Argenta Bank- en Verzekeringsgroep nv*

Pillar 3 disclosures

Capital adequacy & risk report

2024

argenta.be

* BVg conso CRR scope

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1. Introduction

Pursuant to the Capital Requirement Regulation (CRR) and the Capital Requirement Directive (CRD) of the European Union (EU), this report is published on an annual basis. It contains all the information that is relevant for assessing the risk profile and capital adequacy of Argenta Bank- en Verzekeringsgroep nv, or BVg for short (hereinafter the "Company"). The report is prepared annually, following a pre-defined method, and validated by management.

It provides insight into aspects like the capital position, the size and composition of the capital and its relationship to, inter alia, credit, market, settlement and operational risk, expressed in risk-weighted exposure amounts.

The Pillar 3 report contains information on all subjects included in the directives and implementing regulations, insofar as they apply to BVg:

- Part eight of CRR (Disclosure by institutions – better known as Pillar 3 disclosures, see section 1.3 for detailed index) (EBA/ITS/2020/04);
- Disclosure of transitional provisions for mitigating the impact of IFRS 9 (EBA/GL/2018/01), including guidelines to amend EBA/GL/2018/01 to ensure compliance with the CRR "quick fix" (EBA/GL/2020/12);
- Disclosure requirements in compliance with CRR "quick fix" (EBA/GL/ 2020/11);
- Disclosure of interest rate risks for positions not included in the trading book (EBA/ITS/2021/07);
- Disclosure of ESG (environmental, social and governance) risks in accordance with Article 449a of the CRR regulation (EBA/ITS/2022/01).

Argenta Group had initially decided not to use the transitional arrangements to limit the impact of the introduction of IFRS 9 on the own funds. Consequently, the full impact of IFRS 9 on equity, capital and leverage ratios had been reflected from 1 January 2018.

In 2020, regulators and governments enabled credit institutions to make renewed use of the IFRS 9 transitional measures in order to limit the impact on the expected credit losses, and to recognise these in equity in a phased manner. The Argenta Group has received official approval from the ECB to apply these measures from 30 June 2020. From 2023 onwards, Argenta will use only the "new" dynamic component.

The new dynamic component relates to the transitional period from 31 December 2019 and will be added to the Common Equity Tier 1 capital in an amount of EUR 126,936.

Only relevant fields and fields with values are shown in these disclosures, as well as in the tables appended to this report. Taking into account the fact that the European Banking Authority (EBA) encourages financial institutions to publish the tables and templates in an editable format, the Company has opted to publish the relevant tables and templates in a separate Excel appendix to these Pillar 3 disclosures.

The information in these Pillar 3 disclosures is consistent with, and partially overlaps, that given in the "Integrated annual reports" (BVg and its subsidiary Argenta Spaarbank). Consequently, these disclosures should be viewed in conjunction with, inter alia, chapter 8.9 "Discussion of the consolidated financial statements – Note 4. Risk management" in the "Integrated annual reports".

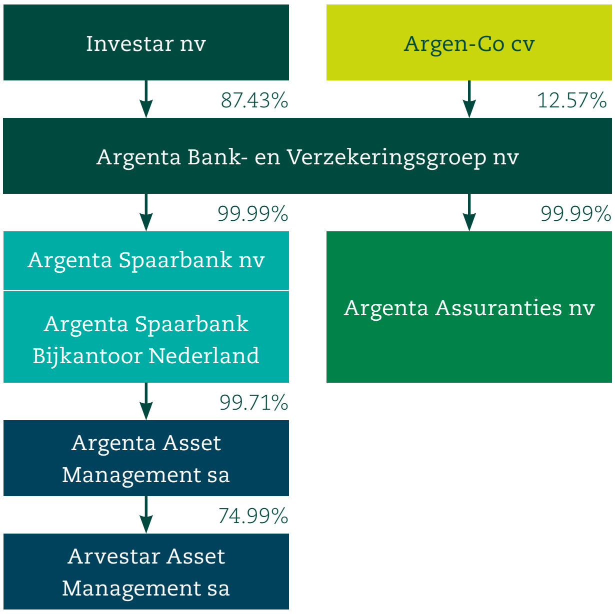
1.1. Argenta Bank- en Verzekeringsgroep – Profile

The Company is registered in Belgium under Belgian law. Its legal form is that of a public limited liability company *(naamloze vennootschap)*. The Company has been established for an unlimited duration. 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, indent 39 of the Banking Act.

The Company consolidates and jointly manages the subsidiaries Argenta Spaarbank (Aspa) and Argenta Assuranties (Aras). Aspa, together with its branch office in the Netherlands and the management subsidiaries Argenta Asset Management (AAM) and Arvestar Asset Management (Arvestar), forms the Bank Pool. The Bank Pool, the insurer Aras and BVg are collectively referred to as the Argenta Group.

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



The Company is the holding company of the Argenta Group. Its activities encompass Internal Audit, Compliance, Risk & Validation, Non-Financial Risk Management & Supervisory Office, Legal Affairs, Organisation & Talent and Secretariat-General. These activities are organised centrally for all Argenta Group companies.

The Company is subject to the CRR and CRD legislation, and the insurer Aras is subject to the Solvency legislation. Given the dissimilarities between these two sets of "capital" legislation, CRR consolidation is carried out for reporting at the consolidated BVg level. This is a consolidation excluding the insurance company (i.e. a consolidation of the Bank Pool with BVg on an unconsolidated basis).

An important element at the BVg CRR consolidation level is the application of the Danish Compromise (DC). This is a methodology which, 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. The participation value, as additional exposure, needs to be weighted at 370%. From the application of CRR3 (from 1 January 2025), this weighting falls to 250%.

In 2021, Argenta received a derogation, allowing it to apply the historical cost method (instead of the equity method) for the measurement of the insurance participation in the CRR consolidation.

As a financial conglomerate with significant banking and insurance activities, the Company must, in addition to CRR and CRD legislation, also comply with the FICOD regulations (Financial Conglomerate Directive, Directive 2002/87/EC and Regulation 2022/2454). This imposes additional reporting requirements on the Company regarding capital adequacy with respect to the consolidated position (based on a consolidation including the insurer).

1.2. Scope of application

Any financial institution subject to the capital regulations must, under the applicable legislative framework, make certain defined disclosures about its risk and equity position.

The present document publishes the required disclosures on the Company's consolidated financial position. The document is published in full each year on the Argenta Group website (www.argenta.eu).

The disclosures in the present document relate to the Company and its subsidiaries. The consolidation scope is defined according to the International Financial Reporting Standards (IFRS).

The IFRS consolidation scope and the CRR consolidation scope (scope according to the CRR guidelines) differ at the Company. The differences between the accounting and regulatory scope of consolidation can be seen from tables **LI1** and **LI2** (in the Excel appendix), and are explained by the fact that the subsidiary Aras is not included in the CRR scope of consolidation. A detailed reconciliation between the accounting equity according to the CRR scope compared to the IFRS scope is included in table 3 (see section 3.1).

For an overview of the entities included in the consolidation, we refer to table **LI3** in the appendix.

Aspa has the status of a Belgian credit institution, with the legal form of a public limited company which has made a public call for savings. Aspa mainly focuses on attracting funds in the retail market and the institutional market in a variety of forms, offering payment transactions and reinvesting the collected funds in loans and securities. In addition, units are also offered in Argenta Fund and Portfolio funds, pension funds and mirror funds based on them, managed by AAM and Arvestar.

The Luxembourg company AAM and the Belgian company Arvestar act as fund managers and administrative agents of Argenta funds. As such they have the status of fund manager.

Although there is no capital link with the Company, the Green Apple SPVs are consolidated in accordance with the IFRS consolidation principles for structured undertakings. In this way, the loans transferred return to the balance sheet of the Bank Pool.

Further information on these SPVs can be found in Chapter 15, “Exposures to securitisation positions”.

The Argenta Group has a 27.46% stake in European Investment Company (EPICo), a Benelux infrastructure fund. A significant portion of these shares are held by Aras. EPICo is valued using the equity method under the IFRS scope of consolidation and at fair value through other comprehensive income under the CRR scope of consolidation.

Aspa also has a 20% non-consolidated participation in Jofico cv, a joint venture between Aspa, the former Axa Bank, Crelan, VDK Bank and Bpost that jointly manages the ATMs of these institutions. Jofico is valued according to the equity method.

There is, outside the legal restrictions, no other current or foreseen material, practical or legal impediment to the transfer of own funds or repayment of liabilities among the Company and its subsidiaries.

The Company has no subsidiaries that are not included in the CRR consolidation scope.

1.3. Applied approach and key figures Pillar 1

Guidelines exist for calculating the Pillar 1 capital which a (credit) institution is required by the regulators to maintain for, inter alia, credit, market, settlement and operational risks. These requirements can be calculated using different approaches.

The Company applies the internal rating approach for determining exposures to credit risk on “retail secured by immovable property”, and on financial institutions and corporations. Since 2018, following ECB approval, the standardised approach has been applied to the ex-CBHK retail credit portfolio. For all other exposures to credit risk and other risks, it applies the standardised approach, with the exception of securitisations, which are accounted for in accordance with the SEC-ERBA (Securitisation – External Ratings Based Approach) method.

Table **KM1**, also included in the appendix, gives an overview of the relevant figures and ratios for the Company at year-end.

Table 1: Relevant figures and ratios

		RAF standard	31/12/2023	31/12/2024
Available own funds				
1	Common Equity Tier 1 (CET1) capital		2,860,248,081	3,075,033,428
2	Tier 1 capital (T1)		2,860,248,081	3,075,033,428
3	Total capital		2,860,248,081	3,075,033,428
Risk-weighted exposure amount				
4	Total risk-weighted exposure amount		12,765,911,166	10,700,449,394
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	16%	22.41%	28.74%
6	Tier 1 capital ratio (%)		22.41%	28.74%
7	Total capital ratio (%)	18%	22.41%	28.74%
Combined buffer requirements (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)		2.50%	2.50%
EU 8a	Conservation buffer due to macroprudential or systemic risk identified at the level of a member state (%)		0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)		0.44%	1.45%
EU 9a	Systemic risk buffer (%)		1.07%	0.89%
10	Global Systemically Important Institution buffer (%)		0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)		0.75%	0.75%
11	Combined buffer requirement (%)		4.76%	5.59%
EU 11a	Overall capital requirements (%)		14.27%	15.09%
12	CET1 available after meeting the total SREP own funds requirements (%)		12.91%	19.24%
Leverage ratio				
13	Total exposure measure		55,276,694,104	57,259,265,542
14	Leverage ratio (%)	4%	5.17%	5.37%
Liquidity Coverage Ratio (LCR) (based on average of last 12 months)				
15	Total high-quality liquid assets (HQLA) (weighted value – average)		7,214,455,389	7,408,731,736
EU 16a	Cash outflows – total weighted value		3,829,814,845	3,796,923,881
EU 16b	Cash inflows – total weighted value		348,372,686	353,172,989
16	Total net cash outflows (adjusted value)		3,481,442,158	3,443,750,891
17	Liquidity coverage ratio (%)	125%	199.66%	207.88%
Net Stable Funding Ratio (NSFR)				
18	Total available stable funding		48,072,411,858	51,000,407,339
19	Total required stable funding		34,150,070,260	35,035,254,036
20	NSFR ratio (%)	120%	140.77%	145.57%

The Bank Pool's liquidity risk appetite is also monitored on the basis of the LCR and NSFR. The LCR compares the liquidity buffer against a predefined outflow of financial liabilities over a 30-day period. The NSFR compares available liquidity against the liquidity required over a period of at least one year. A detailed description of the liquidity risk can be found in Chapter 17, "Capital and liquidity management". Tables **LIQ1** and **LIQ2** for the disclosure of the liquidity coverage ratio and net stable funding ratio are included in the appendix.

The above table includes the internally established Risk Appetite Framework (RAF) standards that Company management has set for the ratios in question. These standards for leverage and liquidity ratios are set at the level of subsidiary Aspa.

1.4. Detailed index with Pillar 3 references

The Pillar 3 disclosures are described in part eight of the CRR. The table below gives an insight into the disclosure requirements and indicates where the information can be found in the "Integrated annual reports" and/or Pillar 3 disclosures.

