122,062	1,678,395	-120,823	1,557,571
Leased buildings without sublease	439,102	2,527,409	-637,656	1,889,753
Leased other buildings	2,245,927	54,906,538	-1,743,735	53,162,803
Total 31/12/2020	**4,597,275**	**63,420,924**	**-4,769,284**	**58,651,640**

Right of use asset	Depreciation	Acquisition value	Accumulated depreciation	Carrying amount
Company cars	-1,954,248	7,136,784	-4,167,233	2,969,551
Tangible assets	-1,303,003	6,170,361	-2,093,640	4,076,721
Leased buildings without sublease	-326,744	1,722,040	-641,193	1,080,847
Leased other buildings	-4,382,325	56,537,571	-5,743,533	50,794,038
Total 31/12/2021	**-7,966,320**	**71,566,756**	**-12,645,599**	**58,921,158**

Lease liabilities

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

Lease liabilities (undiscounted)	
Up to 1 year	10,794,230
1 to 5 year	38,477,254
More than 5 years	40,832,553
Total at 31/12/2020	**90,104,037**

Lease liabilities (undiscounted)	
Up to 1 year	13,871,248
1 to 5 year	43,131,134
More than 5 years	39,033,767
Total at 31/12/2021	**96,036,149**

Lease liabilities (discounted)	
Up to 1 year	10,338,797
1 to 5 year	37,270,558
More than 5 years	40,135,855
Total at 31/12/2020	**87,745,210**

Lease liabilities (discounted)	
Up to 1 year	13,293,074
1 to 5 year	42,219,568
More than 5 years	38,208,797
Total at 31/12/2021	**93,721,439**

The average discount rate on the lease liabilities is 0.32% (previous year -0.02%).

Lease receivables

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

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

Lease receivables (undiscounted)	
Up to 1 year	6,088,638
1 to 5 year	20,516,600
More than 5 years	7,527,020
Total at 31/12/2021	**34,132,259**

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

Lease receivables (discounted)	
Up to 1 year	5,765,310
1 to 5 year	20,254,228
More than 5 years	7,430,762
Total at 31/12/2021	**33,450,300**

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 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.

29. Fair value of financial instruments

29.1. Valuation methods and input

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

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

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

29.2. Financial instruments not recognised at fair value

The fair values recorded in this heading have been obtained mainly on the basis of internal calculations. These can fluctuate on a daily basis owing to the parameters used, such as interest rates, commercial margin, and counterparty creditworthiness. Nor is there any 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 referred to in this note 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 discount rate 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 carrying value, in view of their immediately retrievable or short-term nature;
- The other credit receivables and 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 briefly discussed in the respective disclosures.

	Carrying amount 31/12/2020	Fair value 31/12/2020	Carrying amount 31/12/2021	Fair value 31/12/2021
Cash and cash equivalents	58,712,247	58,712,247	52,504,898	52,504,898
Cash balances at central banks and other demand deposits	2,968,480,515	2,968,480,515	3,485,928,716	3,485,928,716
Financial assets at amortised cost				
Loans to credit institutions	1,100,234	1,100,234	1,100,219	1,100,219
Cash collateral to financial institutions	746,632,276	746,632,276	375,244,974	375,244,974
Loans and advances to other customers				
Consumer loans	290,897,981	301,092,008	329,566,906	339,120,816
Mortgage loans	33,651,270,744	37,089,971,250	36,240,076,359	38,259,414,509
Term loans	1,266,180,254	1,370,650,048	1,343,793,400	1,400,480,750
Advances and overdrafts	4,516,610	4,516,610	6,922,623	6,922,623
Leasing	28,340,603	28,340,603	33,450,300	33,450,300
Debt securities	4,808,447,059	5,003,559,541	4,408,840,209	4,516,990,965
Total financial assets	**43,824,578,523**	**47,573,055,333**	**46,277,428,605**	**48,471,158,771**
Financial liabilities at amortised cost				
Deposits from central banks	236,396,243	236,396,243	258,262,863	258,262,863
Deposits from credit institutions	224,751,332	224,751,332	49,268,441	49,268,441
Deposits from other than central banks and credit institutions				
Deposits on demand	6,139,407,216	6,139,407,216	6,722,924,866	6,722,924,866
Deposits on term	1,709,289,919	1,802,047,804	1,211,095,278	1,244,409,494
Regulated savings deposits	26,905,658,529	26,905,658,529	28,432,763,500	28,432,763,500
Mortgage-linked deposits	654,064,989	830,219,112	683,584,988	747,649,846
Cash collateral from financial institutions			4,378,000	4,378,000
Other deposits	2,779,895,360	2,779,895,360	2,923,794,318	2,923,794,318
Senior debt securities issued				
Saving certificates	0	0	0	0
Other	3,616,199,207	3,666,180,210	4,835,431,890	4,854,815,521
Subordinated debt securities issued				
Subordinated certificates	0	0	0	0
Tier 2 debt securities issued	511,087,585	507,550,000	0	0
Other financial liabilities	151,757,645	151,757,645	110,978,085	110,978,085
Total financial liabilities	**42,928,508,026**	**43,243,863,451**	**45,232,482,230**	**45,349,244,934**

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. The financial liabilities measured at amortised cost have been adjusted retroactively for the reference year in order to correct a presentation error.

31/12/2020	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	58,712,247	0	58,712,247	0
Provisions	2,968,480,515		2,968,480,515	
Financial assets at amortised cost	44,545,862,570	3,293,730,538	2,482,603,126	38,769,528,905
Loans and advances	39,542,303,029	0	780,589,723	38,761,713,306
Debt securities	5,003,559,541	3,293,730,538	1,702,013,404	7,815,599
Financial liabilities at amortised cost	43,243,863,451	0	37,268,085,437	5,975,778,014

31/12/2021	Reële waarde	Level 1	Level 2	Level 3
Cash and cash equivalents	52,504,898	0	52,504,898	0
Investments in subsidaries, joint ventures and associates	3,485,928,716		3,485,928,716	
Financial assets at amortised cost	44,932,725,157	2,679,035,318	2,251,115,195	40,002,574,643
Loans and advances	40,415,734,192		416,718,117	39,999,016,075
Debt securities	4,516,990,965	2,679,035,318	1,834,397,079	3,558,568
Financial liabilities at amortised cost	45,349,244,934	2,504,049,632	38,502,370,073	4,342,825,229

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).

