Argenta Bank- en Verzekeringsgroep nv

IFRS Annual Financial Statements

2022

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Financial statements for the 2022 financial year (1 January 2022 to 31 December 2022) 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.

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Management Report

Development in 2022

The year 2022 opened with a sharp rise in inflation which impacted the financial markets and consumer purchasing power. This was intensified by the Russian invasion of Ukraine on 24 February. Both these factors had a major impact on the budgetary policy of governments and led to the central banks being compelled to pursue the most restrictive monetary policy in decades. As a result both long-term and short-term interest rates rose sharply and the equity and bond markets suffered setbacks.

For both Argenta Spaarbank and Argenta Assuranties the financially and economically turbulent 2022 had its challenges but also its opportunities.

Impact on Argenta Spaarbank

The ECB's restrictive policy led to interest rate rises for the first time in years. This had a positive impact, in particular from Q3, on Argenta Spaarbank's interest margin, initially through an improvement in the interest result on the investment portfolio and on the hedging transactions.

To safeguard the profitability of our credit production, the customer tariffs on new mortgages also rose from the second quarter of 2022. This had a dampening effect on mortgage production. In Belgium we recorded a total production of EUR 3.2 billion, a drop of 1.0 billion compared to 2021. Where the low interest rates in the Netherlands in recent years had led to substantial refinancing volumes, this fell sharply from Q3. A strong mortgage production of EUR 3.9 billion was achieved however (an increase of EUR 0.2 billion). Overall this resulted in a mortgage production of EUR 7.2 billion.

As a result of the rise in market interest rates, customers also expected higher interest rates on their deposit accounts. In the Netherlands the interest rates on savings and term products were raised for the first time at the beginning of the fourth quarter.

In line with the market, the growth of funds that customers hold in our current, savings and term accounts was slower than in previous years, + EUR 1.6 billion compared to + EUR 1.8 billion in 2021. This can be explained by greater spending by households since the end of the coronavirus measures, increased by the rise in inflation and in particular the high cost of energy, which mean that the savings capacity of our customers fell.

In 2022 Argenta Spaarbank continued to focus on raising non-retail funding. As part of the EMTN programme, EUR 1.1 billion of bonds were issued in total. This financing mainly contributes to the support of the MREL (Minimum Requirement for own funds and Eligible Liabilities) ratio and Argenta Spaarbank's credit rating, which was increased from A- to A this year while maintaining a stable 'outlook'. In addition, EUR 1 billion was issued in Covered bonds.

The rising market interest rates also had a positive impact on the income of our investment portfolio. Argenta pursued a cautious investment policy, as usual, but did take advantage of the opportunities the market offered. There is also the material positive impact of the increased Euribor 3 months interest rate on the results from our hedging portfolio.

Argenta continues to focus strategically on differentiated incomes. The aim continues to be to increase our non-interest rate-driven result primarily through our asset management activities. The net production figures are slightly dampened after the exceptionally strong 2021, but the growing interest in our range of funds remains, even in the turbulent market conditions of the past year. This resulted in further growth in revenue from asset management activities, despite a fall in the portfolio value as a result of the fall of the markets and the interest rate rise.

The high inflation, growth of the activities and investments in our IT infrastructure led to an increase in operational costs by 10%. As a result of the increase in income, we achieved a net profit of EUR 196 million (EUR 181 million in 2021) and an ROE of 8.2% (7.9% in 2021).

Impact on Argenta Assuranties

The premium income (excluding internal reserve transfers) of branch 21 increased by EUR 45 million, from EUR 166 million in 2021 to EUR 211 million in 2022. The reasons for this include increasing attractiveness through the increase of the guaranteed interest rates at the end of October and automatic reinvestments at the beginning of January 2022.

There was also an increase in the premiums received by branch 23. Production was strong in the early months of 2022 in particular. The unfavourable market evolution since the start of the conflict in Ukraine caused a drop in production from Q2 2022. The total premium income ended EUR 366 million more and 30% higher than 2021.

The total income of the non-life insurances amounted to EUR 164 million in 2022 compared to 157 million in 2021. Within the products themselves the Motor claim frequency did not return fully to the pre-Covid situation, which made the result better than expected. Fire also had a better result in 2022 compared to a year earlier, despite the major storm damage of February 2022 (storms Eunice and Franklin). This was because of a lower cost of claims after reinsurance for the storms compared to the floods in 2021, in combination with a lower claims frequency excluding catastrophes.

The favourable non-life result was partly offset by a drop in the life result. This drop was the result of lower investment results due to the maturing of high interest-bearing investments and higher administration costs as a result of inflation and increased IT investments.

Key figures (unaudited)

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

	31/12/2021	31/12/2022
Return on equity	8.6%	7.2%
Return on total assets	0.48%	0.40%
Cost-income ratio (excluding bank levies)	44.1%	46.9%
Cost-income ratio (including bank levies)	55.6%	59.4%
Common equity tier 1 ratio	21.6%	22.0%
Total capital ratio	21.6%	22.0%
FICOD capital ratio	20.5%	21.0%
Leverage ratio	5.2%	4.7%
Liquidity coverage ratio	167%	186%
Net stable funding ratio	146%	143%
Minimum requirement for own funds and eligible liabilities (LRE)	8.1%	9.1%
Minimum requirement for own funds and eligible liabilities subordinated (LRE)	7.0%	8.2%
Minimum requirement for own funds and eligible liabilities (TREA)	35.3%	45.2%
Minimum requirement for own funds and eligible liabilities subordinated (TREA)	30.7%	40.6%

The return on equity is calculated by dividing the net profit by the equity available at the beginning of the financial year.

Evolution of the balance sheet

The balance sheet total has risen by 7.3% from EUR 55.5 billion as of 31 December 2021 to EUR 59.5 billion as of 31 December 2022.

Cash and balances with (central) banks decreased by EUR 0.3 billion to EUR 3.2 billion as of 31 December 2022.

In the second half of 2022 more profitable investment opportunities returned to the financial markets. As a result the investment portfolio grew to EUR 12.0 billion. This amount consists of i) an investment portfolio of EUR 4.6 billion that is stated at fair value with value adjustments recognised through other comprehensive income, and ii) a portfolio of EUR 7.3 billion of debt securities stated at amortised cost. Finally, there is a limited portfolio of debt securities that IFRS standards require to be measured at fair value through profit or loss.

	31/12/2021	31/12/2022
Non-trading financial assets mandatorily at fair value through profit or loss	128,724,107	97,337,817
Financial assets at fair value through other comprehensive income	5,015,411,230	4,636,008,677
Financial assets at amortised cost - debt securities	4,408,840,209	7,294,486,933
Total securities portfolio	**9,552,975,546**	**12,027,833,427**

The portfolio of loans and advances increased from EUR 38.3 billion as of 31 December 2021 to EUR 40.7 billion as of 31 December 2022. This primarily reflects the production of new loans in both the Netherlands and Belgium.

EUR 7.2 billion of mortgage loans were granted to customers (EUR 3.2 billion in Belgium and EUR 3.9 billion in the Netherlands), as against EUR 7.9 billion in 2021.

This brings the mortgage loan portfolio to EUR 38.8 billion as of 31 December 2022, compared to EUR 36.2 billion in 2021.

	31/12/2021	31/12/2022
Financial assets at amortised cost - loans and advances	38,330,154,782	40,721,287,126
of which mortgage loans	36,240,076,359	38,754,703,208

Financial liabilities measured at amortised cost increased by EUR 4.9 billion to EUR 50.1 billion as of 31 December 2022.

The deposits from credit institutions grew strongly and this heading contains the cash collateral received for the derivatives for the purposes of hedging the interest rate risk.

The Company continues to diversify its funding by raising non-retail funding. The increase in senior debt securities is due to the issuing of the debt securities issued in 2022 under the EMTN (two green bonds of EUR 500 and 600 million) and the Covered bond programme (two issues of EUR 500 million each).

	31/12/2021	31/12/2022
Deposits from central banks	258,262,863	0
Deposits from credit institutions	49,268,441	1,786,200,219
Deposits from other than central banks and credit institutions	39,978,540,951	41,814,573,100
Senior debt securities issued	4,835,431,890	6,379,999,074
Subordinated debt securities issued	0	0
Other financial liabilities	110,978,085	97,561,412
Financial liabilities at amortised cost	**45,232,482,230**	**50,078,333,805**

The other financial liabilities include EUR 97.3 million of lease liabilities.

Liabilities under insurance and reinsurance contracts (technical provisions) have fallen by EUR 170.8 million. Liabilities related to branch 23 insurance contracts decreased from EUR 3.0 billion as at 31 December 2021 to EUR 2.8 billion on 31 December 2022.

	31/12/2021	31/12/2022
Financial assets related to unit-linked insurance contracts (branch 23)	3,019,742,125	2,754,692,170
Assets under reinsurance and insurance contracts	18,797,766	21,071,174
Financial liabilities related to unit-linked insurance contracts (branch 23)	3,019,742,125	2,754,692,170
Liabilities under reinsurance and insurance contracts	3,072,471,702	2,901,645,612

Result drivers

The Company achieved a consolidated profit after tax (including minority interests) of EUR 238,409,246 for the 2022 financial year, compared with EUR 268,202,607 for the previous financial year. The Company's result here 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 193,479,813 for the 2022 financial year, compared with EUR 177,982,095 for the previous financial year. This increase reflects an improvement in the result at Argenta Spaarbank (EUR +12.2 million) and an increase in the result of the management company Argenta Asset Management (EUR +4.2 million).

The Company's Insurance Pool achieved a profit of EUR 44,929,433 for the 2022 financial year, compared with EUR 90,220,512 for the 2021 financial year. This drop was the result of lower investment results, the negative market value evolution on shares and higher administration costs as a result of inflation and increased IT investments.

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 2022. The interest income has grown as a result of the combination of the recent increase in the return on the liquid assets, derivatives and the securities portfolio and a growing mortgage and investment portfolio, where the return on recent production is higher. The level of early redemptions on mortgages dropped back, with the reinvestment fees falling from EUR 47.6 million in 2021 to EUR 20.3 million in 2022.

Funding costs (excluding derivatives) increased owing to the interest costs on non-retail funding, partially offset by the arrival at maturity of the subordinated Tier II loan. The interest cost of the RMBS bonds increased relatively (variable interest payment) and the recent issues of Covered bonds and EMTN bonds bear a relatively higher interest cost, as a result of the general rise in the interest rate curve.

The hedging result showed a mixed evolution. As a result of higher Euribor interest rates the net interest costs on the derivatives were EUR 48.7 million lower (and the cost-of-carry of the payer swaps derivatives portfolio fell). The increase of the interest rate curve has a negative effect on the time value of the swaptions, which represents an increase in the hedging costs of EUR 43.6 million. Additional swaps in a notional amount of EUR 4.6 billion were also concluded for interest rate risk management.

Net fee and commission income increased by EUR 31.0 million from EUR 52.9 million to EUR 83.9 million for the 2022 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 as a result of the rise in assets under management. During 2022 new commission agreements were made with the Company's agents (distribution network), which gave rise to a shift in payment type and a decrease in total commission costs in 2022.

In the meantime – despite the market conditions – 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. Sound asset management also supported this. This resulted in increased income from asset management activities, mainly due to a higher net management result.

The realised profit from financial assets not measured at fair value through profit or loss amounts to EUR 0.4 million for 2022.

Gains or losses from financial assets and liabilities held for trading and gains or losses from hedge accounting together amounted to EUR 35.7 million for 2022, increasing by EUR 31.9 million compared to the previous financial year and reflect the evolution of the fair value of the hedging derivatives and the increase of the difference (basis spread) between the interest rate curves used for valuing the derivatives and the hedged positions.

The gains or losses on financial assets (mandatorily) measured at fair value through profit or loss amount to EUR -20.5 million, which is a decrease of EUR 34.2 million. The significant decrease is mainly the result of the negative market value evolution on shares in the Insurance Pool included in the 2022 financial year.

The insurance-technical result increased by EUR 3.9 million.

Net other operating income amounts to EUR 10.6 million and includes recovery of administrative costs from customers, and of rent and IT infrastructure-related recoveries from the independent branch managers.

Staff expenses amounted to EUR 114.1 million for the 2022 financial year, compared to EUR 105.9 million for the previous financial year and mainly largely reflect the inflation cost on salaries. This heading contains the salaries, social security charges and costs of pension schemes for Company employees.

Other administrative expenses increased from EUR 311.9 million in 2021 to EUR 340.3 million in 2022. Expenses for complying with various legal requirements and bank levies have increased by EUR 4.8 million. Investments in digitisation and projects to renew the application and data infrastructure were continued, global IT expenses increased by EUR 13.1 million. Fees for (legal, tax and business) experts rose by EUR 8.9 million. Depreciation has reduced by EUR 1.2 million compared to the previous financial year.

In 2021, part of the impairment charge was reversed following a recovery in the outlook after the Covid 19 crisis. In 2022 EUR 19.4 million in impairment was recorded. This in part reflects the growing outstanding portfolio for both retail and non-retail and in particular for retail positions the effect of the inflationary pressure (that leads to an increase in the credit risk for inflation-sensitive clients) and the expected downward pressure on house prices. For non-retail the macroeconomic scenarios used for estimating the chance of default were more pessimistic than the expectations as of end-2021.

Tax expense in 2022 amounted to EUR 69.0 million. Deferred taxes are also included under this heading. In 2022 the impairments recorded on transferred losses and tax deductions of EUR 13.3 million were counter-booked in view of the positive evolution in the expected profitability under the budget projections. The effective tax rate fell from 26.3% to 22.4%.

Russia-Ukraine war

Both the retail and the non-retail portfolios were screened for direct and indirect exposure that might be affected by effects arising from the conflict. The indirect effects relate for instance to the increase in energy and raw material prices and the shortages on the supply side, resulting in the upward inflation and interest rate pressure, but also volatility on the financial markets, lower growth prospects and concern about the creditworthiness of counterparties that are active in specific economic sectors.

In the non-retail portfolio Argenta has no direct exposure to Ukraine, Belarus and Russia. Screening was carried out to identify counterparties that may be affected by the indirect effects, with the emphasis on identifying counterparties with activities that are vulnerable to negative income evolution or asset impairment, or shocks in raw material prices and disruptions to supply. As a result of this screening one counterparty was added to the watch list and migrated to stage 2 (exposure of EUR 37.2 million).

In the retail portfolios customers of Ukrainian, Russian or Belarussian nationality were screened and they, although limited in number, will be screened and followed up by Compliance. In accordance with the acceptance rules for loans, the mortgage loans advanced will be used for financing Belgian or Dutch real estate. For the potential consequences of second-order effects such as rising energy costs and inflation, the mortgage portfolio was screened for potential risks and mortgage loans with unfavourable energy labels in combination with a high debt-service-to-income (DTI) (Belgium) or loan-to-income (LTI) (Netherlands) have been placed in stage 2 (see also 'climate risk').

The deteriorating macroeconomic forecasts were reflected in the forward-looking indicators used in the retail and non-retail expected credit loss models. In addition, the supervision of security and compliance was boosted to tackle a potential increase in operational and cyber security risks as a result of the crisis.

The combination of geopolitical conflicts, supply chain disruptions, inflation and tightening of monetary policy leads to an uncertain economic outlook. The impact on the financial position, performance (including the expected credit risk) and cash flows in the future will depend on the ultimate economic impact in Belgium and the Netherlands and the associated repayment capacity of our customers. On the basis of the factors currently known, their expected long-term impact is difficult to assess. Argenta will continue to monitor the financial impact of these factors closely and, if necessary, take them into account when determining its financial position.

Climate risk

Argenta's sustainability strategy is built around four pillars:
- Everyone near to hand;
- Simple and transparent product range;
- Banking and Insurance should not cost the earth, commitment to a lower economic footprint;
- Positive impact on society: every euro is valuable.

The Sustainability Charter sets out these four pillars in more detail.

The policy is laid down by the Executive Committee and ratified by the Board of Directors. The Executive Committee has appointed the CEO as Chief Sustainability Officer (CSO). His mission is to give sustainability a prominent place at all levels of the Company. The CSO is assisted by a sustainability manager, who shares responsibility for implementing the policy.

Since sustainability is a topic concerning every department, a centralised, company-wide approach has been chosen as offering the best guarantee of success. The (Group) Sustainability Committee monitors the various aspects of sustainability in order to achieve consistent and coherent coordination, monitoring, follow-up, awareness-raising, adjustment and policy preparation with regard to sustainability. The committee's mission is to systematically make the Company more sustainable through knowledge management, change management, project management, innovation and, finally, reporting. The (Group) Sustainability Committee is chaired by the CSO and consists of members with specific expertise in climate and sustainability (ESG) topics and risks, in both the various business departments (Lending, Insurance, Investment, Banking) and in climate risks and other sustainability risks. The (Group) Sustainability Committee meets quarterly. The (Group) Sustainability Committee reports to the Executive Committee. There is also an Investment Exclusion Committee active at Argenta.

The Company aims to manage brand, climate and sustainability (ESG) risks appropriately and proactively within the associated risks and activities with a view to achieving the business objectives of the various business lines responsibly, in accordance with the Company's sustainability policy and corporate purpose.

Brand and sustainability risk is defined as the possible negative impact as a direct or indirect consequence of how the Company positions itself (reputationally) as a brand and in relation to sustainability and how its value proposition is perceived by its stakeholders. It is a non-financial risk.

Climate and sustainability risk is defined as the possible negative impact of ecological (E), social (S) and governance (G) aspects on the financial performance (e.g. value, liquidity) of assets and liabilities. It is a financial risk that is also seen as an associated risk that interacts with other financial risks.

To align the strategy with the climate challenges, all the relevant climate risks and opportunities must be assessed in order to understand the impact on the Company's business model in general and within the different operating activities. Following an initial qualitative analysis in 2021, further work was done in 2022, also on the basis of quantitative analyses. The focus of the analysis was on:

- Exposure to physical climate risks in the short, medium and long term;
- Exposure to transition risks in the short, medium and long term;
- Assessing the materiality of the risk (low, medium, high or very high risk);
- Assessing the impact on the business context (regulatory and competitive landscape, socio-demographic, technological, macroeconomic and geopolitical context;
- The different stress test scenarios;
- An estimate of the materiality and the risk concentrations within the different operating activities: retail mortgages (in Belgium and the Netherlands), non-retail investments, insurance, asset management and wholesale funding.

The analyses show that the greatest impact can be expected for the mortgage portfolios, which are exposed in particular to transition-related risks and to a lesser degree physical climate risk. The mortgage portfolios represent the greatest part of the Company's balance sheet. The impact is therefore material.

The non-retail investment and insurance portfolios may potentially also be affected by climate-related risks.

The Company has supplemented its existing stress test scenarios with climate-specific scenarios. On the basis of publicly available information (e.g. Network for Greening the Financial System, NFGS) and its own internal analyses an internal climate stress test scenario was developed and applied. In 2022 the Company took part in the ECB's climate risk stress test. The bank achieved a generally good score with its climate stress test framework being qualified as intermediate advanced. Both the vulnerability of its business model to the realisation of the transition risk and the impact of the stress tests for the physical and transition risk were assessed as 'green', which means a generally good performance. Both the internal and the regulatory stress tests reveal a limited impact of unfavourable climate risk scenarios on the financial performance of the Company.

In 2022 the regulator carried out a thematic evaluation of the Company's climate and environmental risk management practices. Following the publication of the ECB's climate-related and environmental risks guide, the Company began implementing the 13 climate risk strategy, governance, risk management and disclosure principles. The thematic evaluation confirmed the good progress made, emphasised the importance of providing accurate climate data and emphasised the definition of climate KPIs that convert the climate strategy into measurable objectives. The regulator expects the Company - together with the other European banks - to be fully compliant by the end of 2024. In the meantime the strategic climate objectives and their conversion into key performance indicators at Group, business line and product level will be fleshed out in 2023 in line with the update of the Sustainability Action Plan.

The Company has therefore made significant steps to give its strategy greater direction in the area of sustainability. With strong governance and adequate risk management we believe we are making the right progress towards achieving our objectives. The feedback from the ECB and our excellent ESG risk rating from Sustainalytics are recognition that our policy and work are assessed as effective.

The Company publishes the non-financial information in the non-financial report on the consolidated situation that is published on the website www.argenta.be. We refer to the 2022 Climate Report at the consolidated level of Argenta Bank- en Verzekeringsgroep for more details.

The climate transition risk is included in the calculation of the expected credit losses (ECL) for the mortgage portfolios (retail). This risk has become relevant as a result of the high energy prices in 2022. The customers who are regarded as the most sensitive to the rising energy prices are placed in stage 2 in this regard.

In the Belgian mortgage portfolio this happens on the basis of the EPC label in combination with a high DSTI. In total EUR 393 million of outstanding receivables were moved to stage 2 with an ECL impact of EUR 0.3 million. In the Dutch mortgage portfolio this happens on the basis of the EPC label in combination with a high LTI. In total EUR 748 million of outstanding receivables were moved to stage 2 with an ECL impact of EUR 1.4 million (including the adjustment of the limits of the attribute classes).

The risk framework (RAF) was further expanded in relation to climate risk metrics: for the retail portfolio with the average EPC (energy performance certificate) for production and portfolio and for the non-retail portfolio with the carbon transition score and the environmental score.

In the course of 2022 the macroeconomic expectations were also adapted to the new economic situation, with the names of the scenarios also being adjusted: from 'Soft Landing', 'Hard Landing' and 'External Shock' to 'Mild Recession', 'Energy Shock' and 'External Shock'. Each of these scenarios are assigned a probability factor.

This gives a very limited impact for the Belgian mortgage portfolio, while giving an increase in ECL of EUR 3.2 million for the Dutch mortgage portfolio. The greater increase in the Netherlands is mainly attributable to the sensitivity to the house prices, in particular for bullet loans.

In the insurance pool the non-life claims reserves are established on the basis of the reservation method risk appetite that aims to maintain reserves within a specific confidence interval depending on the settlement duration of the branch. Observed trends in climate-related evolution of cost of claims and event frequency form part of the calculation.

Non-life premium reserves are booked pro rata the unearned premium. In the Liability Adequacy Test (LAT) the adequacy of this premium reserve is examined at the level of the best estimate on the one hand and the level of the best estimate plus a risk margin on the other. The best estimate contains a component related to expected catastrophe claims that is determined on the basis of specific climate models. The risk margin is determined by means of a cost of capital of which the cost of capital related to catastrophe risks forms a part.

The assumption setting also always includes an evaluation of whether there is a need for any expert judgements. The ESG (Environmental, Social and Governance) risks are taken into consideration.

Changes in the area of supervision

In the first half of 2022 the ECB carried out a climate stress test to assess the extent to which banks are prepared for financial and economic shocks as a consequence of the climate risk. The ECB published the aggregated results on 8 July 2022.

On 2 November 2022 the ECB set further targets for the banking sector with a view to meeting all the regulator's expectations by the end of 2024.

In the second half of 2022 each bank, insurer or intermediary from then on also had to ask the sustainability preferences of the customers. It is an essential part of preparing a savings or investment profile that takes account of the specific needs and expectations of the customers. The Boards of supervisors of EIOPA and ESMA, of which the FSMA is a member, have approved 'guidance' and 'guidelines' on this subject respectively.

On 1 May 2022 the NBB introduced a new macroprudential measure aimed at positions in the Belgian residential real estate market of credit institutions applying the internal rating approach (IRB) to replace the previous measure introduced in 2018. The new measure lays down the creation of a CET 1 capital buffer and replaces the risk-weighted assets add-on.

In addition, DNB has imposed a minimum average risk weight for receivables on natural persons covered by mortgages on dwellings situated in the Netherlands according to the internal rating approach and not covered by the Dutch National Mortgage Guarantee. The NBB has also decided to apply the measure to Belgian credit institutions applying the internal rating approach and having such receivables in the Netherlands, with the application of a materiality threshold of EUR 5 billion.

Solid capital base and liquidity position

In the first quarter of 2022, a dividend of EUR 103.2 million was paid to the shareholders, followed by a capital increase of EUR 51.5 million. The capital ratios remain healthy, and all the solvency requirements were comfortably met. The liquidity ratios remained comfortable.

The Common Equity Tier 1 (CET1) ratio amounted to 22.0% as of 31 December 2022 compared with 21.6% as of 31 December 2021. The FICOD capital ratio was 21.0% as at 31 December 2022 compared to 20.5% as at 31 December 2021.

The CET-1 ratio has virtually remained the same as a result of an even increase in CET-1 and risk-weighted assets (with it is true larger underlying shifts). Detailed disclosures on solvency and capital management can be found in Note 6.

Liquidity remains comfortable with an LCR (Liquidity Coverage Ratio) of 186% and an NSFR (Net Stable Funding Ratio) of 143% as of 31 December 2022 compared to 167% and 146% respectively as of 31 December 2021. Liquidity is further explained in Note 5.2.