Table 2: CRR-related articles and references in the annual reports

CRR article	Pillar 3 disclosure requirements	Reference in the annual reports and/or the Pillar 3 report
435	Risk management objectives and policies	Chapter 4.1. Risk policy and Chapter 8.9. Discussion of the consolidated financial statements – Note 4. Risk management in the "Integrated annual reports"
	Statement on adequacy of risk management arrangements	2. Risk management
	Governance, directors' mandates, remuneration etc. (Art. 435.2)	18. Remuneration policy, diversity and integrity (Pillar 3) and Chapter 5. Governance in the "Integrated annual reports"
	Art. 435.2 (e) information flow on risks to management bodies	Reference is made to the governance memorandum on the website www.argenta.be – about Argenta – management – governance memorandum
436	Scope of application	1.2. Scope of application
437	Own funds	3. Own funds
	437 (f) capital ratios based on the CRR guidelines	All disclosed capital ratios are based on the CRR principles
438	Own funds requirements and risk weighted exposure amounts	4. Capital requirements and 17. Capital and liquidity management
439	Exposure to counterparty credit risk	5. Exposure to credit risk
440	Countercyclical capital buffers	4.1. Capital requirements
441	Indicators of global systemic importance	Not listed because the Argenta Group is not classified as an institution with global systemic importance (see Chapter 4.1)
442	Credit risk and dilution risk	5. Exposure to credit risk and 8. Credit risk adjustments (Pillar 3) and Chapter 8.9. Discussion of the consolidated financial statements – Note 4.1.3. Credit risk from the "Integrated annual reports"
443	Encumbered and unencumbered assets	9. Encumbered and unencumbered assets
444	Use of ECAIs	10. Use of ratings from external credit assessment institutions (ECAIs)
445	Exposure to market risk	11. Exposure to market risk
446	Operational risk management	12. Exposure to operational risk and other non-financial risks
447	Key metrics	1.3. Applied approach and key figures Pillar 1

CRR article	Pillar 3 disclosure requirements	Reference in the annual reports and/or the Pillar 3 report
448	Exposure to interest rate risk on positions not included in the trading book	14. Exposure to interest rate and spread widening risk (Pillar 3) and Chapter 8.9. Discussion of the consolidated financial statements – Note 4.1.1. Market risk from the “Integrated annual reports”
449	Exposures to securitisation positions	15. Exposures to securitisation positions
449a	Environmental, social and governance risks (ESG risks)	19. Sustainability (Pillar 3) and Chapter 6. Sustainability statements in the “Integrated annual reports”
450	Remuneration policy	18. Remuneration policy, diversity and integrity
451	Leverage	16. Leverage
451a	Liquidity requirements	17. Capital and liquidity management (Pillar 3) and Chapter 8.9. Discussion of the consolidated financial statements – Note 4.1.2. Liquidity risk in the “Integrated annual reports”
452	Use of the IRB approach to credit risk	7. Use of the IRB approach
453	Application of credit risk mitigation techniques	5.3. Credit risk mitigation
454	Use of the Advanced Measurement Approaches to operational risk	12. Exposure to operational risk and other non-financial risks
455	Use of internal market risk models	11. Exposure to market risk (Pillar 3) and Chapter 8.9. Discussion of the consolidated financial statements – Note 4.1.1. Market risk in the “Integrated annual reports”

2. Risk management

Professional, comprehensive risk management is an essential prerequisite for achieving sustainable growth. The Argenta Group recognises this and considers risk management as one of its core activities.

The risk management framework is managed dynamically and adapted and updated in response to new regulations, daily experience and changes in the Argenta Group's activities. 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, supervisory authorities and rating agencies, as well as directors, management and employees.

The strategy and long-term policy of all entities within the Argenta Group are determined by the Executive Committee and the Board of Directors of the Company. The two main subsidiaries, Aspa and Aras, are responsible for operational management within their own areas of competence as established in the Memorandum of Internal Governance.

The executive committees of the Company, Aspa and Aras are integrated, with a number of members in common: the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO). The Chief Officer (CO) Retail, the Chief Officer (CO) Affluent & Business and the Chief Information Officer (CIO) work for both Aspa and Aras, but not for BVg.

This unity of management highlights the importance of a commercial, risk and financial strategy, with an emphasis on the long-term relationship with both customers and the self-employed branch managers.

In order to strengthen the effectiveness of the supervision by the Board of Directors of control of the activities and the risk profile of the Argenta Group, five specialised committees have been set up within the Board of Directors, namely:

- Audit Committee (at Aspa and Aras level);
- Risk Committee (at Aspa and Aras level);
- Remuneration Committee (at BVg level);
- Appointments Committee (at BVg level);
- Group Supervisory Committee (at BVg level).

For each committee, the Board of Directors has established a charter, setting out in detail its roles and tasks, composition and operation.

In summary, the specialised committees have the following responsibilities:

- Audit Committee:
  - The Audit Committee supports the Board of Directors in fulfilling its duty of oversight of the financial reporting process, the internal control system, the audit process and the process for monitoring compliance with legislation and regulations.
- Risk Committee:
  - 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.
- Remuneration Committee and Appointments Committee:
  - For the tasks and responsibilities of these two committees, we refer to Chapter 18, "Remuneration policy, diversity and integrity".
- Group Supervisory Committee:
  - 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 between the Group entities, the Group Supervisory Committee is responsible for the supervision of:
    - Dividend allocation amongst the Group entities, including capital adequacy;
    - Intragroup transactions (including the credit transfers);
    - Intragroup service agreements (SLAs – service level agreements) and their follow-up;
    - Possible conflicts of interest regarding the activities of the different legal Argenta entities.

The Company has formalised the risk appetite in the overarching Integrated Risk Management policy. Specific 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.

All significant risks to which the Company is exposed are included in the risk mapping and tested against the risk appetite using risk profiles (which together form the Risk Appetite Framework (RAF)).

The RAF is an important part of management and provides a connection between business strategies (commercial, operational 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 (RAF limits and RAF 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 further developed in the operational policies/standards that include a broad set of operational limits/flashing lights;
- Initiates actions in the event of differing measurements.

The risk profile of the Bank Pool and the Insurance Pool is mapped out at the end of every period (quarter/year). A number of RAF indicators also apply at the 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.

In addition, a proactive RAF (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.

A direct link exists between the RAF risk indicators and the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Own Risk & Solvency Assessment (ORSA) for the Insurance Pool. There is also a direct link between these risk indicators and policy documents through further translation into operational limits, operational flashing lights and early warning indicators. This results in the daily embedding of risk awareness in first line management and in better and more efficient risk management processes.

The way in which the information on the risks is reported to the competent management bodies is described in detail in the Governance Memorandum. The latest version of this document can be found on the Argenta website (see www.argenta.be).

Declaration on the adequacy of risk management (pursuant to Article 435 CRR)

Chapter 4.1. "Risk policy" and 8.9. "Discussion of the consolidated financial statements – Note 4. Risk management" (which are to be found in the BVg Integrated annual report on the Argenta website www.argenta.be) give a detailed description of the risks at Argenta Group and of the risk management framework (risk management objectives and policy).

The Company's risk management policy and attendant organisational structuring are designed to ensure that the known risks are always properly identified, analysed, measured, monitored and managed. The "Integrated Risk Management" policy applies in an overarching manner.

The Company's risk mapping makes a distinction here between, among other things, financial risks and non-financial risks. The 8 financial risk types are subdivided into the following categories/risks: market risk, credit risk, liquidity risk (including funding risk), business risk, capital risk, underwriting risk (for insurance only), 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 (resilience risk), brand & sustainability risk, IT risk, process risk and compliance risk.

The risk management framework and control systems are based on a risk identification process via the risk mapping, with measurement via the aforementioned RAF, in combination with prevention and control measures. This provides a reasonable degree of certainty that the financial reporting does not contain material misstatements and that the internal risk management and control systems worked well during the 2024 financial year.

However, the internal risk management framework and control systems cannot offer absolute certainty. Inherently, cost/benefit considerations are always taken into account when accepting risks and taking management measures. The Executive Committee is continuously striving to further improve and optimise the Company's risk management.

The risk management function has prepared an internal control annual report for 2024, an activity report for 2024 with action plan for 2025 and an RAF report for 2024 for the Board of Directors' Risk Committee. These documents came to the conclusion that, with respect to the financial risks, the financial result was achieved within Argenta's appetite for financial risk for 2024 and within the legal requirements imposed on the risk management function.

It also highlighted a continued focus in 2024 – from the annual hot spot risk exercise by the Risk Committee – on both financial risks (focusing on market risk, business risk and climate & sustainability (ESG) risk) and non-financial risks (focusing on data management risk, information security & cyber risk, sourcing risk, strategic & change risk and brand & sustainability risk (reporting)).

The climate action plan relating to climate & sustainability risk was further developed and a detailed explanation is provided in the "Integrated annual reports" under chapter 6. "Sustainability statements".

As required in Article 435 of the CRR, we declare that we have, in our view, taken the risk management measures that are necessary and appropriate for the Company's profile and strategy.

For the Executive Committee.

Christian Lambrechts (deputy CFO)
Gert Wauters (CRO)

3. Own funds

3.1. Accounting equity and calculation of prudential own funds

Equity as reported in the Integrated annual report of the Company is determined on the basis of the IFRS standards. Table 3 below reconciles IFRS scope with CRR scope equity. Table 4 reconciles the IFRS accounting equity and the prudential Common Equity Tier 1.

Table 3: Reconciliation of IFRS scope versus CRR scope equity

Components	CRR scope	IFRS scope	Difference
Paid-up capital	742,203,200	742,203,200	0
Share premium	527,628,146	527,628,146	0
Fair value changes of equity instruments measured at fair value through other comprehensive income	-5,350,857	-48,727	-5,302,130
Fair value changes of debt securities measured at fair value through other comprehensive income	-9,388,258	-17,976,932	8,588,674
Actuarial gains or losses on defined benefit pension plans	-8,670,353	-9,119,198	448,845
Reserve for (re)insurances	0	202,911,217	-202,911,217
Reserves (including retained earnings)	1,765,738,550	2,125,179,610	-359,441,060
Profit of the current year	298,959,470	326,890,305	-27,930,835
Total equity attributable to shareholders	3,311,119,898	3,897,667,621	-586,547,723
Non-controlling interests	355,761	356,252	-491
Total equity and non-controlling interest	**3,311,475,660**	**3,898,023,873**	**-586,548,213**

The difference between the CRR scope and IFRS scope is explained by the elimination of the items related to the subsidiary Aras.

Table 4: Reconciliation of accounting equity versus Tier 1 equity

Components	31/12/2023	31/12/2024
Paid-up capital	729,814,600	742,203,200
Share premium	485,044,811	527,628,146
Fair value changes of debt securities measured at fair value through other comprehensive income	-25,325,964	-9,388,258
Actuarial gains or losses on defined benefit pension plans	-5,930,778	-8,670,353
Fair value changes of equity instruments measured at fair value through other comprehensive income	-4,143,172	-5,350,857
Reserves (including retained earnings)	1,615,394,470	1,765,738,550
Profit of the current year	281,310,543	298,959,470
Interim dividend	-24,083,882	0
Total equity attributable to shareholders	3,052,080,629	3,311,119,898
Non-controlling interests	306,446	355,761
Total equity and non-controlling interest – CRR scope	**3,052,387,075**	**3,311,475,660**
Adjustments		
(-) Inapplicable part of interim or year-end results	-38,141,683	-62,539,202
Non-controlling interests	-306,446	-355,761
Common Equity Tier 1 before the application of prudential filters	**3,013,938,945**	**3,248,580,696**
Fully paid-up capital instruments	729,814,600	742,203,200
Share premium	485,044,811	527,628,146
Retained earnings	1,834,479,448	2,002,158,818
Cumulative unrealised results	-35,399,914	-23,409,467

Components	31/12/2023	31/12/2024
Common Equity Tier 1 before the application of prudential filters	**3,013,938,945**	**3,248,580,697**
Prudential filters		
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-28,065,732	-25,527,822
(-) Value adjustments due to requirements for prudential valuation	-3,135,498	-2,575,719
(-) Other intangible assets and goodwill	-107,758,400	-107,041,731
(-) For IRB, negative difference between credit risk adjustments and expected loss items	-1,733,336	-34,937,258
(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-4,931,055	0
Transitional measures for IFRS 9 (expected credit losses)	688,411	162,936
Deduction relating to prudential provisions for non-performing exposures	-8,326,561	-3,223,061
Insufficient coverage for non-performing exposures	-428,694	-404,614
Common Equity Tier 1	**2,860,248,081**	**3,075,033,428**

It has been opted – given their non-material nature – not to include the non-controlling interests as prudential equity at Company level. Equity based on IFRS standards for the CRR scope is EUR 3,311,475,660, with the following items deducted for the transition to Common Equity Tier 1 of EUR 3,075,033,428:
- Inapplicable parts of net profit (reduction by expected dividends) EUR -62,539,202;
- Non-controlling interests EUR -355,761;
- Prudential filters for fair value (own credit risk component in fair value and prudential fair value adjustment) EUR -28,103,541;
- Deduction of intangible assets and goodwill EUR -107,041,731;
- Deduction of IRB shortfall EUR -34,937,258;
- Deduction of non-performing exposures EUR -3,627,675;
- Addition of transitional measures for IFRS 9 EUR +162,936.

These adjustments are further explained below.

Note on prudential filters

The CRR specifies a number of prudential filters which lead to an adjustment of Common Equity Tier 1. The following filters apply to the Company:
- fair value gains and losses arising from the institution's own credit risk related to derivative liabilities: this concerns the deduction of the positive impact of own credit risk when calculating the market values of derivative instruments, which amounted to EUR 25,527,822 at the end of 2024;
- value adjustments due to the requirements for prudential valuation: this is a CRR requirement in the context of a prudent valuation of financial instruments measured at fair value in the IFRS balance sheet (this valuation adjustment amounted to EUR 2,575,719 at the end of 2024). This "prudent valuation" adjustment is calculated based on the financial instruments which are carried on the balance sheet at market values and which can impact the result and/or equity. This adjustment (of 0.1%) is calculated and deducted from the qualifying own funds;
- other intangible assets (including goodwill): the deduction of the other intangible assets less deferred tax liabilities. As of the end of 2024, the net impact amounted to EUR 107,041,731. The net carrying amount of software after deferred taxes is no longer fully deducted from prudential own funds but is partially deducted and partially risk-weighted at 100% (EUR 8,032,006) (pursuant to EU Regulation 2020/2176);
- in the IRB application: negative difference between credit risk adjustments and expected losses. As of 31 December 2024, impairments recorded in accordance with IFRS standards were less than the calculated expected credit losses, and the deficit amounted to EUR 34,937,258;
- deferred tax assets that rely on future profitability (excluding those arising from temporary differences). No deferred tax assets are applicable at the end of 2024;

- the transitional measures relating to the impact of the COVID-19 pandemic on the expected credit losses in order to adopt them into equity in a phased manner. The amount of this IFRS 9 transitional measure was EUR 162,936 as of 31 December 2024;
- the deduction of prudential provisions for non-performing exposures arising from loans granted before 26 April 2019 (not subject to the Pillar 1 treatment). The ECB has communicated the expectation of this additional deduction through SREP letters to banks. This deduction amounts to EUR 3,223,061. The Pillar 1 deduction for prudential provisions (loans granted after 26 April 2019) is EUR 404,614.