The 'financial assets at amortised cost' includes the relevant debt securities 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. The covered bonds and issues under the EMTN programme are included under level 1 as there is sufficient evidence available for the existence of a liquid market for these instruments.

Overall, the fair value has decreased compared to 2020 owing to an increase in the long-term yield curve at the end of 2021. The rise in the risk-free yield curve causes the unrealised capital gain to fall and consequently also the fair value/ book value ratio. In addition, in FY 2021, an additional add-on of 15bp was added to the discounting of Belgian and Dutch mortgages in the valuation to reflect a potential loss of some commercial margin in the event of a sale. A change was also made to the methodology for Dutch mortgages, whereby cash flows after interest rate adjustment are no longer included in the fair value. This further reduces this fair value.

29.3. Financial instruments recognised at fair value

The following tables present the fair values of the financial instruments that are already recognised 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.

31/12/2020	Total	Level 1	Level 2	Level 3
Assets measured at fair value	**7,829,805,459**	**7,333,522,417**	**483,382,978**	**12,900,064**
Financial assets held for trading	960,263	0	960,263	0
Assets related to unit-lined contracts (branch 23)	2,642,811,557	2,642,811,557	0	0
Financial assets at fair value through other compre-hensive income	5,043,170,123	4,610,944,593	426,675,052	5,550,478
Non-trading financial assets mandatorily at fair value through profit or loss	139,614,544	79,766,267	52,498,692	7,349,586
Derivatives used for hedge accounting	3,248,972	0	3,248,972	0
Liabilities measured at fair value	**3,532,822,717**	**2,642,811,557**	**890,011,160**	**0**
Financial liabilities held for trading	465,526	0	465,526	0
Liabilities related to unit linked contracts (branch 23)	2,642,811,557	2,642,811,557	0	0
Derivatives used for hedge accounting	889,545,634	0	889,545,634	0

31/12/2021	Total	Level 1	Level 2	Level 3
Assets measured at fair value	**8,271,088,971**	**7,516,136,633**	**744,604,885**	**10,347,453**
Financial assets held for trading	18,595,343	0	18,595,343	0
Assets related to unit-lined contracts (branch 23)	3,019,742,125	3,019,742,125		
Financial assets at fair value through other compre-hensive income	5,015,411,231	4,406,768,228	605,602,062	3,040,941
Non-trading financial assets mandatorily at fair value through profit or loss	128,724,107	89,626,280	31,791,315	7,306,512
Derivatives used for hedge accounting	88,616,165	0	88,616,165	0
Liabilities measured at fair value	**3,527,382,121**	**3,019,742,125**	**507,639,996**	**0**
Financial liabilities held for trading	16,545,565	0	16,545,565	0
Liabilities related to unit linked contracts (branch 23)	3,019,742,125	3,019,742,125		
Derivatives used for hedge accounting	491,094,431	0	491,094,431	0

In the portfolio ‘financial assets at fair value through other comprehensive income’, there are sporadic changes between level 1 and level 2 due to changes in the liquidity of the instruments (e.g. more providers).

In 2020 and 2021 there were no level changes from level 1 to level 2 in the instruments measured at fair value.

The table below shows the reconciliation of the level 3 fair values between 1 January 2020 and 31 December 2021.

	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 01/01/2020	**2,054,460**	**4,337,196**	**6,118,459**
Purchases and new contracts	0	0	1,231,127
Expired instruments	0	0	0
(Partial) repayments	-841,178	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	**1,213,282**	**4,337,196**	**7,349,586**
Purchases and new contracts	0	0	1,426,662
Expired / sold instruments	0	-2,929,607	-1,480,571
(Partial) repayments	-628,006	0	0
Changes to other levels	0	0	0
Changes from other levels	0	0	0
Other changes (including value changes)	0	1,048,076	10,835
Closing at 31/12/2021	**585,276**	**2,455,665**	**7,306,512**

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 10,347,453 as of 31 December 2021.

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.

In 2020, 3 positions in level 3 equity instruments (units) were purchased for an amount of EUR 1,231,127. Factor repayments of EUR 841,178 were also made on a level 3 MBS position.

In 2021, EUR 5,038,184 of repayments were, and EUR 1,426,662 of positions were acquired.

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 0.5 million on the 2021 measurement as against EUR 0.8 million in 2020, with an impact on the result of EUR -0.3 million.

30. Derivatives

Besides derivatives embedded in contracts, the Company has three types of derivatives (derived financial instruments) on its balance sheet on 31 December 2021: 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 in the portfolio at fair value through other comprehensive income and the framework for the processing of derivatives as cash flow hedging were also embedded in the Company.

In 2020 and 2021 no offsetting was undertaken in processing the derivatives both on and off the balance sheet. As a result, no disclosures in this respect were made as described in IFRS 7.

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 2021 the Company still had 7 interest rate caps in its balance sheet in a notional amount of EUR 1.25 billion. These are used in managing its global interest rate risk.

It also has securitisation-related caps on its balance sheet. At the end of 2021, it had eight securitisation-related caps (4 back-to-back and 4 front caps) on its balance sheet.

Financial assets (unlisted)	Count	Notional	31/12/2020	Count	Notional	31/12/2021
Interest rate options - caps	9	1,450,000,000	489,560	7	1,250,000,000	2,021,813
Securisation transactions - caps	3	2,668,000,000	470,703	4	3,170,343,707	16,573,530

Financial liabilities (unlisted)	Count	Notional	31/12/2020	Count	Notional	31/12/2021
Interest rate options - caps	0	0	0	0	0	0
Securisation transactions - caps	3	2,668,000,000	465,526	4	3,170,343,707	16,545,565

Although serving to hedge the interest rate risk, these 7 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. The increase in fair value in 2021 is the result of the positive evolution of long-term interest rates (received caps increase in value and written caps decrease in value).

Swaptions

In 2021, 4 additional swaptions were concluded in a nominal amount of EUR 750 million, giving a total of 12 swaptions with a nominal value of EUR 1.45 billion.

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 processed 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.

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

2021				
Count	Notional	Hedge type	Treatment in IFRS	Derivative type
85	10,050,000,000	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
12	1,450,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Swaptions

Note on the cash flow hedge referred to in the table above for 2020

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

On 31 May 2021, the swap treated as a cash flow hedge came to maturity. As a result, there is no longer any amount in the line "cash flow hedge" in equity.