Consolidated balance sheet statement (before profit distribution)

Assets	Note	31/12/2021	31/12/2022
Cash and cash equivalents	11	52,504,898	55,189,178
Cash balances at central banks and other demand deposits	11	3,485,928,716	3,177,357,910
Financial assets held for trading	12,29	18,595,343	107,585,916
Assets related to unit linked contracts (branch 23)	13	3,019,742,125	2,754,692,170
Non-trading financial assets mandatorily at fair value through profit or loss	14	128,724,107	97,337,817
Financial assets at fair value through other comprehensive income	15,27	5,015,411,230	4,636,008,677
Financial assets at amortised cost	16	42,738,994,991	48,015,774,059
Derivatives used for hedge accounting	17,29	88,616,165	2,067,781,000
Fair value changes of the hedged items in portfolio hedge of interest rate risk	17	353,166,530	-2,004,019,978
Investments in subsidaries, joint ventures and associates	18	4,966,466	4,488,846
Tangible assets	19,27	83,582,967	75,639,172
Property, plant and equipment		82,638,762	74,773,462
Investment property		944,204	865,710
Intangible assets	20	137,608,955	129,306,496
Goodwill		98,150,460	98,150,460
Other intangible assets		39,458,495	31,156,036
Tax assets	21	38,230,020	123,274,417
Current tax assets		36,688,839	54,804,955
Deferred tax assets		1,541,181	68,469,462
Assets under reinsurance and insurance contracts	22	18,797,766	21,071,174
Other assets	23	266,613,986	266,589,843
Total assets		**55,451,484,264**	**59,528,076,696**

Liabilities and equity	Note	31/12/2021	31/12/2022
Financial liabilities held for trading	12,29	16,545,565	91,549,794
Liabilities related to unit linked contracts (branch 23)	13	3,019,742,125	2,754,692,170
Financial liabilities at amortised cost	24,27	45,232,482,230	50,078,333,805
Deposits from central banks		258,262,863	0
Deposits from credit institutions		49,268,441	1,786,200,219
Deposits from other than central banks and credit institutions		39,978,540,951	41,814,573,100
Senior debt securities issued, including saving certificates		4,835,431,890	6,379,999,074
Subordinated debt securities issued		0	0
Other financial liabilities		110,978,085	97,561,412
Derivatives used for hedge accounting	17,29	491,094,431	128,467,450
Fair value changes of the hedged items in portfolio hedge of interest rate risk	17	0	0
Provisions	25	6,057,514	10,171,408
Tax liabilities	21	30,066,500	21,627,263
Current tax liabilities		5,023,584	3,056,183
Deferred tax liabilities		25,042,916	18,571,081
Liabilities under reinsurance and insurance contracts	22	3,072,471,702	2,901,645,612
Other liabilities	26	286,487,371	311,143,793
Total liabilities		**52,154,947,436**	**56,297,631,296**
Equity attributable to owners of the parent	3	3,296,248,523	3,230,158,087
Equity attributable to minority interests	4	288,304	287,313
Total equity		**3,296,536,827**	**3,230,445,401**
Total liabilities and equity		**55,451,484,264**	**59,528,076,696**

Consolidated statement of profit or loss

	Note	31/12/2021	31/12/2022
Total operating income		**805,051,742**	**813,799,518**
Net interest income	30	668,622,207	646,672,707
Interest income		894,462,355	898,298,601
Interest expenses		-225,840,148	-251,625,894
Dividend income	31	6,172,490	7,909,585
Net fee and commission income	32	52,858,065	83,852,651
Fee and commission income		266,916,787	270,451,768
Fee and commission expenses		-214,058,722	-186,599,117
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	33	800,714	356,472
Financial assets at fair value through other comprehensive income		47,862	-184,932
Financial assets and liabilities at amortised cost		752,852	541,405
Gains or losses on financial assets and liabilities held for trading	34	1,555,041	13,986,344
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	35	13,782,749	-20,456,544
Gains or losses from hedge accounting	36	2,337,910	21,757,775
Gains or losses on derecognition of non-financial assets	37	57,562	283,710
Net result from reinsurance and insurance contracts	38	44,877,051	48,826,366
Net other operating income	39	13,987,952	10,610,452
Other operating income		18,042,007	15,560,640
Other operating expenses		-4,054,055	-4,950,188
Administrative expenses	40	**-417,785,933**	**-454,410,958**
Staff expenses		-105,872,493	-114,141,438
Other administrative expenses		-311,913,441	-340,269,521

	Note	31/12/2021	31/12/2022
Depreciation	19,20,27	**-29,991,169**	**-28,832,638**
Property, plant and equipment		-12,454,196	-12,934,878
Investment properties		-17,228	-10,969
Other intangible assets		-17,519,744	-15,886,791
Modification gains or losses	41	**-113,534**	**0**
Provisions or reversal of provisions		**-1,275,323**	**28,984**
Impairments or reversal of impairments	42	**10,229,279**	**-22,407,527**
Financial assets (debt securities) at fair value through other comprehensive income		3,616,776	-3,017,907
Financial assets at amortised cost		6,612,503	-19,389,621
Goodwill		0	0
Property, plant and equipment		0	0
Share in results of associated companies and joint ventures		**-2,204,012**	**-752,259**
Profit or loss before tax		**363,911,048**	**307,425,120**
Tax expense	43	-95,708,441	-69,015,874
Profit or loss after tax		**268,202,607**	**238,409,246**
Profit or loss attributable to owners of the parent		268,001,360	238,226,931
Profit or loss attributable to minority interests		201,248	182,315

Consolidated statement of comprehensive income

Overview of the comprehensive income	Note	31/12/2021	31/12/2022
Profit or loss		**268,202,607**	**238,409,246**
Profit or loss attributable to owners of the parent		268,001,360	238,226,931
Profit or loss attributable to minority interests		201,248	182,315
Items that will not be reclassified to profit or loss		**36,117,628**	**-60,480,735**
Equity instruments measured at fair value through other comprehensive income	15	35,446,014	-58,041,952
Valuation gains or losses taken to equity		39,000,893	-63,848,340
Deferred taxes		-3,554,879	5,806,388
Actuarial gains or losses on defined benefit pension plans	25	671,614	-2,438,783
Gross actuarial gains or losses on liabilities defined benefit pension plans		895,485	-3,243,755
Deferred taxes		-223,871	804,972
Items that may be reclassified to profit or loss		**-32,184,542**	**-192,025,371**
Debt securities at fair value through other comprehensive income	15	-33,486,112	-192,025,371
Valuation gains or losses taken to equity		-41,018,804	-259,236,652
Transferred to profit or loss		-3,629,348	3,202,821
Deferred taxes		11,162,040	64,008,460
Cash flow hedges		1,301,570	0
Valuation gains or losses taken to equity		6,028	0
Transferred to profit or loss		1,729,399	0
Deferred taxes		-433,857	0
Total other comprehensive income		**3,933,086**	**-252,506,107**
Total comprehensive income		**272,135,693**	**-14,096,861**
Profit or loss attributable to owners of the parent		271,934,511	-14,278,033
Profit or loss attributable to minority interests		201,182	181,172

Note 3 provides further information on all changes to the various equity positions in the above table.

Consolidated statement of changes in equity

			Accumulated other comprehensive income								
	Paid up capital	Share premium	Fair value changes of debt securities measered at fair value through other comprehensive income	Fair value changes of equity instruments measured at fair value through other comprehensive income	Cash flow hedge reserve	Actuarial gains or losses on defined benefit pension plans	Retained earnings	Profit or loss attributable to owners of the parent	Equity attributable to owners of the parent	Minority interests	Total Equity
Equity position 01/01/2021	**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
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**
Capital increase	12,985,800	38,486,015	0	0	0	0	0	0	51,471,815	0	51,471,815
Profit or loss of the year	0	0	0	0	0	0	0	238,226,931	238,226,931	182,315	238,409,246
Dividends	0	0	0	0	0	0	-103,197,199	0	-103,197,199	-182,436	-103,379,635
Fair value gains or losses taken to equity	0	0	-259,235,753	-63,848,266	0	-3,243,214	0	0	-326,327,233	-1,514	-326,328,747
Fair value gains or losses transferred to profit or loss	0	0	3,202,813	0	0	0	0	0	3,202,813	8	3,202,821
Deferred taxes on fair value gains or losses	0	0	64,008,237	5,806,382	0	804,837	0	0	70,619,456	364	70,619,820
Total other comprehensive income	**0**	**0**	**-192,024,703**	**-58,041,884**	**0**	**-2,438,377**	**0**	**0**	**-252,504,964**	**-1,142**	**-252,506,106**
Other changes	0	0	0	0	0	0	-87,017	0	-87,017	273	-86,744
Transfer to retained earnings	0	0	0	-265,395	0	0	185,914,606	-185,649,211	0	0	0
Equity position 31/12/2022	**717,884,700**	**447,749,558**	**-126,708,465**	**14,327,711**	**0**	**-1,865,338**	**1,940,542,994**	**238,226,931**	**3,230,158,088**	**287,313**	**3,230,445,401**

Notes 3, 4, 25 and 33 provide further information on all changes to the various equity positions in the above table.

Consolidated cash flow statement

	31/12/2021	31/12/2022
Cash and cash equivalents at the start of the period	**3,774,925,273**	**3,914,778,807**
Operating activities		
Profit or loss before tax	363,911,048	307,425,120
Adjustments for:		
Depreciation	22,025,682	21,014,224
Provisions or reversal of provisions	1,275,323	-28,984
Gains or losses on derecognition of non-financial assets	-57,562	-283,710
Impairments or reversal of impairments	-10,115,745	22,407,527
Changes in assets and liabilities from hedging derivatives and hedged item	-67,117,885	-106,710,538
Other adjustments (among which interest expenses financing activities)	33,649,610	59,510,984
Cash flows from operating profits before changes in operating assets and liabilities	**343,570,472**	**303,334,623**
Changes in operating assets (excluding cash and cash equivalents)		
Financial assets held for trading	-17,635,080	-88,990,573
Financial assets related to unit-linked insurance contracts (branch 23)	-376,930,567	265,049,954
Financial assets at amortised cost	-2,301,274,348	-5,605,182,933
Financial assets at fair value through other comprehensive income	33,335,571	126,317,322
Non-trading financial assets mandatorily at fair value through profit or loss	10,890,438	31,386,290
Assets under reinsurance and insurance contracts	10,939,124	-2,273,408
Other assets	22,265,022	-66,904,138
Changes in operating liabilities (excluding cash and cash equivalents)		
Deposits from central banks	0	0
Deposits from credit institutions	-175,482,891	1,736,931,778
Deposits from other than central banks and credit institutions	1,787,625,289	1,836,032,149
Debt securities issued, retail	0	0
Financial liabilities held for trading	16,080,039	75,004,229
Financial liabilities designated at fair value with valuation changes through profit and loss	376,930,567	-265,049,954
Liabilities under insurance and reinsurance contracts	-87,289,934	-187,782,814
Other liabilities	18,371,077	15,745,802
(Paid) refunded income taxes	-115,162,698	-89,099,391
Net cash flow from operating activities	**-453,767,917**	**-1,915,481,063**

	31/12/2021	31/12/2022
Investing activities		
Cash payments to acquire property, plant and equipment	-8,267,533	-8,675,948
Cash proceeds from disposal of property, plant and equipment	816,234	661,906
Cash payments to acquire intangible assets	-6,510,409	-7,501,513
Cash proceeds from disposal of intangible assets	-243,241	0
Changes concerning consolidated companies	0	0
Net cash flow from investing activities	**-14,204,950**	**-15,515,556**
Financing activities		
Paid dividends	-161,483,243	-103,379,240
Cash proceeds from a capital increase	69,953,440	51,471,815
Cash proceeds from the issue of subordinated debt securities	0	0
Cash payments from subordinated debt securities	-511,087,585	0
Cash proceeds from the issue of non-subordinated debt securities	1,669,227,000	2,082,065,400
Cash payments from non-subordinated debt securities	-448,873,598	-436,166,450
Cash proceeds from TLTRO-III ECB	23,740,000	-261,130,000
Interest paid	-33,649,610	-26,333,959
Net cash flow from financing activities	**607,826,403**	**1,306,527,567**
Cash and cash equivalents at the end of the period	**3,914,778,807**	**3,290,309,755**
Components of cash and cash equivalents		
Cash	52,504,898	55,189,178
Cash balances with central banks	3,225,473,830	2,915,275,991
Cash balances with other credit institutions	536,847,079	319,844,586
Other advances	99,953,000	0
Total cash and cash equivalents at the end of the period	**3,914,778,807**	**3,290,309,756**
Cash flow from operating activities:		
Received interest income	894,462,355	898,298,601
Dividends received	6,172,490	7,909,585
Paid interest expenses	-225,840,148	-251,625,894
Cash payments for the principal portion of lease liabilities	-8,273,487	-8,079,219
Payments for lease contracts that fall under the valuation exemptions for lease contracts (low value and short term)	-254,702	-266,408
Cash flow from financing activities:		
Paid interest expenses	-33,649,610	-26,333,959

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 30 on interest amounts received and paid, and in Note 31 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. It also offers units in Argenta funds and in undertakings for collective investments (UCIs).

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, offering its mortgages through independent advisers and online. The branch office also offers savings and term accounts online. Management of the Dutch mortgage portfolio has been outsourced to service provider Quion.

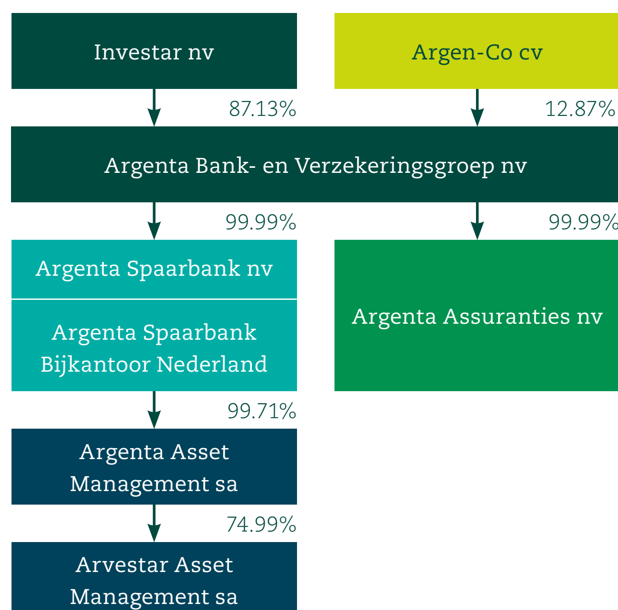
Aspa also has a participating interest in Jofico cv to which the equity method is applied. This is a joint venture between Aspa, Axa Bank, Crelan, VDK Bank and Bpost that jointly manages the ATMs of these institutions.

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.

	%	31/12/2021	31/12/2022
Argenta Bank- en Verzekeringsgroep nv		consolidating entity	consolidating entity
Bank Pool			
Argenta Spaarbank nv	99.99 %	full consolidation	full consolidation
Argenta Asset Management nv	99.99 %	full consolidation	full consolidation
Arvestar Asset Management	74.99 %	full consolidation	full consolidation
Green Apple 2017 bv (SPV)	0.00 %	full consolidation	full consolidation
Green Apple 2018 bv (SPV)	0.00 %	full consolidation	full consolidation
Green Apple 2019 bv (SPV)	0.00 %	full consolidation	full consolidation
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 2022, the average number of employees in the Argenta Group amounted to 1,025.50 (1,044.80 in 2021). A breakdown of personnel expenses for the year can be found in Note 40.

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 2022 consolidated financial statements are consistent with those applied as of 31 December 2021.

The following standards and interpretations came into application during 2022:
- 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 January 2022);
- Amendments to IFRS 3 (Business Combinations): references to the conceptual framework (effective for annual periods commencing on or after 1 January 2022);
- Annual improvements (2018-2020 (effective for annual periods commencing on or after 1 January 2022).

These new provisions had no material impact on the Company's results for 2022 or on its equity as of 31 December 2022 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 2022 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) and amendments to IFRS 17 Insurance Contracts: initial application of IFRS 17 and IFRS 9 – Comparative information (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of the financial statements and IFRS Practice Statement 2: provision of information on financial reporting principles, issued on 12 February 2021, include minor amendments to improve the notes on the financial reporting principles, so that they provide more useful information to investors and other primary users of the financial statements. The amendments to IAS 1 require companies to disclose their material financial reporting principles instead of their important principles. The amendments in IFRS practice statement 2 provide for guidelines for the application of the materiality concept to the notes on the financial statements. The amendments apply to annual periods beginning on or after 1 January 2023, early application being allowed. These amendments have been approved by the EU;
- Amendments to IAS 8 Financial Reporting Principles, changes to valuations and errors: definition of valuations, issued on 12 February 2021, clarify how companies must distinguish changes in financial reporting principles from changes in valuations. The difference is important because changes in valuations are only applied prospectively to future transactions and other future events, while changes in financial reporting principles are usually also applied retroactively to transactions in the past and other events in the past. The amendments apply to annual periods beginning on or after 1 January 2023, early application being allowed. These amendments have been approved by the EU;
- Amendments to IAS 12 Income Taxes: deferred taxes on assets and liabilities arising from a single transaction, issued on 7 May 2021, clarify how companies must process deferred taxes on transactions such as lease contracts and dismantling obligations. IAS 12 Income Taxes specifies how a company processes income taxes, including deferred taxes. Subject to certain conditions companies are exempt from entering deferred taxes when they enter assets or liabilities for the first time. There was previously some uncertainty about whether this exemption was applicable to transactions such as lease contracts and dismantling obligations, transactions in which companies enter both an asset and a liability. The amendments clarify that the exemption is not applicable and that companies must enter deferred taxes on such transactions. The purpose of the amendments is to reduce the diversity in reporting on deferred taxes on lease and dismantling obligations. The amendments apply to annual periods beginning on or after 1 January 2023, early application being allowed. These amendments have been approved by the EU;

- Amendments to IAS 1 Presentation of Financial Statements:
  - Classification of liabilities as current and non-current, issued on 23 January 2020, clarifies a criterion in IAS 1 for the classification of a liability as non-current: it requires that an entity has the right to defer the settlement of the obligation until at least 12 months after the reporting period. The amendments: (i) specify that the right of an entity to defer settlement at the end of the reporting period must exist; (ii) clarify that the classification is not affected by the intentions or expectations of the management about whether the entity will exercise its right to defer settlement; (iii) clarify how loan conditions affect the classification; and (iv) include a clarification of the requirements for the classification of liabilities that an entity will or can settle by issuing its own equity instruments.
  - Classification of liabilities as current and non-current, issued on 15 July 2020, in which the start date of the above amendments was deferred by one year.
  - Non-current liabilities with covenants, issued on 31 October 2022, which further amends IAS 1 and specifies that covenants (i.e. conditions specified in a loan agreement) that must be met after the reporting period have no bearing on the classification of a liability as current or non-current at the end of the reporting period. Instead an entity is obliged to enter information about these covenants in the notes to the financial statements.

  All the amendments apply to annual periods beginning on or after 1 January 2024, early application being allowed. These amendments have not yet been approved by the EU;
- Amendments to IFRS 16 Lease contracts: Lease commitment in a "Sale-and-Leaseback", issued on 22 September 2022, introduces a new model that will have an effect on the way in which a vendor-lessee processes variable lease payments in a "Sale-and-Leaseback transaction". Under this new model, a vendor-lessee will: (i) enter estimated variable lease payments with the initial valuation of a lease commitment in a "Sale-and-Leaseback transaction"; and (ii) then apply the general rules for the subsequent processing of the lease commitment, so that no profit or loss is entered with regard to the right of use that it maintains. These changes will not change the processing of other leases. The changes apply retrospectively to annual periods beginning on or after 1 January 2024, early application being allowed. These changes have not yet been approved by the EU.

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, except for IFRS 17, which is explained in more detail below.

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

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is applicable to financial years beginning on or after 1 January 2023, early application being allowed. The Company will apply IFRS 17 for the first time on 1 January 2023. This standard will make major changes to the accounting valuation of insurance and reinsurance contracts and is expected to have a material effect on the Company's consolidated financial statements from initial application.

The Company has not yet quantitatively evaluated and validated the estimated effect of the initial application of IFRS 17 on its consolidated financial statements. When applying IFRS 17, the Company will adjust the comparative information for the financial year beginning on 1 January 2022.

The descriptions below are provisional because not all the transitional work has yet been completed and validated. The actual effect, the choices applied and the assessments connected to the introduction of IFRS 17 on 1 January 2023 (and 2022) may still change because:

- the Company is still developing and setting up the new accounting processes and internal controls needed for the application of IFRS 17;
- the new systems/developed applications and the associated controls are still in development or are not yet operational;
- the testing and assessment of controls on the developed applications is not yet complete; and
- the new methodologies, valuation principles, assumptions, assessments and estimating techniques may be subject to change until the Group completes its first financial statements with the date of initial application.

The Company will subdivide the insurance contracts into three activities for the disclosures, being ‘life risk’, ‘life savings’, and ‘non-life’.

Identification of contracts falling within the scope of IFRS 17

IFRS 17 lays down principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary profit-sharing (DPF).

In the identification of contracts falling within the scope of IFRS 17 the Company will in some cases have to assess whether a series of contracts must be handled as a single contract and whether derivatives embedded in contracts, investment components and components of goods and services must be separated and be recognised according to a different standard.

For insurance and reinsurance contracts the Company does not expect any significant changes as a result of applying IFRS 17. The branch 44 contracts underwritten by the Company will be unbundled, just as they were under IFRS 4, into two separate components, being a branch 21 component that will be handled under IFRS 17 and a branch 23 component that will continue to be valued under IFRS 9.

Aggregation level

Under IFRS 17, insurance contracts are combined into groups for valuation purposes. Contract groups are determined by first identifying portfolios of contracts that each consist of contracts with similar risks and that are managed together.

The Company groups portfolios into 18 segments. The portfolios are classified on the basis of product. Each portfolio is then divided into cohorts (per trimester of underwriting) and each cohort into three groups:

- contracts that are onerous on initial recognition;
- contracts that have no significant chance of becoming onerous on initial recognition; and
- all remaining contracts in the cohort.

When a contract is underwritten, it is added to an existing group of contracts or, if the contract is not eligible for recognition in an existing group, it forms a new group to which future contracts can be added.

The reinsurance contracts are grouped on the basis of the risk of the underlying insurance contracts. For the reinsurance contracts with underlying insurance contracts of the life type, we have groups with one reinsurance contract.

The IFRS 17 aggregation requirements limit the offsetting of profits on groups of profitable contracts, which are usually deferred as ‘contractual service margin’ (CSM), with losses on groups of onerous contracts, which are immediately recognised in the result. Compared to the level at which the adequacy test of the liabilities is currently carried out under IFRS 4 (i.e. the level of the contracts portfolio), the aggregation level under IFRS 17 is lower and this is expected to give rise to more contracts that are regarded as loss-making and that losses on loss-making contracts are recognised earlier.

Contract limits

Under IFRS 17, the valuation of a group of contracts includes all the future cash flows within the limits of each contract in the group (‘contract boundary’). Compared to the current valuation, the Company expects the requirements of IFRS 17 with regard to the contract limits to bring about a change for the contracts in the extent of the cash flows that must be recognised in the valuation of the existing contracts.

The period covered by the premiums within the contract limit is the “coverage period”, which is relevant in the application of a number of requirements in IFRS 17.

a. Insurance contracts

For insurance contracts cash flows fall within the contract limit if they arise from fundamental rights and obligations that exist during the reporting period for which the Company can require or compel the policyholder to pay premiums or the Company has a fundamental obligation to provide services (including insurance cover and investment services). A fundamental obligation to provide services ends when:

- The Company has the practical opportunity to reassess the risks of the specific policyholder at the level of the contract and can set a price or level of benefits that fully reflect these reassessed risks; or
- The Company has the practical opportunity to reassess the risks of the portfolio containing the contract and can set a price or level of benefits that fully reflect this portfolio and the pricing of the premiums up to this reassessment date takes no account of risks relating to the period after the reassessment date.

b. Reinsurance contracts

For insurance contracts cash flows fall within the contractual limits if they arise from material rights and obligations that exist during the reporting period for which the Company is obliged to pay to the reinsurer or has a material right to receive services from the reinsurer. A material right to receive services from the reinsurer ends when the reinsurer:

- has the practical opportunity to reassess the risks transferred to it and can set a price or level of benefits that fully reflect these reassessed risks; or
- has a material right to terminate the cover.

The life reinsurance contracts are underwritten for an indefinite period and can be terminated by either party. The rights arising from the reinsurance contracts cover the obligations arising from the underlying insurance contracts and therefore also include the time limits specified by these underlying contracts. Under IFRS 17 cash flows arising from underlying contracts that are expected to be issued and transferred after the valuation date, in addition to those arising from underlying contracts already transferred, may fall within the limits of the reinsurance contracts and be taken into consideration in the valuation.

The contract limits for non-life reinsurance contracts are determined per calendar year by occurrence period.

Measurement – Overview

IFRS 17 introduces a valuation model based on the estimates of the cash value of future cash flows that are expected to arise when the Company fulfils the contracts, a risk adjustment for non-financial risks and a reserve for unearned profit (contractual service margin or CSM).

IFRS 17 also provides a simplified valuation model, the premium allocation approach or PAA. The PAA is an optional valuation model available for insurance and reinsurance contracts that fulfil the admissibility criteria. The Company expects to apply the PAA to all non-life insurance and reinsurance contracts, as the coverage period of each contract in the group is one year or less.

Valuation – Life insurance contracts

a. Insurance contracts

On initial recognition the Company will value a group of contracts value as the total of:

- the 'fulfilment cash flows', being the probability-weighted average cash flows needed to fulfil the obligations under the insurance contract, and which consist of estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risks; and
- the 'contractual service margin', being the positive difference between the cash value of the incoming and outgoing cash flows, reflects the unearned profit contained in an insurance contract and that is gradually taken through the statement of profit or loss.

The 'fulfilment cash flows' of a group of contracts do not reflect the non-performance risk of the Company.

- The estimates for future cash flows are subject to a modelling per group of contracts. In the case of the savings insurance contracts an investment component is considered. This is equivalent to the saved reserve of the insurance contract concerned.
- The cash flows are discounted using the risk-free yield curve (euro-swap curve) that has been adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts.
- The risk adjustment for non-financial risks for a group of contracts, which is determined separately from the other estimates, is the fee the Company would require for bearing uncertainty about the amount and the time of the cash flows arising from non-financial risks. The risk adjustment for the obligations for remaining cover is calculated on the basis of the Cost of Capital method (without operational, counterparty or financial risk).
- The CSM of a group of contracts represents the unearned profit that the Company will take as it provides services under these contracts. On initial recognition of a group of contracts, the group is not onerous if the total of (a) the fulfilment cash flows and (b) the current cash flows is a net inflow. In this case the CSM is valued as the equal and opposite amount of the net inflow, so no gains or losses arise on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is recognised as a loss in the statement of profit or loss and a loss component is created to reflect the amount of the net outflow of cash, which is decisive for the amounts that are then presented in the statement of profit or loss as reversals of losses on onerous contracts and which are not recognised in the insurance income.

Then the carrying amount of a group of contracts on each report date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage includes (a) the fulfilment cash flows connected to services that will be provided under the contracts in future periods and (b) any remaining CSM on that date. The obligation for incurred claims includes the fulfilment cash flows for incurred claims that have not yet been paid, including incurred but not yet reported claims. For hospitalisation insurances future cash flows are determined through so-called triangle extrapolations (chain ladder and variants) for both the indemnity payments and the expected claims settlement costs.

- The fulfilment cash flows of groups of contracts are valued on the report date using current estimates of future cash flows, current discount rates and current estimates of the risk correction for non-financial risks. Changes in the fulfilment cash flows are recognised as follows:
  - Changes with regard to future services – adjust the CSM (or are recognised in the insurance service result in the results if the group is onerous);
  - Changes with regard to current of lapsed services – are recognised in the insurance service result in the results;
  - Effects of the time value of money, financial risk and changes in them to estimated future cash flows - are recognised in the insurance funding income or expenditure. They will be allocated partly to P&L and partly to OCI.
- The CSM is then only adjusted for changes in the fulfilment cash flows relating to future services and is recognised in the statement of profit or loss as the services are provided. The CSM on each report date represents the profit in the group of contracts that has not yet been recognised in the statement of profit or loss because it relates to future services.

b. Reinsurance contracts

The Company will apply the same financial reporting principles for the valuation of a group of reinsurance contracts, with the following changes.

The carrying amount of a group of reinsurance contracts on each report date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage includes (a) the fulfilment cash flows relating to services that will be provided under the contracts in future periods and (b) any remaining CSM on that date.

The Company will value the estimates of the cash value of the future cash flows on the basis of assumptions that are consistent with those used to measure the estimates of the cash value of the future cash flows for the underlying insurance contracts, with an adjustment for the non-performance risk by the reinsurer. The effect of the reinsurer's non-performance risk is assessed on each report date and its changes are recognised in the insurance service result in the statement of profit or loss.

The risk adjustment for non-financial risks represents the amount of the risk transferred by the Company to the reinsurer. The risk adjustment is determined through a Cost of Capital calculation. For this the difference is considered of required capital (without operational, counterparty or financial risk), before and after reinsurance respectively.

The CSM of a group of reinsurance contracts represents a net cost or net profit from concluding the reinsurance. It is valued such that no gains or losses arise on initial recognition, except for:

- the immediate recognition in the statement of profit or loss of any net costs on concluding the reinsurance coverage if they relate to insured events that have occurred before the conclusion of the reinsurance coverage; and
- the immediate recognition of the assets associated with a reinsurance contract, when the Company recognises a loss on initial recognition of onerous underlying contracts if the reinsurance contract is concluded before or at the same time as the onerous underlying contracts. A loss recovery component is created, which is decisive for the amounts that are then presented in the statement of profit or loss as reversals of recoveries of losses on the reinsurance contracts.

The CSM is recognised in the statement of profit or loss when services are received. CSM is allocated to a reporting period on the basis of outstanding risk capital.

c. Acquisition cash flows

Acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that can be allocated directly to the portfolio of contracts to which the group belongs. Under IFRS 17, the insurance acquisition cash flows for life insurance contracts are allocated to groups of contracts according to systematic and rational methods on the basis of the total premiums for each group.

Cash flows that can be allocated directly to a group of contracts (for example, non-reclaimable commission paid on the issue of a contract) are allocated to that group. These insurance acquisition cash flows are recognised in the estimates of the cash value of future cash flows as part of the valuation of the insurance contracts concerned.

The Company has not identified any acquisition costs linked to groups including extensions of contracts. Therefore no insurance acquisition cash flows arising before the recognition of the insurance contracts concerned as separate assets are recognised.

d.Estimated impact of the application of IFRS 17

Under IFRS 17 the profit recognised in the statement of profit or loss during the term of the contracts will mainly be determined by the rhythm of allocation of the CSM in the statement of profit or loss and the risk adjustment for non-financial risks as the risk concerned expires. While the total profit recognised during the term of the contracts will not change, it will come about more slowly under IFRS 17.