3.2. Composition of prudential own funds and capital ratios

Table **CC1**, appended to this report, shows the detailed composition of own funds and the relevant capital ratios.

3.3. Main features of capital instruments

The main features of the capital instruments issued by the Company are described in the appendix. This description has been included in the standard format of the relevant table (“Main features of capital instruments”, see template CCA in the appendix).

It provides further disclosure with respect to the “Capital instruments and the related share premium accounts” mentioned in line 1 of the CC1 table appended to this report.

The Company pursues a policy of self-financing. To retain a level of capital that provides sufficient scope for growth and to be able to carry the financial and operational risks, the Company aims to meet the potential capital requirements by (a) retained earnings, (b) capital increases and (c) subordinated loans.

Under the EMTN programme, Aspa issued 4 senior non-preferred bonds to a total amount of EUR 2,100 million in 2020 and 2022. The prospectuses and investor presentations of both issues can be found on the www.argenta.eu website (under the heading “debt issuance”).

These transactions from the EMTN programme contribute to meeting the regulatory bail-in requirements (MREL – Minimum Requirement on own funds and Eligible Liabilities) and strengthen Aspa’s A rating from Standard & Poor’s. In the context of the resolution, Aspa is considered the single point of entry and, based on an SRB decision, from 12 December 2024 an MREL requirement of 6.60% applies to the total risk exposure for calculating the leverage ratio and 19.31% of the Total Risk Exposure Amount (TREA, risk-weighted), to be fully met with subordinated instruments.

The MREL ratio as of the end of 2024 comes to 8.78% of the total risk exposure for the calculation of the leverage ratio, and 50.03% of TREA.

4. Capital requirements

4.1. Capital requirements

A minimum solvency ratio is required of a Common Equity Tier 1 (CET1) capital ratio of 4.5%, total Tier 1 capital ratio of 6% and total capital (TC) ratio of 8% (these are the Pillar 1 requirements). Furthermore, a number of additional buffers were introduced.

The CRD provides for four additional capital buffers including a capital conservation buffer (CCB). This buffer can be up to 2.50%. The CCB was introduced in a phased manner, and has amounted to 2.50% since 2019.

The Company may also be required to set up a countercyclical capital buffer (CCyB), effectively an additional CET1 capital requirement. This buffer is designed to protect the Company against risks arising from the financial cycle and can rise to 2.5%. The Belgian regulator set the rate at 0.50% from 1 April 2024 and increased this to 1% from 1 October 2024 onwards. The Dutch regulator set the rate at 1% since 25 May 2023, and increased this to 2% on 31 May 2024. Tables **CCyB1** and **CCyB2** appended to this report provide further details on the institution-specific countercyclical capital buffer. The institution-specific countercyclical capital buffer was 1.45% on 31 December 2024.

From 1 April 2024, the National Bank of Belgium (NBB) reduced the systemic risk buffer from 9% to 6%. The Belgian regulator has imposed this sectoral systemic risk buffer on all Belgian financial institutions for those Belgian mortgage loans under the IRB approach. This buffer is calculated by multiplying the risk-weighted assets of these exposures by 6% and came to 0.89% on 31 December 2024.

The Belgian regulator has designated the Argenta Group as O-SII or “Other Systemically Important Institution”. As a result the Company is subject to an additional Common Equity Tier 1 requirement (O-SII buffer) of 0.75%.

The 4 buffers must be met with CET1 capital (the strongest form of capital).

The Argenta Group institutions are not designated as globally system-important institutions (G-SIIs). Consequently, no disclosures need to be made of indicators of global systemic relevance (CRR Article 441).

In the SREP (Supervisory Review & Evaluation Process) framework, the competent supervisory authority can require higher minimum ratios (Pillar 2 requirements) because, for example, not all risks are fully reflected in the Pillar 1 calculations. The P2R (Pillar 2 requirement) came to 1.50% (to be fulfilled with a minimum of 56.25% in CET1 and 75% in T1 with the remaining requirement in T2). Based on the SREP process, a total capital requirement of 10.93% was obtained (to be fulfilled with CET1 capital). This consisted of a basic requirement of 4.5%, the CCB of 2.50%, an O-SII buffer of 0.75% and 56.25% of the P2R of 1.50%, a countercyclical capital buffer of 1.45% and a systemic risk buffer of 0.89%. Since the Company has no additional Tier 1 (AT1) and no Tier 2 (T2) outstanding, the CET1 requirement is de facto 15.09%, being the Total Capital Ratio (TCR) (10.93% + 1.5% AT1 + 2.0% T2 + the remaining P2R).

The Company amply met all requirements in 2024 with a CET1 and TCR of 28.74%.

4.2. Minimum capital requirements per risk-weighted category

This chapter sets out the Company’s risk-weighted exposure amounts and capital requirements, based on the risks specified in Pillar 1 which are currently applicable (i.e. the credit risk, CVA (counterparty) risk, market risk and operational risk).

Table **OV1**, included in the appendix, contains an overview of the risk-weighted assets and minimum own funds requirements at the end of the year.

The totals in line 29 of table OV1 therefore form the basis for the more detailed disclosures.

The decrease in risk-weighted assets compared to 31 December 2023 mainly results from:

(a) The decrease for the portfolio of Dutch mortgage loans due to the implementation of the new IRB model on 31 March 2024 (impact on risk-weighted assets was EUR -1.8 billion, partly due to the removal of the regulatory standardised floor);

(b) The decrease in the investment portfolio (institutions and corporations) due to:

- Decrease in portfolio in institutional and corporate bonds (impact of EUR -162 million in RWA);
- Decrease in the risk weightings of non-retail counterparties (impact of EUR -94 million);
- Elimination of the additional add-on of 1.0478 in the third quarter of 2024 (impact of EUR -124 million).

4.3. Capital ratios

The table below shows the Company's various capital ratios.

Table 5: Capital requirements and capital ratios at year-end

	31/12/2023	31/12/2024
Total qualifying capital	2,860,248,081	3,075,033,428
Total CET1 capital	2,860,248,081	3,075,033,428
Risk-weighted assets	12,765,911,166	10,700,449,394
CET1 capital ratio	22.41%	28.74%
Tier 1 ratio	22.41%	28.74%
Total capital ratio (TCR)	22.41%	28.74%

The Common Equity Tier 1 (CET1) ratio is an important ratio. This calculation uses the Common Equity Tier 1 capital instead of total capital. The RAF limit (green zone) for the CET1 ratio is 16% and for the TCR 18%; the self-imposed target is 2% higher.

With total regulated qualifying own funds at 31 December 2024 (and throughout 2024) always exceeding the applicable prudential and internal requirements, the Company fully complied with all capital requirements.

4.4. Risk-weighted assets

The capital requirements for credit risk are calculated as follows:

Risk-weighted assets (RWA) * 8%
where risk-weighted assets = (Exposure At Default – EAD) * weighting percentages

The total RWA have fallen from EUR 12,765,911,166 at the end of 2023 to EUR 10,700,449,394 at the end of 2024. As a result, the total capital requirement has fallen from EUR 1,021,272,893 to EUR 856,035,951.

Table 6: Total risk-weighted assets and capital requirement by category

	31/12/2023		31/12/2024	
	RWA	Capital requirement	RWA	Capital requirement
Credit risk – STA				
Central governments or central banks	35,418,724	2,833,498	52,160,155	4,172,812
Regional governments and local authorities	68,366,095	5,469,288	57,533,568	4,602,685
Public sector entities	27,050,404	2,164,032	16,513,995	1,321,120
Corporates	110,663,785	8,853,103	110,454,360	8,836,349
Retail	342,830,927	27,426,474	362,687,047	29,014,964
Secured by immovable property	86,683,184	6,934,655	89,422,122	7,153,770
Exposures in default	4,125,388	330,031	3,639,277	291,142
Equity	20,771,019	1,661,682	19,360,731	1,548,858

	31/12/2023		31/12/2024	
	RWA	Capital requirement	RWA	Capital requirement
Other items	329,025,011	26,322,001	310,921,446	24,873,716
Total credit risk – STA	**1,024,934,536**	**81,994,763**	**1,022,692,700**	**81,815,416**
Credit risk – IRB				
Institutions	744,414,187	59,553,135	527,668,672	42,213,494
Corporates	2,409,136,979	192,730,958	2,224,105,812	177,928,465
Secured by immovable property	2,959,868,014	236,789,441	4,712,640,768	377,011,261
Equity	652,848,373	52,227,870	652,848,373	52,227,870
Total credit risk – IRB	**6,766,267,554**	**541,301,404**	**8,117,263,626**	**649,381,090**
Securitisation positions SEC-ERBA	72,780,661	5,822,453	81,956,885	6,556,551
Regulatory standardised floor for Dutch mortgages[1]	3,514,856,181	281,188,494		
Total credit risk	**11,378,838,932**	**910,307,115**	**9,221,913,211**	**737,753,057**
Market risk	0	0	0	0
CVA risk	31,507,011	2,520,561	32,480,445	2,598,436
Operational risk	1,355,565,223	108,445,218	1,446,055,738	115,684,459
Total capital requirement	**12,765,911,166**	**1,021,272,893**	**10,700,449,394**	**856,035,951**

The risk-weighted assets for credit risk amounted to EUR 11,378,838,932 as of 31 December 2023 and EUR 9,221,913,211 as of 31 December 2024. This resulted in a capital requirement of EUR 737,753,057 compared to EUR 910,307,115 as of 31 December 2023.

The total capital requirement for all risks (i.e. including the requirements for CVA and operational risks) amounted to EUR 856,035,951.

1 The new IRB model for Dutch mortgages was implemented in the first quarter of 2024. As a result, the regulatory standardised floor for the Dutch mortgage portfolio no longer applied in 2024. However, there are still limitations, e.g. regarding LGD floors on NHG and non-NHG, while for non-NHG the DNB floor on risk weighting also applies.

5. Exposure to credit risk

5.1. Composition of credit risk

Templates LI1 and LI2, included in the appendix, provide an overview of the differences in consolidation scope, as well as the definition and classification of the exposures. Additional information is included on items to be deducted from own funds and factors that cause a difference in exposure value between the accounting and regulatory frameworks.

The off-balance sheet items include guarantees given – sureties, credit commitments and unused portions of credit lines. The CRR uses Credit Conversion Factors (CCF) to capture the capital requirement for credit risk.

This has the effect of reducing the exposure from that shown on the balance sheet. Credit commitments and unused portions of credit lines are the parts of loans not yet used. The conversion factor can be 0%, 20%, 50%, 75% or 100% (depending among other things on the approach and product type).

Table 7: Overview of off-balance sheet items as of year-end

Related COREP tables	CCF percentages	Exposure 31/12/2023	Exposure 31/12/2024
Table C07 (STD)	0%	801,066,201	898,187,700
	20%	7,660,125	8,853,203
	50%	12,937,783	48,467,872
	STD approach subtotal	*821,664,108*	*955,508,776*
Table C08 (IRB)	75%	50,000,000	125,000,000
	100%	2,007,775,479	2,175,756,156
	IRB approach subtotal	*2,057,775,479*	*2,300,756,156*
Total		**2,879,439,587**	**3,256,264,931**
Total risk-weighted assets		**481,694,297**	**434,383,914**

The unconditionally cancellable credit card commitments (EUR 801,066,201 as of the end of 2023 and EUR 898,187,700 as of the end of 2024) are included in the total exposure but carry a 0% conversion factor.

5.2. Additional information on the Basel exposure categories

In some standard templates the securitisation positions are recognised separately. However, in the chapter on credit risk, the securitisation positions are included, as they are also processed in this way in the prudential reporting.

The exposures secured by immovable property are mainly processed by the IRB approach, with a limited position (including the former CBHK portfolio) processed by the STA approach.

The following table gives a separate global geographic overview for the Basel category “exposures secured by immovable property” (STA and IRB approaches summed together). The most important geographical markets in which the Company operates here are Belgium and the Netherlands.

Table 8: Geographical distribution of the exposures secured by immovable property

Country	31/12/2023	31/12/2024
BE	18,760,923,921	19,520,475,799
NL	21,554,690,512	22,987,475,362
Other	69,456,517	77,725,417
Total	**40,385,070,949**	**42,585,676,578**

The table above is based on the borrower's geographic location, with an "other" category for borrowers having (or having transferred) their legal residence "outside Belgium or the Netherlands". In accordance with the Company's mission, these exposures relate almost exclusively to lending to families and private individuals.

5.3. Credit risk mitigation

Credit risk mitigation (CRM) is a technique used for limiting the credit risk linked to one or more of the institution's exposures.

In the case of mortgage loans granted by the Company, a guarantee is established on a property for this purpose. In Belgium, this is done via a mortgage registration or via a combination of a mortgage registration and a mortgage mandate. In the Netherlands, only a mortgage registration is possible. In the assessment of a loan, in addition to the borrower's repayment capacity, the value of the property is always taken into account. This requires a valuation to be performed.

The value of the property at the origination of the loans is in principle equal to the lower of the transaction value and the estimated market value.

The transaction value is the agreed purchase price of a property excluding taxes, registration fees and notary fees, possibly plus renovation costs including VAT. For a new residential build it is the price of construction including VAT or the land price excluding taxes, registration fees, notary fees plus the construction cost including VAT.

The estimated market value is the value determined by a qualified independent appraiser/valuer (cf. infra), as described in the EBA/GL/2020/06.

When a property is to be a guarantee for a loan for the first time, the market value is estimated by a qualified independent valuer by means of a remote valuation supported by an advanced statistical model or an estimate based on an on-site survey.

Additional details on the valuation of real estate are included in the IFRS valuation rules and in Chapter 8.9., "Discussion of the consolidated financial statements – Note 4" of the Company's Integrated annual report.