Notes to the consolidated statement of profit or loss

31. Net interest income

The breakdown of interest income and expenses by type of interest margin-generating financial instrument is as follows. Interest income and interest expense is accounted for using the effective interest method.

	31/12/2020	31/12/2021
Interest income calculated using the effective interest method	**913,039,459**	**894,462,355**
Non-trading financial assets mandatorily at fair value through profit or loss	953,383	856,142
Financial assets at fair value through other comprehensive income	46,464,064	41,611,280
Financial assets at amortised cost - loans and advances	786,296,884	780,152,733
Financial assets at amortised cost - debt securities	77,488,155	68,018,296
Derivatives used for hedge accounting	36,509	43,290
Other assets	815,280	368,657
Interest income on liabilities	985,184	3,411,957
Interest expenses	**243,746,774**	**225,840,148**
Deposits from central banks and credit institutions	1,162,689	18,233
Deposits from other than central banks and credit institutions	71,419,353	60,120,349
Senior debt securities issued	8,417,892	13,107,834
Subordinated debt securities issued	20,313,145	8,287,415
Leasing liabilities	357,661	510,421
Derivatives used for hedge accounting	138,045,197	138,152,371
Other liabilities	833,314	372,661
Interest expenses on assets	3,197,523	5,270,864
Net interest income	**669,292,685**	**668,622,207**
of which interest-income on credit impaired financial assets	250,019	359,291

Interest income 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 2021 was positively impacted here by the high level of mortgage prepayments, generating EUR 47.6 million in reinvestment fees compared to EUR 43.9 million in 2020.

Financing costs (excluding derivatives) decreased due to the arrival at maturity of savings certificates and the subordinated Tier II loan. The further diversification of funding sources with the issuance of RMBSs, covered bonds and EMTN bonds are supporting the decrease in funding costs.

The hedging result showed a dual evolution, whereby the global result is in line with 2020. With lower Euribor interest rates, the net interest costs on the derivatives increased. Additional swaps were also concluded in a notional amount of EUR 2.2 billion. The higher yield curve at the long end had a positive impact on the time value in the market valuation of the hedging swaptions portfolio.

32. Dividend income

Dividends received are specified below.

	31/12/2020	31/12/2021
Dividend income	**4,499,011**	**6,172,490**
Equity instruments at fair value through other comprehensive income	3,857,551	5,289,835
Equity instruments mandatorily valued at fair value through profit or loss	641,460	882,655

33. Net commission and fee income

The net income from commissions and fees can be found below. Net fee and commission income increased by EUR 42.6 million to EUR 52.9 million for 2021.

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 and branch 23 insurance contracts as a result of the rise in assets under management.

	31/12/2020	31/12/2021
Fee and commission income	**194,583,452**	**266,916,788**
Securities: issuances and transfer orders	20,481,555	26,328,652
Asset management, including central administrative services for collective investment	122,384,153	178,058,228
Customer resources distributed but not managed	26,353,111	26,212,610
Payment services	10,516,433	20,378,227
Other	14,848,200	15,939,071
Fee and commission expenses	**-184,315,825**	**-214,058,721**
Acquisition charges	-157,320,671	-184,191,829
Asset management	0	0
Custody	-1,691,263	-2,109,312
Payment services	-20,768,579	-23,099,309
Other	-4,535,313	-4,658,272
Net fee and commission income	**10,267,627**	**52,858,066**

The acquisition charges heading contains the bulk of the costs paid to the Argenta Group's tied agents ('branch managers'). These have increased further with the growing sales of investment funds.

34. 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:

	31/12/2020	31/12/2021
Gains on derecognition		
Debt securities at fair value through other comprehensive income	3,968,168	47,862
Financial assets at amortised cost	3,268,691	752,852
Other	0	0
Losses on derecognition		
Debt securities at fair value through other comprehensive income	-45,407	0
Financial assets at amortised cost	-103,805	0
Total result on derecognition	7,087,646	800,714
of which debt securities at fair value through other comprehensive income	3,922,761	47,862
of which financial assets at amortised cost	3,164,886	752,852

The fair values of the category 'financial assets measured at amortised cost' are given in Note 29. In 2020 and 2021 there were no realised results from financial liabilities not measured at fair value through profit or loss.

In 2021, the realised results were respectively EUR 47,862 for debt securities measured at fair value through other comprehensive income and EUR 752,852 for financial assets at amortised cost. The sales within the financial assets at amortised cost (hold-to-collect business model) heading for Aras relate to 17 close-to-maturity positions with a carrying value of EUR 169,971,572. In Aspa, the sales relate to 2 close-to-maturity positions with a carrying value of EUR 17,994,081 and 1 position in a carrying value of EUR 2,985,060 sold as a result of the policy limits being exceeded.

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

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

	31/12/2020	31/12/2021
Fair value changes related to caps	-631,117	1,555,041

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 market value taken through profit and loss.

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

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

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

	31/12/2020	31/12/2021
Fair value changes related to debt securities	2,441,439	-1,001,008
Fair value changes related to equity instruments	-1,555,185	14,783,757

37. Gains or losses from hedge accounting

For derivatives that are part of the fair value hedge transactions undertaken to hedge the interest rate risk of a portfolio of individual securities, the relevant interest is given under net interest income.

Changes in the fair value of these derivatives and changes in fair value arising from the hedged risk of the hedged assets are recognised in the item ‘gains and losses from hedge accounting’.

	31/12/2020	31/12/2021
Macro fair value hedge		
Fair value changes of the hedged item	-197,788,146	417,413,725
Fair value changes of the derivatives used for hedge accounting	196,623,684	-415,398,944
Micro fair value hedge		
Fair value changes of the hedged item	-11,550,844	-33,354,041
Fair value changes of the derivatives used for hedge accounting	11,613,787	33,316,639
Compensation related to transition from Euribor to Ester (Euro short-term rate)	2,368,061	360,530
Gains or losses from hedge accounting	**1,266,542**	**2,337,910**

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).

For derivatives cleared through a central counterparty, the calculation of the interest on cash collateral exchanged under these contracts was transferred in 2020 from an Eonia to an Estr basis. In compensation for the decrease in fair value, net compensation of EUR 2,368,061 was received. In 2021, this transition was continued in respect of individual counterparties. For this, compensation of EUR 360,530 was received. This compensation is included under ‘Gains or losses on accounting for hedging transactions’ in profit or loss.