The change in the liabilities for life contracts on the transition to IFRS 17 can mainly be attributed to the following.

- The estimates of the cash value of future cash flows will decrease if the risk-free discount rates are higher than those applied under IFRS 4, or increase if the risk-free discount rates are lower than those applied under IFRS 4. This is as a result of the IFRS 17 requirements to measure future cash flows on the basis of current discount rates;
- The risk adjustment for non-financial risk under IFRS 17 that is not present under IFRS 4 – reducing effect on equity;
- The recognition of the CSM for the unearned profit of these contracts - recognised for the unearned profit on these contracts – reducing effect on equity.

Valuation - Non-life contracts

On initial recognition of each group of non-life insurance contracts the carrying amount of the liability for the remaining coverage is valued at the premiums received. The Company chooses to spread the cash flows for the acquisition of insurances (acquisition commission) over the coverage period.

Then the carrying amount of the liability for the remaining coverage is increased by any further premiums received and lowered by the amount recognised as insurance proceeds for services provided. The Company expects that the time between providing each part of the services and the premium due date concerned will not be more than a year. The Company will not therefore, as permitted under IFRS 17, adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period facts and circumstances show that a group of contracts is onerous, then the Company will recognise a loss in the statement of profit or loss and increase the liability for remaining coverage in so far as the current estimates of the fulfilment cash flows associated with the remaining coverage exceed the carrying amount of the liability. Periodically there will be a verification of any groups being non-onerous on the basis of a combined ratio calculation. The fulfilment cash flows will be discounted (at current prices) if the liability for losses suffered is also discounted (see below).

The Company will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows in connection with incurred claims. For the claims the estimates of future cash flows are determined through so-called triangle extrapolations (chain ladder and variants) for both the indemnity payments and the expected claims settlement costs.

The future cash flows will be discounted (at current prices).

For the claims a risk adjustment for non-financial risks will be determined through a value-at-risk approach.

The Company will apply the same valuation principles to a group of reinsurance contracts, where necessary adjusted to take account of characteristics that differ from those of the insurance contracts.

a. Estimated impact of the application of IFRS 17

While the PAA is similar to the current accounting treatment of the Company in the valuation of liabilities for remaining coverage, the following changes are expected in the accounting treatment.

- Under IFRS 17, the Company will discount the future cash flows in the valuation of liabilities for losses suffered. The Company does not discount such future cash flows under IFRS 4 – increasing effect on equity capital;
- IFRS 17 requires that the fulfilment cash flows include a risk adjustment for non-financial risks. This is in line with the risk-based reserving approach under IFRS 4 - quasi neutral effect on equity.

Valuation - Important judgements and estimates

a. Estimates of future cash flows

In estimating future cash flows the company will use all reasonable and supporting information available (without excessive costs or efforts) on the report date. This information includes both internal and external historical information on claims and other experiences, updated to the current expectations to reflect future events.

When estimating of future cash flows, the Company takes account of the current expectations of future events that could affect these cash flows.

Cash flows within the limits of a contract are those that are directly connected with the performance of the contract. They include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs incurred in the performance of contracts. Cash flows for the acquisition of insurances and other costs arising from the performance of contracts include both direct costs and an allocation of fixed and variable overhead costs.

Cash flows will be allocated to acquisition activities, other performance activities and other activities at the level of the local entity using cost allocation techniques. Cash flows that can be allocated to acquisition and other performance activities are allocated to groups of contracts according to systematic and rational methods that are applied consistently to all costs with similar characteristics. The Company will usually allocate insurance acquisition cash flows to groups of contracts on the basis of the total premiums for each group, claims handling costs on the basis of the number of claims for each group, and maintenance and administration costs on the basis of the number of current contracts in each group.

b. Discount rates

The Company determines the risk-free discount rates on the basis of the observed yield curves (euro-swap curve) and adds an illiquidity premium to them.

c. Risk adjustments for non-financial risks

Risk adjustments for non-financial risks are determined to reflect the compensation the Company would require for bearing non-financial risks and its degree of risk aversion. They are determined separately for the Life and Non-life contracts and are allocated to groups of contracts on the basis of an analysis of the risk profiles of the groups.

The risk adjustments for non-financial risks are determined on the basis of the following techniques.
- Liabilities for remaining coverage on the basis of a capital cost technique;
- Liabilities for losses suffered of property insurance and reinsurance on the basis of a value at risk technique.

To determine the risk adjustments for non-financial risks in reinsurance contracts, the Company will apply these techniques both gross and net and derive the amount of the risk transferred to the reinsurer as the difference between the two results.

When applying a capital cost technique, the Company will determine the risk correction for non-financial risks by applying a capital cost rate to the amount of the capital required for each future annual report date and discounting the result using risk-free interest rates adjusted for illiquidity. The required capital will be determined by estimating the probability distribution of the cash value of the future cash flows from the contracts on each future report date and calculating the capital that the Company would need to meet its contractual liabilities to pay claims and costs arising during the term of the contracts. The capital cost rate represents the extra compensation investors would require for exposure to the non-financial risk. The capital cost rate applied is 6%.

d.CSM

The CSM of a group of contracts is recognised in the statement of profit or loss to reflect the services provided in each year by
- determining the coverage units in the group;
- allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit that has been provided in the year and that is expected to be provided in the coming years, and
- recognising the amount of the CSM allocated to the coverage units provided in the year in the statement of profit or loss.

The number of coverage units is the quantity of services provided by the contracts in the group, determined by taking into account the quantity of benefits provided and the expected coverage period for each contract. The coverage units will be assessed and updated on each report date.

Presentation and disclosure

IFRS 17 will significantly alter the way in which insurance contracts and reinsurance contracts are presented and explained in the Company's consolidated financial statements.

Under IFRS 17 portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, will be presented separately in the balance sheet. All the rights and obligations arising from a portfolio of contracts will be presented on a net basis; balances such as claims and debts under insurances will no longer therefore be presented separately.

Under IFRS 17 the amounts recognised in the statement of profit or loss and the OCI are broken down into
- an insurance service result, consisting of insurance revenue and insurance service expenses; and
- insurance financing result.

Amounts from reinsurance contracts are presented separately.

The separate presentation of actuarial and financial results under IFRS 17 will provide for greater transparency about the sources of profit and the quality of the profit.

a. Insurance service result

For contracts that are not valued according to the PAA, the insurance service result for each year represents the changes in the liabilities for remaining coverage relating to services for which the Company expects to receive a fee and an allocation of premiums relating to the recovery of insurance acquisition cash flows.

For contracts that are valued according to the PAA, the insurance service result is recognised on the basis of an allocation of the expected premium receipts to each coverage period that is based on the passing of time.

Expenses directly associated with the performance of contracts are recognised in the statement of profit or loss as insurance service costs, in general when they are incurred. Expenses not directly associated with the performance of contracts are presented outside the insurance service result.

Under IFRS 17 investment components will not be recognised in the insurance service result. The Company therefore expects a significant reduction of the total amounts in revenue and costs of contracts with investment components in comparison with current practice. The Company will determine the investment component of a contract by determining the amount it would have to repay to the policyholder in all scenarios. They cover circumstances in which an insured event occurs or the contract expires or is terminated without an insured event occurring. The Company has determined that its savings insurance contracts contain an investment component, determined as the saved reserve.

Amounts received from reinsurers and reinsurance costs will no longer be presented separately in the statement of profit or loss because the Company will present them on a net basis as “net costs from reinsurance contracts” in the insurance service result.

The Company will choose not to break down changes in the risk adjustment for non-financial risks between the insurance service result and the insurance financing result. All changes in the risk adjustment for non-financial risks recognised in the statement of profit or loss will be recognised in the insurance service result.

b. Insurance financing result

Under IFRS 17 changes in the carrying amount of groups of contracts arising from the effects of the time value of money, the financial risk and changes in it are usually presented as insurance financing revenue and costs.

The Company chooses to break down the insurance financing result between profit or loss and other parts of equity (OCI). This is expected to reduce the accounting mismatches in the statement of profit or loss, as part of the supporting financial assets are debt investments that under IFRS 9 are measured at FVOCI.

The amount recognised in the statement of profit or loss will be determined by a systematic allocation of the expected total insurance financing income or expenses over the term of the group of contracts.

c. Notes

IFRS 17 requires detailed new information on the amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM release pattern, and also information on important assessments made in the application of IFRS 17. More information will also be provided on the nature and extent of the risks of insurance contracts and reinsurance contracts.

The information will be provided at a more detailed level than under IFRS 4, which produces transparent information for assessing the consequences of contracts for the financial statements.

Transition

The changes in the financial reporting principles arising from the application of IFRS 17 will, as far as practically feasible, be applied with full retrospective effect, except as set out below.

If it is not practically feasible to apply a fully retrospective approach to a group of contracts, then the Company will choose between the changed retrospective approach and the fair value approach. For the contracts for which no fully retrospective approach can be applied however the Company decides on having insufficient reasonable and supporting information that is needed to apply the changed retrospective approach and therefore applies the fair value approach.

a. Insurance contracts and reinsurance contracts

In the transition to IFRS 17 the Company will apply the fully retrospective approach on the basis of the first entry into force date of the contract, according to the following approaches.

- Life contracts to 2016 – fair value approach
- Life contracts between 2017 and 2021 – fully retrospective approach
- Hospitalisation insurances – fair value approach
- Non-Life contracts – fully retrospective approach
- Reinsurance Life - fully retrospective approach

The Company considers the fully retrospective approach unfeasible in the following circumstances.

- The consequences of retrospective application cannot be determined because the required information has not been collected (or has not been collected with sufficient granularity) or is not available because of system migrations, data retention requirements or other reasons.

b. Fair value approach

Under the fair value approach the CSM (or the loss component) on 1 January 2022 will be determined as the difference between the fair value of a group of contracts on that date and the fulfilment cash flows on that date. The Company will measure the fair value of the contracts as the sum of:

- the cash value of the net cash flows that are expected to be generated by the contracts, determined using a discounted cash flow technique; and
- an extra margin, determined using a reliability level technique.

The cash flows that are taken into account in determining the fair value will be consistent with those within the contractual limits. Therefore the cash flows in connection with expected future extensions of insurance contracts will not be taken into account in determining the fair value of these contracts if they are outside the contract limit. While the Company's own non-performance risk will be taken into account in determining the fair value of the liabilities, but not in determining the fulfilment cash flows, the effect is expected to be insignificant.

Differences in the Company's approach to measuring the fair value compared to the IFRS 17 requirements for measuring the fulfilment cash flows will give rise to a CSM on 1 January 2022. In particular the Company will recognise a margin in determining the fair value that consists of a risk premium reflecting what market participants would require as compensation for the uncertainty inherent to the cash flows and a profit margin reflecting what market participants would require to meet the obligations for the insurance contracts.

For all contracts measured according to the fair value approach, the Company will use reasonable and supporting information that is available on 1 January 2022 to determine:

- how groups of contracts can be identified;
- how the discretionary cash flows for contracts without direct participation characteristics must be determined.

Some groups of contracts that are measured according to the fair value approach will include contracts that have been issued more than one year after each other.

2.3. Financial reporting principles - valuation rules

Judgements and estimates

Preparing the consolidated financial statements requires management to make judgements and estimates that affect the measurement 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') (see section 'Technical provisions for (re)insurance contracts').

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 jure 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 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 the derecognition of the financial asset, a revision gain or loss is recognised in the results. When there is a significant change in the contractual terms for financial liabilities, being a difference of more than 10% between the present value of the original cash flows and the present value of the modified cash flows, discounted at the original effective interest rate, then the financial liability is written off. If the terms change during the term of a financial asset, the new terms are examined to see if they differ significantly from the original terms or if the change means that the original rights to the receipt of the cash flows from the instrument have elapsed. If one of the two terms is met, the financial asset is written off.

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 the (discounted) 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.

Further detail can be found in chapter 5.3 credit risk - expected credit losses (ECL) (stage 1 and stage 2).

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 assessment 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, in particular:
- If the ratio of the difference between the present value of the contractual cash flows before and after forbearance measures, discounted at the original effective interest rate, is greater than 1%;
- When granting a second forbearance measure;
- In the event of an arrears of more than 30 consecutive days for a performing financial asset to which a forbearance measure is applicable.

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.

Further detail can be found in chapter 5.3 credit risk - default, non-performing and credit-impaired (stage 3).

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 borrower is in a state of bankruptcy or the property serving as collateral for the receivable was sold as part of collective debt restructuring procedures and the greater part of the funds from the sale were received;
- 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 a mortgage without collateral or instalment loans the following criteria apply:
- The loan has been called and for not more than two years action has been taken to recover the outstanding amount the loan being written off no later than two years after this date, or;
- The borrower has been admitted to collective debt restructuring procedures or is in a state of bankruptcy or fraud has been found.

Cash credits, overdrafts on current accounts and loans and debt securities without collateral are written off when an individual assessment (case-by-case) provides no further reasonable expectation of recovery of the outstanding receivable.

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 the derecognition of non-financial assets.

Land and buildings

The purchase price and purchase costs of land are not depreciated, regardless of whether the site has been developed or not.

Upon purchase of a developed site, the values of the land and of the building are calculated, and the transaction costs divided proportionally between the land and the building.

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

The purchase price and purchase costs of renovations are depreciated over 10 years, on a monthly basis. The purchase price and purchase costs of the interior finishings of rented buildings are depreciated over the term of the rental contract.

IT

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

Other equipment (including vehicles)

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

Investment properties

Investment properties are those properties held to earn rental income or for capital appreciation or for both. The accounting rules outlined for property, plant and equipment apply also to investment property.

Intangible assets

An intangible asset is an identifiable non-monetary asset. It is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

Where the capitalisation criteria are met, acquired software is recognised at cost under intangible assets. The acquisition price and acquisition costs are amortised by the straight-line method from the 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 measured 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 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 with the provisions 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 (application of IAS 39) of branch 23 insurance products 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 technical provisions 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 technical provisions of the insurance account) are invested in one or more forms of investment and so generate a necessary return.

The technical provisions 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 technical provisions 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. 87.13% of its shares are owned by Investeringsmaatschappij Argenta (hereinafter Investar) and 12.87% Argenta Coöperatieve (hereinafter Argen-Co). Equity including equity attributable to minority interests amounts as of 31 December 2022 to EUR 3,230,445,401 compared to EUR 3,296,536,827 as of 31 December 2021. The minority interests amount to EUR 287,313 as of 31 December 2022. Further explanation can be found in Note 4.

Overview of equity	31/12/2021	31/12/2022
Paid up capital	704,898,900	717,884,700
Share premium	409,263,543	447,749,558
Accumulated fair value changes of debt securities measured at fair value through other comprehensive income	65,316,238	-126,708,466
Accumulated fair value changes of equity instruments measured at fair value through other comprehensive income	72,634,990	14,327,711
Accumulated cash flow hedge reserve	0	0
Accumulated actuarial gains or losses on defined benefit pension plans	573,039	-1,865,338
Reserves	1,857,912,604	1,940,542,993
Profit or loss attributable to owners of the parent	268,001,360	238,226,931
Interim dividends	-82,352,149	0
Minority interests	288,304	287,313
Total equity	**3,296,536,827**	**3,230,445,401**

The decrease in equity in 2022 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 up capital, represented by 7,178,847 shares, is EUR 717,884,700, and the issue premium is EUR 447,749,558 as of 31 December 2022.

Capital increases in the Company

On 11 May 2022, a capital increase of EUR 51,471,815.46 took place at the Company, whereby 129,858 new shares were issued. This capital increase explains the increase in paid up capital and share premium in 2022.

Capital increases at the Argenta Group

In October 2022, after a dividend payment of EUR 62,520,750, a capital increase of EUR 45,623,250 took place at Argenta Spaarbank.

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 2022 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 137,951,531 as of 31 December 2021 to EUR -112,381,187 as of 31 December 2022.

	31/12/2021	to profit or loss	to reserves	to other comprehensive income	taxes	31/12/2022
Debt securities at fair value through other comprehensive income						
Accumulated valuation gain or losses	87,088,656	3,202,821		-259,236,654		-168,945,177
Deferred taxes	-21,772,162				64,008,457	42,236,294
Equity instruments at fair value through other comprehensive income						
Accumulated valuation gains or losses	81,394,892		-265,395	-63,848,337		17,281,160
Deferred taxes	-8,759,855				5,806,390	-2,953,465
Accumulated other comprehensive income for debt securities and equity instruments	**137,951,531**	**3,202,821**	**-265,395**	**-323,084,991**	**69,814,847**	**-112,381,187**

In the 2022 financial year a total of EUR 3,202,821 was recycled to profit or loss. Note 17 gives further information on the processing of the micro hedges.

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 statement of profit or loss. Revaluations are the result of changes in actuarial assumptions, experience adjustments, return on scheme assets and changes in the asset ceiling.

Reserves

The reserves position (EUR 1,940,542,993 as of 31 December 2022) 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 Belgian Companies and Associations 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 2022 was EUR 238,226,931, compared to EUR 268,001,360 for the year ending on 31 December 2021.

Dividends

In the first quarter of 2022, a dividend of EUR 103,197,199 (EUR 14.64 per share) was paid to shareholders. Subsequently a capital increase of EUR 51,471,815 in the Company took place, subscribed by the two shareholders.

A proposal for a declaration of dividend will be made by the Company's Board of Directors to the General Meeting of shareholders. A dividend payment of EUR 105,098,320 (EUR 14.64 per share) in respect of financial year 2022 will be proposed via the profit appropriation.

4. Minority interests

In 2021, EUR 288,304 was attributable to the minority interests, and EUR 287,313 in 2022. The limited change in the minority interest in the Company's accounts relates to the result 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, investors 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 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.

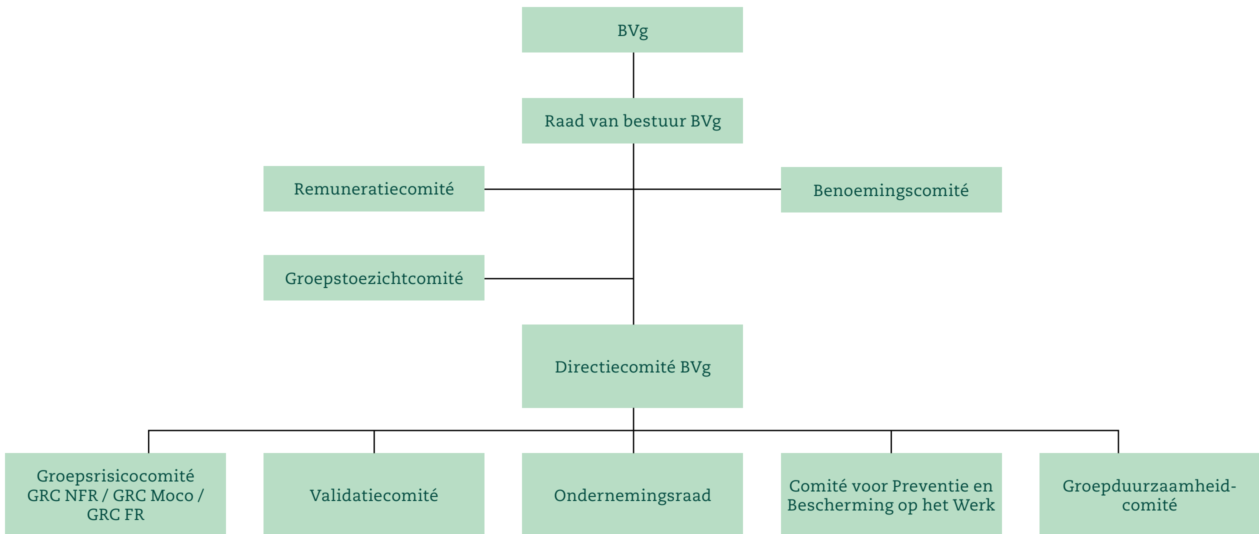
2nd line risk management monitors the embedding of risk awareness in the 1st line and the control of the risk management exercised at headquarters, and in the entities and the branch network. This management takes the form of risk-based monitoring and of testing risk identification, risk analysis and 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 table below shows the committee and consultation structure competent for risk management within the Argenta Bank- en Verzekeringsgroep. The powers and composition of the governing bodies is evaluated annually and if necessary updated to remain fully effective and compliant.



The Remuneration Committee, the Appointments Committee and the Group Supervisory Committee are specialised advisory committees at BVg level serving the boards of BVg, Aras and Aras.
The Audit Committee and Risk Committee are specialised advisory committees of the Aspa and Aras boards.

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

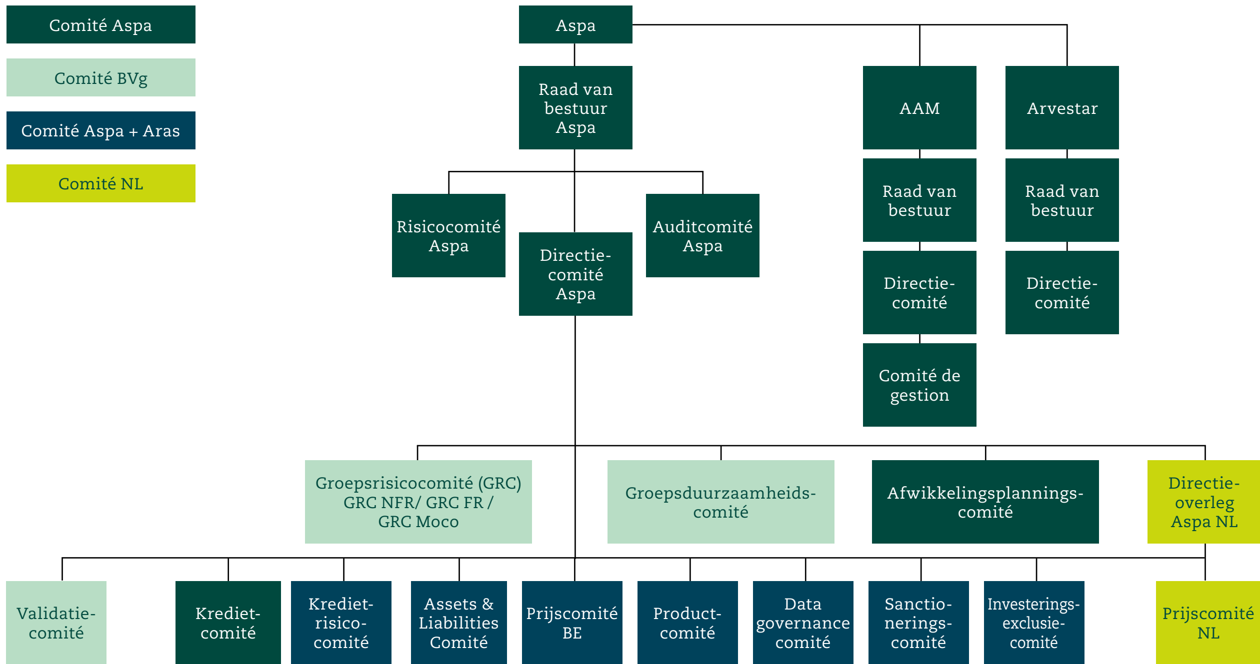
- The Appointments Committee advises the Board of Directors on the composition and functioning of the Board of Directors and the Executive Committees of the 3 main Argenta Group entities: Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties.

- 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.

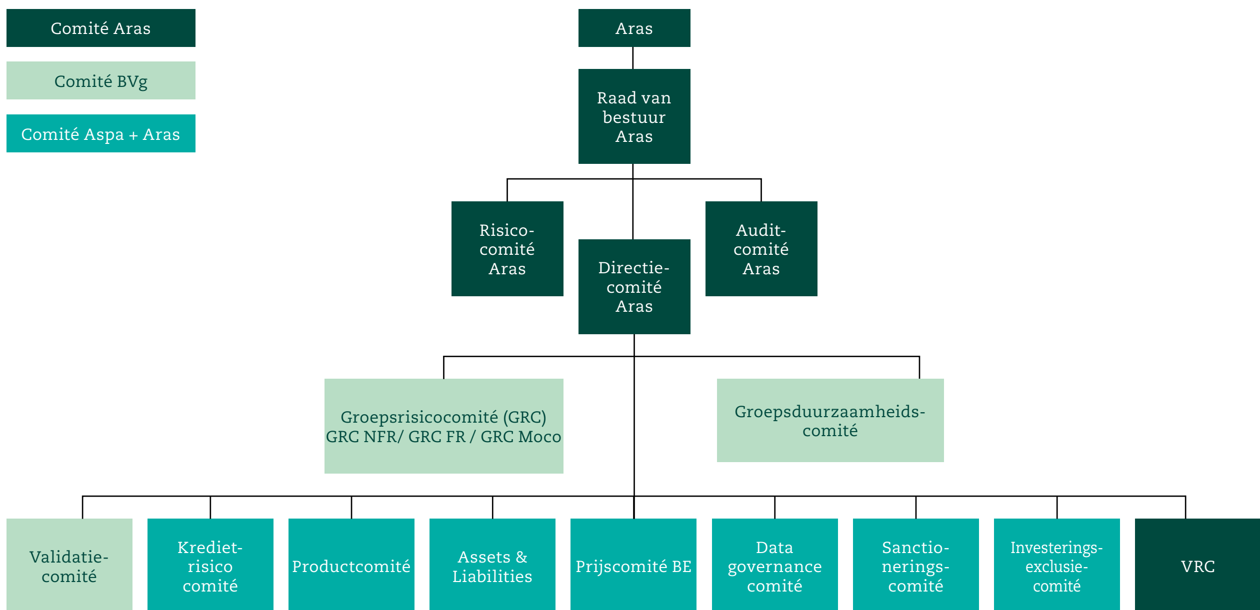
- The Group Supervisory Committee has a specific advisory task at group level in order to ensure, on a limited number of topics and with a view to potential conflicts of interest, that:
  - The Board of Directors has at all times a view at a consolidated level of the activities of the various Argenta entities;
  - 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 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.

- 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 (actual and forward looking) 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 model risk profile and for the development and monitoring 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 risks (GRC NFR) is organised at Group level and is the designated body for handling the non-financial risks company-wide. The entities are permanently represented here through their local second line. The GRC NFR also manages specific consultative bodies, monitors the decisions and takes the necessary decisions in the event of escalation. A fixed agenda item on a quarterly basis is the discussion of the NFR risk profiles within RAF (Risk Appetite Framework).

■ 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. In the Validation Committee the recommendations, obligations and the global decision in the validation memorandum is explained by Validation & Model Risk Management. They are then discussed and approved or not. 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 with reporting of the watch list, the increased monitoring list and the results of credit risk analyses;
- 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 (VNB);
- 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) defines the 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 risks;
  - 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.

The Integrated Risk Management policy defines the most important components and processes on the basis of which Argenta has established its risk management policy. Central to it is the end-to-end Integrated risk management process. This end-to-end integrated risk management universe was further rolled out and completed with 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 financial and 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 defined.

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

The RAF has evolved as an important part of management and provides a connection between 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;
- Establishes the limits against which the impact of ICAAP and ILAAP scenarios are evaluated;
- Is fleshed out further in the 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 fleshed out 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	GRC, Alco, Kreco, VRC and other relevant committees	■ 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, underwriting risk (insurance), model risk and climate & sustainability risk.

The 12 non-financial risk types 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 and 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 1 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 FR hot spot risks - as determined by the Executive Committee members - in 2022 the priorities were 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, and in particular Aspa, is exposed is the interest rate risk in the banking book. The Company has no Trading Book. This risk arises from changes in market interest rates and their possible negative impact on interest-bearing assets and liabilities.

The Company's profit and equity position are sensitive to such interest rate changes because the business model consists of raising funds in the short to medium term. This is mainly from private individuals through current, savings and term deposits, supplemented by wholesale funding by institutional investors. These are then reinvested in the longer term in loans and other interest-bearing investments. The interest rate differences between the various maturities generate an interest result. This result is however 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 optimises the financial risks and reports on this to the Executive Committee. Part of its remit is to manage both the interest rate sensitivity of the interest result and the sensitivity of equity within set limits in the RAF.