Periodic revaluations are carried out on the basis of indexation, statistical models or revaluations during the period of the loans.

The loan to value (LTV) parameter is, alongside repayment capacity, an important indicator for assessing the initial risk of new loans and later for estimating the remaining risk.

Up to 2014, 100% bullet loans were granted in the Netherlands, with the total capital having to be repaid in full only on the final maturity date. This capital can of course be built up during the period of the loan by means of savings accounts, life insurance policies or investment accounts.

Due to legislative changes in 2013, the focus (due to fiscal incentives) shifted from 100% bullet loans to loans with monthly capital repayments, with a maximum of 50% of the value of the property mortgaged through a bullet loan. As a result, the LTV also fell, for a constant property value, during the period of the loan in the Netherlands.

With regard to the follow-up of bullet loans, both the requirements of the AFM on client outreach and those of the ECB concerning the action plan resulting from the operational act have been followed up further.

In addition, over 40% of Argenta's Dutch mortgage portfolio is covered by the National Mortgage Guarantee (NHG). The NHG is provided by the "Waarborgfonds Eigen Woningen" (Home Ownership Guarantee Fund – WEW) foundation. This is the guarantee that a borrower can obtain when taking out a loan to purchase or renovate a home, provided that a premium is paid to the WEW. In this case, the WEW guarantees the repayment of the majority of the outstanding mortgage amount to the lender.

The goal of the WEW is to promote home ownership. It is responsible for the policy and the implementation of the NHG. Every year it set rules for granting NHG guarantees. These "conditions and standards" must be approved by the Minister of The Interior and Kingdom Relations. Administration of the NHG guarantees is undertaken by the credit institutions. Credit files are analysed and reviewed whenever a loss claim is submitted. The WEW supports the lenders in implementing the NHG guarantees and manages the fund assets related to the risk of the NHG.

The WEW is a private institution which has agreements with the government and the municipalities. This means that the WEW is able to meet its payment obligations at all times. As a result, the Dutch Central Bank (DNB) considers the NHG as a government guarantee. Consequently, NHG-covered loans generally require less own funds for the lender. This advantage for lenders is "returned" to consumers in the form of lower mortgage interest on NHG-backed loans.

When determining the unfunded (NHG) guarantee, account is taken in all calculations of the decrease over a maximum of 30 years of this NHG guarantee in line with the annuities, as well as the 10% deductible applicable to any loss on NHG loans from 2014 onwards (this decrease is included in the LGD parameter).

The table below shows the exposures before and after the movements resulting from unfunded and funded credit protections (processed by the substitution approach). Credit protections considered eligible for the determination of the LGD parameter, such as the NHG guarantee and funded credit protections via mortgage registration or savings amounts, are therefore not included in this table.

"Unfunded credit protection" is a technique of credit risk mitigation where the credit risk on the exposure of an institution is limited by means of a third-party guarantee to pay a certain amount in the event of the default of the borrower or other specified events.

"Funded credit protection" is a technique of credit risk mitigation where the credit risk associated with an institution's exposure is limited by means of a right that the institution has acquired. In the event of the default of the counterparty or other specified credit events relating to the counterparty, certain assets or amounts can be liquidated or taken over, or ownership of assets or amounts can be acquired or retained, or else the exposure can be reduced or replaced by the difference between the exposure itself and a claim on the institution.

Table 9: Overview of exposures by category

	Risk exposure	Unfunded credit protection – guarantees	Funded credit protection – collateral	Total inflow	Adjusted exposure
Central governments or central banks	4,150,588,784	0	0	59,576,088	4,210,164,871
Regional governments and local authorities	709,699,229	0	0	62,431,560	772,130,788
Public sector entities	118,858,690	-36,288,714	0	0	82,569,976
International organisations	199,871,182	0	0	0	199,871,182
Institutions	35,018,801	-35,018,801	0	0	0
Corporates	215,835,750	-50,700,132	0	0	165,135,618
Retail	1,385,436,269	0	0	0	1,385,436,269
Secured by immovable property	159,636,524	0	0	0	159,636,524
Exposures in default	3,633,761	0	0	0	3,633,761
Equity	19,360,731	0	0	0	19,360,731
Other items	453,092,130	0	0	0	453,092,130
Total exposures (STA)	**7,451,031,851**	**-122,007,647**	**0**	**122,007,647**	**7,451,031,851**
Institutions	2,929,257,105	0	0	0	2,929,257,105
Corporates	5,390,019,643	0	0	0	5,390,019,643
Secured by immovable property	42,426,040,054	0	0	0	42,426,040,054
Equity	176,445,506	0	0	0	176,445,506
Total exposures (IRB)	**50,921,762,307**	**0**	**0**	**0**	**50,921,762,307**
Securitisation positions (SEC-ERBA)	557,399,693	0	0	0	557,399,693
Total exposures	**58,930,193,851**	**-122,007,647**	**0**	**122,007,647**	**58,930,193,851**

The total of the amounts under "Unfunded credit protection – guarantees " and "Funded credit protection – collateral" (i.e. the outflow) match the total of the "Total inflow" column.

One form of funded credit protection is also the accumulated savings amounts for some mortgage types in the Netherlands.

The unfunded credit protection at the Company can be divided into two groups. This reflects a shift in exposure resulting from government guarantees and guarantees by financial institutions or other companies.

The following tables break down the EUR 35,018,801 of credit protection in the "institutions" category, the EUR 36,288,714 of credit protection in the "public sector entities" category, and the EUR 50,700,132 of credit protection in the "corporates" category.

Table 10: Government guarantees in the "institutions" category

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	1	35,025,552	35,018,801
Total unfunded credit protection – guarantees in the "institutions" category			**35,018,801**

Table 11: Government guarantees in the "public sector entities" category

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	2	36,296,232	36,288,714
Total unfunded credit protection – guarantees in the "public sector entities" category			**36,288,714**

Table 12: Government guarantees in the "corporates" category

Guarantee counterparty	Number of securities	Exposure	Guarantee amount
Belgian government	8	26,153,889	26,142,846
Austrian government	4	24,559,597	24,557,286
Total unfunded credit protection – guarantees in the "corporates" category			**50,700,132**

The CR7 template "IRB effect on the risk-weighted assets of credit derivatives" is not included in the appendix, as no credit derivatives are used in the Company.

5.4. Counterparty risk

The RAF, approved by the Board of Directors, establishes the desired credit risk profile in the form of measurable indicators. Credit limits are part of this and define the maximum credit risk position per type of investment and counterparty level (these are defined in detail on the basis of the internal policy "Financial risks" and the associated internal standard for "credit risk management – non-retail"). This position depends on the creditworthiness of the counterparty and is expressed as a percentage of the CET1 at consolidated level of Aspa. As a general rule, deviations from this framework for individual transactions are possible only with an approval of the Board of Directors.

This sets limits (for investments) per asset category, but also with respect to concentration risk by counterparty. These limits are monitored systematically and reported internally. The standard is also updated periodically, with the involvement of all internal departments and managements concerned.

The basic assumptions and limits with regard to retail counterparties are listed in the internal acceptance and authorisation frameworks for credit risk for Belgium and the Netherlands respectively. Just like the National Bank through its prudential expectations with regard to new mortgage loans in Belgium, the internal standards "credit risk – professional and retail (Belgium and the Netherlands, respectively)" impose limits on the composition of the portfolio and production of mortgages based on repayment capacity and lending collateral for Belgium and the Netherlands, respectively.

The financial RAF limits framework includes metrics on climate & sustainability risk. For example, the average EPCs (energy performance certificates) of the mortgage portfolios are monitored as RAF limits (transition risk), and the average EPCs from mortgage production and the flood risk (physical risk) within the same mortgage portfolios and within the non-life insurance portfolio are monitored as an RAF flashing light. For the non-retail investment portfolio, the carbon transition score and the E (environmental) score apply as the RAF limit or RAF flashing light.

Counterparty credit risk derivatives

Argenta Group's derivatives portfolio is limited and serves exclusively for ALM management. This portfolio consists primarily of standard contracts: plain vanilla interest rate swaps, swaptions and caps. All derivative counterparties are covered by an ISDA with Credit Support Annex (CSA). Claims on counterparties may arise as a result of fluctuations in the derivatives' market values. However, these are taken care of by the daily collateral management ("collateral calls").

Argenta Group capitalises this residual risk in Pillar 2 ICAAP on the basis of a stress scenario. This scenario is based on the method used by Argenta Group to calculate the CVA and DVA for the fair value measurement of the derivative portfolio under IFRS. The scenario also takes into account the possible concentration in counterparties.

First, the possible exposure (“Expected Exposure”) is calculated per individual transaction, based on fluctuations in market value resulting from a 1 basis point change in the interest rate (“basis point value” – “BPV”), and volatility. Second, exposures are summed by bilateral counterparties multiplied by the corresponding PD and LGD.

5.5. Collateral

Collateral received

Personal guarantees or collateral are always required when granting mortgage loans. We refer to section 5.3. “Credit risk mitigation” for more information regarding this collateral.

Collateral given

The Company also grants collateral on its own assets as part of its activities and operations.

There is a collateral management system for derivatives concluded by the Company. A CSA (Credit Support Annex) of the International Swaps and Derivatives Association (ISDA) is concluded with each counterparty. These CSAs are concluded primarily to limit the counterparty risk. Changes in the market value of the derivatives lead to the exchange of collateral (securities or cash). Chapter 9. “Encumbered and unencumbered assets” provides more information on the effectively granted collateral.

There are no explicit rating triggers (except the standard ones included in the basic contracts) provided for in the current contracts concluded with derivatives counterparties. In the event of a downgrade of the Argenta Spaarbank S&P rating by 1 notch, no additional collateral is required. The impact on collateral of a downgrade of the rating by 2 or 3 notches is an increase of 10%, while for a downgrade of 4 or 5 notches a mandatory increase of 20% applies to the buffer on the initial margin.

5.6. Wrong-way risk

General wrong-way risk is risk that arises when the likelihood of default by counterparties is positively correlated with general market risk factors. The general policy for credit risk and concentration risk is set out in the “Financial risks” policy and the associated internal standard.

By means of this policy, the Company seeks to limit these risks, with the impact of possible positive correlation with general market risk factors being limited by a general spread of risk over, for example, several asset classes and several counterparties.

5.7. Capital requirement for CVA risk

Since the introduction of the CRR, a capital requirement is also applicable for the CVA (Credit Valuation Adjustment) risk. Compared with, for example, the credit risk of an ordinary bond loan, derivatives have two specific characteristics in terms of counterparty risk:

- The expected risk is uncertain in terms of size; future cash flows are dependent on future market movements of underlying securities (e.g. interest);
- A derivative may have, at one time, a positive value and at a later time, a negative value. In this way the derivative changes from asset to liability.

These characteristics make it difficult to determine the potential risk. The adjustment to the fair value resulting from the application of credit risk to the counterparty is called Credit Valuation Adjustment (CVA). The CVA has the effect of calculating a price on the counterparty risk in a transaction.

For prudential reasons, a separate calculation is made to calculate the exposure for CVA risk to which a capital requirement is applied.

As of 31 December 2024, a risk-weighted exposure of EUR 32,480,445 was obtained, on which a capital requirement of EUR 2,598,436 was calculated. This amount can be found in table OV1 appended to this report, which lists the risk-weighted exposure amounts by risk type.

The opposite of the CVA measures the own credit risk. This is called the Debit Valuation Adjustment (DVA). The DVA calculated according to the IFRS standards amounted to EUR 25,527,822, and was deducted from the qualifying own funds.

5.8. Derivatives

At the end of 2024, the Company had on its balance sheet only derivative instruments (in the form of caps, swaptions and swaps) concluded in the context of interest rate risk management (hedge accounting) or of securitisation transactions. It has no credit derivatives. The Company uses the standard approach to counterparty credit risk ("SA-CCR") to calculate the risk exposures of its derivatives. The exposure here is equal to the sum of the following elements:

a) The replacement value based on the market value, the net variation margin, the margin threshold and the minimum margin exchange amount of the transactions; and
b) The potential future exposure, based on the (adjusted) notional principal (or underlying value), the term of the transaction and the applicable legal factor.

No netting will be applied in calculating the capital requirements for derivative instruments. Each transaction is recorded as an individual netting set.

The replacement cost for derivatives without central clearing amounted to EUR 6,022,033 and the potential future exposure was EUR 41,435,603. The applicable "alpha" factor is 1.4. We refer to table **CCR1** for an overview of exposures to counterparty risk.

The Company uses a central clearing institution (CCP) for the vast majority of its derivative instruments. Table **CCR8**, appended to the report, shows the exposures to ABN AMRO Clearing Bank and JP Morgan (which act as clearing members vis-a-vis LCH Clearnet and with which the Company has concluded indirect clearing arrangements).

6. Use of the standardised approach

The Company uses the standardised approach for determining the credit risk for several categories. These categories are explained in table 6 "Total risk-weighted assets and capital requirements by category".

7. Use of the IRB approach

The Company applies the IRB approach for exposures to retail (mortgages) and to non-retail, that is to corporates (including real estate counterparties), institutions and covered bonds. At the same time, the participation value of the insurer (for an amount of EUR 176 million) is weighted under the IRB method at 370%, corresponding to a RWA of EUR 652.8 million.

Table 13: Exposures applying IRB approach at year-end

	RWA 31/12/2023	RWA 31/12/2024
Internal ratings-based approach (IRB)	**6,766,267,554**	**8,117,263,626**
IRB approach where neither self-estimated LGD parameters nor conversion factors are used	3,153,551,166	2,751,774,485
Institutions	*744,414,187*	*527,668,672*
Corporates	2,409,136,979	2,224,105,812
IRB approach using own LGD calculations and/or own conversion factors	2,959,868,014	4,712,640,768
Retail – secured by immovable property (excl. STA floor since 2023)	2,959,868,014	4,712,640,768
Participation value insurer (equity)	652,848,373	652,848,373

7.1. Credit risk – IRB approval

The (A)IRB method is used for the mortgage portfolios, with some non-material exceptions. For the ex-CBHK portfolio, specific approval has been obtained from the ECB to apply the standardised approach as from 2018.