38. Realised gains or losses from the derecognition of non-financial assets

The gains and losses on derecognised assets, other than held for sale are shown below.

	31/12/2020	31/12/2021
Gains on property, plant and equipment	325,856	389,880
Gains on investment properties	0	50,356
Losses on property, plant and equipment	-319,534	-382,675
Losses on invesment properties	0	0
Total	**6,322**	**57,562**

39. Net income from insurance and reinsurance contracts

Net result from insurance and reinsurance contracts covers:

	31/12/2020	31/12/2021
Net income from issued insurance contracts	**32,251,148**	**60,466,584**
of wich non-life	58,583,661	65,581,955
of which life	-26,332,513	-5,115,372
Net income from issued reinsurance contracts	**-3,745,713**	**-15,589,533**
of wich non-life	-2,824,144	-19,578,517
of which life	-921,569	3,988,984
Net technical result from insurance	**28,505,435**	**44,877,051**

The insurance-technical result increased by EUR 16.4 million.

The Non-Life result in 2021 will be influenced by: (i) an overall favourable claims evolution in Non-life, (ii) a negative impact of the July floods of EUR 11.4 million (after reinsurance), and (iii) a reversal of a provision in an amount of EUR 12.0 million for an expected but not implemented adjustment of the indicative tables and capitalisation interest rate.

The floods of mid-July in the south and east of Belgium resulted in a gross reinsurance cost of EUR 13.3 million. EUR 10.1 million of this amount has already been settled. To date, the double intervention limit (as agreed between the insurers and the authorities) has not yet been exceeded at Aras. The reinsurer’s intervention is EUR 4.6 million.

The Non-Life result was positively influenced in 2020 by the revision of the claims reservation method to a reservation in line with the risk appetite, which resulted in a EUR 15.8 million reversal of claims reserves.

The insurance-technical result for Life rose further and remains at a high level. The increase in the insurance-technical result for Life is the result of the fall in the guaranteed interest rate of the branch 21 reserves.

40. Net other operating income

Net other operating income consists of the following elements:

	31/12/2020	31/12/2021
Other operating income		
Rental income from investment properties	6,579	0
Cost-sharing group companies	0	0
Agent recuperations	15,070,484	12,510,449
Other	5,855,354	5,531,558
Operating expenses		
Other	-2,490,178	-4,054,055
Total	**18,442,239**	**13,987,952**

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

41. Administrative expenses

Staff expenses consist of the following components:

	31/12/2020	31/12/2021
Wages and salaries	72,143,735	73,550,364
Social security charges	17,788,529	18,346,668
Pension expenses	9,151,689	10,569,766
Share-based payments	0	0
Other	3,520,610	3,405,695
Staff expenses	**102,604,564**	**105,872,493**
Average number of employees in FTE	**1,064.8**	**1,044.8**

Remuneration has increased owing to an active effort in recent years 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:

	31/12/2020	31/12/2021
Marketing expenses	5,242,395	6,001,225
Professional fees - ICT	50,989,490	46,756,225
Professional fees (including legal and fiscal)	16,451,612	21,681,138
IT expenses	64,237,525	66,631,617
Rental expenses	12,516,951	3,869,499
Other taxes and bank levies	85,012,444	99,413,833
Servicing charges	21,094,347	22,245,182
Utilities	8,896,784	8,293,414
Supervisor	8,697,638	8,083,145
Postage	3,840,982	3,409,271
Interim labour	2,367,188	2,315,454
Other	20,407,677	23,213,439
Other administrative expenses	**299,755,034**	**311,913,441**

The increase in general and administrative expenses is due mainly to increased expenditure on bank levies.

The 'professional fees - ICT' and 'IT expenses' items consist mainly of the costs of external ICT employees and/or managed services contracts, application management, storage, maintenance and infrastructure. Investments in digitisation and projects to renew the application and data infrastructure were continued.

Rental expenses relate to additional charges and costs related to rental contracts and lease contracts that are considered to be short-term and/or intangible.

The "business taxes and bank levies" remain a large part of the administrative costs and have increased from EUR 85.0 million to EUR 99.4 million.

The "other" heading includes expenses for telephone, postage, office supplies, professional contributions and travel expenses. These are cost items that were strictly monitored.

42. Modification gains or losses

	31/12/2020	31/12/2021
Financial assets at fair value through other comprehensive income	0	0
Financial assets at amortised cost	-3,258,931	-113,534
Modification gains or losses	**-3,258,931**	**-113,534**

The measures (relevant to the Company) taken by the Belgian government to support the economy during the Covid-19 crisis included (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 included principal and interest payments for retail customers. Interest was 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 was payable (and accrued) over the deferment period, resulting in a modification loss of EUR -113,534 for 2021 and EUR -3.3 million for 2020.

For Dutch mortgages, no government programme was organised. To support its Dutch mortgage customers, the Company offered individual solutions (treated as forbearance measures) that deferred 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 and 2021. For the Belgian and Dutch loans, the payment deferral expired in 2021. These are therefore presented under expired measures.

	Gross carrying amount 31/12/2020			
	Performing	of which forbearance	of which stage 2	Non-performing
Active EBA-compliant moratoria of COVID-19 forbearance measures	**4,477,124**	**4,477,124**	**4,477,124**	**3,322,026**
Belgian mortgage loans	0	0	0	0
Belgian consumer loans	0	0	0	0
Dutch mortgage loans	4,477,124	4,477,124	4,477,124	3,322,026
Expired EBA-compliant moratoria of COVID-19 forbearance measures	**752,703,851**	**20,906,528**	**364,420,227**	**18,406,385**
Belgian mortgage loans	737,022,847	5,683,934	349,193,421	14,080,525
Belgian consumer loans	458,410	0	4,212	23,354
Dutch mortgage loans	15,222,594	15,222,594	15,222,594	4,302,506

	Gross carrying amount 31/12/2021			
	Performing	of which forbearance	of which stage 2	Non-performing
Active EBA-compliant moratoria of COVID-19 forbearance measures	**0**	**0**	**0**	**0**
Belgian mortgage loans	0	0	0	0
Belgian consumer loans	0	0	0	0
Dutch mortgage loans	0	0	0	0
Expired EBA-compliant moratoria of COVID-19 forbearance measures	**704,916,741**	**27,220,191**	**147,392,345**	**29,157,992**
Belgian mortgage loans	689,105,599	11,687,751	131,841,080	19,655,002
Belgian consumer loans	278,702	0	18,825	23,054
Dutch mortgage loans	15,532,440	15,532,440	15,532,440	9,479,937

43. Impairments

The changes in impairments can be broken down as follows:

	31/12/2020	31/12/2021
Debt securities at fair value through other comprehensive income	-3,513,507	3,616,776
Debt securities at amortised cost	-3,487,879	4,343,291
Loans and advances at amortised cost	-14,509,756	2,269,212
Property, plant and equipment	-384,627	0
Goodwill	0	0
Impairments	**-21,895,769**	**10,229,279**

The tables below show the composition and evolution of the impairments as of 31 December 2020 and 31 December 2021. The impairments on future obligations and guarantees given are explained in Notes 5.3 and 25.