In its risk management, Alco takes into account the sub-types of interest rate risk to which the bank is potentially subject. They include gap risk (risk from interest rate mismatch between assets and liabilities), the option risk (risk from the embedded options within the assets and liabilities) and the basis risk (risk from a difference in the reference indexes used for repricing the asset and liabilities products). In addition, business risk (including the risk that the price elasticity of products without contractual interest maturity dates will evolve differently than anticipated and modelled) is also monitored and managed.

In order to keep the relevant risks within the risk appetite framework (RAF) determined by the Board of Directors and within legal limits, the balance sheet is managed in both endogenous and exogenous ways. A Hedging Committee that reports to Alco undertakes exogenous hedging activities here within an Alco mandate. Endogenous management refers to managing the balance mix between assets and liabilities products gradually. Exogenous hedges involve concluding interest rate derivatives.

More information on the applied fair value hedges can be found in Notes 17 and 29.

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 parallel interest rate shock of ± 100 bp.

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

	31/12/2021		31/12/2022	
	+100bp	-100bp	+100bp	-100bp
Impact on earnings (over 12 months)	75,991,534	-46,567,468	50,810,831	-53,339,573
Impact on equity	-979,042	-273,034,356	-84,774,264	84,983,470

Please note that the reference figures for 2021 were adjusted as, from 2022, the possible income impact as a consequence of business risk and basis risk is no longer included in the income impact over 12 months.

Such sensitivity is monitored using the following internal method, which is in line with the prevailing EBA's IRRBB guidelines that came into effect on 30 June 2019:

- The repricing behaviour for savings accounts without contractual maturity dates is modelled on the basis of business-economic replicating models. There are specific models for the Belgium retail savings, Belgium savings by professionals, Netherlands retail savings and Belgium retail current accounts portfolios;
- Loan prepayments are taken into account based on Conditional Prepayment Rate (CPR) models, which reflect the actual prepayment behaviour in the Belgium and Netherlands mortgage portfolios;
- Results sensitivity is calculated on the assumption of a flat balance sheet (balance sheet total and the balance mix kept constant);
- To determine the income impact over 12 months, the interest rate shock is assumed to take place in four 25bp steps (25bp immediately, 25bp after 3 months, 25bp after 6 months, and 25bp after 9 months);
- Possible income impact as a consequence of business risk and basis risk is analysed separately and is no longer included in the above income impact over 12 months;
- For determining the impact on equity, the full interest rate shock is calculated immediately;
- Expected draw-downs of the 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;
- The prevailing EBA floor serves as the interest rate floor in sensitivity analyses with a -100bp;
- A negative market value impact by the interest rate floor on regulated savings is taken into account in capital simulations.

The negative impact of an interest rate rise of +100bp on equity rose in 2022 through the increased market interest rates, so that the actual and modelled prepayments on Belgian and Dutch mortgages fell and in combination with new mortgage production prolonged the term of the asset. A limited shift from cash to fixed-income investment securities also contributed to this. The interest rate risk was mitigated by taking out additional exogenous hedges. The issue of two SNPs and two Covered bonds also contributed to this endogenously.

In contrast to previous years, an interest rate fall of -100bp again results in a positive impact on equity. As a result of the rising market interest rates an assumed interest rate fall of -100bp is no longer limited by the EBA floor, so the positive equity effect on assets with longer fixed-interest terms such as mortgages and fixed-interest investment instruments grew. This effect is partially creamed off by opposite movements in the exogenous hedges portfolio, which however are limited by the mix of (payer and receiver) swaps and (payer) swaptions.

The hedging strategy continues to focus on keeping the interest rate risk under active control. To this end, not only are the sensitivities under parallel up and down shocks considered, but also each time the possible impacts under the six 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 and continued to be respected in 2022.

In 2022, in line with NBB Circular_2021_20, an Article 36bis derogation request was approved 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.

	31/12/2021		31/12/2022	
	+100bp	**-100bp**	**+100bp**	**-100bp**
Impact on earnings (over 12 months)	1,384,754	-1,611,105	1,567,656	-1,208,708
Impact on equity	-22,965,381	1,755,412	-1,407,791	592,370

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 similar to the last year’s position and it is expected to remain limited until the end of 2023 owing to good cash flow matching.

In 2022, a 100 basis points increase in interest rates would have had a negative impact of EUR 1.4 million on the market value of equity. A fall in interest rates under the Solvency II down scenario has a very limited positive impact on equity (EUR 0.6 million). The impact on the market value of the equity in an up-scenario is lower than last year because a significant portion of cash must be invested as a result of Branch 21 due dates from the end of December 2022.

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 2022, the impact for Aspa of a 1 basis point increase in the credit spread was EUR -3,562,956 compared to EUR -3,287,423 at the end of 2021. The decrease in sensitivity is the result of an increase in the volume of the portfolio partially offset by a fall in the average term.

Aras had a spread sensitivity of EUR -773,333 as of 31 December 2022 compared with EUR -921,056 as of 31 December 2021. The decrease is mainly due to a decrease in portfolio volume, intensified by a decrease in the average duration.

39% 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. Another 61% is measured at amortised cost. In this way a decrease in fair value has no direct impact on income or equity. Less than 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.

	31/12/2021	31/12/2022
	-10%	-10%
Impact on earnings	-7,276,253	-5,310,225
Impact on equity	-20,765,657	-14,575,875

Equity instruments at fair value through other comprehensive income amount to EUR 145,758,755 (market value) as of 31 December 2022. If the markets fall by 10%, the amount in equity will decrease by EUR 14,575,875 and no impairments will be recorded. Equity instruments at fair value through profit or loss amount to EUR 53,102,252 as of 31 December 2022. 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

For mortgage lending an adjustment of the value of the underlying property will have a consequence for the level of the expected credit losses recognised. The sensitivity is included in Note 42 impairments.

The expected sensitivity is limited for the direct investment properties. At 2022 financial year end the direct investment properties portfolio has a carrying value of EUR 865,710. 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 865,710.

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 consisting of RMBS, Covered bonds, senior bonds including green bonds;
- 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. Customer deposits constitute the largest and most important primary funding source of the Company's banking activities.

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 the approval of the Covered bond programme in 2021, this type of financing forms part of the regular issue programme with four Covered bonds issued. The Covered bond programme and process is monitored by the Covered Bond Experts Committee (CBEO) which reports to Alco. Repurchase agreements (repos) are also concluded periodically in the context of liquidity management.

The deposits by retail customers can be considered as both sources of liquidity and sources of liquidity risk. Amounts held in private individuals' current and savings accounts can be withdrawn on demand or at short notice, but nevertheless provide an important contribution to the stability of the long-term funding base. This stability therefore depends on maintaining the account holders' confidence in the Company's solvency, profitability and risk management. The table below presents the funding sources at Aspa conso level, the intragroup positions in relation to the other group entities not being eliminated since they are not significant.

Funding sources	31/12/2021	31/12/2022
Deposits from central banks	0.56%	0.00%
Deposits from credit institutions	0.11%	3.51%
Deposits from other than central banks and credit institutions	86.93%	82.84%
Other debt securities issued to institutional investors	10.46%	12.58%
Other liabilities	1.94%	1.07%
Total liabilities	100.00%	100.00%
Total liabilities in euro	**46,336,516,329**	**50,922,005,914**

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 limit and 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 (unaudited) and legal limits can be found in the following table:

	Legal limits	31/12/2021	31/12/2022
LCR	100%	164%	184%
NSFR	100%	151%	147%
AER strict (RAF limit)	95%	106.6%	113.8%
AER wide (RAF flashing light)	110%	113.4%	119.5%

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 2022, Aspa was in category 2.

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.

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.

	31/12/2021	31/12/2022
Cumulative maturity liquidity gap/repo capacity	-8.60%	-27.50%
ECB eligible assets/covering assets Life	27.50%	29.00%

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. The tables below present the maturity analysis at Aspa conso level, the intragroup positions in relation to the other group entities not being eliminated since they are not significant.

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 - other	94,353,089	283,666,102	2,650,759,262	1,819,126,477
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**

31/12/2022	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities held for trading	0	0	0	0
Financial liabilities at amortised cost				
Deposits from central banks	0	0	0	0
Deposits from credit institutions	1,786,184,848	0	15,371	0
Deposits from other - on demand	41,204,349,486	0	0	0
Deposits from other - on term	175,350,504	229,727,752	555,501,674	18,718,345
Debt securities issued - other	54,592,401	201,552,235	3,743,813,951	2,405,223,358
Other financial liabilities	3,646,053	10,938,158	46,786,688	35,548,986
Derivatives used for hedge accounting	25,884,924	142,692,614	482,100,184	752,239,378
Total financial liabilities	**43,250,008,215**	**584,910,758**	**4,828,217,868**	**3,211,730,067**

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 2022 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 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	**179,402,449**	**899,321,696**	**1,933,968,037**	**3,110,959,665**

Fiscal year 2022	< 3 months	< 12 months	1-5 years	> 5 years
Financial liabilities related to unit-linked insurance contracts (branch 23)	41,584,445	122,425,507	617,450,035	1,973,232,184
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	0	0	0	12,093,820
Other financial obligations	151,906	194,457	10,024	0
Liabilities under reinsurance and insurance contracts				
Life	27,700,057	82,496,821	940,194,874	1,654,207,091
Non-life	22,334,009	67,002,028	59,786,030	47,926,409
Total	**91,770,417**	**272,118,813**	**1,617,440,963**	**3,687,459,505**

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.

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 natural persons having their usual place of residence in Belgium or the Netherlands and wishing to take out loans for mainly non-professional purposes. The loan must always be taken out by a natural person.

If the purpose of a loan is in part professional, companies may act as co-borrower. Argenta only provides loans and advances mainly for professional purposes to its own branch managers.

In addition to the home loans, in Belgium instalment loans (consumer loans) are also offered.

The most important elements of risk management for the retail segment are: the overarching retail credit risk policy, the Belgian acceptance and authorisation framework and the Dutch mortgage acceptance policy for the granting of the loans and advances with for example the limits set for assessing the creditworthiness of the customers. The portfolios are also monitored on the basis of supervisory procedures, including that for default, and there is monthly follow-up of the credit risk indicators on production and portfolios, including the A-IRB models for the mortgage portfolios and targeted detailed analyses.

An increased and periodic follow-up was applied in Belgium to credit files with payment deferral as a result of the energy crisis. Following the initiative by Febelfin, the customer can request a deferral of capital between 1 October 2022 and 31 March 2023, on the basis of criteria linked to the increased energy costs. In the Netherlands no deferral is possible by virtue of the energy crisis.

For production year 2022, 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 have been 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 PD models are used. The internal rating models are subjected to internal review on an at least annual basis.

As a result of the implementation of the new definition of default in 2020, the development of these models continued in the course of 2021. The non-retail models, the application file for which was submitted in 2021, were approved in 2022. The approval process for the BE retail models, the application file for which was submitted in 2021, is ongoing. The inspection process for the NL housing loan portfolios, the application file for which was submitted in 2022, is ongoing.

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.

	31/12/2021	31/12/2022
Total on-balance sheet	48,578,047,426	52,962,136,466
Total off-balance sheet	4,168,012,424	3,288,195,106
Total derivatives	141,834,525	313,062,937
Total exposure to credit risk	**52,887,894,375**	**56,563,394,509**

The maximum exposure to credit risk in the Insurance Pool consists largely of on-balance sheet positions and amounts to EUR 5,870,034,931 as of 31 December 2022, compared with EUR 6,443,014,117 as of 31 December 2021.

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 are made at the start of the credit by an expert using a (desktop) estimate in accordance with the rules defined in the acceptance frameworks for Belgium and the Netherlands. 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 and also for 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. This indexation is carried out annually on all the properties accepted as collateral for an active mortgage loan. The indexation is based on the latest voluntary and forced sale value after works estimated by the expert or, in the absence of any physical estimate value, the first voluntary and forced sale value after works at the start of the credit. These values are indexed on the basis of a statistical methodology.

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 only takes the form of guarantees from local, regional or central governments or from the companies affiliated with the counterparty. In the case of guarantees with counterparties, these guarantees are incorporated into the expected credit losses by using the guarantor's rating as final rating of the security or credit in the calculation.

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

During 2022, 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.

	31/12/2021		31/12/2022	
	Carrying amount	%	Carrying amount	%
Advances and overdrafts	6,922,623	0.02%	3,928,875	0.01%
Consumer loans	329,566,906	0.90%	385,141,837	0.98%
Mortgage loans Belgium	16,862,250,753	45.89%	18,111,302,635	46.07%
Mortgage loans Netherlands	19,377,825,605	52.74%	20,643,400,573	52.51%
Term loans	165,134,868	0.45%	169,317,802	0.43%
Total	**36,741,700,757**	**100.00%**	**39,313,091,722**	**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 and public-private partnerships.

	31/12/2021		31/12/2022	
	Carrying amount	%	Carrying amount	%
Financial assets at fair value through other comprehensive income	**4,807,754,658**	**100%**	**4,490,249,922**	**100%**
Debt securities				
General Governments	1,139,171,787	23.69%	1,003,931,764	22.36%
Credit Institutions	1,315,145,399	27.35%	1,047,469,617	23.33%
Other Financial corporations	787,118,328	16.37%	700,738,264	15.61%
Non Financial corporations	1,566,319,144	32.58%	1,738,110,278	38.71%
Financial assets at amortised cost	**5,620,949,041**	**100%**	**8,644,919,669**	**100%**
Debt securities				
General Governments	1,173,053,162	20.87%	1,952,758,630	22.59%
Credit Institutions	425,288,625	7.57%	1,878,322,745	21.73%
Other Financial corporations	1,215,446,006	21.62%	901,494,331	10.43%
Non Financial corporations	1,595,052,415	28.38%	2,561,911,227	29.63%
Term loans	1,178,658,532	20.97%	1,307,414,155	15.12%
Leasing	33,450,300	0.60%	43,018,581	0.50%
Non-trading financial assets mandatorily at fair value through profit or loss	**128,724,107**	**100%**	**97,337,817**	**100%**
Debt securities				
General Governments	0	0.00%	0	0.00%
Credit Institutions	26,514,847	20.60%	24,073,373	24.73%
Other Financial corporations	30,449,528	23.65%	21,611,600	22.20%
Non Financial corporations	71,759,732	55.75%	51,652,845	53.07%

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

	31/12/2021	31/12/2022		31/12/2021	31/12/2022
Australia	0.05%	0.04%	Luxembourg	4.20%	4.34%
Belgium	33.59%	27.91%	Mexico	0.48%	0.35%
Canada	1.59%	1.02%	The Netherlands	14.36%	15.60%
Denmark	1.11%	0.96%	Austria	0.50%	2.96%
Germany	5.96%	6.66%	Poland	1.22%	0.98%
Finland	1.59%	2.73%	Romania	0.41%	0.31%
France	13.99%	15.15%	Slovenia	1.53%	1.10%
Hungary	0.44%	0.35%	Slovakia	0.89%	1.07%
Ireland	3.38%	2.51%	Spain	6.17%	5.67%
Iceland	1.61%	1.39%	Czech-Republic	0.30%	0.46%
Indonesia	0.41%	0.31%	United Kingdom	0.61%	0.73%
Italia	0.41%	0.30%	United States of America	1.41%	1.07%
Latvia	0.44%	0.52%	Sweden	1.97%	3.13%
Lithuania	0.42%	0.66%	Other	0.96%	1.72%
			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 ECL are calculated as the sum of the weighted credit losses under three macroeconomic scenarios. 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 (the Company has separate PD models for the Belgian and Dutch mortgages, as the characteristics differ between the two mortgage markets) that takes into account the individual characteristics of the instrument (internal rating category for the Belgian mortgage portfolio 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. For Belgian and Dutch mortgages an additional assessment was made in 2022 with regard to inflation for loans with high DTI/LTI and weak energy labels;

- '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). Further information about the effect of the management overlays can be found in Note 42 impairments.

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. A migration matrix sets out the probabilities of the current ratings to migrate in one year to all the other ratings or unchanged rating, including the probability of default;
- 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, three different scenarios (mild recession, energy shock and external shock) 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 mild recession and the energy shock scenarios are based on the December 2022 macroeconomic projections of the central banks (ECB, NBB and DNB). For the mild recession scenario the basic projections are taken over from the ECB/NBB/DNB, while for the energy shock scenario the downside projections are taken over. These two scenarios receive the greatest weight (mild recession 50% and energy shock 40%). The external shock scenario is an alternative third scenario (10% weight). The relevant macroeconomic expectations relate to the expected evolution of the unemployment rate (for PD) and the house price index (for LGD). Statistically it is established that the PD parameter is affected at portfolio level by the degree of unemployment. The loss given default is mainly affected by house prices. This is also shown by statistical research. The ECL and PIT LT PD is an average of the three 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 the eurozone. 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 42: 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-month ECL: $PD_{LT} \leq PD_{bg}$;
- Stage 2 – Lifetime ECL: $PD_{LT} > PD_{bg}$.

In addition, an SICR (Significant Increase in Credit Risk) trigger is used, 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 is estimated that these loans will not be repaid in full and on time, and should be considered in stage 2. To this end loans were identified in 2022 that run an increased risk because of high energy costs and prices. Loans for which an Early Warning is detected through the CKP (Centre for Loans to Individuals)that have not yet been assessed individually are also allocated to stage 2 as a precaution.

The allocation to stage 2 is also applied in the Dutch mortgage portfolio to bullet loans with a loan-to-income ratio above 5. Since the end of 2020 bullet loans with a Loan-To-Foreclosure Value above 100% acquired before 2020 are also allocated to stage 2.

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

There were no changes in valuation techniques or significant assumptions underlying the models used during the reporting period. The model was recalibrated with the addition of new data from 2021 without significant impact.

As regards the Belgian mortgage portfolio, from 2022 additional information from the CKP (Centre for Loans to Individuals) was unlocked, which in some cases gives rise to an increase of the PD. The LGD for the consumer loan portfolio was recalibrated however because the backtest showed that the losses were underestimated. The impact of the recalibration is EUR 0.9 million. A correction was also applied for inflation in the PD model for the Dutch mortgage portfolio, because model parameters that are expressed in amounts had to be indexed in the model to remain equally high performance statistically. The impact of this adjustment is EUR 0.5 million. The management overlays on the model parameters were not changed in the course of 2022 because the backtests showed that these overlays are necessary and sufficient to estimate adequately the amount of the expected losses.

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.

Interest-only loans were analysed to see whether the customers can repay their loans on the maturity date without enforcement of the underlying collateral. If enforcement would be necessary, then in accordance with the CRR the loan must be regarded as stage 3. As of 31 December 2022 there remains uncertainty about whether enforcement is not necessary for a total outstanding amount of EUR 1.7 billion in loans concluded before 2013. This is because there was no or insufficient information available for these loans that the customers were wealthy enough to repay the outstanding balance without enforcement of the collateral. The risk of underestimating the expected credit loss provision is very limited, having regard to the current forced sale value of the properties, the insurances and the guarantees received from the Dutch government. In the table above these loans are recorded in stage 1 and stage 2.

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 application file for the Belgian retail mortgage models was submitted on 24 December 2021 and the Dutch retail mortgage models were submitted in April 2022. The approval of the ECB with regard to the use of the models is expected in the course of 2023.

The Company uses 1 scenario and no discounting is applied in the calculation of stage 3 impairments. The creation of the impairment takes account of a down scenario in which the value of the collateral falls a minimum of 20% in market value. An annual backtest is carried out to see whether this haircut is sufficient and whether the impairments created are sufficient to cover the losses in the event of enforcement of the collateral, taking account of the time value of money. Starting from the macroeconomic expectations of the business plan, a number of scenarios are also worked out annually in which the impact of changes in the house price index on the impairments is considered and then compared to the current level of the impairments created. In 2022 it was confirmed that the current level of the impairments created was sufficient.

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

	31/12/2021			31/12/2022		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost	**39,225,613,639**	**3,372,824,108**	**176,541,137**	**42,124,413,149**	**5,773,676,584**	**170,083,513**
Debt securities	4,384,068,653	26,504,603	0	7,260,759,465	40,591,013	0
Loans and advances	34,841,544,986	3,346,319,505	176,541,137	34,863,653,684	5,733,085,572	170,083,513
of which leasing receivables	33,450,300	0	0	43,018,581	0	0
Financial assets at fair value through other comprehensive income	**4,797,822,250**	**9,932,408**	**0**	**4,467,828,552**	**22,421,371**	**0**
Debt securities	4,797,822,250	9,932,408	0	4,467,828,552	22,421,371	0
Equity instruments						
Total financial assets	**44,023,435,889**	**3,382,756,516**	**176,541,137**	**46,592,241,700**	**5,796,097,955**	**170,083,513**
Loan commitments, financial guarantees and other commitments given	**3,234,757,687**	**33,431,070**	**0**	**3,022,111,484**	**120,388,857**	**0**
of which purchased credit-impaired financial assets	0	0	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	To stage 3 from stage 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**

31/12/2022	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Financial assets at amortised cost	**2,771,396,015**	**805,653,431**	**43,242,867**	**43,771,853**	**24,823,786**	**754,850**
Debt securities	35,584,656	0	0	0	0	0
Loans and advances	2,735,811,359	805,653,431	43,242,867	43,771,853	24,823,786	754,850
of which leasing receivables	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	**0**	**25,606,125**	**0**	**0**	**0**	**0**
Debt securities	0	25,606,125	0	0	0	0
Equity instruments						
Total financial assets	**2,771,396,015**	**831,259,556**	**43,242,867**	**43,771,853**	**24,823,786**	**754,850**
Loan commitments, financial guarantees and other commitments given	**34,138,483**	**3,102,284**	**0**	**0**	**0**	**0**

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

	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 macro-economic 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	0	-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**

	01/01/2022	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 macro-economic factors	Write-offs	Other	31/12/2022
Stage 1	**-5,569,996**	**-3,480,200**	**1,074,392**	**-4,976,462**	**3**		**-887,203**	**-13,839,466**
Debt securities	-2,797,779	-1,781,377	201,888	-3,959,902	0		0	-8,337,170
Loans and advances	-2,772,217	-1,698,823	872,504	-1,016,559	3		-887,203	-5,502,295
Stage 2	**-6,913,659**	**0**	**2,296,420**	**-11,160,706**	**-136,711**		**-1,802,988**	**-17,717,644**
Debt securities	-304,785	0	131,692	-2,740,706	0		0	-2,913,799
Loans and advances	-6,608,873	0	2,164,728	-8,420,000	-136,711		-1,802,988	-14,803,845
Stage 3	**-24,869,756**	**0**	**2,696,326**	**-7,202,033**	**0**	**4,145,961**	**0**	**-25,229,502**
Debt securities	0	0	0	0	0	0	0	0
Loans and advances	-24,869,756	0	2,696,326	-7,202,033	0	4,145,961	0	-25,229,502
Provisions on loan commitments, financial guarantees and other commitments given	**-969,798**	**-1,966,602**	**1,920,424**	**-258,657**	**-120**	**0**	**-63,443**	**-1,338,198**
Stage 1	-923,286	-1,966,602	1,819,248	349,013	-12		-54,031	-775,670
Stage 2	-46,512	0	101,176	-607,670	-109		-9,413	-562,528
Stage 3	0	0	0	0	0	0	0	0
Total	**-38,323,209**	**-5,446,803**	**7,987,563**	**-23,597,858**	**-136,828**	**4,145,961**	**-2,753,635**	**-58,124,809**

For the receivables in stage 3 amounting to EUR 170,083,513, EUR 25,229,502 of impairments have been recorded as of 31 December 2022 (14.8% coverage ratio). For the phase 3 outstanding receivables, the Company holds collateral (in the form of immovable property) with an estimated value of EUR 144,713,915.

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);
- Deferral (for Dutch and Belgian loans and advances);
- Payment agreements (for Dutch and Belgian loans).

In 2022, following on from a Febelfin proposal, deferral was allowed from 19 September as a forbearance measure for customers who had payment difficulties due to the rising energy prices. This forbearance measure runs for 12 months. These files are scored by the Curative Management department with Energy UTP indicators, followed by an assessment in accordance with the existing procedures for UTP soft default. For the Dutch portfolio no specific forbearance measures are allowed for customers who experience payment difficulties due to the rising energy prices. The existing processes remain applicable.

Internal refinancings give rise to the recording of a credit receivable, and the repayment (and derecognition) of the refinanced credit receivable. Any refinancing permitted under a forbearance measure is recorded in this way.

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. In general there is no specific criterion for migrating to stage 1. On the reporting date all the staging triggers are gone through and (for the quantitative trigger) compared to the moment of origination. On the reporting date all the staging triggers are gone through and (for the quantitative trigger) compared to the moment of origination. As of the fourth quarter 2022, an additional periodic review has been introduced by the curative management team, whereby credit files that have had (a selection of) active UTP indicators for more than 6 months are subject to a qualitative review. If this assessment shows that the UTP indicators are no longer active and the credit risk has decreased, they will be inactivated, as a result of which the credit file will migrate to stage 1. Apart from the stage 2 criterion ('been in default during the last 12 months'), there is no comparison with a previous reporting date.

The increase in forbearance compared to 2021 is mainly the result of the Febelfin deferral.

	31/12/2021	31/12/2022
Gross carrying amount of exposures with forbearance measures	217,594,949	255,708,863
of which performing exposures wirth forbearance measures	140,930,627	195,344,929
of which non-performing exposures with forbearance measures	76,664,322	60,363,934
Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	5,737,441	5,497,548
Collateral and financial guarantees received	204,164,563	229,382,454

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 technical provision 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.

The adequacy of the technical provisions or LAT is tested in accordance with the eponymous policy. These are systematically examined for adequacy of the technical provisions. If the technical provisions 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 in 2019 is a 2-year rolling treaty. In June 2022 there was an analysis of the cooperation with the leading reinsurer. In the VRC it was decided to maintain the cooperation.

The table below shows the reinsurance premiums paid:

	31/12/2021	31/12/2022
Property	2,248,131	3,023,287
Motor	2,088,328	1,907,002
Liability	46,259	18,796
Life	15,965,855	15,555,567
Total	**20,348,573**	**20,504,653**

The risk appetite for the underwriting risks of the Insurance Pool is managed in the RAF by the following risk indicators:
- 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;
- LAT (Liability Adequacy Test) Life, Damage and Health: testing to see whether the technical provisions created are sufficient to meet future expected insurance liabilities;
- Combined Damage Ratio 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). As a result of the rising interest rate curve a surrender risk also arises for branch 21 savings and investment products with a low guaranteed interest rate. Here too a lower number of policies gives rise to a decrease in future profits. This latter effect gives rise to an increase in the global impact of the release scenario compared to last year.

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 this latter product the impact on the market value of the equity is relatively small compared to the technical provision of the product. The impact on the market value of equity decreased compared to last year due to the rising interest rate curve, so that the discounted value of the costs decreases.

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.

	31/12/2021	31/12/2022
Sensitivity		
Release	-110,383,618	-159,485,074
Costs	-33,117,801	-30,710,919
Mortality risk	-10,683,210	-10,925,576

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.

	31/12/2021	31/12/2022
Sensitivity		
Release	-34,918,868	-30,846,754
Costs	-13,536,945	-12,897,141
Mortality risk	-4,990,361	-3,866,159

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 catastrophe risk has a greater impact on the market value of the equity than the premium and reserve risk.

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 increase in catastrophe risk compared to last year mainly reflects the indexation of the insured values in the Fire portfolio, combined with the growth of the portfolio. The changed conditions and the inability to fully place the new reinsurance programme also contribute to the increase of the catastrophe risk.

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 of the best estimate claims reserves. The decrease of the best estimate claims reserves is mainly attributable to the increase of the interest rate curve, combined with the decrease of the outstanding claims reserve for catastrophe claims.