The (F)IRB approach is used for the corporates (including real estate counterparties), (financial) institutions and covered bonds portfolios.

The internal rating models for retail (mortgages) and non-retail have been redeveloped to bring them into line with two-step approach to the new default definition, in order to comply with EBA guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures.

The redeveloped non-retail models were approved by the ECB and implemented in November 2022.

The IRB models for the mortgage loan portfolio in Belgium was accepted in August 2023, subject to the application of a factor to the internal LGD values for performing loans.

The IRB models for the mortgage loan portfolio in the Netherlands were approved in January 2024, subject to the application of a floor on the LGD for performing mortgages and a factor for certain loans in default.

Since June 2022, an additional lower limit applies to loans which are not covered by an NHG guarantee (because of the reciprocation of a DNB measure by the NBB).

7.2. Internal rating systems

7.2.1. Structure of the internal rating systems

The Company calculates its exposures to retail customers (mortgage loans), to corporates, institutions (with the exception of exposures to insurance companies and investment companies) and covered bonds by the IRB method.

Internal rating systems have been developed to estimate the credit risk of the mortgage portfolios. In these systems, Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD) and Expected Loss Best Estimate (ELBE) are assessed and evaluated using models.

The PD model assigns a score to each loan file. This scoring is based on variables with associated modalities relating to both product and borrower features. Based on these scores, risk categories are created. A long-term PD is allocated to each risk category. This is the historic average default percentage, corrected for model uncertainty and data and model deficiencies.

The link between the rating and the PD is determined during the calibration process (as part of the model development) and is revised annually and adjusted if necessary.

LGD models have been developed for estimating the size of the loss. Every residential loan is assigned a specific percentage as an LGD. This is received after an evaluation and a calibration step.

For the Dutch portfolio, loans covered by the NHG guarantee are calibrated separately from loans not covered by the NHG guarantee.

This estimate takes into account aspects such as property values and the NHG guarantee (as credit risk mitigation elements). The historical averages are corrected to reflect any economic downturn.

The EAD is the amount owed to the Company by the customer at the time of default. This includes the outstanding capital at the time of default, the past due capital repayments and interest (from the past due date to the date of default), late payment interest and the reinvestment fee.

No models have been developed for calculating a CCF (Credit Conversion Factor) for unused credit lines and offers in the pipeline and a CCF of 100% is being applied until further notice. CCF models estimate the proportion of off-balance sheet liabilities to be recognised as soon as a customer goes in default.

For exposures to corporates, institutions, covered bonds and real estate counterparties, an internal rating system has been implemented to assess and evaluate the PD parameter. The rating model assigns a score or rating to each counterparty based on qualitative and quantitative variables. The link between the rating and the PD is redetermined during a calibration process, and reviewed annually based on historical figures. For LGD, the regulatory loss percentages are used as IRB input.

7.2.2. Embedding and implementation of the IRB approach in the organisation

The embedding of the IRB approach in the context of the Basel credit risk has been implemented by integrating it into the internal policies, the credit acceptance process, decision-making, risk management, investment policy and internal capital allocation. The credit risk models used by the Company play an essential role in this process. In addition, the output of the IRB models serves as a basis for the IFRS 9 models and thus for calculating individual impairments.

The implementation and embedding in the operational credit departments is followed up on the basis of the use test. This aspect involves, among other things, the implementation of the models in the operational business and risk management environment (credit application and the Basel scoring, measurement and calculation software).

The Credit Risk Management Support (CRMS) sub-department of the Credit & Insurance Risk Management Support (CIRMS) department monitors the performance of the models for the mortgage portfolios, gathering the necessary monitoring information and reporting on it internally.

The operational credit sub-departments are responsible for granting and managing loans in accordance with the prevailing internal authorisation and acceptance frameworks and the approval and management procedures applicable to each product and/or jurisdiction. They have to make active use of the PD, LGD and EAD models in their processes and procedures.

The Credit Risk Analysis (CRA) sub-department of the Financial Management department provides an analogous monitoring process for the performance of the models for exposures to corporates, real estate counterparties, institutions and covered bonds.

The Treasury & Investment Management (TIM) department takes this into account in its investment decisions, since the outcomes of the internal models also play their role in the Investment Consultation and Rating Consultation. Indeed, the investment framework was built around this.

This process, including the associated tasks and responsibilities, is also included in the "management model" procedure. Its purpose is to assess whether internal credit risk models are adequate in accurately reflecting the credit risk to which they relate, through:

- analysis of the model and of the environment in which it operates;
- the level of coverage;
- the performance of the model by testing the model outcomes against limits and flashing flights, and
- analysis of the effective implementation and application of the model (usage) and the role it plays in the decision-making process and in risk management (use test).

7.2.3. Organisation of the IRB process

The Residential department (BE and NL respectively) is responsible for first line control as well as for the operational aspects of managing defaulted loans.

The CRMS sub-department within the Credit & Insurance Risk Management Support department is responsible for developing and managing models for retail lending. For the models of exposures to corporates, institutions and covered bonds, this model-developing function is performed by the CRA sub-department of the Financial Management department.

Within the governance framework for managing credit risk models and the project systems designed for this purpose, the Risk & Validation department has a specific second line role in the development and management of the internal models. This consists, for the Risk sub-department, of critical evaluation of and independent risk checks on the prepared reports and, for the Validation sub-department, of running through the validation cycle.

7.2.4. Control mechanisms for the IRB model process

The validation process of the models is undertaken by the internal validator (validation cell) within the Risk & Validation department who reports hierarchically to the CRO. The validator is independent here of both the business and the developers/modellers. The Risk & Validation department runs the GRC-Moco (model overview committee).

The validator's task is clearly delineated in the "model risk management" standard. The way in which Argenta deals with the risk inherent in models and the operational use of these models in decision-making is anchored in this standard and the underlying "model management" procedure, which controls the governance of models as well as the concrete measures for the management of models.

Conceptual validation is intended to determine whether the proposed model fits with Argenta Group's vision of risk policy (risk assessment, risk mitigations, controls), whether the model is methodologically correct and consistent with the policy, and finally, whether the design is compliant with the regulations.

After approval, the models are implemented in the operational systems. Implementation validation is intended to investigate whether the model as implemented is the same as the one initially developed and approved. Implementation validation relates both to the organisational and to the technical implementation in the Company's own IT environment, with particular attention to the "use test" aspects.

Once the model is in use, it is important to know whether it is still working satisfactorily. The monitoring of the performance of the risk model includes comparing the model predictions with the actual outcomes, as well as tracking the distribution of the underlying risk drivers. The Company determines, by means of internal standards, whether the differences between model predictions and actual performance are acceptable.

The CRMS and CRA departments report on the performance of the models to the GRC-Moco and carry out an extensive review on an annual basis. The conclusions from this can lead to a recalibration or an adjustment of the model.
In addition, the Risk & Validation department conducts an independent review of the models.

The model risk profile is an integral part of the RAF.

Internal audit

Over the past years, Internal Audit has conducted audits on a continuous basis in respect of Basel Pillar 1 credit risk. The Internal Audit department is responsible for determining whether a bank wishing to qualify for the advanced approach to credit risk under Basel meets all the minimum requirements. For this, the Internal Audit department draws on the services of independent in-house and external experts as well as on the results of the Validation sub-department, once the validation activities have been audited.

Stress tests

Besides implementing and reporting on the back testing of the internal measurement systems used to determine PD, LGD and EAD, the Risk & Validation department coordinates stress tests. Stress testing consists of measuring the effects of serious but still plausible economic conditions on the institution's own portfolio. The results of the stress tests provide insight into the effect of possible unfavourable economic developments on the Company's risk profile.

These stress tests are part of a company-wide stress testing programme, which is submitted annually to the Risk Committee of the Board of Directors.

7.3. Developed models

7.3.1. Internal credit risk models for exposures to retail customers

The Company has developed two global models for mortgage loans (residential mortgages). A first PD and LGD model was designed for the portfolio of mortgage loans initiated by the Company's own branch network in Belgium.

A second PD and LGD model was developed for the mortgage loans granted in the Netherlands. For managing and administering the mortgage portfolio in the Netherlands, the Company uses an external service provider (Quion).

An important distinguishing feature in calculating the LGD of the Dutch mortgage loan portfolio is the NHG. The NHG means that the WEW guarantees the mortgage loan. The borrower pays a single premium for this (see the more detailed explanation in section 5.3.).

Pooling – allocation to risk categories

The individual exposures are each assigned to a PD risk category. For the Belgian loan portfolio, there are 11 PD categories for on-balance-sheet loans and 6 PD categories for off-balance-sheet loans. For the Dutch loan portfolio, there are 5 PD categories for on-balance sheet bullet loans, 6 PD categories for on-balance sheet non-repaying loans and 5 PD classes for off-balance-sheet loans.

Defaulted loans are classified in the default category. Each category or pool contains loans with a similar risk profile for the respective portfolio. The best risks are those in category 1, the worst in the lowest category (the default category).

The results of these models are discussed with the first-line departments and included in the GRC-FR (Financial Risk). The performance of the models, as well as planned developments, is discussed at the Model Review Committee (GRC-Moco).

7.3.2. Internal credit risk models for exposures in the investment portfolio

As part of appropriate and prudent risk management, all banking and corporate counterparties were subjected to primary analysis over a one-year time span. This also fits with the governance narrative linked to Argenta's (F)IRB status.

These analyses are all subject to a systematic risk check as part of an annually recurring process. Before inclusion in the portfolio, every financial institution, corporate and real estate counterparty is assigned an internal rating, in accordance with the (F)IRB framework authorised and implemented at Argenta Group. This rating is reviewed at least annually. The results of these rating reviews are discussed in the monthly Rating Consultation, and finally in the Alco (Asset & Liability Committee) for the non-retail portfolio. All model-technical matters are discussed in the Model Overview Group Risk Committee (GRC-Moco).

The underlying rating models for the non-retail portfolio were developed by S&P with around twenty variables taken into account for each obligor.

Internal ratings are always based on two pillars. In addition to using statistics-based expert judgement models, fundamental risk analyses are performed for each obligor and subjected to independent second line controls. The calibration of the PD values associated with the internal ratings is undertaken on the basis of historical data.

7.4. Overview exposures by the IRB method

In the A-IRB (advanced) approach, models have been developed for PD and LGD. In the F-IRB (foundation) approach, a model has been developed for PD only.

The PD percentages include the defaults (for the definition see section 8.1).

The following table shows the calculated expected loss (hereinafter EL) per mortgage sub-portfolio – processed according to the IRB approach – taking into account the effective LGD and the applied 10% LGD floor.

Table 14: Overview of expected losses and provisions by mortgage sub-portfolio

	Belgium	The Netherlands	Total
Total provisions recognised	20,552,884	10,273,298	30,826,182
Expected losses	32,533,250	35,446,488	67,979,739
> non-defaults	12,034,036	22,869,767	34,903,803
> defaults	20,499,214	12,576,722	33,075,936

As of 31 December 2024 the total expected losses for both defaults and non-defaults amounted to EUR 67,979,739.

For the individual mortgage loans processed by the IRB approach, a total of EUR 30,826,182 of provisions were recognised. These contain both the individual stage 3 provisions and the stages 1 and 2 provisions.

The attached table **CR6** gives an overview of the exposures per PD scale for the categories that are weighted according to the IRB method in respect of their status at 31/12/2024.

The most significant exposure class “secured by immovable property” is processed according to the A-IRB approach. The average PD (including defaults) for this category was 0.77% and the average LGD was 22.38%. This results in a total amount of EUR 4,713 million for the risk-weighted assets or risk-weighted-assets density of 11.10%.

Development of Loss Given Default (LGD)

The table below shows the development of the mortgage portfolio across the various LGD classes.

Table 15: Development of the mortgage sub-portfolio by LGD class

Sub-portfolio	LGD scale	Arithmetic average LGD per obligor	Number of obligors		Average annual LGD in the past	
			End of previous year	End of current year	2023	2024
Belgium	01.]0,5]	N/A	0	0		
Belgium	02.]5,10]	N/A	11,627	17,181	9.26%	9.16%
Belgium	03.]10,15]	N/A	134,723	148,053	12.74%	12.57%
Belgium	04.]15,20]	N/A	71,440	63,736	16.93%	16.93%
Belgium	05.]20,25]	N/A	16,959	12,987	21.81%	21.77%
Belgium	06.]25,30]	N/A	2,279	1,533	26.67%	26.87%
Belgium	07.]30,40]	N/A	313	169	31.37%	31.57%
Belgium	08.]40,50]	N/A	58	42	49.39%	50.00%
Belgium	14.]100,inf[	N/A	296	313	105.71%	114.37%
The Netherlands	01.]0,5]	N/A	36,179	0		4.91%
The Netherlands	02.]5,10]	N/A	114,271	1		9.73%
The Netherlands	03.]10,15]	N/A	26,084	0		13.96%
The Netherlands	04.]15,20]	N/A	0	102,726		20.00%
The Netherlands	05.]20,25]	N/A	33,131	229		20.73%
The Netherlands	06.]25,30]	N/A	47	2		25.67%
The Netherlands	07.]30,40]	N/A	0	116,461		35.00%
The Netherlands	08.]40,50]	N/A	0	15		44.37%
The Netherlands	09.]50,60]	N/A	0	98		60.00%

For the Belgian loan portfolio, these are the regulatory LGD values, including the restriction imposed by the ECB.