For 2020, there is a net negative impact of EUR 21,895,769, of which EUR 7,001,386 for debt certificates (EUR 3,513,507 for debt certificates measured at fair value through other comprehensive income and EUR 3,487,879 for debt certificates measured at amortised cost) and EUR 14,509,756 for loans and advances (mainly retail). In addition, there was a limited write-down of EUR 384,627 on ATMs withdrawn from use.

For 2021 there is a net global positive impact of EUR 10,229,279, of which EUR 7,960,067 reversal on debt securities and EUR 2,269,212 reversal on loans and advances.

	01/01/2020	Changes of balance sheet im-pairments	31/12/2020	Recoveries in profit or loss	Direct write offs	Total im-pairments in profit or loss
Debt securities at fair value through other comprehensive income	**-1,472,789**	**-3,513,506**	**-4,986,295**	**0**	**0**	**-3,513,506**
Stage 1	-1,472,789	-3,077,680	-4,550,469			-3,077,680
Stage 2	0	-435,826	-435,826			-435,826
Stage 3	0	0	0	0	0	0
Debt securities at amortised cost	**-2,588,457**	**-3,487,880**	**-6,076,337**	**0**	**0**	**-3,487,880**
Stage 1	-2,162,358	-3,420,180	-5,582,538			-3,420,180
Stage 2	-426,099	-67,700	-493,799			-67,700
Stage 3	0	0	0	0	0	0
Loans and advances at amortised cost	**-24,794,822**	**-14,359,182**	**-39,154,004**	**1,622,097**	**-1,772,670**	**-14,509,755**
Stage 1	-3,089,188	-1,069,161	-4,158,349			-1,069,161
Stage 2	-9,201,453	-5,422,181	-14,623,634			-5,422,181
Stage 3	-12,504,181	-7,867,840	-20,372,021	1,622,097	-1,772,670	-8,018,413
of which consumer loans	-1,192,671	-1,736,782	-2,929,453	233,839	-265,587	-1,768,530
of which mortgage loans	-9,878,671	-6,820,428	-16,699,099	1,122,353	-432,664	-6,130,739
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	**-28,856,068**	**-21,360,568**	**-50,216,636**	**1,622,097**	**-1,772,670**	**-21,511,141**

	01/01/2021	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	**-4,986,295**	**3,616,776**	**-1,369,519**	**0**	**0**	**3,616,776**
Stage 1	-4,550,469	3,305,708	-1,244,761			3,305,708
Stage 2	-435,826	311,068	-124,758			311,068
Stage 3	0	0	0	0	0	0
Debt securities at amortised cost	**-6,076,337**	**4,343,290**	**-1,733,047**	**0**	**0**	**4,343,290**
Stage 1	-5,582,538	4,029,519	-1,553,019			4,029,519
Stage 2	-493,799	313,771	-180,028			313,771
Stage 3	0	0	0	0	0	0
Loans and advances at amortised cost	**-39,154,004**	**4,903,158**	**-34,250,846**	**1,539,165**	**-4,173,110**	**2,269,213**
Stage 1	-4,158,349	1,386,132	-2,772,217			1,386,132
Stage 2	-14,623,634	8,014,761	-6,608,873			8,014,761
Stage 3	-20,372,021	-4,497,735	-24,869,756	1,539,165	-4,173,110	-7,131,680
of which consumer loans	-2,929,453	-1,010,763	-3,940,216	178,579	-905,669	-1,737,853
of which mortgage loans	-16,699,099	-1,128,137	-17,827,236	1,095,237	-1,178,142	-1,211,042
of which term loans	-255,301	27,503	-227,798	43,187	-75,871	-5,180
of which advances and overdarfts	-488,169	-2,386,338	-2,874,507	222,162	-2,013,429	-4,177,605
Total	**-50,216,636**	**12,863,224**	**-37,353,412**	**1,539,165**	**-4,173,110**	**10,229,279**

The stage 3 impairments are the individual impairments that have been applied. The detailed mutation table for impairments as of 31 December 2020 and 2021 has been included in the disclosure on credit risk in section 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 2021:

- Update of the forecast of the main forward-looking indicators causing credit losses in the retail and non-retail portfolios. 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);
- Rebalancing of the probabilities of the scenarios from 60% baseline, 20% up and 20% down, to 50% baseline, 25% up and 25% 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 2021 compared to the end of 2020. The main sensitivity of the stage 1 and 2 impairments concerns the HPI NL, if the observed HPI (House Price Index) increase in 2021 (17.9%) is neutralised, this has an effect of increasing ECL by EUR 3.5 million.

	31/12/2020				31/12/2021			
	2020E	2021E	2022E	>2022E	2021E	2022E	2023E	>2023E
Retail								
Unemployment BE (%)	5.6	7.4	7.1	6.7	6.3	6.1	5.9	5.5
Unemployment NL (%)	4	6.5	6	5.5	3.3	3.4	3.5	3.3
House price index BE (%, JoJ)	2	-1	1.8	1.9	6	2	1.6	1.6
House price index NL (%, JoJ)	7.1	2	1.1	1.4	15	11.3	5	1.4
Non-retail								
GDP Eurozone (%, JoJ)	-7.3	3.9	4.2	2.1	5.1	4.2	2.9	1.2
Energy Index (%, JoJ)	-25	1.9	1.9	1.9	82.1	1.9	1.9	1.9
Non-energy Index (%, JoJ)	-5	1.9	1.9	1.9	18.7	1.9	1.9	1.9
Unemployment Eurozone (%)	8	9.3	8.2	7.5	7.7	7.3	6.9	6.5

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 1.2 billion) amounted for the 2021 financial year to EUR +10.3 million.