	31/12/2021	31/12/2022
Sensitivity		
Premium and reserve	-38,066,196	-38,430,966
Catastrophe	-23,412,999	-56,807,383

Development of claims reserves

The table below illustrates the claims triangle and includes the evolution of total cost of claims for 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.

31/12/2021 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
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

31/12/2022 In million EUR	< 2003	2003-2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Estimate at the end of the incident year	0	617	74	73	72	70	81	80	69	79	84
1 year later	0	609	78	71	70	68	80	79	68	79	0
2 year later	0	598	73	68	69	67	78	78	68	0	0
3 year later	0	588	72	68	68	66	71	76	0	0	0
4 year later	0	581	71	68	69	64	70	0	0	0	0
5 year later	0	579	70	67	68	64	0	0	0	0	0
6 year later	0	570	71	67	65	0	0	0	0	0	0
7 year later	0	568	70	66	0	0	0	0	0	0	0
8 year later	0	562	69	0	0	0	0	0	0	0	0
9 year later	0	548	0	0	0	0	0	0	0	0	0
Current estimate	229	548	69	66	65	64	70	76	68	79	84
Cumulative payments	223	536	65	56	61	58	63	66	57	68	50
Current provisions	6	12	4	10	5	5	7	10	11	12	34

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.

	31/12/2021	31/12/2022
Opening balance technical provisions branch 21	2,846,779,194	2,823,206,224
Incoming payments	156,314,092	201,675,217
Surrenders, death, end term, annuities	-162,752,932	-245,972,926
Interest cost	43,549,336	38,527,767
Profit sharing	68,975	39,624
Other changes	-60,752,440	-167,879,460
Ending balance technical provisions branch 21	2,823,206,225	2,649,596,446
Other	0	0
Supplementary provisions life insurance	20,869,246	20,869,246
Total	**2,844,075,470**	**2,670,465,692**

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

	31/12/2021	31/12/2022
Opening balance technical provisions branch 23	2,642,811,557	3,019,742,125
Incoming payments	213,152,812	226,916,776
Surrenders and death	-172,798,400	-139,691,990
Value fluctuations	287,877,527	-487,888,676
Other changes	48,698,629	135,613,935
Ending balance technical provisions branch 23	3,019,742,125	2,754,692,170
Other	0	0
Total	**3,019,742,125**	**2,754,692,170**

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

Other changes include the internal ‘transfers’ in the branch 44 product (between the branch 21 and branch 23 components), as well as withdrawals from reserves of risk premiums and management costs.

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 risk management roles and responsibilities are specified in the Integrated Risk Management policy with the structure of the '3 lines of defence' and as regards the non-financial risks are set out in more detail 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).

The core mission of NFRM & SO is to 'Offer assurance' from its second-line independent control function role. And additionally to 'Creating value' by contributing responsibly to increased security, so that Argenta and its customers/staff are more resilient.

The NFRM policy that controls the management of the non-financial is inspired by the reference framework of ISO 31000, in which "Principles for the Sound Management and Supervision of Operational Risk" (BCBS195 – June 2011) and the "Revisions to the Principles for the Sound Management of Operational Risk" (BCBS515 – 31 March 2021) are the reference point. Risk management is the responsibility of the whole organisation, with specific roles and responsibilities for the various departments. The Risk Management Function Charter, the Integrated Risk Management policy and the framework of the "3 Lines of Defence" (laid down in the "Governance Memorandum") form the framework for clearly allocating the risk management responsibilities.

The NFRM & SO department includes the independent risk management in the second line for the non-financial risks, except for the compliance risk[1] (= Compliance department). The organisation within NFRM & SO is set up so that we can show Group-wide and risk-based from our second line role that the risk appetite is observed in both the run and the change. The Advisory team contributes to this by providing a suitable framework for risk management and on the basis of the advisory assignments gives comfort about the setup and operation of the risk management cycle with a focus on the change activities. The Monitoring & Investigations team gives comfort, through the independent assurance assignments (domain, standard, target and special investigations), about the setup and operation of the risk management cycle by providing a holistic view of the most important risks and doing so with a focus on the run activities. Together the teams form a risk management partner that joins in the thought process and contributes to the risk culture transversally and Group-wide.

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.

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.

[1] In risk cartography compliance risk is however regarded as one of the non-financial risk types.

The group entities are integrated into the specific reporting of the risk profiles in the RAF dashboard. 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 2022 at 3.42 (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 information security 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. 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, whereby a number of appropriate insurance covers for non-financial risks are concluded with the help of a broker.

The hot spot risks are updated annually by the Executive Committee members, for both the financial and the non-financial risks. In line with the NFR hot spot risks, the priorities in 2022 were focused on the information security and cyber, fraud and IT risks.

This ensures that the right priorities are given to the right risks, with the aim of improved internal control and strengthening of the internal control environment for the identified risks.

[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 legislation. 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 the historic acquisition value of EUR 176 million is 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 1 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 0.03% calculated as a weighted average of the requirement imposed per country and the Company's exposure to that country, both the Belgian and the Dutch regulators have currently set the percentage at 0%; from 25 May 2023 the Dutch regulator will increase this buffer to 1%;
- 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 1.50% and a Pillar 2 recommendation (P2Guidance);
- On 1 May 2022 the NBB introduced a new macroprudential measure aimed at positions in the Belgian residential real estate market of credit institutions applying the internal rating approach (IRB) to replace the previous measure introduced in 2018. The measure - systemic risk buffer (SyRB) - imposes the formation of a CET 1 capital buffer of 0.81%.

In the absence of Alternative Tier 1 and Tier 2 capital of 1.50% and 2.00% compensated via CET1.

In the framework of the SREP (Supervisory Review and Evaluation Process), the competent supervisor (in this case the ECB) can impose higher minimum ratios as a result of the assessment of the robustness of the business model, the adequacy of the risk governance and the adequacy of the capital and liquidity situation.

In the framework of the SREP, an ICAAP (Internal Capital Adequacy Assessment Process)/ILAAP (Internal Liquidity Adequacy Assessment Process) was therefore carried out, resulting in a CAS (Capital Adequacy Statement) and an LAS (Liquidity Adequacy Statement), endorsed by the Board of Directors.

The Risk function shares responsibility for risk governance with the RAF (Risk Appetite Framework), ICAAP, recovery plan and stress testing, various policy documents and internal risk reporting.

The P2R capital decision imposed by the ECB in the SREP (annual global evaluation) remains stable at 1.50% (to be fulfilled with a minimum of 56.25% in CET-1 and 75% in T1 with the remaining requirement in T2).

Aspa has had a binding MREL (Minimum Requirement of own funds and Eligible Liabilities for bail-in) imposed of 8% of Total Liabilities and Own Funds, being 21.95% of TREA (Total Risk Exposure Amount) and 7.69% of LRE (Leverage Ratio Exposure), to be met in full by means of subordinate liabilities by the beginning of 2024, and also an interim binding target from 2022.

From 01/01/2022 Aspa is subject to a binding interim MREL of 19.04% of TREA and 7.16% of LRE (with a subordinate target level of 19.04% of TREA and 6.41% of LRE).

Internal capital requirements

In the internal process of assessment of capital adequacy (ICAAP - Internal Capital Adequacy Assessment Process for the Bank Pool and ORSA - Own Risk and Solvency Assessment 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) (incl. subordinated);
- 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 (unaudited)

Solvency in the Company

The following table shows the most important capital requirements, calculated according to the applicable rules (and this according to the Danish Compromise method).

		31/12/2021	31/12/2022
Available capital			
1	Tier 1 core capital (CET1)	2,497,211,416	2,566,787,180
2	Tier 1 capital (T1)	2,497,211,416	2,566,787,180
3	Total capital (TC)	2,497,211,416	2,569,056,921
Risk-weighted items			
4	Total risk-weighted items	11,578,513,602	11,689,433,055
Solvency ratio's			
5	Common Equity Tier 1 core capital(%)	21.57%	21.96%
6	Tier 1 capital ratio (%)	21.57%	21.96%
7	Total Capital Ratio (%)	21.57%	21.98%
Additional CET1 buffer requirements			
8	Capital Conservation Buffer requirements (%)	2.50%	2.50%
9	Contracyclical capital buffer requirements (%)	0.01%	0.03%
9a	Systemic risk buffer (%)	0.00%	0.81%
10	O-SII (Other Systemically Important Institution) buffer requirements (%)	0.75%	0.75%
11	Combined buffer requirement (%)	3.26%	4.10%
11a	Overall capital requirements (%)	13.01%	13.60%
12	CET1 available after meeting the total SREP own funds requirements (%)	12.84%	12.48%
FICOD ratio			
13	FICOD capital ratio	20.49%	20.95%
Leverage ratio			
14	Leverage exposure	47,763,247,799	54,889,749,566
15	Leverage ratio (%) (row 2 / row 13)	5.23%	4.68%

		31/12/2021	31/12/2022
Liquidity Coverage Ratio (LCR)			
16	Total high quality liquid assets	6,046,952,418	7,443,960,743
17	Total net cash outflow	3,611,885,001	3,999,182,128
18	LCR ratio (%)	167.42%	186.14%
Net Stable Funding Ratio (NSFR)			
19	Total available stable funding	44,449,264,715	47,761,132,504
20	Total required stable funding	30,523,335,443	33,455,632,738
21	NSFR ratio (%)	145.62%	142.76%
Minimum Requirement for Own Funds and Eligible Liabilities			
22	Eligible liabilities	1,493,755,812	2,614,113,552
23	Eligible liabilities subordinated to excluded liabilities	989,326,769	2,109,655,250
24	Minimum requirement for own funds and eligible liabilities LRE (%)	8.09%	9.10%
25	Minimum requirement for own funds and eligible liabilities subordinated LRE (%)	7.03%	8.18%
26	Minimum requirement for own funds and eligible liabilities TREA (%)	35.28%	45.20%
27	Minimum requirement for own funds and eligible liabilities subordinated TREA (%)	30.66%	40.62%

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 movement in the Tier 1 core capital is the result of a capital increase of EUR 51.2 million, and the adding 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 105.1 million. In accordance with the CRR guidelines for expected dividends, an expected dividend of EUR 85.2 million has already been deducted from the Tier 1 core capital.

The Tier 1 ratio has fallen from 21.57 % to 21.96 % as of the end of 2022. The lower ratio is the result of the slight increase in equity, compared to the increased risk-weighted assets as a 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.

		31/12/2021	31/12/2022
Available capital			
1	Tier 1 core capital (CET1)	2,354,485,837	2,363,351,864
2	Tier 1 capital (T1)	2,354,485,837	2,363,351,864
3	Total capital (TC)	2,354,485,837	2,365,621,605
Risk-weighted items			
4	Total risk-weighted items	10,907,465,778	11,016,509,625
Solvency ratio's			
5	Common Equity Tier 1 core capital(%)	21.59%	21.45%
6	Tier 1 capital ratio (%)	21.59%	21.45%
7	Total Capital Ratio (%)	21.59%	21.47%
Additional CET1 buffer requirements			
8	Capital Conservation Buffer requirements (%)	2.50%	2.50%
9	Contracyclical capital buffer requirements (%)	0.01%	0.03%
9a	Systemic risk buffer (%)	0.00%	0.86%
10	O-SII (Other Systemically Important Institution) buffer requirements (%)	0.75%	0.75%
11	Combined buffer requirement (%)	3.26%	4.15%
11a	Overall capital requirements (%)	13.01%	13.65%
12	CET1 available after meeting the total SREP own funds requirements (%)	12.86%	11.97%
Leverage ratio			
13	Leverage exposure	47,585,910,844	54,712,854,904
14	Leverage ratio (%) (row 2 / row 13)	4.95%	4.32%
Liquidity Coverage Ratio (LCR)			
15	Total high quality liquid assets	6,046,952,418	7,443,960,899
16	Total net cash outflow	3,681,141,084	4,002,002,343
17	LCR ratio (%)	164.27%	186.00%
Net Stable Funding Ratio (NSFR)			
18	Total available stable funding	44,306,539,136	47,459,370,282
19	Total required stable funding	30,523,335,443	33,455,632,738
20	NSFR ratio (%)	145.16%	141.86%
Minimum Requirement for Own Funds and Eligible Liabilities			
21	Eligible liabilities	1,493,755,812	2,614,113,552
22	Eligible liabilities subordinated to excluded liabilities	989,326,769	2,109,655,250
23	Minimum requirement for own funds and eligible liabilities LRE (%)	8.09%	9.10%
24	Minimum requirement for own funds and eligible liabilities subordinated LRE (%)	7.03%	8.18%

		31/12/2021	31/12/2022
25	Minimum requirement for own funds and eligible liabilities TREA (%)	35.28%	45.20%
26	Minimum requirement for own funds and eligible liabilities subordinated TREA (%)	30.66%	40.62%

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 2022, these MREL figures were 9.10% and 8.18% 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 in the fourth quarter of 2022 totalling EUR 62.5 million, followed by a capital increase of EUR 45.6 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 2022 financial year.

The main differences between the solvency ratios of the Bank Pool (Aspa consolidated) and the Company (BVg consolidated) 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.

	31/12/2021	31/12/2022
Total of Balance Sheet SII	7,120,350,512	6,234,536,288
Excess of assets over liabilities	960,595,760	896,482,032
SCR	406,613,861	372,625,371
MCR	164,671,081	145,295,787
Ratio of Eligible own funds to SCR	2.36	2.41
Ratio of Eligible own funds to MCR	5.83	6.17

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 one 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 241%, 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 directors of Argenta Bank- en Verzekeringsgroep consists of:
- The members of the Executive Committee of the company concerned (the executive directors);
- A number of independent directors;
- A number of directors representing the shareholders (together with the independent directors 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 BCCA (Belgian Code on Companies and Associations).

The Boards of Directors of Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties each have a number of independent directors, with at least one independent director of Argenta Bank 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.

On 31 December 2022 the Board of Directors of Argenta Bvg consisted of the following:
- 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 (end of mandate 31/12/2022, succeeded by Peter Devlies from 01/01/2023)
- Baudouin Thomas, non-executive and independent director, chairman of the Group Supervisory Committee
- Cynthia Van Hulle, non-executive director
- Bart Van Rompuy, non-executive director, member of the Appointments Committee, member of the Remuneration Committee and member of the Group Supervisory Committee
- Raf Vanderstichele, non-executive and independent director, Chairman of the Remuneration Committee
- Gert Wauters, executive director and CRO

The BVg Board of Directors met 11 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 2022, the Appointments Committee met six times.

The Remuneration Committee supports the Board of Directors in overseeing the remuneration policy. In 2022, the Remuneration Committee met six times.

In 2020, a Group Supervisory was set up within the Board of Directors of Argenta Bank- en Verzekeringsgroep.

The Group Supervisory Committee is complementary to the Audit Committee and the Risk Committee. The Audit Committee and the Risk Committee handle the full scope of the Group, the Group Supervisory Committee confines itself to elements of possible conflicts of interest.
In view of the focus on conflicts of interest, the Group Supervisory Committee is responsible for the supervision of:
- Dividend allocation amongst the Group entities, including capital adequacy;
- The intragroup transactions (including the credit transfers);
- The intragroup service agreements and their follow-up;
- The possible conflicts of interest regarding the activities of the different legal Argenta entities;
- The note to the Internal Control Annual Report regarding the lessons learned at Group level.

In 2022, 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 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.

In 2022 the Aspa and the Aras Audit Committee each met 6 times.

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

In 2022 the Aspa and the Aras Risk Committees each met 6 times.

The BVg Executive Committee stipulates the limits within which the various group companies 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 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 on 31 December 2022 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' (NBB Circular NBB_2018_25, updated by Notice NBB_2022_34) for 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 the independent control functions (internal audit, risk management, compliance, and actuarial functions), in accordance with the above NBB circular.

In addition to assessing the suitability of individual directors based on the stated eligibility criteria, the Board also periodically evaluates its operation, its performance and the performance of individual directors.

An assessment of the working and effectiveness of the Board of Directors took place at the end of 2022. 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 will be adopted and implemented.

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 BCCA).

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 chairman
  - Cofena vzw, with its registered office at 2000 Antwerp, Keizerstraat 8, as non-executive director
  - Donorinfo, a public utility foundation, with its registered office at 1150 Sint-Pieters-Woluwe, Raketlaan 32, as a 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 CVA, 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
  - Academische Stichting Leuven, a non-profit association, with its registered office at 3001 Heverlee, Willem de Croylaan 6, as non-executive director
  - Rega Instituut, a non-profit association, with its registered office at 3000 Leuven, Herestraat 49, 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 (end of mandate at Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties on 11/04/2022) has 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
  - Zorg KU Leuven, a non-profit association, with its registered office at 3000 Leuven, Herestraat 49, as non-executive director
  - Plexus, a non-profit association, with its registered office at 3000 Leuven, Herestraat 49, as non-executive director
  - De Warande, a non-profit association, with its registered office at 1000 Brussels, Zinnerstraat 1, as non-executive 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 general manager
  - Reimagine BV, with its registered office at 1150, Sint-Pieters-Woluwe, Alfred Madouxlaan 8, as executive director via BTH Consulting
  - 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 for each meeting attended. Besides the fixed annual remuneration, the Chairman of the Board also enjoys the benefits of an IPT (Individual Retirement Commitment).

No severance pay exists for non-executive Board members.

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 pay complies with Annex 2 of the Banking Act on remuneration policy. 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). They are also entitled to a contractual severance indemnity.

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 2022, 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 686,400, This is an increase of 5.73% compared to 2021 (benchmark). Added to this in 2022 was a contribution to the individual pension policy, supplementary pension and disability group policies of EUR 180,517.56 (EUR 117,516 in 2021) (pension contribution increase from 17.5% to 21% (benchmark)).

In 2022, the total direct remuneration of the executive directors/Executive Committee members of the Argenta Group (Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties), excluding that of the CEO, amounted to EUR 1,932,000 (EUR 1,830,000 in 2021). The contribution to the supplementary pension and disability group policies for the Executive Committee members, excluding that of the CEO, amounted to EUR 429,800.54 (EUR 343,997 in 2021) (pension contribution increase from 17.5% to 21% (benchmark)).

Contractual severance indemnity

In 2022 the executive directors are contractually entitled to a severance indemnity which, except for withdrawal of the mandate for 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. This compensation gradually decreases from the age of 58.

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 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 2022 a severance indemnity of EUR 340,100 was paid to retiring CEO Marc Lauwers. A non-competition payment of EUR 394,716 was also paid into the individual pension policy.

In accordance with the recent update of Article 12/1 of Annex II of the Banking Act, which came into force from 23 July 2022, when applying the variable remuneration exemptions contained in the Banking Act the severance indemnity for executive directors must consist of a combination of a non-competition payment and a payment by analogy with the severance pay for administrative staff.

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 auditing activities and advisory assignments are approved in advance by the Audit Committee in accordance with Article 3:64 §5 and 3:65 of the BCCA.

The audit of the Company's financial position and of the financial statements has been assigned to the statutory auditor, KPMG Bedrijfsrevisoren, represented by Kenneth Vermeire. A mandate fee, which is explained in the financial statements, is paid for this.

The Company

During the 2022 financial year the statutory auditor and companies having a relationship of professional cooperation with the statutory auditor or belonging to the statutory auditor's network were paid additional fees for additional, non-audit services in a total amount (excluding VAT) of EUR 59,741.

The fees for audit assignments, which include the fees for the auditing of the statutory (unconsolidated) and consolidated financial statements and other reporting assignments, amounted to EUR 29,375 (excluding VAT).

Argenta Group

During the 2022 financial year the statutory auditor and companies having a relationship of professional cooperation with the statutory auditor or belonging to the statutory auditor's network were paid additional fees for additional, non-audit services in a total amount (excluding VAT) of EUR 151,951.

The fees for audit assignments, which include the fees for the auditing of the statutory (unconsolidated) and consolidated financial statements and other reporting assignments, amounted to EUR 573,559 (excluding VAT).

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). The subsidiaries and other related parties have been adjusted retroactively for the reference year in order to correct a presentation error.

Balance sheet 2021	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	0	2,571,192	0	12,366,943
Liabilities under reinsurance and insurance contracts	0	586,621	0	0	0	162,324
Other liabilities	54,711	0	0	0	0	63,229
Total liabilities	**110,386,852**	**1,882,164**	**0**	**2,571,192**	**0**	**12,592,496**

Balance sheet 2022	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	35,430	0	0	11,255,706	545,589
Other assets	2,865,124	0	0	0	0	0
Total assets	**2,865,124**	**35,430**	**0**	**0**	**11,255,706**	**545,589**
Financial liabilities at amortised cost	110,686,947	1,743,829	0	2,138,092	0	13,441,158
Liabilities under reinsurance and insurance contracts	0	595,813	0	0	0	168,846
Other liabilities	632,753	0	0	0	0	27,140
Total liabilities	**111,319,700**	**2,339,643**	**0**	**2,138,092**	**0**	**13,637,143**

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

The 'managers in key positions' column contains the information of the executive and non-executive directors (see note 7). The 'close relatives' of the directors comprise the spouses, partners who are regarded as equivalent to a spouse under their national law and first-degree blood relatives. They are included under 'other related parties'.

The 'subsidiaries' column contains the data of the non-consolidated subsidiaries of the Company (there are no such companies as all subsidiaries are consolidated).

'Other related parties' contains the transactions with the other companies that are members of the Argenta Group (in particular Aula Invest).

The financial liabilities at amortised cost towards the parent company consist of the lease obligations for the business buildings, as well as sight and savings balances held by the parent companies with the Company. The balance on sight and savings accounts held by the parent company remained approximately the same in 2022. The financial liabilities towards other group companies also consist of current and savings balances held with the Company by Aula Invest, 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 companies item relates to Epico. The subsidiaries and other related parties have been adjusted retroactively for the reference year in order to correct a presentation error.

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	0	942,132	0	52,256
Total expenses	**1,437,557**	**980**	**0**	**952,987**	**0**	**54,406**
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**

2022 statement of profit or loss	Parent company	Key management	Subsidiaries	Joint ventures	Associates	Other related parties
Interest expenses	198,013	1,008	0	12,033	0	35,138
Other administrative expenses	1,752,597	0	0	891,559	0	47,914
Total expenses	**1,950,610**	**1,008**	**0**	**903,592**	**0**	**83,053**
Interest income	0	808	0	0	714,113	8,274
Other operating income	115,491	193	0	0	0	1,084
Net result from reinsurance and insurance contracts	0	7,856	0	0	0	45,345
Tax expense	0	0	0	0	0	0
Total income	**115,491**	**8,856**	**0**	**0**	**714,113**	**54,704**

No impairment losses were recognised in 2021 and 2022 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.

In this way Aspa grants Dutch loans through the branch which are then taken over definitively by Aras. Loans totalling EUR 5,595,656 were definitively transferred in 2022. 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 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	31/12/2021
Cash and cash equivalents	52,504,898	0	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**

Assets	Bankpool	Insurance pool	31/12/2022
Cash and cash equivalents	55,189,178	0	55,189,178
Cash balances at central banks and other demand deposits	3,175,613,841	1,744,069	3,177,357,910
Financial assets held for trading	107,585,916	0	107,585,916
Financial assets related to unit-linked insurance contracts (branch 23)	0	2,754,692,170	2,754,692,170
Non-trading financial assets mandatorily at fair value through profit or loss	33,241,220	64,096,597	97,337,817
Financial assets at fair value through other comprehensive income	3,640,125,358	995,883,319	4,636,008,677
Financial assets at amortised cost	46,030,691,826	1,985,082,233	48,015,774,059
Derivatives used for hedge accounting	2,067,781,000	0	2,067,781,000
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-2,004,019,978	0	-2,004,019,978
Investments in subsidaries, joint ventures and associates	1,827,940	2,660,906	4,488,846
Tangible assets	75,032,416	606,756	75,639,172
Intangible assets	128,489,057	817,438	129,306,496
Tax assets	86,833,173	36,441,244	123,274,417
Assets under reinsurance and insurance contracts	0	21,071,174	21,071,174
Other assets	259,650,818	6,939,025	266,589,843
Total Assets	**53,658,041,765**	**5,870,034,931**	**59,528,076,696**

Liabilities	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**

Liabilities	Bankpool	Insurance pool	31/12/2022
Financial liabilities held for trading	91,549,794	0	91,549,794
Financial liabilities related to unit-linked insurance contracts (branch 23)	0	2,754,692,170	2,754,692,170
Financial liabilities measured at amortised cost	50,069,277,003	9,056,803	50,078,333,805
Derivatives used for hedge accounting	128,467,450	0	128,467,450
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0
Provisions	9,827,561	343,847	10,171,408
Tax liabilities	21,627,263	0	21,627,263
Liabilities under reinsurance and insurance contracts	0	2,901,645,612	2,901,645,612
Other liabilities	213,413,649	97,730,144	311,143,793
Total liabilities	**50,534,162,720**	**5,763,468,576**	**56,297,631,296**

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	**246,298,199**	**117,612,848**	**363,911,048**
Tax expense	-68,316,104	-27,392,337	-95,708,441
Profit or loss after tax	**177,982,095**	**90,220,512**	**268,202,607**

Income statement	Bankpool	Insurance pool	31/12/2022
Net interest income	574,916,470	71,756,237	646,672,707
Dividend income	453,677	7,455,909	7,909,585
Net fee and commission income	49,473,031	34,379,620	83,852,651
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	422,493	-66,020	356,472
Gains or losses on financial assets and liabilities held for trading	13,986,344	0	13,986,344
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-6,535,249	-13,921,295	-20,456,544
Gains or losses from hedge accounting	21,757,775	0	21,757,775
Gains or losses on derecognition of non-financial assets	283,710	0	283,710
Net result from reinsurance and insurance contracts	-3,107	48,829,473	48,826,366
Net other operating income	57,890,390	-47,279,938	10,610,452
Administrative expenses	-420,702,861	-33,708,097	-454,410,958
Depreciation	-28,158,472	-674,166	-28,832,638
Modification gains or losses	0	0	0
Provisions or reversal of provisions	28,984	0	28,984
Impairments or reversal of impairments	-19,782,053	-2,625,475	-22,407,527
Share in results of associated companies and joint ventures	-313,593	-438,666	-752,259
Profit or loss before tax	**243,717,538**	**63,707,582**	**307,425,120**
Tax expense	-50,237,725	-18,778,149	-69,015,874
Profit or loss after tax	**193,479,813**	**44,929,432**	**238,409,246**

Information on geographic regions

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

Assets	Belgium	The Netherlands	Luxembourg	31/12/2021
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**

Assets	Belgium	The Netherlands	Luxembourg	31/12/2022
Cash and cash equivalents	55,189,178	0	0	55,189,178
Cash balances at central banks and other demand deposits	2,897,705,401	276,909,763	2,742,746	3,177,357,910
Financial assets held for trading	15,899,102	91,686,815	0	107,585,916
Financial assets related to unit-linked insurance contracts (branch 23)	2,754,692,170	0	0	2,754,692,170
Non-trading financial assets mandatorily at fair value through profit or loss	97,337,817	0	0	97,337,817
Financial assets at fair value through other compre-hensive income	4,636,008,677	0	0	4,636,008,677
Financial assets at amortised cost	27,371,269,937	20,643,400,573	1,103,549	48,015,774,059
Derivatives used for hedge accounting	2,054,328,804	13,452,196	0	2,067,781,000
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-1,987,066,346	-16,953,632	0	-2,004,019,978
Investments in subsidaries, joint ventures and associates	4,488,846	0	0	4,488,846
Tangible assets	74,471,334	1,167,299	539	75,639,172
Intangible assets	129,292,399	0	14,097	129,306,496
Tax assets	82,514,295	40,760,122	0	123,274,417
Assets under reinsurance and insurance contracts	21,071,174	0	0	21,071,174
Other assets	135,003,569	119,695,763	11,890,511	266,589,843
Total Assets	**38,342,206,357**	**21,170,118,899**	**15,751,440**	**59,528,076,696**

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**

Liabilities	Belgium	The Netherlands	Luxembourg	31/12/2022
Financial liabilities held for trading	0	91,549,794	0	91,549,794
Financial liabilities related to unit-linked insurance contracts (branch 23)	2,754,692,170	0	0	2,754,692,170
Financial liabilities at amortised cost	45,044,944,066	5,033,389,740	0	50,078,333,805
Derivatives used for hedge accounting	124,026,690	4,440,760	0	128,467,450
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	8,496,166	1,675,242	0	10,171,408
Tax liabilities	1,283,047	18,572,039	1,772,177	21,627,263
Liabilities under reinsurance and insurance contracts	2,901,645,612	0	0	2,901,645,612
Other liabilities	269,863,684	40,794,124	485,984	311,143,793
Total liabilities	**51,104,951,435**	**5,190,421,699**	**2,258,161**	**56,297,631,296**

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	**135,530,963**	**173,355,055**	**55,025,029**	**0**	**363,911,048**
Tax expense	-38,442,351	-43,708,405	-13,557,685	0	-95,708,441
Profit or loss after tax	**97,088,612**	**129,646,650**	**41,467,345**	**0**	**268,202,607**

Statement of profit or loss	Belgium	The Netherlands	Luxembourg	Conso	31/12/2022
Net interest income	359,542,198	287,139,152	-8,644	0	646,672,707
Dividend income	7,909,585	0	0	-0	7,909,585
Net fee and commission income	17,288,176	2,963,489	65,576,535	-1,975,549	83,852,651
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	359,524	-3,051	0	-0	356,472
Gains or losses on financial assets and liabilities held for trading	13,877,289	109,055	0	0	13,986,344
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-20,456,544	0	0	0	-20,456,544
Gains or losses from hedge accounting	21,766,601	-8,826	0	0	21,757,775
Gains or losses on derecognition of non-financial assets	283,710	0	0	0	283,710
Net result from reinsurance and insurance contracts	48,829,473	0	0	-3,107	48,826,366
Net other operating income	95,600,927	-84,647,173	-118,628	-224,674	10,610,452
Administrative expenses	-400,070,460	-51,526,473	-5,017,355	2,203,330	-454,410,958
Depreciation	-28,463,481	-367,109	-2,048	0	-28,832,638
Modification gains or losses	0	0	0	0	0
Provisions or reversal of provisions	404,321	-375,336	0	0	28,984
Impairments or reversal of impairments	-16,630,765	-5,776,762	0	0	-22,407,527
Share in results of associated companies and joint ventures	-752,259	0	0	0	-752,259
Profit or loss before tax	**99,488,294**	**147,506,966**	**60,429,860**	**0**	**307,425,120**
Tax expense	-15,204,866	-39,028,628	-14,782,381	0	-69,015,874
Profit or loss after tax	**84,283,429**	**108,478,338**	**45,647,479**	**0**	**238,409,246**

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 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 an allocation mechanism (for which a ruling application has been submitted pending approval by the tax authorities) for the determination of the allocation of the results to the branch. This 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 5 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 2022.