For the Dutch loan portfolio, these are the regulatory LGD values, including the restrictions imposed by the ECB. We see a big shift because of the new LGD models that are in force from 31 March 2024.

Backtesting the probability of default (PD)

Table **CR9** (included in the appendix) shows the results of PD backtesting for the different IRB portfolios (both investment and mortgage portfolios). As there are no exposures to default in the investment portfolio, we only take a closer look at the mortgage portfolio below.

CR9 has been incorporated into the table below to make the trends discussed more clearly visible.

Table 16: Backtesting of PD of mortgage portfolios

PD range	Number of obligors at the end of the previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g
0.00 to < 0.15	177,020	43	0.02%	0.10%	0.10%	0.12%
0.00 to < 0.10	*112,652*	*18*	*0.02%*	*0.08%*	*0.08%*	*0.10%*
0.10 to < 0.15	*64,368*	*25*	*0.04%*	*0.14%*	*0.13%*	*0.25%*
0.15 to < 0.25	148,889	90	0.06%	0.22%	0.17%	0.11%
0.25 to < 0.50	66,932	114	0.17%	0.28%	0.33%	0.20%
0.50 to < 0.75	38,158	78	0.20%	0.53%	0.59%	0.33%
0.75 to < 2.50	10,372	118	1.14%	1.48%	1.43%	1.33%
0.75 to < 1.75	*5,051*	*35*	*0.69%*	*1.28%*	*0.97%*	*1.25%*
1.75 to < 2.5	*5,321*	*83*	*1.56%*	*2.04%*	*1.87%*	*1.56%*
2.50 to < 10.00	4,613	222	4.81%	5.69%	5.86%	5.78%
2.5 to < 5	*2,371*	*59*	*2.49%*	*4.20%*	*4.79%*	*3.82%*
5 to < 10	*2,242*	*163*	*7.27%*	*5.82%*	*7.00%*	*8.07%*
10.00 to < 100.00	1,423	198	13.91%	30.65%	21.87%	13.01%
10 to < 20	*794*	*84*	*10.58%*	*16.01%*	*15.14%*	*10.03%*
20 to < 30	*181*	*37*	*20.44%*		*21.46%*	*18.44%*
30 to < 100	*448*	*77*	*17.19%*	*44.31%*	*33.97%*	*17.44%*
100.00 (Default)	2,206	2,206	100.00%	100.00%	100.00%	100.00%

The PD range was determined on the basis of the regulatory PD values from the IRB models which applied on 31 December 2023. The following columns show the number of loans as at 31/12/2023 (b) and the number of these loans going into default during 2024 (c). The observed average default rate (d) is the number of new defaults compared to the starting position. Columns (e) and (f) respectively show the exposure weighted regulatory PD values as at the end of 2023 and the unweighted regulatory PD values as at 31 December 2023.

The average historical annual default rate (g) is based on the observed default rate for the last five years. The observed default rate (d) is lower than the historical average (g), in almost all cases.

Overview of flows of risk-weighted assets

Table **CR8** appended to this report shows the development of the risk-weighted assets of the IRB portfolios (both A-IRB and F-IRB).

This is an overview of the changes as a result of full and partial capital repayments, changes in PD and/or LGD classes (including defaults), changes as a result of the annual calibration of the PD and LGD values and new production.

In Q4 2024, the RWA rose by EUR 62.0 million. This global increase is explained by the rise of EUR 71.8 million related to mortgage portfolios (A-IRB), partly offset by a decrease of EUR 9.8 million in the non-retail portfolio (F-IRB).

The RWA of the mortgage portfolios has increased because of model updates in the PD parameter (EUR +3.2 million) and the quality of the assets (EUR +43.9 million). In addition, the volume of the assets has led to an increase of EUR 24.7 million.

The investment portfolio's decrease in RWA can mainly be explained by the decreasing size of the portfolio (EUR -10.4 million).

The year-on-year fluctuation is explained in section 4.2.

Breakdown into pools/grades

The table below breaks down the exposures to institutions (including covered bonds) and corporates by pool/grade with the corresponding PD%.

Table 17: Breakdown of corporates/institutions exposures by pool/grade

Pool/grade	PD %	Corporates 2023	Institutions 2023	Pool/grade	PD %	Corporates 2024	Institutions 2024
1	0.05%	0	142,774,175	1	0.05%	0	114,730,040
2				2	0.06%	46,865,561	96,774,081
3	0.06%	58,220,901	97,159,596	3			
4	0.06%	211,922,787	111,461,617	4	0.06%	224,841,423	0
5	0.07%	386,690,580	688,416,234	5	0.07%	395,467,232	557,401,605
7	0.08%	831,591,510	1,018,079,639	7			
8				8	0.08%	364,271,807	1,117,229,331
9	0.10%	563,938,265	730,046,857	9			
11	0.14%	762,414,782	445,771,666	11			
12				12	0.09%	936,488,917	731,982,332
13	0.18%	860,639,960	146,209,106	13			
14				14	0.13%	763,782,851	202,430,324
16	0.24%	1,220,703,509	83,463,135	16			
17				17	0.18%	974,608,243	62,679,052
19	0.32%	440,696,162	0	19			
21	0.46%	12,773,290	0	21	0.23%	1,283,107,139	46,347,018
23				23	0.31%	332,768,610	0
31	1.19%	5,006,339	0	31			
32				32	0.60%	17,785,105	0
38	4.56%	20,177,130	0	38			
46	9.08%	15,403,915	0	46	4.43%	20,174,829	0
50	18.05%	36,887,347	0	50			
54				54	8.91%	12,339,929	0
67				67	74.17%	37,019,325	0
Total		**5,427,066,478**	**3,463,382,027**	**Total**		**5,409,520,973**	**2,929,573,782**
RWA		**2,409,136,979**	**744,414,187**	**RWA**		**2,224,105,812**	**527,668,672**
Own funds requirement		**192,730,958**	**59,553,135**	**Own funds requirement**		**177,928,465**	**42,213,494**

8. Credit risk adjustments

For a more detailed explanation of credit risk (management) and the valuation rules in force, we refer to Note 1., "Accounting policies – valuation rules – impairments" and 4.1.3., "Credit risk" in the Company's 'Integrated annual report' (available at www.argenta.eu and www.argenta.eu).

8.1. Definition of "past due" and "in default"

A credit is considered "past due" in the prudential reporting if at least one of the following criteria is met:
- The receivable is more than 90 consecutive days past due, taking into account the materiality thresholds included in CRR;
- 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 regulation.

UTP (unlikely to pay) indicators showing that payment is unlikely are recorded at individual obligor 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 recording of default in the cases provided for in the CRR regulation.

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

If the criteria for recognising the claim as in default no longer apply, the claim can be remediated if no new default criteria are established during the probation period.

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

Loans that are considered to be in default are consequently reviewed (taking into account also the collateral received) to verify whether impairment losses need to be recognised.

8.2. Disclosures on the credit quality of the exposures

Past due positions only occur in the "retail" and "secured by immovable property" exposure classes. The positions listed below are classified as "exposures in default" in the own funds calculation. Geographically these loans are located almost entirely in the core countries of Belgium and the Netherlands.

Table 18: Geographical breakdown of past due (IRB) risk exposures at year-end

Country	Past due exposure 2023	Past due exposure 2024
BE	110,499,459	107,513,103
NL	57,534,172	58,827,938
Other	401,172	875,771
Total past due exposures	**168,434,803**	**167,216,811**

This concerns the total of the exposures processed according to the IRB method.

An overview of the impairments recorded in the balance sheet is provided below. Further explanation can be found in Chapter 8.9. "Discussion of the consolidated financial statements" – Note 4.1.3., "Credit risk" of the Integrated annual reports.

Table 19: Overview of recorded impairments

	01/01/2024	Increase due to origination and acquisition	Decrease due to derecognition	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in allowance account due to write-offs	Other	31/12/2024
Stage 1	**-13,626,483**	**-2,278,509**	**1,805,725**	**6,284,502**	**0**		**1,755,587**	**-6,059,178**
Fixed-income securities	-7,565,778	-744,884	366,130	4,558,747	0		0	-3,385,785
Loans and advances	-6,060,705	-1,533,625	1,439,595	1,725,755	0		1,755,587	-2,673,393
Stage 2	**-22,698,084**	**-3,010,749**	**5,066,100**	**-6,018,743**	**-16,351**		**-2,696,673**	**-29,374,500**
Fixed-income securities	-10,535,053	0	8,132	-6,104,394	0		0	-16,631,314
Loans and advances	-12,163,032	-3,010,749	5,057,968	85,652	-16,351		-2,696,673	-12,743,186
Stage 3	**-26,480,827**	**0**	**2,813,035**	**-6,812,462**	**0**	**3,672,671**	**3,200,027**	**-23,607,555**
Fixed-income securities	0	0	0	0	0	0	0	0
Loans and advances	-26,480,827	0	2,813,035	-6,812,462	0	3,672,671	3,200,027	-23,607,555
Total	**-62,805,394**	**-5,289,258**	**9,684,860**	**-6,546,703**	**-16,351**	**3,672,671**	**2,258,941**	**-59,041,233**
Total provisions on commitments and financial guarantees given	**-1,036,440**	**-1,978,763**	**1,879,617**	**473,753**	**-40**	**0**	**-743,064**	**-1,404,938**
Stage 1	-703,066	-1,573,707	1,632,844	270,044	0		-709,289	-1,083,174
Stage 2	-333,374	-405,057	246,772	203,709	-40		-33,775	-321,764
Stage 3	0	0	0	0	0	0	0	0

A description of the fluctuations in the impairments recorded is included in Chapter 8.9., "Discussion of the consolidated financial statements of BVg" – Note 36 "Impairments" in BVg's Integrated annual report.

The Company has a gross NPL ratio of less than 5%, i.e. 0.41% as of 31 December 2024. Consequently, the Company is not required to disclose the tables CR2-A, CQ2, CQ6 and CQ8 on credit quality. Table CQ7 does not apply to the Company as no collateral has been obtained through taking possession and execution processes. The other tables can be found in the separate Excel appendix.

9. Encumbered and unencumbered assets

Financial institutions are required, on a continuous basis, to disclose information on encumbered and unencumbered assets for the previous twelve months, based on median values of at least quarterly data.

Table 20: Overview of encumbered assets

	31/12/2023 nominal value	31/12/2023 market value	31/12/2024 nominal value	31/12/2024 market value	average 2024 nominal value	average 2024 market value
Debt securities						
Collateral for derivatives (caps and swaps)	563,000,000	550,719,387	535,000,000	517,390,680	563,692,308	543,024,817
Collateral for Bank Card Company	70,450,000	67,326,169	73,650,000	73,218,136	73,157,692	71,588,910
Collateral for covered bonds	45,000,000	46,085,039	105,000,000	106,868,438	82,000,000	82,343,807
Collateral for Target2 platform	50,000,000	51,900,875	50,000,000	53,150,700	50,000,000	50,821,457
Collateral for NBB credit lines received	314,193,000	292,333,234	319,193,000	309,637,050	315,500,692	299,339,641
Total collateral given	**1,042,643,000**	**1,008,364,703**	**1,082,843,000**	**1,060,265,004**	**1,084,350,692**	**1,047,118,632**
Collateral for derivatives (caps and swaps)	0	0	-98,457,712	-103,139,516	-54,567,628	-55,586,895
Total collateral received	**0**	**0**	**-98,457,712**	**-103,139,516**	**-54,567,628**	**-55,586,895**
Loans and advances						
Collateral for covered bonds	3,055,863,811		5,534,420,004		4,486,296,751	
Cash						
Cash paid (derivatives)		126,423,820		133,448,898		72,696,002
Cash received (derivatives)		1,232,349,994		-914,091,108		-1,218,920,868
Net colleteral received		**-1,105,926,174**		**-780,642,211**		**-1,146,224,866**

At the end of 2024, a nominal EUR 535.0 million was encumbered in respect of derivatives, EUR 73.7 million in connection with the use of credit cards by the Company’s customers and EUR 105.0 in debt instruments and EUR 5.5 billion for the covered bond issues. Part of the loans encumbered under the covered bond issues relates to the Company’s own retained covered bond amounting to EUR 553.4 million.

In the context of the collateral management, EUR 133.4 million in cash was paid in respect of derivatives and EUR million 914.1 received. 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 total collateral also includes the initial margin with the CCP (central clearing party), recognised in the amount of EUR 535 million.

The underlying mortgage receivables for the own securitisation are encumbered within the SPV structure. More information is included in Chapter 15.1, "Own securitisations".

In summary, the sources of encumbrance are:
- Collateral in the context of collateral management of derivatives.
- Collateral for periodic repurchase agreements. The global framework for using repos has been elaborated but it is not an active part of the funding policy.
- Collateral for Bank Card Company (BCC) in connection with the issuance and payment flows of payment cards. The amount of collateral given is stable and is periodically reviewed.
- Any collateral at the NBB in connection with Aspa's credit line with the NBB and the payment platform. The Company has a EUR 319.2 million credit line with the NBB, for which securities will be encumbered as and when this credit line is used.
- Encumbrance resulting from the securitisation of mortgage receivables in the SPV structure and as a result of the pledging of mortgage receivables for the covered bonds issued. The securitisations issued are characterised by over-collateralisation, as the assets in the pools concerned are higher than the actual issues.

As of 31/12/2024, there are loans that are securitised, but at consolidated level are included back in the balance sheet. The subsidiary Aspa has also issued covered bonds (Belgian covered bonds) totalling EUR 4,000 million, of which EUR 500 million relates to its own retained covered bond.

Apart from the collateral mentioned above, no other assets of the Company were encumbered. The remaining assets on the balance sheet can therefore be considered as unencumbered. Table **AE1** appended to this report provides an overview of the encumbered and unencumbered assets and table **AE2** provides an overview of collateral received.