The changes in the forward-looking indicators and the weighting of the scenarios lead to a reversal of EUR 9.5 million. Migrations between stages (to stage 1) result in a reversal of EUR 1.1 million. The non-retail ECL model was further fine-tuned in 2021, giving rise to an additional ECL of EUR 0.8 million. The remainder of the net impairments relates to portfolio evolutions.

The impact of net impairments on retail positions (mainly mortgage loans and consumer loans) for 2021 amounts to EUR -0.1 million.

For the Dutch mortgage portfolio, phase 1 and 2 impairments decreased by EUR 5.7 million. The main reasons for this decline are:

- A very strong increase in house prices in the Netherlands (around 18% on an annual basis). The indexation of the pledge values for the Dutch portfolio is carried out on a quarterly basis. This evolution causes a decrease in the Loan-To-Value (LTV).
- The application of macroeconomic scenarios with more favourable outlook than in 2020. The weightings of the scenarios were adjusted with a larger proportion of up and down scenarios to reflect the remaining uncertainty.
- A larger share of non-NHG in new business, gradually increasing the portfolio share of non-NHG. Non-NHG files on average have a lower PD (probability of default) and a higher LGD (loss given default) than NHG loans. In the course of 2021, the non-NHG share became dominant in the mortgage portfolio.

These effects were partly offset by a recalibration of the PIT PD which is responsible for an increase in the impairments.

With regard to the stage 3 impairments, these decreased by EUR 1.8 million for Dutch mortgages in the course of 2021. This decrease was caused by:

- A limited inflow of new defaults in the course of 2021.
- The striking and strong increase in house prices in the Netherlands in the course of 2021. As a result, the expected recovery value of the collateral increases, which causes a decrease in the impairment.
- A striking outflow due to curing. The inflow of those files was observed with the implementation of the new definition of default. This gave rise for the first time in March 2021 (one year after the implementation of the new definition) to an outflow after a positive manual probation assessment.

In the course of 2021, stage 1 and 2 impairments in the Belgian mortgage portfolio decreased by EUR 1.3 million. The main reasons for this decline are:

- The application of macroeconomic scenarios with more favourable outlook than in 2020. The weightings of the scenarios were adjusted with a larger proportion of up and down scenarios to reflect the remaining uncertainty.
- The migration of a large number of files that took advantage of the government's Covid payment scheme from phase 2 to stage 3 (unfavourable cases) or back to stage 1 (favourable cases).
- In addition, we also see a favourable evolution in the housing market in Belgium, with price increases that are much lower than in the Netherlands, but are still very high by Belgian standards (of about 8%).

The stage 3 impairments for the Belgian mortgage portfolio increased by EUR 3.0 million during 2021, as a result of:

- The placing in default of credit files with Covid payment deferrals after conducting an assessment to identify high-risk files. This movement took place mainly in the first quarter of 2021.
- Outflow due to curing of a large number of files that had been flagged as default forbearance in the course of 2020.
- A relatively important part of the inflow in 2021 is the result of unlikely-to-pay indicators (and therefore no effective arrears). For a significant part of these files, the mortgage mandates have not yet been converted, which negatively affects the expected recovery value.

In the LOA portfolio, impairments increased by EUR 1.7 million and the stages 1 and 2 impairments by EUR 0.1 million.

An impairment of EUR 4.2 million was recorded on current accounts (debit balances and overdrafts).

At portfolio level, in line with 2020, a management overlay was applied to the HPI for the Netherlands (in down scenario), and a collective staging to phase 2 was exercised for interest-only loans with high residual LTVs. The combined impact of all management overlays increased the stock of phase 1 and 2 impairments by EUR EUR 7.0 million compared with an increase of EUR 10.7 million in 2020. As of 2021, no direct climate risk factors were included in the ECL valuation.

44. Tax expense

The details of current and deferred taxes are shown below:

	31/12/2020	31/12/2021
Current taxes		
Current tax expenses for the financial year	79,707,210	82,524,937
Current tax expenses for prior periods	1,453,811	-1,124,959
Deferred taxes		
Deferred taxes relating to fiscal losses and DRD	2,888,214	0
Deferred taxes for prior periods	1,724,691	0
Deferred taxes relating to accounting timing differences	-2,924,932	14,308,462
Total taxes	**82,848,994**	**95,708,441**

Reconciliation of statutory and effective tax rate		
Profit or loss before tax	280,599,804	363,911,048
Statutory tax rate	25.00%	25.00%
Income tax calculated using statutory rate	70,149,951	90,977,762
Tax effect of different tax rates in other jurisdictions	-22,000	-24,500
Fiscal deferred taxes - not recognised	7,500,000	6,333,662
Tax effect of non-taxable income	-1,174,668	-3,660,997
Tax effect of non-tax-deductible expenses	1,127,319	3,256,839
Tax benefit not previously recognised	0	
Prior period taxation	3,178,502	-1,124,959
Tax impact of change of tax rate	1,845,992	0
Other differences in statutory taxation	243,898	-49,367
Total income tax expense	**82,848,994**	**95,708,441**
Effective tax rate	29.53%	26.30%

As reflected in the table above, the effective tax rate was 29.53% in 2020 and 26.30% in 2021. This compares with the statutory tax rate of 25.00% in Belgium.

Part of the taxable basis is realised in the Netherlands and Luxembourg.

The result in the Netherlands is realised 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 areas 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 and is also used for 2021.

Due 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. No additional deferred tax assets were recorded in 2021. The "unrecognized deferred

taxes" represents EUR 53.3 million of fiscally carryforwardable assets (unused definitively taxed income) that have been accrued in current and previous years and are freely carryforwardable.

The prior period taxation consists of corrections following a tax inspection and for the difference between the tax provision recognised at the end of the financial year and the actual tax return.

Other increases mainly relate to the effect of realised 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. In 2020, Aspa main house transferred part of the tax losses to Aras through the EUR 3.1 million group contribution. For this, Aras paid a fee to Aspa main house in the amount of the tax at the statutory rate of 25.00% (EUR 775,000). In 2021, the group contribution plan was not applied between Aspa and Aras. Between Aras and BVg, part of the tax losses were transferred to Aras. For this, Aras paid a fee to Bvg in the amount of the tax at the statutory rate of 25.00% (EUR 425,000).

Other notes

45. 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 2020 and 2021, together with the average for 2021.