The increase in the net interest result in Belgium is mainly the result of the positive development of the interest income in the investment portfolio, the deposit account at the central bank and the funding provided to the branch, offset in part by the extra financing costs of the EMTN bonds issued. The decrease of the net interest income in the Netherlands is the result of the decrease in the interest income on mortgages and the decrease in the reinvestment fees received (due to the decrease in the general level of early repayments compared to 2021) and the increased interest costs on the securitisation issues (Euribor 3 months) and the interest cost on the funding provided by the head office, compared to an improvement in the net interest cost of the derivatives (cost-of-carry decrease).

The net other operating income includes, as explained above, the fee charged between head office and branch for the non-interest component of the profit allocation and recoveries of administrative costs (file costs) from customers and of rental costs and IT infrastructure cost from agents. The fee charged between head office and branch for the non-interest component of the profit allocation decreased in 2022 as a result of the decrease in the result of the branch.

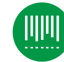
Key customer information

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	31/12/2021						
		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	-1,326,788	-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**

Nations	Activities	31/12/2022						
		Return	Profit before tax	Current taxes	Deferred taxes	Total corporate tax	Received subsidies	Average number employees (FTE)
EU nation		**813,799,518**	**307,425,120**	**-71,883,188**	**2,867,313**	**-69,015,874**	**0**	**1,026**
Belgium	Bank and insurance	542,797,609	99,488,294	-23,791,179	8,586,314	-15,204,866	0	938
The Netherlands	Bank and insurance	205,552,646	147,506,966	-33,309,628	-5,719,000	-39,028,628	0	77
Luxembourg	Other financial services	65,449,263	60,429,860	-14,782,381	0	-14,782,381	0	11
Third nation		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**813,799,518**	**307,425,120**	**-71,883,188**	**2,867,313**	**-69,015,874**	**0**	**1,026**

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.

	31/12/2021	31/12/2022
Cash	52,504,898	55,189,178
Cash balances with central banks	3,225,473,830	2,915,275,991
Cash balances with other financial institutions	260,454,885	262,081,918
Total	**3,538,433,614**	**3,232,547,088**

As of 31 December 2022, there were EUR 2,915,275,991 in the current accounts at the central bank. A part of this amount consists of the monetary reserves that every financial institution is required to hold with the central bank, but the major part relates to the deposit account at the ECB, in particular EUR 2,468,140,200 at the Belgian National Bank and EUR 22,694,995 at the Dutch Central Bank.

12. Financial assets and liabilities held for trading

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

			31/12/2021			31/12/2022
Financial assets	**Count**	**Notional**	**Carrying amount**	**Count**	**Notional**	**Carrying amount**
Interest rate options - caps	7	1,250,000,000	2,021,813	7	1,250,000,000	15,899,102
Securitisation transactions - caps	4	3,170,343,707	16,573,530	4	3,011,796,945	91,686,815
Total			**18,595,343**			**107,585,916**

			31/12/2021			31/12/2022
Financial liabilities	**Count**	**Notional**	**Carrying amount**	**Count**	**Notional**	**Carrying amount**
Interest rate options - caps	0	0	0	0	0	0
Securitisation transactions - caps	4	3,170,343,707	16,545,565	4	3,011,796,945	91,549,794
Total			**16,545,565**			**91,549,794**

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) – caps (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, new securitisation transactions were carried out, with two caps for each transaction.

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

13. 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).

	31/12/2021	31/12/2022
Assets related to unit linked contracts (branch 23)	3,019,742,125	2,754,692,170
Liabilities related to unit linked contracts (branch 23)	3,019,742,125	2,754,692,170

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

	31/12/2021	31/12/2022
Investment funds	3,020,385,631	2,699,201,111
Cash and cash equivalents	-643,506	55,491,059
Composition of the assets	**3,019,742,125**	**2,754,692,170**

The assets and liabilities for branch 23 unit-linked insurance contracts fell by -8.8% owing to the negative stock market development (EUR -488 million), and this fall was only partially offset by the positive net production in 2022.

14. Non-trading financial assets mandatorily measured 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 2022, there was EUR 97,337,817 under this classification.

	31/12/2021	31/12/2022
Total portfolio	**128,724,107**	**97,337,817**
Breakdown by instrument type		
Equity instruments	72,762,534	53,102,252
Debt securities	54,433,628	44,235,565
Loans and advances	1,527,945	0
Breakdown by interest rate type		
Variable	30,263,370	26,334,447
Fixed	25,698,203	17,901,119
Undefined	72,762,534	53,102,252
Geographical breakdown		
Belgium	36,842,697	32,666,312
European Monetary Union	91,881,411	64,671,505
Rest of the world	0	0
Breakdown by residual term or maturity date		
Untill 1 year	0	0
1 to 5 year	1,527,945	0
More than 5 year	54,433,628	44,235,565
Undefined	72,762,534	53,102,252
Breakdown according to counterparty		
General Governments	0	0
Credit Institutions	26,514,847	24,073,373
Other Financial corporations	30,449,528	21,611,600
Non Financial corporations	71,759,732	51,652,845
Effective interest rate at 31/12	**1.36%**	**2.78%**

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

Instruments recorded at fair value through other comprehensive income amounted to EUR 4,636,008,677 (market value) as of 31 December 2022.

	31/12/2021	31/12/2022
Total portfolio	**5,015,411,230**	**4,636,008,677**
of which hedged via micro-hedges	909,854,764	789,926,262
Breakdown by instrument type		
Equity instruments	207,656,571	145,758,755
Debt securities	4,807,754,658	4,490,249,922
Breakdown by interest rate type		
Variable	1,096,454,083	987,726,339
Fixed	3,711,300,575	3,502,523,583
Undefined	207,656,571	145,758,755
Geographical breakdown		
Belgium	1,174,621,221	1,061,499,731
European Monetary Union	2,998,528,614	2,879,319,561
Rest of the world	842,261,394	695,189,384
Breakdown by residual term or maturity date		
Up to 1 year	552,098,056	768,234,744
1 to 5 year	3,082,986,951	2,465,590,234
More than 5 years	1,172,669,651	1,256,424,944
Undefined	207,656,571	145,758,755
Breakdown according to counterparty		
General Governments	1,139,171,787	1,003,931,764
Credit Institutions	1,315,145,399	1,047,469,617
Other Financial corporations	787,118,328	768,765,792
Non-Financial corporations	1,773,975,715	1,815,841,505
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	4,797,822,250	4,467,828,552
Stage 2	9,932,408	22,421,371
Stage 3	0	0
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-1,244,761	-3,094,745
Stage 2	-124,758	-1,292,680
Stage 3	0	0
Effective interest rate at 31/12	**0.85%**	**1.53%**

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

As of 31 December 2021, there were in all EUR 1,244,761 of impairments in stage 1 and EUR 124,758 in stage 2. They increased in 2022 to EUR 3,094,745 and EUR 1,292,680 respectively. Further information on the evolution of the impairments is included in Note 42.

The securities involved are all recognised in the balance sheet as financial assets at fair value through other comprehensive income. Note 28 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 an infrastructure fund that the Company maintains with a long-term investment perspective (the Company also provides loans to finance the underlying infrastructure projects), equity instruments of companies with which it pursues long-term relationships, and equity instruments used as cover assets in the Insurance Pool, also with a long-term investment perspective.

In 2022, various positions in this portfolio were sold and EUR 265,395 in valuation gains transferred from other comprehensive income to the reserves. EUR 6,644,225 of dividends were also received. In 2021, EUR 4,477,009 in valuation gains were transferred to reserves and EUR 5,289,835 of dividends were received.

As of the end of 2022 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 44.

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

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 and others	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**

31/12/2022	Amortised cost	Accumulated fair value changes	Accumulated impairments	Fair Value
Debt securities				
General governments	1,072,640,855	-68,028,684	-680,407	1,003,931,764
Credit institutions	1,093,131,887	-45,103,162	-559,109	1,047,469,617
Other Financial corporations	716,668,302	-15,653,235	-193,433	700,821,634
Non-Financial corporations	1,851,630,109	-110,648,724	-2,954,476	1,738,026,908
Equity instruments				
Shares and others	127,478,475	15,914,818		143,393,293
Investment funds and other	999,119	1,366,344		2,365,462
Total	**4,862,548,747**	**-222,152,644**	**-4,387,425**	**4,636,008,677**

16. Financial assets measured at amortised cost

A distinction is made between 'loans and advances' and debt securities.

	31/12/2021	31/12/2022
Total portfolio	**42,738,994,991**	**48,015,774,059**
Breakdown by instrument type		
Loans and advances	38,330,154,782	40,721,287,126
Debt securities	4,408,840,209	7,294,486,933
Breakdown by product type		
Loans to credit institutions	1,100,219	1,240,668
Cash collateral	375,244,974	56,522,000
Consumer loans	329,566,906	385,141,837
Mortgage loans	36,240,076,359	38,754,703,208
Term loans	1,343,793,400	1,476,731,957
Advances and overdrafts	6,922,623	3,928,875
Leasing	33,450,300	43,018,581
Debt securities	4,408,840,209	7,294,486,933
Breakdown debt securities by interest rate type		
Variable	469,526,750	345,679,395
Fixed	3,939,313,459	6,948,807,538
Geographical breakdown debt securities		
Belgium	1,989,781,727	2,262,327,271
European Monetary Union	2,064,021,128	4,185,062,886
Rest of the world	355,037,355	847,096,776
Breakdown by residual or maturity date		
Debt securities		
Up to 1 year	921,201,273	1,054,328,777
1 to 5 year	2,511,573,878	4,399,101,019
More than 5 years	976,065,059	1,841,057,136
Loans and advances		
Up to 1 year	2,047,091,694	1,802,501,450
1 to 5 year	6,350,157,123	6,917,032,504
More than 5 years	29,932,905,965	32,001,753,172
Breakdown debt securities according to counterparty		
General Governments	1,173,053,162	1,952,758,630
Credit Institutions	425,288,625	1,878,322,745
Other Financial corporations	1,215,446,006	901,494,331
Non-Financial corporations	1,595,052,415	2,561,911,227

	31/12/2021	31/12/2022
Breakdown by impairment stage (gross carrying amount)		
Debt securities		
Stage 1	4,384,068,653	7,260,759,465
Stage 2	26,504,603	40,591,013
Stage 3	0	0
Loans and advances		
Stage 1	34,841,544,986	34,863,653,684
Stage 2	3,346,319,505	5,733,085,572
Stage 3	176,541,137	170,083,513
Breakdown by impairment stage (impairment)		
Debt securities		
Stage 1	-1,553,019	-5,242,425
Stage 2	-180,028	-1,621,119
Stage 3	0	0
Loans and advances		
Stage 1	-2,772,217	-5,502,295
Stage 2	-6,608,873	-14,803,845
Stage 3	-24,869,756	-25,229,502

Effective interest rate debt securities at 31/12	**1.22%**	**1.80%**
Effective interest rate loans and advances at 31/12	**1.88%**	**1.93%**

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

For loans and receivables there are, at the end of 2022, EUR 5,502,295 of stage 1 and EUR 14,803,845 of stage 2 impairments. The amount of stage 3 individual impairments had risen to EUR 25,229,502. Further information on the evolution of the impairments is included in Note 42.

The stage 1 and 2 impairments for debt securities rose to EUR 5,242,425 and EUR 1,621,119. There are no individual impairments (stage 3) for this 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 -2,004,019,978 as of 31 December 2022. 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	31/12/2021	Count	Notional	31/12/2022
Change in fair value hedged positions			353,166,530			-2,004,019,978
Derivatives with negative fair value (clean price)	69	7,550,000,000	-408,521,471	4	600,000,000	-4,414,929
Derivatives with positive fair value (clean price)	28	3,950,000,000	55,485,543	109	13,200,000,000	2,016,114,601

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 at 31 December 2022 the Company had concluded 11 swaptions for a nominal amount of 1,450 million. As at 31 December 2022, these had an intrinsic value of EUR 242 million, so a change in fair value of the hedged positions of EUR 238.1 million 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 2022, this involved an amount of EUR -70,488,629.

From 2022 own securities issued were also hedged under 'Financial liabilities measured at amortised cost'.

Micro hedge - fair value hedge	Count	Notional	31/12/2021	Count	Notional	31/12/2022
Change in fair value hedged positions, assets			41,116,265			-70,488,629
Derivatives with negative fair value (clean price)	10	799,373,888	-42,113,348	0	0	0
Derivatives with positive fair value (clean price)	1	37,000,000	895,891	11	836,373,888	70,676,406
Change in fair value hedged positions, liabilities		0	0			122,105,231
Derivatives with negative fair value (clean price)	0	0	0	4	2,000,000,000	-122,093,421
Derivatives with positive fair value (clean price)	0	0	0	0	0	0

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

Note on total derivatives used for hedging

As of 31 December 2022, 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	31/12/2021		31/12/2022	
Derivatives used for hedge accounting (assets)		88,616,165		2,067,781,000
Fair value macro hedges	87,727,218		2,001,258,832	
Fair value micro hedges	888,948		66,522,168	
Derivatives used for hedge accounting (liabilities)		491,094,431		128,467,450
Fair value macro hedges	443,226,096		9,040,543	
Fair value micro hedges	47,868,335		119,426,907	

Further information can be found in Notes 3 and 36.

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

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

31/12/2022	Notional	1 year	1-5 year	5-10 year	10-15 year	> 15 year
Macro hedge - fair value hedge	13,800,000,000	1,150,000,000	4,800,000,000	1,600,000,000	3,700,000,000	2,550,000,000
Micro hedge - fair value hedge	2,836,373,888	0	2,523,549,500	312,824,388	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.

	31/12/2021	31/12/2022
Investments in joint ventures	66,852	46,878
Investments in associates	4,899,614	4,441,968
of which not individual material	4,966,466	4,488,846
Total	**4,966,466**	**4,488,846**

The Company has revalued its participations in EPICo and Jofico as of 31 December 2022, recognising a loss of EUR 0.8 million for Epico in the statement of profit or loss.

	31/12/2021	31/12/2022
Share of investments in associates that are not individually material	4,966,466	4,488,846
Profit before taxes	-2,204,012	-752,259
Net profit	-2,204,012	-752,259
Other components total result	0	0
Total impact in profit or loss	**-2,204,012**	**-752,259**

19. Tangible assets

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

	31/12/2021	31/12/2022
Property, plant and equipment	82,638,762	74,773,462
Investment properties	944,204	865,710
Total	**83,582,967**	**75,639,172**
Fair value of investment properties	**944,204**	**865,710**

The “buildings, land and equipment” item contains the head office. This is leased from Investar, with an asset (right of use) created that is amortised over the term of the contract.

The investment properties portfolio consists mainly of properties purchased in the context of 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 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**

	Land and buildings	IT	IT Leasing	Other material	Other material leasing	Total	Investment property
Acquisition value at 1 January 2022	**58,259,611**	**22,822,902**	**6,170,362**	**22,507,136**	**7,136,785**	**116,896,796**	**1,001,169**
Leasing	32,694	0	-11,618	0	-303,608	-282,532	0
Acquisitions	0	7,876,257	0	799,691	0	8,675,948	0
Disposals	0	-3,392,264	0	-946,703	0	-4,338,967	-74,674
Transfer	0	0	0	0	0	0	0
Other changes	0	-5,052,491	0	0	0	-5,052,491	0
Acquisition value at 31 December 2022	**58,292,305**	**22,254,404**	**6,158,744**	**22,360,125**	**6,833,177**	**115,898,755**	**926,495**
Accumulated depreciation and impairment losses at 1 January 2022	**-6,384,725**	**-15,117,249**	**-2,093,640**	**-6,495,186**	**-4,167,233**	**-34,258,033**	**-56,964**
Leasing	488,719	0	0	0	1,548,593	2,037,312	0
Acquisitions	0	0	0	0	0	0	0
Disposals	0	3,355,138	0	673,158	0	4,028,296	7,149
Depreciation	-4,595,035	-3,176,319	-1,324,093	-1,940,145	-1,899,286	-12,934,878	-10,969
Transfer	0	0	0	0	0	0	0
Other changes	0	-1,267	0	3,278	0	2,011	0
Accumulated depreciation and impairment losses at 31 December 2022	**-10,491,041**	**-14,939,697**	**-3,417,733**	**-7,758,895**	**-4,517,926**	**-41,125,292**	**-60,784**
Carrying amount at 31 December 2022	**47,801,264**	**7,314,707**	**2,741,011**	**14,601,229**	**2,315,251**	**74,773,462**	**865,710**

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:

	Internally developed software	Other intangible assets	Goodwill	Total
Acquisition value at 1 January 2021	**19,446,792**	**204,652,347**	**98,150,460**	**322,249,599**
Leasing	0	0	0	0
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**
Leasing	0	0	0	0
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**

	Internally developed software	Other intangible assets	Goodwill	Total
Acquisition value at 1 January 2022	**19,321,563**	**184,559,294**	**98,150,460**	**302,031,317**
Leasing	0	0	0	0
Acquisitions	334,184	7,167,329	0	7,501,513
Disposals	-1,143,771	-69,437,606	0	-70,581,377
Transfer	0	0	0	0
Other changes	0	82,833	0	82,833
Acquisition value at 31 December 2022	**18,511,977**	**122,371,850**	**98,150,460**	**239,034,287**
Accumulated depreciation and impairment losses at 1 January 2022	**-14,482,094**	**-149,940,268**	**0**	**-164,422,363**
Leasing	0	0	0	0
Acquisitions	0	0	0	0
Disposals	1,143,757	69,437,606	0	70,581,363
Depreciation	-1,704,286	-14,182,505	0	-15,886,791
Transfer	0	0	0	0
Other changes	0	0	0	0
Accumulated depreciation and impairment losses at 31 December 2022	**-15,042,623**	**-94,685,167**	**0**	**-109,727,790**
Carrying amount at 31 December 2022	**3,469,354**	**27,686,682**	**98,150,460**	**129,306,497**

The amortisation of EUR 15,886,791 for 2022 can be found in the statement of profit or loss under the amortisation of the assets concerned.

In 2022 EUR 69.4 million of capitalised costs (fully depreciated) of self-developed software was retired.

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

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 and the Board of Directors;
- discount rate: an ROE of 8.26%;
- a long-term growth for Belgium and the Netherlands of 1.35%.

Based on the analysis, no impairment loss needs to be recorded on goodwill.

The amortisation of EUR 15,886,791 for 2022 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:

	31/12/2021	31/12/2022
Current tax assets	36,688,839	54,804,955
Deferred tax assets	1,541,181	68,469,462
Total tax assets	**38,230,020**	**123,274,417**
Current tax liabilities	5,023,584	3,056,183
Deferred tax liabilities	25,042,916	18,571,081
Total tax liabilities	**30,066,500**	**21,627,263**
Total globalised deferred taxes	**-23,501,736**	**49,898,381**

The deferred taxes originate in the following elements:

Deferred taxes by type	31/12/2020	Changes through other comprehensive income	Changes through profit or loss	31/12/2021	Changes through other comprehensive income	Changes through profit or loss	31/12/2022
Tax asset on derivatives	8,976,096	-433,857	-8,542,238	0	0	0	0
DRD and fiscal losses	21,475,177	0	0	21,475,177	0	9,408,923	30,884,100
Tax assets on financial instruments at fair value	7,983,556	0	-3,027,195	4,956,361	38,528,599	2,449,763	45,934,724
Tax asset on other items	7,898,537	-199,756	-2,494,695	5,204,086	643,356	4,567,990	10,415,432
Total deferred tax assets	**46,333,366**	**-633,613**	**-14,064,128**	**31,635,624**	**39,171,955**	**16,426,677**	**87,234,256**
Tax liabilities on financial instruments at fair value	38,734,113	-7,619,570	171,704	31,286,247	-31,286,247	0	0
Tax liabilities on financial instruments at amortized cost	23,703,884	0	-435,147	23,268,737	0	883,742	24,152,479
Tax liabilities on derivatives	0	0	507,777	507,777	0	12,675,621	13,183,398
Tax liabilities on other items	38,074	36,524	0	74,598	-74,598	0	0
Total deferred tax liabilities	**62,476,071**	**-7,583,046**	**244,334**	**55,137,359**	**-31,360,845**	**13,559,363**	**37,335,878**
Total deferred tax position	**-16,142,705**	**6,949,433**	**-14,308,463**	**-23,501,735**	**70,532,800**	**2,867,313**	**49,898,378**

The main items in 2022 were a deferred tax liability of EUR 24,152,479 on the measurement at amortised cost (with the effective interest rate), a tax asset of EUR 30,884,100 related to tax loss carry forwards and definitively taxed income (DTI) and a tax asset of EUR 45,934,724 on the negative fair value delta of financial instruments measured at fair value. The deferred tax liabilities on derivatives increased in 2022 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 negative adjusted outlook and the uncertainties caused by the Covid-19 crisis, deferred tax assets were written down by EUR 13.3 million in 2020 and 2021 at Argenta Spaarbank. As a result of the improved interest rate expectations, the assessment of the Company is that there is sufficient profitability available in the future to use the potential tax liabilities, therefore the impairment was counter-booked in 2022.

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:

	31/12/2021	31/12/2022
Share reinsurers in life insurance contracts	11,425,840	13,115,466
Reinsurers share in non-life insurance contracts	7,371,926	7,955,708
Share reinsurers in technical provisions	**18,797,766**	**21,071,174**

Liabilities under insurance contracts break down as follows:

	31/12/2021	31/12/2022
Provisions non-life	205,094,151	197,046,769
Premium provions	33,329,606	35,249,492
Loss provisions	127,762,811	124,290,585
Other technical provisions	44,001,734	37,506,692
Provisions life	2,867,377,550	2,704,598,843
Mathematical provisions	2,823,206,225	2,649,596,446
Loss provisions	36,584,439	46,054,901
Profit-sharing provisions	7,586,887	8,947,497
Liabilities under insurance contracts	**3,072,471,702**	**2,901,645,612**

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 2022. The growth is largely due to the continued strong production in fire insurance. In 2022, 27,330 new fire insurance policies were concluded and the portfolio grew by 3.8% per cent. Thanks to the combined offering of Fire and Family insurance through the 'Insured Housing +' policy, the Family policy has also continued to grow, with an increase of 4.3%. The Motor insurance portfolio rose by 1.2%. The premium income of the motor insurance portfolio fell slightly in 2022. In January 2022 Argenta optimised the Motor tariff, with an increasing number of policies as a result. Hospitalisation insurance is no longer actively offered (run off portfolio), resulting in a declining number of insured persons and limited decline in premium income. Within the products the Motor claim frequency did not return fully to the pre-Covid situation, which made the result better than expected. Fire also had a better result in 2022 compared to a year earlier, despite the major storm damage of February 2022 (storms Eunice and Franklin). This was because of a lower cost of claims after reinsurance for the storms compared to the floods in 2021, in combination with a lower claims frequency excluding catastrophes.

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 opted in 2022 to reinvest partly 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:

	31/12/2021	31/12/2022
Prepaid expenses	12,615,797	14,747,500
Other assets in context of lending transactions	69,476,796	93,357,083
Other assets in context of securities transactions	975,445	354,677
Other assets in context of payment transactions	61,502,299	68,277,957
Suspense accounts	122,043,649	89,852,626
Total other assets	**266,613,985**	**266,589,843**

'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 settled periodically (monthly).

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

'Suspense accounts' contain amounts awaiting definitive allocation to specific bookkeeping accounts, advances to agents and personnel and current accounts of affiliated companies. The decrease is related to the decrease of the current account of the securitisations (Green Apple) compared to the Argenta Mortgages Receipts Foundation (which manages the third-party account in which the repayments and interest of the underlying mortgage loans pool are received, and from there are paid to the securitisations).

24. Financial liabilities measured at amortised cost

	31/12/2021	31/12/2022
Deposits from central banks	258,262,863	0
Deposits from credit institutions	49,268,441	1,786,200,219
Deposits from other than central banks and credit institutions	39,978,540,951	41,814,573,100
Senior debt securities issued	4,835,431,890	6,379,999,074
Other financial liabilities	110,978,085	97,561,412
Total	**45,232,482,230**	**50,078,333,805**

24.1. Deposits from central banks

The deposits from central banks break down as follows:

	31/12/2021	31/12/2022
Deposits from central banks	**258,262,863**	**0**
Breakdown by product type		
Targeted Long Term Refinancing Operations	258,262,863	0
Geographical breakdown		
Belgium	0	0
European Monetary Union	258,262,863	0
Rest of the world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	0	0
1 to 5 year	258,262,863	0
Effective interest rate at 31/12	**-0.91%**	**0.00%**

In 2022 Argenta Spaarbank repaid the TLTRO operations of the ECB early.

24.2. Deposits from credit institutions

The deposits from credit institutions are composed as follows:

	31/12/2021	31/12/2022
Deposits from credit institutions	**49,268,441**	**1,786,200,219**
Breakdown by product type		
Deposits on demand	8,635,441	6,706,162
Repurchase agreements	0	0
Cash Collateral from financial institutions	40,633,000	1,779,494,057
Geographical breakdown		
Belgium	30,968,147	163,162,174
European Monetary Union	18,300,294	1,623,038,046
Rest of the world	0	0
Breakdown by residual term or maturity date		
Up to 1 year	49,268,441	1,786,200,219
1 to 5 year	0	0
Effective interest rate at 31/12	**-0.52%**	**1.89%**

The cash collateral consists of cash collateral received in respect of the current derivative 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.