Table **AE3** appended to this report shows the link between encumbered assets, collateral received and related liabilities. The ratio between (i) the assets concerned and collateral received and own debt securities issued and (ii) the matching liabilities, contingent liabilities and securities lent is 132%, which is mainly explained by over-collateralisation on derivatives and debt securities issued.

The derivatives are concluded in the framework of the Company's management of its own interest rate risk. The derivatives concerned and collateral given and received are reported systematically to Alco.

As a result of, among other things, the European Market Infrastructure Regulation (EMIR), collateral management has evolved significantly in recent years. EMIR is intended to make trading in Over-the-Counter (OTC) derivatives more transparent and safer.

EMIR's entry into force has brought with it mandatory central settlement and the reporting of OTC transactions to Trade Repositories. In addition, all new swap transactions are settled through a central counterparty. Whereas in the past, it was essentially securities that were given as collateral, with the operation of the CCP more cash is being exchanged.

10. Use of ratings from external credit assessment institutions (ECAIs)

The Company uses the ratings of the three rating agencies (external credit assessment institutions – ECAIs) in determining the weighting percentages. These agencies are included in the list of external credit assessment institutions published by EBA as laid down in Article 135(2) of the CRR regulation.

In line with CRR Articles 138 and 139, Argenta uses the rating of a specific issue programme or issue facility ("issue rating") to determine the applicable risk weight. Where this specific rating is not available, the issuer's rating will be used for risk weighting. Where neither rating type is available, the relevant exposure is treated as an unrated exposure.

Based on these external ratings of the securities involved, a RWA percentage is assigned. In line with the imposed principles, the second best available rating is always used in the calculations. When, for example, only two ratings are available, the second will still be used. This method is also applied for the securitisation positions. The table below provides an overview of all exposure classes for which external ratings are used in the standardised approach. If no external rating is available for a specific position, the risk weights included in the CRR are applied.

The ratings of all listed securities are systematically monitored by the CRA sub-department as part of the tracking of credit risk. The financial policy and the RAF set limits for the minimum ratings which the various asset classes are required to meet. If the ratings fall below the intended limits, this is systematically reported and, where necessary, a decision is taken whether or not to continue to hold the security.

The Company uses the standard associations published to obtain the risk-weighted assets on the basis of the ratings of the securities concerned.

For this calculation the ratings of the three rating agencies chosen are used. These ratings are publicly available.

Table 21: Overview of Basel STA classes for which ratings are used at year-end

Exposure (STA)	Exposure 31/12/2023	Exposure 31/12/2024
Central governments or central banks	3,726,954,720	4,150,588,784
Regional governments and local authorities	757,325,149	709,699,229
Public sector entities	161,244,494	118,858,690
Corporates	218,631,388	215,835,750

As explained in the "Risk Management" section of the Integrated annual report (note on credit risk), the CRA sub-department also determines internal ratings.

11. Exposure to market risk

The derivative transactions shown in the Company's balance sheet under assets and liabilities held for trading purposes were all concluded in the context of (a) hedging the interest rate risk of the banking book or (b) as part of a securitisation transaction.

The Company does not make specific calculations for market risk in the trading book, since the Company does not maintain a trading book or hold any foreign currency instruments.

In calculating the credit risk, these derivatives are processed using the SA-CCR approach.

12. Exposure to operational risk and other non-financial risks

The Company applies the standardised approach for calculating the required own funds for operational risk.

According to this standardised approach, the activities and hence also the operational result must be assigned to several business lines. The capital requirements differ from one business line to another, and are obtained by multiplying the operational result by 12%, 15% or 18%.

At the Company, the operational result is assigned to the business lines retail broker services, retail banking and, finally, wealth management (all three of which need to be multiplied by a factor of 12%).

Based on the three-year average of the sum of annual capital requirements for operational risk, the Company was required to hold EUR 115,684,459 of own funds at 31 December 2024.

This further increase compared to last year is the result of the higher operating result in recent years. Within ICAAP Pillar 2, operational risk is capitalised by increasing the Pillar 1 amount by the operational loss under a stress scenario. Within non-financial risk, increased attention was paid in 2024 to information security & cyber risk (i), data management risk (ii), strategic & change risk (iii), sourcing risk (iv) and brand & sustainability risk (v):

(i) the security maturity roadmap was further implemented and maintained by the first line and an ambition to move towards ISI27001 certification by the end of 2026 was expressed;
(ii) data under management in the Central Information Provisioning Layer (CIVL) reached a critical mass enabling critical data products to be developed in the domain of Risk and Finance. However, a continued focus is needed to ensure that this progress continues and CIVL can be used for material statutory reporting and material tableau reporting. A roadmap was developed to integrate our current data platforms and their operations into one dedicated, sustainable and efficient data platform (the Argenta Data Platform);
(iii) in 2024, we realised multiple change projects with only a minimal budget deviation of 1%, achieving 95% of the targeted value. Additional steps were also taken in the context of maturity, i.e. improved cooperation between IT and business through the introduction of the Statement of Work (SOW) and clarification of roles and responsibilities in the E2E test approach. In addition, thanks to the Delivery Committee, we have made progress in reporting, communication and setting priorities, and both the internal and EY audits did not yield any recommendations;
(iv) the following activities, started in 2024, lead to improved risk management: activities leading to DORA (Digital Operational Resilience Act) compliance (including critical and important function (CIF) definition, adaptation of contracts), drafting of the "Third Party Risk Management (TPRM) standard", reintroduction of the Sourcing Consultation and drafting of the strategic Contract Management project;
(v) the Marketing & Sustainability department carried out a double materiality assessment (DMA) on the basis of the CSRD/ESRS (Corporate Sustainability Reporting Directive/European Sustainability Reporting Standards), and Argenta's material ESG topics were identified.

For 2025, the focus areas for non-financial risk will be resilience risk (formerly business continuity risk), data management risk, sourcing risk, information security & cyber risk and the anti-money laundering, terrorist financing & sanctions risk and privacy risk subtypes of compliance risk.

For the other risks we refer to Chapter 8.9., "Discussion of the consolidated financial statements – Note 4.2" of the BVg Integrated annual report, where the non-financial risks (NFR) are described in greater detail.

The overarching definition for non-financial risks is the chance of negative consequences (financial and/or reputational damage) as a direct or indirect consequence of inadequate or failed internal processes, people or systems, or of external events.

13. Exposure to equity risk

In addition to a limited number of strategic equity investments, the Bank Pool also holds a limited number of positions in individual shares (from an investment perspective).

The Company's strategic investments amounted to just EUR 61,325. This position contains shares of a small number of entities that have already been held by the Company for a long time.

In addition, the Company has, in recent years, built up a limited position in shares acquired from an investment perspective and linked to real estate companies among others.

These shares are all accounted for using the standardised approach. In addition, a small number of subordinated loans to and participations in associates have also been included in this class.

Table 22: Overview of shares according to the STA approach

	Carrying amount	Market value	Unrealised gain/loss	Realised gain/loss
Strategic participations	61,325	61,325	0	0
Participations in associates	90,000	63,628	-26,372	0
Investments	19,506,070	14,207,625	-5,298,445	0
Listed	12,599,306	6,583,985	-6,015,321	0
Private equity	0	0	0	0
Other	6,906,764	7,623,640	716,875	0
Subordinated loans	5,072,824	5,011,847	-60,977	0
Total	**24,730,219**	**19,344,425**	**-5,385,794**	**0**

Shares that are traded on an active market are accounted for at market value.

Recognising the insurance participation at BVg CRR scope level

As already explained, the participation in the insurance pool at BVg level is treated as an exposure using the Danish Compromise (DC) and weighted under the IRB approach at 370%.

The participating interest in question is therefore not deducted from own funds (non-deducted participations in insurance undertakings). We refer to the appended **INS1** template for an overview of non-deducted participations in insurance companies.

The participation value amounts to EUR 176,445,506, which is multiplied by 370% in order to obtain a risk-weighted exposure amount of EUR 652,848,373 and a capital requirement of EUR 52,227,870.

14. Exposure to interest rate and spread widening risk

This chapter gives further information on the assumptions used by the Company in monitoring the interest rate risk in the banking book (Interest Rate Risk in the Banking Book, IRRBB) and spread widening risk in the banking book (Credit Spread Risk in the Banking Book, CRSBB). A detailed explanation can also be found in the 2024 BVg Integrated annual report, under chapters 4.1., "Risk policy" and 8.9., "Discussion of consolidated financial statements – Note 4. Risk management". The banking book consists of all interest-bearing components of the institution's balance sheet not belonging to a trading book. Non-interest-bearing assets do not form part of the banking book. The Company's interest-bearing assets belong exclusively to the banking book.

IRRBB is defined as the exposure of an institution's profitability and equity to adverse market interest rate movements. CSRBB is defined as the exposure of an institution's profitability and equity to adverse credit spread movements.

Interest rate risk

The interest rate risk in the event of various shocks to the yield curve is monitored and managed both from an income perspective and an economic value perspective.

The economic value of the banking book, and its sensitivity, is the algebraic total of the discounted cash flows of the interest-bearing components of the banking book over their interest duration at current and shocked market rates, excluding the commercial margins thereon.

The income perspective monitors the interest result, the difference between interest income and interest expenses and the sensitivity of these to interest rate shocks. This figure also takes into account the changes in the market value of interest rate derivatives recognised through the income statement. Since 1 October 2008, hedge accounting has been applied to the interest rate derivatives when they have a demonstrable interest rate risk-reducing character, except for changes in the time value of swaptions and the change in the full value of caps.

A retail bank's interest rate risk is determined to a great extent by the mismatch between the average interest duration of all interest-bearing assets (primarily mortgages) and liabilities (primarily savings accounts). The greater the mismatch, the greater the interest rate sensitivity.

Within ALM, all interest-bearing assets, liabilities and off-balance sheet positions (including hedging against interest rate risk via interest rate derivatives) are modelled in accordance with their maturity and re-pricing behaviour. Behavioural models capture the prepayment risks on mortgages and the maturity and re-pricing behaviour of deposits with no contractual interest rate maturity date. All material sources of interest rate risk are considered, in accordance with the prevailing guidelines and legislation.

Apart from interest rate risk, the model risk of behaviour differing from the standard modelled behaviour and of possible business risk are monitored or possibly capitalised in ICAAP.

Alco or the GRC-Moco can decide to adjust a methodology or behavioural model as a result of performance developments or regulatory developments.

To monitor economic value, ALM uses the swap versus 3M Euribor as the reference curve for the risk-free yield curve. No additional discount margins are applied to this discounting curve, nor are the commercial margins included in the cash flows discounted. In this way, the interest rate risk is measured cleanly and the most effective hedging measures can thus be taken.

The interest rate risk is monitored within ALM under a wide range of defined interest rate shocks. For income analyses, a flat-balance hypothesis is applied, which means that both the balance sheet size and balance sheet mix remain unchanged. This method is conservative and in line with market practice. The robustness of the business model is also monitored periodically under the defined range of interest rate shocks.

A monthly Hedging Committee made up of members of ALM, Risk, Treasury Front Office and Treasury Middle Office, takes and implements exogenous hedging decisions. This is done within the limits of a mandate from Alco, to which the body reports monthly.

Alco ensures that the RAF limits set are respected and that the proactive RAF levels are pursued. As a function of a discussion in the Risk Committee, these proactive RAF levels are determined and included in the business plan cycle.

The interest rate risk of activities not forming part of the trading book is included in the table below (and also in table **IRRBB1** appended to this report). Qualitative notes on this risk are also included in table **IRRBBA**.

Table 23: Overview of interest rate risks of non-trading book activities

		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	-301,946,412	-290,028,606	83,926,187	71,322,490
2	Parallel down	-113,132,243	-145,254,199	-79,251,257	-62,289,664
3	Steepener	-249,004,512	-243,765,991		
4	Flattener	129,019,694	114,144,889		
5	Short rates up	103,500,839	88,281,445		
6	Short rates down	-118,189,477	-107,947,169		

With regard to value sensitivity – economic value of equity (EVE), the parallel up scenario at -9.82% has the greatest impact and with regard to income sensitivity, this is reserved for the parallel down scenario at -2.58%. Limits are included in the “market risk” standard.

Approach to the behaviour of deposits with no contractual maturity

For both internal risk monitoring and prudential reporting, the maturity and re-pricing behaviour of savings and current accounts is modelled using internally developed replicating models. The models in question are econometric behaviour models that determine a risk-neutral reinvestment strategy for this portfolio.

The replicating model is simpler in design for Belgian current accounts than for Belgian and Dutch savings accounts because this is by nature a volume-sensitive rather than a price-sensitive portfolio. In order to capture the behaviour of this portfolio in the measurements, an explicit distinction is made here between “core” and “non-core” volumes.

The replicating models are subject to the internal Model Risk Management Governance. They are periodically backtested to monitor their performance, and this is reported on internally.

Approach to option risks

Within interest rate risk management, the Company distinguishes the following optional risks in the balance sheet.

1. With the first option, the customer has the possibility to prepay a mortgage loan. An interest rate-dynamic prepayment model is applied to both the Belgian mortgages and the Dutch mortgages in order to capture the potential prepayment behaviour in the measurements.
   These prepayment models are subject to the internal Model Risk Management Governance. They are periodically backtested to monitor their performance, and this is reported on internally.

2. With the second option, Belgian mortgage rates are automatically capped/floored by a contractual and statutory maximum increase or reduction when interest rates are revised. The impact on results and value are captured in the measurement of the interest rate risk.

3. With the third option, savings rates on regulated savings accounts can be floored by the statutory minimum interest rate. The impact of this on results and value is applied in the measurement of the interest rate risk.