	31/12/2020 Notional value	31/12/2020 Fair value	31/12/2021 Notional value	31/12/2021 Fair value	Average 2021 Notional value	Average 2021 Fair value
Securities Collateral						
Collateral for derivatives (caps en swaps)	307,481,000	330,467,997	338,466,000	367,615,765	321,877,500	353,766,671
Collateral for repo transactions	204,254,525	208,777,405	0	0	56,215,132	57,918,062
Collateral for Bank Card Company	52,000,000	54,201,186	50,800,000	52,968,689	49,441,667	52,109,472
Collateral for TLTRO	237,390,000	248,816,609	261,130,000	269,542,109	257,173,333	266,596,515
Collateral for covered bond	0	0	3,000,000	3,195,025	2,636,364	2,829,979
Collateral for Tar-get2-platform	50,000,000	51,272,927	50,000,000	50,086,450	50,000,000	50,191,494
Collateral for unused credit line	250,903,000	257,290,624	250,963,000	255,091,614	250,953,000	256,657,773
Total collateral given	**1,102,028,525**	**1,150,826,748**	**954,359,000**	**998,499,651**	**988,296,995**	**1,040,069,965**
Loans and advances						
Collateral for covered bond	0	0	1,238,209,581		766,692,444	
Cash Collateral						
Paid cash (derivatives)		741,105,574		375,244,974		552,637,051
Cash received (derivati-ves)		793,727		45,011,000		20,407,667
Paid cash (repo transac-tions)		5,526,702		0		1,093,917
Net cash		**745,838,549**		**330,233,974**		**533,323,301**

At the end of 2021, a nominal EUR 338.4 million was encumbered in respect of derivatives and repos and a nominal EUR 50.8 million in connection with the use of credit cards by the Company's customers.

In addition, EUR 375.2 million of cash was paid and EUR 45.0 million of cash received in respect of collateral management for derivatives. This involves the exchange of collateral (in cash – variation margin) to hedge the credit risk (as a result of the fair value) on derivatives.

The bank has given EUR 50 million of collateral for the Target2 platform. There is also a EUR 250.0 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.

46. 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, 2019 and 2021.

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.

Type	Country	Carrying amount 31/12/2020	Carrying amount 31/12/2021
MBS	Spain	11,735,933	9,734,229
MBS	France	9,020,223	4,144,093
MBS	Ireland	5,247,338	3,198,938
MBS	The Netherlands	518,151,627	506,726,974
MBS	Great-Britain	6,153,598	0
ABS	Belgium	0	40,975,249
ABS	Germany	21,555,677	41,661,228
ABS	United States of America	973,382	0
ABS	France	18,907,391	46,491,054
ABS	Ireland	2,836,250	25,388,282
ABS	Luxembourg	45,205,291	67,094,806
ABS	The Netherlands	9,395,104	18,301,476
Total securization positions		**649,181,814**	**763,716,329**

The MBSs are all related to securitised mortgage loans. The ABSs are mainly related to securitised car loans.

47. Off-balance sheet liabilities

The Company has given and received collateral and guarantees. The reasons and national values of the assets involved can be found in the table below.

	31/12/2020	31/12/2021
Collateral received	42,000,394,612	45,144,802,633

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.

	31/12/2020	31/12/2021
Financial guarantees issued	5,854,440	4,734,270
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.

	31/12/2020	31/12/2021
Credit lines granted	2,758,983,533	3,263,454,487
Credit lines received	230,875,000	230,325,000

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 broken down into i) funds managed by subsidiaries Argenta Asset Management and Arvestar ii) securities distributed but not managed by Argenta. Argenta has no discretionary management.

	31/12/2020	31/12/2021
Assets under custody	11,521,991,902	15,390,651,557
asset management	9,537,793,549	13,661,229,421
distributed but not managed	1,984,198,353	1,729,422,136

48. Contingent liabilities

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

The Company sets aside provisions for disputes when, in management's opinion and after consultation with its legal advisers, it is probable that the Company will have to make payments and the payable amount can be estimated with sufficient reliability.

These provisions were briefly explained in Note 26. Provisions

For further claims and legal proceedings against the Company of which the management is aware (and for which, in accordance with the principles described above, no provision has been set aside), management believes, after obtaining professional advice, that these claims have no chance of success, or that the Company can defend itself successfully against them, or that the outcomes of these cases are not expected to result in a significant loss in the statement of profit or loss.

49. Events after the balance sheet date

Covid-19

At the date of preparation of this annual report, the COVID-19 pandemic is still present. Argenta will, as in 2020 and 2021, continue to closely monitor the financial impact of the COVID-19 crisis and will, in due course, take the necessary operational measures, also taking them into account in determining Argenta's financial position.

Important events after balance sheet date

Ukraine

Tensions between Ukraine and Russia have escalated further after the start of a Russian military offensive on 24 February, and evolved into a global geopolitical crisis. Following the military offensive, the EU decided to adopt several packages of sanctions. These EU sanctions have been aligned with those of the US, UK and others. In response to the many measures taken against Russia, countermeasures were also taken.

The implications of these sanctions are limited for Argenta given the focus on the Benelux. At the date of preparation of this annual report, the immediately measurable financial impact of this crisis is limited for Argenta. The consequences of the above sanctions and developments on the world economy, economic prospects and financial markets are as yet unknown. Argenta continues to monitor closely the financial impact and will, in due course, take the necessary operational measures, also taking them into account in determining Argenta's financial position.

Spring storms 2022

The spring storms Eunice of 18 February 2022 and Franklin of 20 February caused significant damage in Belgium and gave rise to a significant number of damage files. Argenta is close to its insurance customers in processing the damage and immediately started processing the claim files. The impact is expected to fall within the limits of Aras' risk policy. The financial impact will be charged to the 2022 financial year.

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 2021.

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 development.

To the best of the Board of Directors' knowledge, there are also no circumstances other than those mentioned in this Annual Report that could have a material impact on the development of its individual subsidiaries.

Approval for publication

On 29 March 2022, the Board of Directors reviewed the financial statements and gave its approval for their publication. The financial statements will be submitted to the general meeting of shareholders on 29 April 2022.

50. 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 and willing to do all they can to help resolve your problem. If you are not satisfied with the outcome, you can then contract Argenta Group's Complaint Management service for both Bank and Insurance issues.

Complaints Management
Belgiëlei 49-53
B-2018 Antwerp
Tel: + 32 3 285 56 45
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 the Financial Ombudsman system, while Argenta Assuranties is a member of the Insurance Ombudsman service.