24.3. 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:

	31/12/2021	31/12/2022
Deposits from other than central banks and credit institutions	**39,978,540,951**	**41,814,573,100**

Breakdown by product type		
Deposits on demand	6,722,924,866	7,058,329,917
Deposits on term	1,211,095,278	909,240,741
Regulated saving deposits	28,432,763,500	29,968,901,593
Mortgage-linked deposits	683,584,988	756,734,642
Cash collateral	4,378,000	176,307,000
Other deposits	2,923,794,318	2,945,059,207
Breakdown by residual term or maturity date		
Up to 1 year	433,848,455	511,926,068
1 to 5 year	683,527,719	554,922,834
More than 5 years	93,719,104	18,698,839
Undefined	38,767,445,672	40,729,025,359

Effective interest rate at 31/12	**0.14%**	**0.17%**

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 was applicable for the major part of 2022, which made them less interesting for our customers. Given the current interest rate development, term deposits are again expected to gain in importance.

The portfolio of regulated savings deposits continues to rise gradually.

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 cash collateral consists of cash collateral paid in respect of the current derivative contracts.

The 'other deposits' consist mainly of the savings deposits in the Netherlands branch and the non-regulated savings accounts in Belgium.

24.4. Senior debt securities issued – bonds

This heading contains the bonds issued by Green Apple, the EMTN issues and the Covered bonds.

	31/12/2021	31/12/2022
Senior debt securities issued - bonds	**4,835,431,890**	**6,379,999,074**
Green Apple 2017-I NHG	571,906,238	436,106,835
Green Apple 2018-I NHG	558,831,751	447,078,009
Green Apple 2019-I NHG	571,144,219	470,269,629
Green Apple 2021-I	646,117,596	565,507,867
EMTN programme	1,489,912,697	2,461,266,475
Belgian Mortgage Pandbrieven Programme	997,519,388	1,999,770,260
Breakdown by residual term or maturity date		
Up to 1 year	378,019,191	256,144,636
1 to 5 year	2,638,286,222	3,718,631,080
More than 5 years	1,819,126,477	2,405,223,358
Effective interest rate at 31/12	**0.17%**	**1.60%**

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. As at end 2022 the securitisation transactions had been issued:

- SPV Green Apple 2017 I NHG issued on 5 October 2017 for a notional amount (A notes) of EUR 1.2 billion. The notes run until 2056 with a prepayment option from March 2024.
- SPV Green Apple 2018 I NHG issued on 26 June 2018 for a notional amount (A notes) of EUR 1.0 billion. The notes mature contractually in 2057, with a prepayment option from January 2025.
- SPV Green Apple 2019 I NHG issued on 26 June 2019 for a notional amount (A notes) of EUR 825 billion. The notes run until 2058 with a prepayment option from January 2026.
- SPV Green Apple 2021 I NHG issued on 23 June 2021 for a notional amount (A notes) of EUR 650 billion. The notes run until 2060 with a prepayment option from January 2028.

Five issues were made under the EMTN programme. 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 2022 two green senior non-preferred bonds were issued, the first on 8 February 2022 and a second on 29 November 2022 for EUR 600 million and EUR 500 million respectively, with a seven-year and a five-year term.

As part of the Covered bond programme, EUR 1.0 billion of covered bonds were issued in two rounds in 2021. 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. During 2022 EUR 500 million was again issued in two rounds, on 23 February 2022 with a seven-year term and again on 20 October 2022 with a four-year term.

Further information on the issue programmes can be found at www.argenta.eu.

24.5. Subordinated debt securities issued

The Company has no outstanding subordinated debt securities. The Tier 2 bond issued on 2016 was repaid before year end 2021 on the FORD (First Optional Redemption Date).

24.6. 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:

	31/12/2021	31/12/2022
Other financial liabilities	**110,978,085**	**97,561,412**
Breakdown by type		
Leasing	93,721,437	97,261,489
Investment contracts linked to insurance contracts	17,256,648	299,923
Breakdown by residual term or maturity date		
Up to 1 year	30,046,950	15,122,245
1 to 5 year	42,722,338	46,889,751
More than 5 years	38,208,797	35,549,416

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 increase in lease obligations reflects the renewal of lease contracts (branch network) and lease indexations.

25. Provisions

The changes in the provisions during the year are:

	Pension liabilities	Litigation	Loan commitments, financial guarantees and other commitments given	Other provisions	Total
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**
Additions	0	0	368,400	13,151	381,551
Amounts used	0	-148,321	0	-6,320	-154,641
Unused amounts reversed during the period	0	-255,894	0	0	-255,894
Other	4,142,879	0	0	0	4,142,879
Closing balance at 31 December 2022	**6,457,145**	**2,140,510**	**1,338,198**	**235,555**	**10,171,408**

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 April 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 2022 to EUR 192,589.

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. The reference figures for 2021 were adjusted for the presentation of taxes, in accordance with the method of presentation for the 2022 financial year.

Change table	31/12/2021	31/12/2022
Defined benefit obligations at the beginning of the period	**102,026,963**	**102,016,231**
Current service cost	9,038,549	8,653,066
Interest exenses	372,661	892,720
Actuarial gain or loss resulting from changes in demographic assumptions	-60,930	329,931
Actuarial gain or loss resulting from changes in financial assumptions	-10,196,889	-45,800,757
Experience adjustments	1,690,546	3,714,522
Benefits paid	-854,669	-1,057,334
Defined benefit obligations at the end of the period	**102,016,231**	**68,748,379**
Fair value of plan assets (insurance contracts) at the beginning of the year	**101,752,114**	**99,781,240**
Interest income	368,657	876,909
Employer contributions	6,888,970	7,769,754
Actuarial gain or loss resulting from changes in financial assumptions	-8,899,395	-42,946,637
Experience adjustments	525,563	-2,132,698
Benefits paid	-854,669	-1,057,334
Fair value of plan assets (insurance contracts) at the end of the year	**99,781,240**	**62,291,234**
Funded status	**-2,234,991**	**-6,457,145**
Asset ceiling limit	79,275	0
Net defined benefit obligations	**-2,314,266**	**-6,457,145**
Net defined benefit obligations at the beginning of the year	**-1,056,168**	**-2,314,266**
Current service cost	-9,042,553	-8,668,877
Changes to the amounts recognised in other comprehensive income	895,485	-3,243,756
Employer contributions	6,888,970	7,769,754
Net defined benefit obligations at the end of the year	**-2,314,266**	**-6,457,145**
Amounts recognised in the income statement	**-9,849,551**	**-8,668,877**
Current service cost	-9,038,549	-8,653,066
Past-service cost	0	0
Interest charges	-372,661	-892,720
Interest income	368,657	876,909
Changes to the amounts recognised in other comprehensive income	**895,484**	**-3,243,756**
Actuarial gain or loss from changes in demographic assumptions	60,930	-329,931
Actuarial gain or loss from changes in financial assumptions	1,297,494	2,854,120
Experience adjustments	-1,164,983	-5,847,220
Asset ceiling limit	702,043	79,275

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 super-visors.	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	989	75
Passive affiliates	1,377	128
Estimated contributions 2023	6,954,105	1,202,069

Hypotheses used

The following assumptions were used for the Belgian fixed contribution schemes: discount rate 3.80% (0.85% in 2021), inflation rate 4.90% in the first year, then 1.90% annually (1.60% in 2021), salary increase 3.00% (3.00% in 2021). Assuralia 2011-2015 experience tables were used for mortality tables and for, employee turnover, observed historical data, broken down by age category.

The following assumptions were used for the Dutch fixed contribution schemes: discount rate 3.80% (0.85% in 2021), inflation rate 5.40% in the first year, then 2.00% (1.40% in 2021), salary increase 2.20% (3.00% in 2021). The AG 2014 prognosis table was used for mortality tables and, for turnover, observed historical data.

Sensitivity of the gross pension liability

	31/12/2021	31/12/2022
Discount rate	**- 25 bp**	**- 100 bp**
Impact on the defined benefit obligations	+5.20%	+18.80%
Impact on the fair value of plan assets (insurance contracts)	+4.55%	+18.47%
Salary increase rate	**- 25 bp**	**- 100 bp**
Impact on the defined benefit obligations	-0.09%	-1.19%
Impact on the fair value of plan assets (insurance contracts)	+0.00%	+0.00%

Weighted average term

	31/12/2021	31/12/2022
Average duration of the pension obligation	17.6	16.1

26. Other liabilities

The other liabilities break down as follows:

	31/12/2021	31/12/2022
Social security charges	10,926,437	12,154,219
Accrued charges	51	18
Accounts payable suppliers	49,376,523	39,488,469
Debts - other group companies	544,872	284,006
Debts - agents	33,476,167	28,108,514
Liabilities under insurance contracts	55,325,545	50,804,891
Liabilities under reinsurance contracts	6,969,227	4,131,613
Suspense accounts - lending transactions	39,837,300	36,652,347
Suspense accounts - payment transactions	16,234,097	36,356,202
Suspense accounts - securities transactions	6,152,124	8,071,800
Other taxes	4,645,987	4,854,690
Other	62,999,042	90,237,023
Total	**286,487,371**	**311,143,793**

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.

'Debts – other group companies' includes the current accounts between the non-consolidated subsidiaries of the Group. The decrease in other is mainly related to the decrease in the balance of the current account of the branch in respect of Quion.

27. 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 266,408 in 2022.

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

	Right-of-use assets	Lease receivables	Lease liability
Opening balance as per 01/01/2021	**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
Derecognition	0		
Closing balance as per 31/12/2021	**58,921,158**	**33,450,300**	**93,721,437**

	Right-of-use assets	Lease receivables	Lease liability
Opening balance as per 01/01/2022	**58,921,158**	**33,450,300**	**93,721,437**
Additions	1,998,602	11,777,709	18,546,648
Interest expense (liability) /income (receivable)		327,905	623,881
Lease payments		-7,192,288	-15,271,507
Depreciation expense	-7,818,414		
Adjustments due to remeasurements	199,411	4,654,955	-358,968
Adjustments due to modifications	0	0	0
Derecognition	-443,605		
Closing balance as per 31/12/2022	**52,857,152**	**43,018,581**	**97,261,489**

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

The increase in lease obligations reflects the renewal of lease contracts (branch network) and lease indexations.

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	-1,954,248	7,136,784	-4,167,233	2,969,552
Tangible assets	-1,303,003	6,170,361	-2,093,640	4,076,722
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**

Right of use asset	Depreciation	Acquisition value	Accumulated depreciation	Carrying amount
Company cars	-1,899,287	6,833,177	-4,517,926	2,315,250
Tangible assets	-1,324,093	6,158,744	-3,417,733	2,741,011
Leased buildings without sublease	-204,349	2,171,707	-804,784	1,366,923
Leased other buildings	-4,390,685	56,120,598	-9,686,631	46,433,967
Total 31/12/2022	**-7,818,414**	**71,284,226**	**-18,427,074**	**52,857,152**

Lease liabilities

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

Lease liabilities (undiscounted)	31/12/2021	31/12/2022
Up to 1 year	13,871,248	15,773,798
1 to 5 year	43,131,134	48,312,342
More than 5 years	39,033,767	36,627,952
Total	**96,036,149**	**100,714,092**

Lease liabilities (discounted)	31/12/2021	31/12/2022
Up to 1 year	13,293,074	14,822,322
1 to 5 year	42,219,568	46,889,751
More than 5 years	38,208,797	35,549,416
Total	**93,721,437**	**97,261,489**

The average discount rate on the lease liabilities is 3.70% (previous year -0.32%).

Lease receivables

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

Lease receivables (undiscounted)	31/12/2021	31/12/2022
Up to 1 year	6,088,638	8,360,628
1 to 5 year	20,516,600	26,870,438
More than 5 years	7,527,020	9,640,094
Total	**34,132,259**	**44,871,160**

Lease receivables (discounted)	31/12/2021	31/12/2022
Up to 1 year	5,765,310	7,702,770
1 to 5 year	20,254,228	25,991,166
More than 5 years	7,430,762	9,324,645
Total	**33,450,300**	**43,018,581**

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.

28. Fair value of financial instruments

28.1. 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).

28.2. 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, where this is not obtained externally, can be summarised as follows:

- The fair value of consumer credits, mortgage loans, term loans and term financial liabilities (fixed-term deposits, retail savings certificates, bonds and subordinated loans and bonds) is determined by discounting contractual cash flows by the discounted cash flow method. The 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 For 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.

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

	Carrying amount 31/12/2021	Fair value 31/12/2021	Carrying amount 31/12/2022	Fair value 31/12/2022
Cash and cash equivalents	52,504,898	52,504,898	55,189,178	55,189,178
Cash balances at central banks and other demand deposits	3,485,928,716	3,485,928,716	3,177,357,910	3,177,357,910
Financial assets at amortised cost				
Loans to credit institutions	1,100,219	1,100,219	1,240,668	1,240,668
Cash collateral to financial institutions	375,244,974	375,244,974	56,522,000	56,522,000
Loans and advances to other customers				
Consumer loans	329,566,906	339,120,816	385,141,837	368,330,344
Mortgage loans	36,240,076,359	38,259,414,509	38,754,703,208	34,692,216,072
Term loans	1,343,793,400	1,400,480,750	1,476,731,957	1,373,809,426
Advances and overdrafts	6,922,623	6,922,623	3,928,875	3,928,875
Leasing	33,450,300	33,450,300	43,018,581	43,018,581
Debt securities	4,408,840,209	4,516,990,965	7,294,486,933	6,765,871,772
Total financial assets	**46,277,428,605**	**48,471,158,771**	**51,248,321,147**	**46,537,484,825**
Financial liabilities at amortised cost				
Deposits from central banks	258,262,863	258,262,863	0	0
Deposits from credit institutions	49,268,441	49,268,441	1,786,200,219	1,786,200,219
Deposits from other than central banks and credit institutions				
Deposits on demand	6,722,924,866	6,722,924,866	7,058,329,917	7,058,329,917
Deposits on term	1,211,095,278	1,244,409,494	909,240,741	892,238,829
Regulated savings deposits	28,432,763,500	28,432,763,500	29,968,901,593	29,968,901,593
Mortgage-linked deposits	683,584,988	747,649,846	756,734,642	770,201,445
Cash collateral	4,378,000	4,378,000	176,307,000	176,307,000
Other deposits	2,923,794,318	2,923,794,318	2,945,059,207	2,945,059,207
Senior debt securities issued				
Debt securities	4,835,431,890	4,854,815,521	6,379,999,074	5,875,670,717
Other financial liabilities	110,978,085	110,978,085	97,561,412	97,561,412
Total financial liabilities	**45,232,482,230**	**45,349,244,934**	**50,078,333,805**	**49,570,470,340**

The table below shows the *fair values* of the listed IFRS classifications presented schematically by hierarchy level.

A level 2 is assigned by the Company to the very short term financial instruments - with the carrying value used as fair value -, while a level 3 is assigned to all other calculated fair values.

31/12/2021	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	52,504,898	0	52,504,898	0
Cash balances at central banks and other demand deposits	3,485,928,716	0	3,485,928,716	0
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	0	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

31/12/2022	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	55,189,178	0	55,189,178	0
Cash balances at central banks and other demand deposits	3,177,357,910	0	3,177,357,910	0
Financial assets at amortised cost	43,304,937,737	5,115,099,909	1,755,025,539	36,434,812,289
Loans and advances	36,539,065,965	0	104,710,123	36,434,355,842
Debt securities	6,765,871,772	5,115,099,909	1,650,315,416	456,447
Financial liabilities at amortised cost	49,570,470,340	3,950,759,082	41,962,301,815	3,657,409,443

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 including an add-on of 15bp to reflect a potential loss of a portion of commercial margin in the valuation, a capital cost and a credit cost. For Dutch mortgages cash flows after interest rate adjustment are not included for the fair value calculation.

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 2021 owing to the sharp increase in the long-term yield curve at the end of 2022. The rise in the risk-free yield curve causes the fair value (of mainly fixed-interest instruments) to fall and consequently also the fair value/book value ratio.

28.3. Financial instruments stated at fair value

The following tables present the fair values of the financial instruments that are already stated in the balance sheet at their fair value.

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

In determining the fair value, the Company first uses the quoted (unadjusted) prices in an active market. For this the Company uses the same external sources as in previous years, namely Bloomberg and Euroclear. Instruments are classified as 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.

31/12/2021	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	0	0
Financial assets at fair value through other comprehensive 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	0	0
Derivatives used for hedge accounting	491,094,431	0	491,094,431	0

31/12/2022	Total	Level 1	Level 2	Level 3
Assets measured at fair value	**9,663,405,580**	**6,880,750,231**	**2,772,413,068**	**10,242,281**
Financial assets held for trading	107,585,916	0	107,585,916	0
Assets related to unit-lined contracts (branch 23)	2,754,692,170	2,754,692,170	0	0
Financial assets at fair value through other comprehensive income	4,636,008,677	4,062,898,680	570,711,705	2,398,292
Non-trading financial assets mandatorily at fair value through profit or loss	97,337,817	63,159,381	26,334,447	7,843,989
Derivatives used for hedge accounting	2,067,781,000	0	2,067,781,000	0
Liabilities measured at fair value	**2,974,709,414**	**2,754,692,170**	**220,017,244**	**0**
Financial liabilities held for trading	91,549,794	0	91,549,794	0
Liabilities related to unit linked contracts (branch 23)	2,754,692,170	2,754,692,170	0	0
Derivatives used for hedge accounting	128,467,450	0	128,467,450	0

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

In 2021 and 2022 there were no level changes from level 1 to level 2 for the instruments measured at fair value.

The following table provides a reconciliation of level 3 fair values between 1 January 2021 and 31 December 2022.

	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 01/01/2021	**1,213,282**	**4,337,196**	**7,349,586**
Purchases and new contracts	0	0	1,426,662
Expired 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**
Purchases and new contracts	0	0	643,160
Expired instruments	0	0	0
(Partial) repayments	-510,221	0	-138,091
Changes to other levels	0	0	0
Changes from other levels	0	0	0
Other changes (including value changes)	0	-132,428	32,408
Closing at 31/12/2022	**75,055**	**2,323,237**	**7,843,989**

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 10,242,281 as of 31 December 2022.

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

The EUR 10,242,281 equity instruments with a level 3 fair value mainly consist of shares of an infrastructure fund, real estate certificates and units of an ESG fund where the Company receives pricing or valuation from third parties.

Note on the credit risk in the market value of derivatives

In line with market practices, a CVA (Credit Valuation Adjustment) and a DVA (Debit Valuation Adjustment) have been taken into account in establishing the market value of derivatives. The combined impact of both elements amounted to EUR 6.2 million on the 2022 valuation as against EUR 0.5 million in 2021, with an impact on the result of EUR 5.7 million in 2022.

29. Derivatives

Besides derivatives embedded in contracts, the Company has three types of derivatives (derived financial instruments) on its balance sheet on 31 December 2022: 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 2021 and 2022 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 2022 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 2022, it had eight securitisation-related caps (back-to-back) on its balance sheet.

Financial assets (unlisted)	Count	Notional	31/12/2021	Count	Notional	31/12/2022
Interest rate options - caps	7	1,250,000,000	2,021,813	7	1,250,000,000	15,899,102
Securisation transactions - caps	4	3,170,343,707	16,573,530	4	3,011,796,945	91,686,815

Financial liabilities (unlisted)	Count	Notional	31/12/2021	Count	Notional	31/12/2022
Interest rate options - caps	0	0	0	0	0	0
Securisation transactions - caps	4	3,170,343,707	16,545,565	4	3,011,796,945	91,549,794

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.

Swaptions

In 2022 there were 11 swaptions in total 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) with neutralisation of the delta intrinsic value and with the delta time value in NII.

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.

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

2022				
Count	Notional	Hedge type	Treatment in IFRS	Derivative type
102	12,350,000,000	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
4	2,000,000,000	Interest rate risk on individual debt securities issued	Micro fair value hedge	Interest rate swaps
11	1,450,000,000	Interest rate risk on loan portfolio	Macro portfolio fair value hedge	Swaptions

Notes to the consolidated statement of profit or loss

30. 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 are accounted for using the effective interest method.

	31/12/2021	31/12/2022
Interest income calculated using the effective interest method	**894,462,355**	**898,298,601**
Non-trading financial assets mandatorily at fair value through profit or loss	856,142	609,548
Financial assets at fair value through other comprehensive income	41,611,280	46,105,305
Financial assets at amortised cost - loans and advances	780,152,733	755,458,504
Financial assets at amortised cost - debt securities	68,018,296	81,574,173
Derivatives used for hedge accounting	43,290	8,734,973
Other assets	368,657	876,909
Interest income on liabilities	3,411,957	4,939,188
Interest expenses	**225,840,148**	**251,625,894**
Deposits from central banks and credit institutions	18,233	4,756,963
Deposits from other than central banks and credit institutions	60,120,349	57,618,109
Senior debt securities issued	13,107,834	41,544,370
Subordinated debt securities issued	8,287,415	0
Leasing liabilities	510,421	623,882
Derivatives used for hedge accounting	138,152,371	141,803,824
Other liabilities	372,661	892,720
Interest expenses on assets	5,270,864	4,386,026
Net interest income	**668,622,207**	**646,672,707**
of which interest-income on credit impaired financial assets	359,291	404,177

Net interest income fell in 2022. The interest income has grown as a result of the combination of the recent increase in the return on the liquid assets, derivatives and the securities portfolio and a growing mortgage and investment portfolio, where the return on recent production is higher, but the effect of the low interest environment of the past period continues to affect the total return. The level of early redemptions on mortgages dropped back, with the reinvestment fees falling from EUR 47.6 million in 2021 to EUR 20.3 million in 2022.

Funding costs (excluding derivatives) increased owing to the interest costs on non-retail funding, partially offset by the arrival at maturity of the subordinated Tier II loan. The interest cost of the RMBS bonds increased relatively (variable interest payment) and the recent issues of Covered bonds and EMTN bonds bear a relatively higher interest cost, as a result of the general rise in the interest rate curve.

The hedging result showed a dual evolution. As a result of higher Euribor interest rates the net interest costs on the derivatives were lower (and the cost-of-carry of the payer swaps derivatives portfolio fell). The increase of the interest rate curve has a negative effect on the time value of the swaptions, which represents an increase in the hedging costs of EUR 43.6 million. Additional hedging swaps were also entered into in a notional amount of EUR 4.6 billion.

The decrease in interest charges on assets relates to the evolution of interest on the cash collateral for derivative transactions. As at end 2021 this was a net paying cash collateral position (asset) with a negative interest cost, which evolved across 2022 into a net receiving cash collateral position (liability) with a positive interest cost (linked to overnight interest rate). As a result these interest costs shift to the 'deposits from central banks and credit institutions' headings, which explains the increase in this heading.

31. Dividend income

Dividends received are specified below.

	31/12/2021	31/12/2022
Dividend income	**6,172,490**	**7,909,586**
Equity instruments at fair value through other comprehensive income	5,289,835	6,644,225
Equity instruments mandatorily valued at fair value through profit or loss	882,655	1,265,360

32. Net commission and fee income

The net income from commissions and fees can be found below. Net fee and commission income increased by EUR 31.0 million to EUR 83.9 million for 2022.

The increase in net fee and commission income is mainly 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.

	31/12/2021	31/12/2022
Fee and commission income	**266,916,788**	**270,451,767**
Securities: issuances and transfer orders	26,328,652	17,106,342
Asset management, including central administrative services for collective investment	178,058,228	196,257,776
Customer resources distributed but not managed	26,212,610	18,811,461
Payment services	20,378,227	25,935,374
Other	15,939,071	12,340,814
Fee and commission expenses	**-214,058,721**	**-186,599,117**
Acquisition charges	-175,358,879	-144,972,287
Asset management	-8,832,950	-8,499,989
Custody	-2,109,312	-1,915,104
Payment services	-23,099,309	-26,298,775
Other	-4,658,272	-4,912,963
Net fee and commission income	**52,858,066**	**83,852,650**

The ‘acquisition costs’ heading contains the bulk of the costs paid to the Argenta Group tied agents (‘branch managers’). During 2022 new commission agreements were made with the Company’s agents, which gave rise to a shift and a decrease in the acquisition costs in 2022.

33. 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:

	31/12/2021	31/12/2022
Gains on derecognition		
Debt securities at fair value through other comprehensive income	47,862	24,098
Financial assets at amortised cost	752,852	542,363
Losses on derecognition		
Debt securities at fair value through other comprehensive income	0	-209,031
Financial assets at amortised cost	0	-958
Total result on derecognition	**800,714**	**356,472**
of which debt securities at fair value through other comprehensive income	47,862	-184,932
of which financial assets at amortised cost	752,852	541,405

The fair values of the category ‘financial assets measured at amortised cost’ are given in Note 28. In 2021 and 2022 there were no realised results from financial liabilities (not measured at fair value through profit or loss.

In 2022, the realised results were respectively EUR -184,932 for debt securities measured at fair value through other comprehensive income and EUR 541,405 for financial assets at amortised cost. The sales under the financial assets at amortised cost heading (hold-to-collect business model) are six positions with a carrying amount of EUR 25,640,318 sold because of an increased observed credit risk, two positions with a carrying amount of EUR 12,999,787 that was close to maturity and one position with a carrying amount of EUR 1,097,549 as a result of exceeding policy limits.

34. 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:

	31/12/2021	31/12/2022
Fair value changes related to caps	1,555,041	13,986,344

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.

35. 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.

	31/12/2021	31/12/2022
Fair value changes related to debt securities	-1,001,008	-8,801,871
Fair value changes related to equity instruments	14,783,757	-11,654,673

36. 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’.

	31/12/2021	31/12/2022
Macro fair value hedge		
Fair value changes of the hedged item	417,413,725	-2,343,367,013
Fair value changes of the derivatives used for hedge accounting	-415,398,944	2,364,824,008
Micro fair value hedge		
Fair value changes of the hedged item	-33,354,041	-111,604,894
Fair value changes of the derivatives used for hedge accounting	33,316,639	111,893,864
Compensation related to transition from Euribor to Ester (Euro short-term rate)	360,530	0
Hedging of the interest rate risk of individual debt securities issued		
Changes in the fair value of the hedged positions	0	122,105,231
Changes in the fair value of the hedging instruments	0	-122,093,421
Gains or losses from hedge accounting	**2,337,910**	**21,757,775**

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).

37. 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.

	31/12/2021	31/12/2022
Gains on property, plant and equipment	389,880	297,288
Gains on investment properties	50,356	6,888
Losses on property, plant and equipment	-382,675	-20,467
Losses on invesment properties	0	0
Total	**57,562**	**283,710**

38. Net income from insurance and reinsurance contracts

Net result from insurance and reinsurance contracts covers:

	31/12/2021	31/12/2022
Net income from issued insurance contracts	**46,003,438**	**43,169,157**
of wich non-life	65,581,955	58,730,861
of which life	-19,578,517	-15,561,704
Net income from issued reinsurance contracts	**-1,126,388**	**5,657,209**
of wich non-life	-5,115,372	3,528,882
of which life	3,988,984	2,128,327
Net technical result from insurance	**44,877,051**	**48,826,366**

Please note that the reference figures for 2021 were adjusted as a result of a correction of a presentation error.

The insurance-technical result increased by EUR 3.9 million.

The Non-life result (including reinsurance) increased by EUR 1.6 million. The total income of the non-life insurances amounted to EUR 164 million in 2022 compared to 157 million in 2021 or an increase of EUR 6.6 million, part of which is transferred through the premium reserve to the following period for EUR -3.4 million. The acquisition costs increased by EUR 2.5 million. The claims and claims reserves following recoveries and reinsurance (including IBNR – incurred but not reported) increased by EUR 1.4 million (claims for reinsurance increased by 10.6 million and the reinsurance amounts to EUR 9.4 million). The claims settlement costs increased by EUR 0.9 million. Within the products themselves the Motor claim frequency did not return fully to the pre-Covid situation, which made the result better than expected. Fire also had a better result in 2022 compared to a year earlier, despite the major storm damage of February 2022 (storms Eunice and Franklin). This was because of a lower cost of claims after reinsurance for the storms compared to the floods in 2021, in combination with a lower claims frequency excluding catastrophes. The ageing reserve linked to the hospitalisation insurances decreased further, so the result in 2022 had a positive evolution of EUR 3.9 million compared to the previous period. The reinsurance premium cost increased by EUR 0.7 million.

The insurance-technical result for Life increased by EUR 2.3 million. The premium income (excluding internal reserve transfers) of branch 21 increased by EUR 45 million, from EUR 166 million in 2021 to EUR 211 million in 2022. The internal reserve transfers and switches from branch 23 to branch 21 increased by EUR 102.3 million (from EUR 26.8 million in 2021 to EUR 129.1 million in 2022). The reasons for this include increasing attractiveness through the increase of the guaranteed interest rates at the end of October and automatic reinvestments at the beginning of January 2022. The acquisition costs increased by EUR 1.8 million. The benefits and claims reserves increased by EUR 84.4 million. The profit sharing cost increased by EUR 2.0 million. In 2022 the mathematical reserves decreased with an additional positive result impact of EUR -150.0 million compared to the result in 2021 (this movement reflects the allocation of the premiums and transfers received, the benefits and the result received on this, the interest accrual of the contracts and the withdrawal of risk premiums and costs). The Fouret analysis of movement of provisions for branch 21 is recognised under '5.4 Underwriting risk - analysis of movement of technical provisions'. The Life reinsurance provisions (after premium reserve) decreased by EUR 0.4 million and the profit sharing received (including profit sharing reserve) from Life reinsurance decreased by EUR 2.0 million.

39. Net other operating income

Net other operating income consists of the following elements:

	31/12/2021	31/12/2022
Other operating income		
Rental income from investment properties	0	0
Cost-sharing group companies	0	0
Agent recuperations	12,510,449	10,033,363
Other	5,531,558	5,527,277
Operating expenses		
Other	-4,054,055	-4,950,188
Total	**13,987,952**	**10,610,452**

The 'other' under other operating income includes recoveries of administrative costs (file costs) from customers and of rental costs and IT infrastructure cost from agents.

40. Administrative expenses

Staff expenses consist of the following components:

	31/12/2021	31/12/2022
Wages and salaries	73,550,364	80,166,500
Social security charges	18,346,668	19,564,954
Pension expenses	10,569,766	10,621,226
Share-based payments	0	0
Other	3,405,695	3,788,758
Staff expenses	**105,872,493**	**114,141,438**
Average number of employees in FTE	**1,044.8**	**1,025.5**

The increase in remuneration largely reflects the inflation cost on the remuneration. The Company is also making an active effort to reduce dependence on external consultants and to recruit staff.

The Company has mainly pension obligations based on defined contribution schemes. The contributions are paid by the employer only. In Belgium such group insurance schemes are required to provide a minimum return.

There are no ‘share-based payments’ at the Company.

Other administrative expenses can be specified as follows:

	31/12/2021	31/12/2022
Marketing expenses	6,001,225	7,743,744
Professional fees - ICT	46,756,225	55,942,267
Professional fees (including legal and fiscal)	21,681,138	30,544,856
IT expenses	66,631,617	70,589,953
Rental expenses	3,869,499	4,647,856
Other taxes and bank levies	99,413,833	102,784,717
Servicing charges	22,245,182	21,843,868
Utilities	8,293,414	8,079,131
Supervisor	8,083,145	9,560,096
Postage	3,409,271	3,368,312
Interim labour	2,315,454	2,037,017
Other	23,213,439	23,127,703
Other administrative expenses	**311,913,441**	**340,269,521**

The increase in general and administrative expenses is the result of investments in digitisation and projects to update the application and data infrastructure, but also of increased expenditure to comply with various statutory requirements and the 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 99.4 million to EUR 102.8 million.

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

41. Modification gains or losses

The measures taken by the Belgian government in 2020 and 2021 to support the economy consisted of a payment deferral which, under certain conditions, gave rise to a loss of interest (with a modification loss as a result). This mechanism expired at the end of 2021. The payment deferral mechanism developed by Febelfin in 2022 for the purposes of the energy crisis does not give rise to a revision loss because it does not involve any deferral of interest, but only of capital.

42. Impairments

The changes in impairments can be broken down as follows:

	31/12/2021	31/12/2022
Debt securities at fair value through other comprehensive income	3,616,776	-3,017,907
Debt securities at amortised cost	4,343,291	-5,130,498
Loans and advances at amortised cost	2,269,212	-14,259,123
Property, plant and equipment	0	0
Goodwill	0	0
Impairments	**10,229,279**	**-22,407,527**

The tables below show the composition and evolution of the impairments as of 31 December 2021 and 31 December 2022. The impairments on future obligations and guarantees given are explained in Notes 5.3 and 25.

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. This reversal was the result of the significant net impairment charge in financial year 2020, due in part to the unfavourable development of the 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 an expected recovery in this outlook.

For 2022, there is a net negative impact of EUR 22,407,527, of which EUR 8,148,405 for debt securities (EUR 3,017,907 for debt securities measured at fair value through other comprehensive income and EUR 5,130,498 for debt securities measured at amortised cost) and EUR 14,259,123 for loans and advances.

	01/01/2021	Changes of balance sheet impairments	31/12/2021	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 overdrafts	*-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**

	01/01/2022	Changes of balance sheet impairments	31/12/2022	Recoveries in profit or loss	Direct write offs	Total impairments in profit or loss
Debt securities at fair value through other comprehensive income	**-1,369,519**	**-3,017,906**	**-4,387,425**	**0**	**0**	**-3,017,906**
Stage 1	-1,244,761	-1,849,984	-3,094,745			-1,849,984
Stage 2	-124,758	-1,167,922	-1,292,680			-1,167,922
Stage 3	0	0	0	0	0	0
Debt securities at amortised cost	**-1,733,047**	**-5,130,497**	**-6,863,544**	**0**	**0**	**-5,130,497**
Stage 1	-1,553,019	-3,689,406	-5,242,425			-3,689,406
Stage 2	-180,028	-1,441,091	-1,621,119			-1,441,091
Stage 3	0	0	0	0	0	0
Loans and advances at amortised cost	**-34,250,846**	**-11,284,795**	**-45,535,642**	**1,300,769**	**-4,275,097**	**-14,259,123**
Stage 1	-2,772,217	-2,730,078	-5,502,295			-2,730,078
Stage 2	-6,608,873	-8,194,972	-14,803,845			-8,194,972
Stage 3	-24,869,756	-359,745	-25,229,502	1,300,769	-4,275,097	-3,334,073
of which consumer loans	-3,940,216	-975,006	-4,915,222	247,105	-583,598	-1,311,498
of which mortgage loans	-17,827,236	-748,014	-18,575,249	903,171	-738,268	-583,111
of which term loans	-227,798	-234,938	-462,736	0	0	-234,938
of which advances and overdrafts	-2,874,507	1,598,212	-1,276,295	150,493	-2,953,231	-1,204,526
Total	**-37,353,412**	**-19,433,198**	**-56,786,611**	**1,300,769**	**-4,275,097**	**-22,407,526**

The stage 3 impairments are the individual impairments that have been applied. The detailed change table for impairments at 31 December 2021 and 2022 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 three macroeconomic scenarios.

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 macroeconomic indicator changes have been made for calculating ECL as of 31 December 2022:

- Update of the forecast of the main forward-looking indicators causing credit losses in the retail and non-retail portfolios. The expectations differ by scenario: a mild recession, an energy shock or an external shock;
- Rebalancing of the probabilities of the scenarios to 50% mild recession, 40% energy shock (in 2021 25% on most similar scenario) and 10% external shock (in 2021 25%).

The table below shows the comparison of the main forward-looking indicators for the retail portfolio and the non-retail portfolio according to the different scenarios as of 31 December 2022 compared to 31 December 2021.

	31/12/2022				31/12/2021			
Mild recessive (2022) / Base (2021)	**2022E**	**2023E**	**2024E**	**>2024E**	**2021E**	**2022E**	**2023E**	**>2023E**
Retail								
Unemployment BE (%)	5.7	6.2	6.3	6.0	6.3	6.1	5.9	5.5
Unemployment NL (%)	3.6	4.2	4.0	3.3	3.3	3.4	3.5	3.3
House price index BE (%, JoJ)	3.2	0.0	1.3	2.0	6.0	2.0	1.6	1.6
House price index NL (%, JoJ)	13.9	-3.1	-3.3	2.0	15.0	11.3	5.0	1.4
Non-retail	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GDP Eurozone (%, JoJ)	3.4	0.5	1.9	1.8	5.1	4.2	2.9	1.2
Inflation Eurozone (%, JoJ)	8.4	6.3	3.4	2.3	2.6	3.2	1.8	1.8
Unemployment Eurozone (%)	6.7	6.9	6.8	6.6	7.7	7.3	6.9	6.5

	31/12/2022				31/12/2021			
Energy shock (2022) / Up (2021)	**2022E**	**2023E**	**2024E**	**>2024E**	**2021E**	**2022E**	**2023E**	**>2023E**
Retail								
Unemployment BE (%)	5.7	7.9	8.1	7.7	6.3	5.4	5.1	5.1
Unemployment NL (%)	3.6	4.3	4.6	4.6	3.3	3.2	3	2.9
House price index BE (%, JoJ)	3.2	-5.5	2.3	2	6	0	0	0
House price index NL (%, JoJ)	13.9	-14.5	2.3	2	15	0	0	0
Non-retail								
GDP Eurozone (%, JoJ)	3.4	-0.6	0.2	0.3	5.3	6.4	2.6	1.3
Inflation Eurozone (%, JoJ)	8.4	7.4	3.6	2.7	2.6	3.4	2.5	2.5
Unemployment Eurozone (%)	6.7	8.6	8.6	8.3	7.7	6.6	6.1	5.9

	31/12/2022				31/12/2021			
EExternal shock (2022) / Down (2021)	**2022E**	**2023E**	**2024E**	**>2024E**	**2021E**	**2022E**	**2023E**	**>2023E**
Retail								
Unemployment BE (%)	5.7	7.3	7.8	7.5	6.3	6.7	7.4	8.1
Unemployment NL (%)	3.6	5.2	5.7	5.4	3.3	3.7	4.6	5.1
House price index BE (%, JoJ)	3.2	1.4	1.1	1.1	6	-2	-2	-2
House price index NL (%, JoJ)	13.9	1.4	1.1	1.1	15	0	-3	-3
Non-retail								
GDP Eurozone (%, JoJ)	3.4	-1	-0.5	0	4.9	1.5	0.3	-1
Inflation Eurozone (%, JoJ)	8.4	1.8	1.5	1.5	2.6	3.1	1.1	-1
Unemployment Eurozone (%)	6.7	8.7	9.2	8.9	7.7	7.9	8.4	8.9

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 1.3 billion) amounted for the 2022 financial year to EUR -9.2 million.

The impairments are largely due on the one hand to the changes in the forward-looking indicators and the weighting of the scenarios by EUR -6.7 million and on the other the migrations between stages (to stage 2) by EUR -2.5 million. The remainder of the net impairments relates to portfolio evolutions.

The impact of net impairments on retail positions for mortgage loans and consumer loans for financial year 2022 amounts to EUR -13.2 million.

For the Dutch mortgage portfolio, stage 1 and 2 impairments increased by EUR 7.4 million. The main reasons for this increase are:

- A fall in house prices in the Netherlands in the second half of the year, linked to a more gloomy outlook regarding the future development of house prices.
- An adjustment of PD model parameters to take account of increased inflation.
- The allocation to stage 2 of loans that are sensitive to high energy prices, on the basis of a poor EPC and a high Loan-To-Income (LTI) ratio.
- And non-repaying loans with a high Loan-To-Income ratio.

With regard to the stage 3 impairments, these decreased by EUR +1.1 million for Dutch mortgages in the course of 2022. This decrease is mainly due to a limited inflow of new defaults in the course of 2022 compared to the outflow due to curing after positive probation assessments. EUR 0.1 million in loans in default were written off.

In the course of 2022, stage 1 and 2 impairments in the Belgian mortgage portfolio increased by EUR -1.6 million. The main reasons for this increase are:

- The inclusion of additional information from the CKP (Centre for Loans to Individuals), which may increase the chance of default.
- The allocation to stage 2 of loans that are sensitive to the high energy prices (poor EPC in combination with a high Debt Service to Income ratio).

The stage 3 impairments for the Belgian mortgage portfolio increased by EUR -2.4 million during 2022, as a result of:

- Increase of hard Unlikely-To-Pay criteria, including fraud.
- Increase due to assessments of loans for which an Early Warning was detected.
- New defaults due to arrears and pull-through effect are amply offset by outflow (curing and repayment).

In addition, EUR -0.5 million in loans in default were written off.

In the consumer loans portfolio, impairments increased by EUR -0.9 million and the stages 1 and 2 impairments by EUR 0.9 million because a greater number of borrowers fell into arrears on their payments. EUR -0.6 million in loans in default were written off.

In the course of 2022 EUR -3.0 million was written off for the current accounts (debit balances and overdrafts). The impairments, mainly from stage 3, in this portfolio amount to EUR +1.7 million (reversal).

In 2022 in total EUR +1.3 million in recoveries was received on files previously written off.

The combined impact of all management overlays increases the stock of stage 1 and 2 impairments by EUR 14.6 million compared to an increase of EUR 7.0 million in 2021.

These overlays consist of the following components.
For the Belgian portfolio:

- Additional allocation to stage 2 because of sensitivity level to high energy prices: impact EUR 0.3 million.
- Allocation to stage 2 of files that have an Early Warning through CKP notice, but have not yet been assessed individually: impact EUR <0.1 million.
- Increased LGD, given the models have not yet been focused on the new default definition. Backtests have shown that this increase is adequate: impact EUR 5.5 million.

For the Dutch portfolio:
- Additional allocation to stage 2 because of sensitivity to high energy prices: impact EUR 1.4 million.
- Allocation to stage 2 of non-repaying loans with high Loan-To-Value (LTV), because of the uncertainty or the value of the property on maturity will be sufficient to repay the capital: impact EUR 2.9 million.
- Allocation to stage 2 of non-repaying loans with high LTI, because of uncertainty around long-term repayment capacity: impact EUR 1.9 million.
- Increased LGD, given the models have not yet been focused on the new default definition. Backtests have shown that this increase is adequate: impact EUR 2.1 million.

The most important sensitivity of the stage 1 and 2 impairments for the retail portfolios concerns the HPI. If the house prices experience a 10% shock, the stage 1 and 2 provisions for the Belgian mortgage portfolio increase by EUR 1.5 million and for the Dutch mortgage portfolio by EUR 0.8 million.

The Belgian mortgage portfolio has little sensitivity to changing weights of the scenarios because of a higher prepayment rate in the severest (energy shock) scenario. In the Dutch mortgage portfolio the worst case, that is 100% weight on the energy shock scenario, leads to an increase in the provisions by EUR 4.2 million, mainly because of a growing risk of maturity of interest-only loans. The full weight on mild recession and energy shock leads to a fall by EUR 1.1 million and EUR 2.7 million respectively.

43. Tax expense

The details of current and deferred taxes are shown below:

	31/12/2021	31/12/2022
Current taxes		
Current tax expenses for the financial year	82,524,937	72,624,785
Current tax expenses for prior periods	-1,124,959	-741,598
Deferred taxes		
Deferred taxes relating to fiscal losses and DRD	0	-9,166,162
Deferred taxes for prior periods	0	-242,761
Deferred taxes relating to accounting timing differences	14,308,462	6,541,610
Total taxes	**95,708,441**	**69,015,874**
Reconciliation of statutory and effective tax rate		
Profit or loss before tax	363,911,048	307,425,120
Statutory tax rate	25.00%	25.00%
Income tax calculated using statutory rate	90,977,762	76,856,280
Tax effect of different tax rates in other jurisdictions	-24,500	1,195,464
Impairment fiscal deferred taxes	6,333,662	-12,879,579
Tax effect of non-taxable income	-3,660,997	-3,009,376
Tax effect of non-tax-deductible expenses	3,256,839	7,156,713
Tax benefit not previously recognised	0	0
Prior period taxation	-1,124,959	-984,359
Tax impact of change of tax rate	0	417,005
Other differences in statutory taxation	-49,367	263,725
Total income tax expense	**95,708,441**	**69,015,874**
Effective tax rate	26.30%	22.45%

As reflected in the table above, the effective tax rate was 26.30% in 2021 and 22.45% in 2022. This compares with the statutory tax rate of 25.00% in Belgium.

Leaving aside the counter-booking of the impairment on the previously unrecognised EUR 13.3 million write-off of deferred taxes, the effective tax rate amounts to 26.78% in 2022.

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 five years. The mechanism as in the filed application has been applied in preparing the balance sheet and results from 2020.

In 2022 the impairments recorded on transferred losses and tax deductions of EUR 13.3 million were counter-booked in view of the positive evolution in the expected profitability as the consequence of the rising interest rate curves and following on from the chosen strategic positioning.

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.

The 'differences due to expenses that are non-tax-deductible' relate to the effects of permanent differences, for which no deferred taxes are recorded. They mainly relate to the effect of realised capital losses on equity instruments measured at fair value through profit or loss and disallowed expenses. The increase in this item is the result of the loss on the Aras equity portfolio in 2022 which is exempt from taxes.

On 22 December 2021 the European Commission published a directive to guarantee a global minimum level of taxation of multinational Groups and sizable domestic Groups in the Union (Pillar 2). The member states must then transpose the directive into their national law. The directive leaves a number of draft decisions in this regard to national lawmakers. The Belgian government has announced its plan to transpose the minimum tax into Belgian law.

Today the Company has an effective tax rate higher than 15% in all the jurisdictions in which it is present. The Company also expects to fall under the safe harbour transitional measures provided. In accordance with the exposure draft international tax reform – pillar 2 published by the IASB in January 2023, the Company expects to take advantage of the temporary exception to process deferred taxes associated with the implementation of the directive.

Other notes

44. Encumbered assets

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

Institutions are required, on an advancing basis, to disclose basic information about the previous twelve months based on median values of at least quarterly data. Below is an overview of the encumbered assets at the Company as reported as of 31 December 2021 and 2022, together with the average for 2022.

	31/12/2021 Notional value	31/12/2021 Fair value	31/12/2022 Notional value	31/12/2022 Fair value	Average 2022 Notional value	Average 2022 Fair value
Securities Collateral						
Collateral for derivatives (caps en swaps)	338,466,000	367,615,765	449,000,000	433,488,478	347,187,500	355,243,267
Collateral for Bank Card Company	50,800,000	52,968,689	67,450,000	61,507,945	59,233,333	57,732,607
Collateral for TLTRO	261,130,000	269,542,109	0	0	270,930,000	264,255,640
Collateral for covered bond	3,000,000	3,195,025	26,000,000	23,854,174	11,083,333	10,612,733
Collateral for Target2-platform	50,000,000	50,086,450	50,000,000	49,110,542	50,000,000	47,928,769
Collateral for unused credit line	250,963,000	255,091,614	312,193,000	279,506,643	269,318,000	259,281,719
Total collateral given	**954,359,000**	**998,499,651**	**904,643,000**	**847,467,781**	**1,007,752,166**	**995,054,734**
Loans and advances						
Collateral for covered bond	1,238,209,581		2,435,553,147		1,995,075,083	
Cash Collateral						
Paid cash (derivatives)		375,244,974		56,522,000		80,993,122
Cash received (derivatives)		45,011,000		1,955,801,057		1,061,820,278
Net cash (derivatives)		**330,233,974**		**-1,899,279,057**		**-980,827,156**

At the end of 2022, a nominal 449.0 million was encumbered in respect of derivatives, 67.5 million in connection with the use of credit cards by the Company's customers and EUR 26.0 million in respect of the Covered bond issues.

In addition, EUR 56.5 million of cash was paid and EUR 1,955.8 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 312.2 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.

45. Securitisation policy

The operational framework and the policies for undertaking securitisation transactions were elaborated in mid-2007. Securitisation transactions were carried out in 2017, 2018, 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 're-securitisation' positions in its possession.

Per type	Country	Carrying amount 31/12/2021	Carrying amount 31/12/2022
MBS	Spain	9,734,229	6,977,539
MBS	France	4,144,093	531,551
MBS	Ireland	3,198,938	0
MBS	The Netherlands	506,726,974	394,909,561
ABS	Belgium	40,975,249	37,511,830
ABS	Germany	41,661,228	23,794,068
ABS	France	46,491,054	40,481,114
ABS	Ireland	25,388,282	62,076,036
ABS	Luxembourg	67,094,806	76,458,487
ABS	The Netherlands	18,301,476	11,155,596
Total securisation positions		**763,716,329**	**653,895,782**

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

46. Off-balance sheet liabilities

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

	31/12/2021	31/12/2022
Collateral received	45,144,802,633	50,225,653,724

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.

	31/12/2021	31/12/2022
Financial guarantees issued	4,734,270	4,458,272
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.

	31/12/2021	31/12/2022
Credit lines granted	3,263,454,487	2,259,399,068
Credit lines received	230,325,000	259,000,000

The Bank Pool has a EUR 259 million credit line with the NBB. The decrease in credit lines granted and loans in application is volume driven. These are mainly loan applications in the process of approval for the purposes of mortgage lending.

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.

	31/12/2021	31/12/2022
Assets under custody	15,390,651,557	14,217,652,991
asset management	13,661,229,421	12,968,828,995
distributed but not managed	1,729,422,136	1,248,823,996

47. 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 25. Provisions

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

48. Events after the balance sheet date

Circumstances that could significantly influence the development of Argenta

Early 2023 two credit institutions in the United States, notably Silicon Valley Bank and Signature Bank, were confronted with (liquidity) problems. Both institutions have subsequently gone into bankruptcy during March 2023. In the meantime the U.S. Central Bank (Federal Reserve) has intervened and promised additional protection to the depositors concerned. These events created turmoil among investors and in the financial markets. Subsequently, the U.S. based First Republic Bank also ran into trouble, and a consortium of 11 U.S. banks, backed by the U.S. government and Central Bank, proceeded to inject USD 30 billion of liquidity into First Republic Bank, which should enable the bank to cope with liquidity problems for the time being. In Europe, Credit Suisse came under the attention because of the negative evolution of its financial condition, and sparked by the notification that material weaknesses had been identified in its financial reporting. On 20 March 2023, it was announced that Credit Suisse would be acquired by UBS, a deal brokered under the direction of the Swiss government and regulator, in an effort to try to contain this crisis and restore confidence. Swiss regulator FINMA hereby announced that Credit Suisse's additional Tier 1 bonds, during this operation, will be written down to zero. That write-down has a significant impact on bond markets, as several European funds have exposure to this type of subordinated debt. It also creates potential uncertainty and pressure on the future marketability and funding cost of these type of securities. Meanwhile, several Central Banks have provided additional liquidity and borrowing support for banks as a precautionary measure.

At the date of drafting this annual report, the immediately measurable financial impact of this crisis is limited for Argenta, as Argenta has no direct exposures to the four institutions concerned. The consequences of the above events and further developments and impact on other institutions or evolutions in the financial markets and the economic outlook are yet unknown at present. Argenta continues to monitor events closely and will take the necessary measures at the appropriate time and also take them into consideration when determining Argenta's financial position.

Since the end of the financial year, to the best of the Board of Directors' knowledge, no other significant events have occurred in relation to the Company and its individual subsidiaries.

In other words, no material events have occurred after the balance sheet date that would require an adjustment to the Company's consolidated financial statements as at 31 December 2022.

Approval for publication

On 28 March 2023, the Board of Directors reviewed the financial statements and gave its approval for their publication. The financial statements will be presented to the General Meeting of Shareholders on 28 April 2023.

49. Additional Information

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

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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 Ombudsfin, 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 Committee
ALM	Asset Liability Management
Aras	Argenta Assuranties nv
Aspa	Argenta Spaarbank nv
BM	Business Model
BVg	Argenta Bank- en Verzekeringsgroep nv
CBFA	Commissie Bank-, Financie- en Assurantiewezen (Bank, Finance and Insurance Commission)
CBHK	Centraal Bureau voor Hypothecaire Kredieten
CCO	Chief Commercial Officer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFH	Cash Flow Hedge
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
COO	Chief Operating Officer
COREP	Common Reporting
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRA	Credit Risk Analysis
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulations
CVA	Credit Valuation Adjustment
DC	Danish Compromise
DCF	Discounted Cash Flow method
DTA	Deferred tax assets
DTI	Debt Service To Income
DVA	Debit Valuation Adjustment
EAD	Exposures At Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses

ELBE	Expected Loss Best Estimate
EMIR	European Market Infrastructure Regulation
EONIA	Euro OverNight Index Average
EPC	Energy Performance Certificate
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	Investment Consultation
IPT	Individual Pension Commitment
IRB	Internal Ratings Based (AIRB advanced, FIRB foundation)
IRS	Interest Rate Swap
JST	Joint Supervisory Team
Kreco	Credit Risk Committee - retail
KRI	Key Risk Indicator
KRS	Branch Risk Score
LAT	Liability Adequacy Test
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LRE	Leverage Ratio Exposure
LTI	Loan To Income
LTRO	Long Term Refinancing Operation
MBS	Mortgage Backed Securities
MCR	Minimum Capital Requirements
MREL	Minimum Requirement on own funds & Eligible Liabilities
NHG	National Mortgage Guarantee (Netherlands)
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income (or Other Elements of Comprehensive Income or Unrealised Income)
OLO	Obligation Linéaire/Lineaire Obligatie/Linear Bond
ORSA	Own Risk & Solvency Assessment
OTC	Over The Counter

PD	Probability of Default
PIT	Point In Time
Prico	Pricing Committee
Proco	Product Committee
RA(S)CI	Responsible Accountable (Supportive) Consulted Informed
RAF	Risk Appetite Framework
RMBS	Residential Mortgage Backed Security
RO	Rating Consultation
ROE	Return On Equity
ROI	Return On Investment
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review & Evaluation Process
TC	Total Capital
TIM	Treasury & Investment Management
TIS	Treasury and Investment Service
TLTRO	Targeted Longer-Term Refinancing Operations
TREA	Total Risk Exposure Amount
TTC	Through the Cycle
VRC	Insurance Risk Committee
(WAP/LPS)	Supplementary Pensions Act
WVV	Belgian Code on Companies and Associations

Statutory auditor's report to the general meeting of Argenta Bank- en Verzekeringsgroep NV on the consolidated financial statements as of and for the year ended 31 December 2022

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

In the context of the statutory audit of the consolidated financial statements of Argenta Bank- en Verzekeringsgroep NV ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2022, 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. We have performed the statutory audit of the consolidated financial statements of the Group for 2 consecutive financial years.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2022, prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet statement (before profit distribution) as at 31 December 2022, 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 (before profit distribution) amounts to EUR 59.528.076.696 and the consolidated statement of profit or loss shows a profit for the year of EUR 238.409.246.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

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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 financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements 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.

Board of directors' responsibilities for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRS Standards as issued by the International Accounting Standards Board and 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters 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 financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements 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 financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from 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 the board of directors;
- Conclude on the appropriateness of the 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 financial statements and the statement of the non-financial information, prepared on a voluntary basis, and attached to the board of directors' annual report on the consolidated financial statements.

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 financial statements 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 financial statements

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements 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 financial statements, 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 financial statements 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 financial statements.

Zaventem, 13 April 2023

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

Kenneth Vermeire
Bedrijfsrevisor / Réviseur d'Entreprises