Appendix: overview of abbreviations used

AAM	Argenta Asset Management
ABS	Asset Backed Securities
AE	Asset Encumbrance
AER	Asset Encumbrance Ratio
AFS	Available For Sale
ALCO	Assets Liability Comité
ALM	Asset Liability Management
Aras	Argenta Assuranties nv
Aspa	Argenta Spaarbank nv
BM	Business Model
BVg	Bank- en Verzekeringsgroep nv
CBFA	Commissie Bank-, Financie- en Assurantiewezen (Banking, Finance and Insurance Commission)
CBHK	Centraal Bureau voor Hypothecaire Kredieten
CCO	Chief Commercial Officer
CEO	Chief Executive Officer
CET 1	Common Equity Tier 1
CFH	Cash Flow Hedge
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
COO	Chief Operating Officer
COREP	Common Reporting
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRA	Credit Risk Analysis
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulations
CVA	Credit Valuation Adjustment
DC	Danish Compromise
DCF	Discounted Cash Flow methode
DTA	Deferred Tax Asset
DVA	Debt Valuation Adjustment
EAD	Exposures At Default
EBA	European Banking Authority
ECB	Europese Centrale Bank
ECL	Expected Credit Losses
ELBE	Expected Loss Best Estimate
EMIR	European Market Infrastructure Regulation
EONIA	Euro OverNight Index Average
ESTR	Euro Short Term Rate
FICOD	Financial Conglomerates Directive
FIRB / AIRB	Foundation Internal Ratings Based / Advanced Internal Rating Based
FVOCI	Fair Value through Other Comprehensive Income
GRC	Group Risk Committee
HTM	Held To Maturity
IAS	International Accounting Standards

IBNR	Incurred But Not Reported
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal liquidity adequacy assessment process
IO	Investering Overleg (Investment Consultation)
IPT	Individuele Pensioentoezegging (Individual Pension Commitment)
IRB	Internal Ratings Based (AIRB advanced, FIRB foundation)
IRS	Interest Rate Swap
JST	Joint Supervisory Team
Kreco	Kredietrisicocomité retail (Credit Risk Committee – retail)
KRI	Key Risk Indicator
KRS	Kantoor Risico Score (Branch Risk Score)
LAT	Liability Adequacy Test
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LTRO	Long Term Refinancing Operation
MBS	Mortgage Backed Securities
MCR	Minimum Capital Requirements
MREL	Minimum Requirement on own funds & Eligible Liabilities
NHG	Nationale Hypotheek Garantie (National Mortgage Guarantee)
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OLO	Obligation Linéaire/Lineaire Obligatie
ORSA	Own Risk and Solvency Assessment
OTC	Over The Counter
PD	Probability of Default
PIT	Point In Time
Prico	Pricing Committee
Proco	Product Comittee
RA(S)CI	Responsible Accountable (Supportive) Consulted Informed
RAF	Risico Appetijt Framework
RMBS	Residential Mortgage-Backed Security
RO	Rating Overleg (Rating Consultation)
ROE	Return On Equity
ROI	Return On Investment
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
TC	Total Capital
TIM	Treasury and Investment Management
TIS	Treasury and Investment Service
TLTRO	Targeted Longer-Term Refinancing Operations
TTC	Through The Cycle
VRC	Verzekeringsrisicocomité (Insrance Risk Committee)
WAP/LPC	Supplementgary Pensions Act
WVV/CCA	Code on Companies and Associations

Statutory auditor's report to the general meeting of Argenta Bank- en Verzekeringsgroep NV on the consolidated accounts as of and for the year ended 31 December 2021

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

In the context of the statutory audit of the consolidated accounts of Argenta Bank- en Verzekeringsgroep NV ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated accounts for the year ended 31 December 2021, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 30 April 2021, in accordance with the proposal of the board of directors. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2023. This is the first year we have performed the statutory audit of the consolidated accounts of the Group.

Report on the consolidated accounts

Unqualified opinion

We have audited the consolidated accounts the Group as of and for the year ended 31 December 2021, prepared in accordance with *International Financial Reporting Standards* (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet statement (before profit distribution) as at 31 December 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated balance sheet statement amounts to EUR 55.451.484.264 and the consolidated statement of profit or loss shows a profit for the year of EUR 268.202.607.

In our opinion, the consolidated accounts give a true and fair view of the Group's equity and financial position as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows 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.

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RPR Brussel - RPM Bruxelles
IBAN : BE 95 0018 4771 0358
BIC : GEBABEBB

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated accounts" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the independence requirements.

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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated accounts of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on 1 April 2021 on those consolidated accounts.

Board of directors' responsibilities for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of these consolidated accounts that give a true and fair view 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 board of directors determines, is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to 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 realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance as to whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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 the users taken on the basis of these consolidated accounts.

When performing our audit, we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated accounts in Belgium. The scope of the statutory audit of the consolidated accounts does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group. Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated accounts, 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls 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 board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated accounts 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 auditors' 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 accounts, including the disclosures, and whether the consolidated accounts 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 or business activities within the Group to express an opinion on the consolidated accounts. 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 board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other legal and regulatory requirements

Responsibilities of the Board of Directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated accounts and the statement of the non-financial information, prepared on a voluntary basis, and attached to this annual report.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated accounts, and the statement of the non-financial information, prepared on a voluntary basis, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated accounts

Based on specific work performed on the board of directors' annual report on the consolidated accounts, we are of the opinion that this report is consistent with the consolidated accounts for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated accounts contains material misstatements, that is information incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information, prepared on a voluntary basis, is included in a separate report attached to the annual report on the consolidated accounts. This report of non-financial information contains the information required by Article 3:32 §2 of the Belgian Companies' and Associations' Code and is consistent with the consolidated accounts for the same financial year. In preparing this non-financial information, the Company has based itself on the Global Reporting Initiative ("GRI") standards. However, in accordance with Article 3:80 §1, first paragraph, 5° of the Belgian Companies' and Associations' Code, we do not express an opinion on whether this non-financial information has been prepared in accordance with the GRI standards mentioned in the annual report on the consolidated accounts.

Information about the independence

— Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.

— The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated accounts.

Zaventem, 14 April 2022

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

Kenneth Vermeire
Bedrijfsrevisor / Réviseur d'Entreprises