4. With the fourth option, interest rate revisions of Dutch RMBS issues are contractually floored at 0%.

Approach to pipeline risk

Between the acceptance of a mortgage loan and execution of the notarial deeds of sale, market interest rate fluctuations can change the interest rate at which the mortgage loan is ultimately concluded. If interest rates are rising, the customer will be entitled to the lower rate which applied when the mortgage loan was applied for. If market rates are falling, the customer will have the opportunity to benefit from a lower rate.

In this period, in which loans have been granted but the rate is not yet finally established, an exposure to pipeline risk exists. The interest rate risk in the credit pipeline, which will very probably end up on the balance sheet, is captured in the measurement of the interest rate risk from the economic value point of view.

The ALM sub-department, which is part of the Financial Management department, reports monthly to Alco on developments in the aforementioned types of interest rate risk.

Spread widening risk

The spread widening risk is monitored and managed both from an income perspective and from an economic value perspective.

The economic value of the banking book, and its sensitivity, is the algebraic total of the cash flows of the interest-bearing components of the banking book discounted over their term under current and shocked spreads, respectively.

The income perspective monitors the interest result, the difference between interest income and interest expenses and the sensitivity of these to spread shocks.

A retail bank's spread widening risk is determined by the linking of interest-bearing assets (investment portfolio and repricing Belgian mortgages) and liabilities (bonds) to a market interest rate that differs from the risk-free rate used. This reference curve is the Swap versus 3M Euribor, which is also used within interest rate risk management. The greater the mismatch, the greater the sensitivity.

All material sources of spread widening risk are considered, in compliance with the prevailing guidelines and legislation.

The spreads used include both credit risk and market liquidity.

To monitor economic value, the CRA sub-department calculates different levels of spread shocks on the bonds and credits in the investment portfolio. This is done on the basis of market data differentiated by asset class and rating.

To monitor the income perspective, under a flat balance assumption, ALM also applies shocks to the investment portfolio and self-issued bonds. It also applies a shock to the repricing Belgian mortgages on the OLO swap spread, since the repricing of these contracts is linked to the development of reference indices derived from the OLO yield curve.

The table below quantifies the impact of this risk under both perspectives. The most negative impact on market value is determined by the scenario of widening spreads, while for the impact on net interest income, it is determined by the scenario of narrowing spreads.

Table 24: Overview of spread widening risks of non-trading book activities

	Current period	Last period
Impact on the market value in % of equity	-14.10%	-22.58%
Impact on NII	-4,465,110	-3,341,807

Alco ensures that the RAF limits set are respected and that the proactive RAF levels are pursued.

Alco or the GRC-Moco can decide to adjust a methodology as a result of market or regulatory developments.

15. Exposures to securitisation positions

15.1. Own securitisations

In 2017, 2018, 2019 and 2021, securitisation transactions were carried out involving portfolios of Dutch residential mortgage loans through the Green Apple 2017-I-NHG SPV, the Green Apple 2018-I-NHG SPV, the Green Apple 2019-I-NHG SPV and the Green Apple 2021-I SPV, respectively. In 2024, the Green Apple 2017 SPV issue was repaid.

The SPVs involved have a profit of EUR 2,025 per entity (minimum tax basis). The interest received and paid and the other costs are reflected in the Aspa statement of profit or loss. Their processing is accounting- and tax-neutral.

These are traditional securitisation transactions, undertaken with the objective of attracting new funding with a view to continuing to offer mortgage loans.

Aspa has itself purchased the B and C notes issued by the SPVs with an outstanding exposure of EUR 324,300,000. A notional EUR 1 billion (Green Apple 2018-I-NHG), a notional EUR 0.8 billion (Green Apple 2019-I-NHG) and a notional EUR 0.65 billion (Green Apple 2021-I) of notes were initially placed with institutional investors.

The Green Apple SPVs – which executed the securitisation transactions – are fully consolidated under the IFRS standards, so that the underlying Dutch mortgage loans return to the consolidated entity's balance sheet.

Both the liquidity risk and interest rate risk of the underlying loans (and consequently the notes held internally) are also managed by the Company in accordance with the standard reporting and governance of the Argenta Group. The interest rate risk remains with the Company due to the presence of a cap structure in the global transaction.

A detailed explanation of the various Green Apple issues and the overall structure can be found on the website www.argenta.eu. The features of these issues, prospectus and investor presentation, can be found under the "debt issuance" heading.

The table below contains a summary of the own securitisations for the current period. These securitisations relate to mortgage loans and are therefore related to the exposure class "secured by immovable property".

Table 25: Overview of exposures of own securitisations

Total exposure	Performing	Non-performing	Of which: past due	Accumulated impairments	Of which stage 1:	Of which stage 2:	Of which stage 3:
1,500,284,644	1,495,501,067	4,783,577	4,783,577	309,477	47,563	222,195	39,719

The impairments recorded on own securitisations (based on the loans from the four entities that are included as exposure in the calculation of the credit risk requirements) amount to EUR 309,477 in 2024, EUR 47,563 of which for stage 1, EUR 222,195 for stage 2 and finally EUR 39,719 for stage 3 loans.

Role as initiator in securitisation transactions

Aspa plays several roles in securitisation operations. As initiator (*originator*) of securitisation operations, Aspa (*seller*) sells the loans for securitisation to the issuer.

In the case of the Aspa-initiated securitisation operation, the issuer is an SPV, established under Dutch law, named Green Apple BV. This company buys the loans and issues bonds (notes) to pay for this purchase.

The Green Apple SPVs are administered by Intertrust Services, an independent Dutch company specialising in securitisation operations and trust management.

Aspa is also involved in the transaction as a party in the structure of a front and back cap, which means the interest rate risk remains with the Company.

The Company is not involved as a sponsor in other securitisation transactions. However, the Company is also involved in other securitisation operations through its role as an investor (see Chapter 15.2. Portfolio of securitisation positions).

CRR approaches applied

The own securitisation transactions do not envisage a release of capital, and the Company assesses that there is no significant transfer of credit risk. For this reason, a capital requirement is calculated for all securitised loans at Aspa solo level. This replaces the calculation of a capital requirement for the (self-purchased) B and C notes. For this reason a capital requirement is calculated for the underlying loans instead of the issued notes that were purchased by Aspa.

Under IFRS, the Green Apple SPVs are fully consolidated, so that the underlying Dutch mortgage loans remain on the consolidating entity's balance sheet. At the consolidated level, the capital calculations on the mortgage loans are retained (since the loans return onto the balance sheet) and the outstanding self-purchased B and C notes are eliminated in the consolidation.

Accounting policies

The securitisation operations can take the form of a sale of the assets in question to a special purpose vehicle (SPV) or the transfer of the credit risk by means of credit derivatives.

An SPV issues tranches of securities to fund the purchase of the assets. The financial assets involved in a securitisation are no longer (fully or partially) accounted for in the financial statements of the issuing institution whenever the company in question transfers virtually all the risks and income from the assets (or parts thereof).

The B and C notes of the Green Apple 2018-I-NHG, Green Apple 2019-I-NHG and Green Apple 2021-I issues are recognised at amortised cost at Aspa solo level, given the intention to retain these securities until the maturity date. At consolidated level, these notes are eliminated and the loans come back onto Aspa's and the Company's balance sheets.

At consolidated level, no gains are realised on the sale of the loans. Owing to the DPP (deferred purchase price) method, the interest result from the loans comes into the profit and loss account on an unconsolidated basis.

All securitisation positions that Aspa has acquired are listed. In this way, an external valuation of these effects is obtained. A more detailed explanation of the fair value of financial instruments is given in the Company's Integrated annual report.

Loans are also periodically sold by Aspa to its sister entity Aras. However, this is separate from the aforementioned securitisations implemented.

15.2.Portfolio of securitisation positions

In addition to the securitisation transactions described above and performed by the Company itself, the Company holds a number of asset-backed securities (ABS) and mortgage-backed securities (MBS) as part of its investment policy.

These securities form part of the Company's investment portfolio (the Company has no trading book), with the risks monitored in accordance with the governance for the global investment portfolio.

The Company invests only in the A tranches of securitisation transactions and has no "re-securitisation" positions in its possession. These positions are processed by the SEC-ERBA method under the "securitisation positions" exposure class.

All purchased securitisation positions are included in the institution's investment portfolio. The Treasury & Investment Services (TIS – Middle Office) sub-department is responsible for analysing whether a securitisation position can be regarded as an STS (Simple, Transparent & Standardised) securitisation and therefore qualifies for a differentiated capital treatment.

The table below gives a geographical overview of the securitisation positions purchased as investments. This geographical distribution is based (as for the entire portfolio) on the issuer's country code.

Table 26: Geographic distribution of securitisation exposures at year-end

Type	Country	Exposure 2023	Exposure 2024
MBS	ES	5,424,502	4,344,825
MBS	NL	268,596,943	299,968,212
ABS	BE	26,061,937	7,947,787
ABS	DE	13,006,907	7,134,846
ABS	FR	55,351,587	64,799,246
ABS	IE	34,962,243	32,996,315
ABS	LU	98,803,210	120,403,448
ABS	NL	5,391,285	19,805,014
Total securitisation positions		**507,598,614**	**557,399,693**

The following table gives an overview of the securitisation positions involved, with their external ratings (indicating the credit quality of the securities), their EAD and the total capital requirement by the SEC-ERBA method.

The ratings given to the transactions by the credit assessment institutions involved are used for the weightings and the calculation of the capital requirements, after the second best rating is determined.

Table 27: Overview of EADs and capital requirements of securitisation positions

Second best rating		ABS	MBS	Total
AAA	EAD	253,086,656	299,461,257	552,547,913
	Capital requirement	4,032,799	2,400,384	6,433,183
AA+	EAD		4,051,468	4,051,468
	Capital requirement		91,355	91,355
A+	EAD		800,312	800,312
	Capital requirement		32,012	32,012
Total EAD		**253,086,656**	**304,313,037**	**557,399,693**
Total capital requirement		**4,032,799**	**2,523,752**	**6,556,551**

The portfolio of securitisation positions has risen from an exposure of EUR 507,598,614 as of 31 December 2023 to EUR 557,399,693 as of 31 December 2024.

Applying the weighting percentages and the 8% requirement, a capital requirement of EUR 6,556,551 (compared with EUR 5,822,453 at the end of 2023) was obtained for these purchased securitisation positions.

The Company only buys tranches of the highest credit quality (see table above with the indication of ratings). Consequently, no single securitisation position is weighted at 1,250% and no amounts have to be deducted from its qualifying own funds (Article 444 CRR (e)). Nor are any credit risk mitigations applied for these exposures in the capital calculations.

15.3. Tracking of securitisation positions

The Credit Risk Analysis (CRA) sub-department is responsible for tracking the positions of the investment portfolio and the purchased securitisation positions. The purchased positions are monitored systematically. Every three months a comprehensive analysis report is prepared on these positions and is discussed in the Alco. Based on the evolution of the credit risk of the underlying assets of the securitisation positions, proposals are made to set up provisions.

The analysis report provides an overview of the performance of the Structured Credit Portfolio (SCP). The RMBS and ABS transactions are monitored on the basis of Coverage Ratios (CR).

A CR measures the extent to which the existing credit enhancement (CE) of an RMBS can cover the expected losses (EL) on the underlying pool of loans, in the event of failure or default. The expected losses are determined on the basis of an estimate of the total Probability of Default (PD), and an estimate of the size of the Loss Given Default (LGD). The expected loss relates to the principal that remains unpaid after the sale of the guarantees.

The CRs provide an overview of the performance of both the total portfolio and the individual transactions. The CRs are further calculated in a base case and severe case scenario. A CR greater than 1 indicates that the available credit enhancement can absorb the expected losses within the transaction and that no losses are expected on the tranche in the portfolio. Given that the great majority of the RMBS portfolio consists of Dutch RMBSs, a benchmark is set for the comparison of performance.

As reported, the Company buys only the top tranches of the issued securitisation positions, as a result of which it has not so far suffered any effective loss on these positions. The total capital requirement for securitisation positions has fallen (partly due to the decline in the portfolio). The Company does not have any re-securitisation or synthetic securitisation in its portfolio. These elements have been included in the table below.

Table 28: Overview of key data securitisation positions

Overview of securitisation positions	Trading book	Investment portfolio
Total securitisation portfolio	0	557,399,693
Of which exposure type MBS (Mortgage Backed Securities)	0	304,313,037
Of which exposure type ABS (Asset Backed Securities)	0	253,086,656
Traditional securitisations	0	557,399,693
Synthetic securitisations	0	0
Re-securitisation positions	0	0
Details of Green Apple 2018 SPV		
Outstanding amount of the issued notes at end 2024	0	327,744,153
Outstanding amount of the purchased B and C notes at end 2024	0	117,300,000
Securitised loans in July 2018	0	1,117,243,343
Details of Green Apple 2019 SPV		
Outstanding amount of the issued notes at end 2024	0	368,050,892
Outstanding amount of the purchased B and C notes at end 2024	0	112,400,000
Securitised loans in July 2019	0	935,793,960
Details of Green Apple 2021 SPV		
Outstanding amount of the issued notes at end 2024	0	488,327,892
Outstanding amount of the purchased B and C notes at end 2024	0	94,600,000
Securitised loans in July 2021	0	743,220,838
Assets already assigned for securitisation	0	0
Capital requirement of purchased securitisation positions	0	6,556,551
Deducted from own funds or 1,250% weighting	0	N/A

Both at unconsolidated and at consolidated level, the capital requirement is calculated on the underlying loans and not on the self-purchased Green Apple notes.

16. Leverage

The CRR/CRD regulations require financial institutions to calculate, report and track their leverage ratio.

The leverage ratio is a non-risk based rule for measuring the build-up of leveraged financing. Limits restrict the ability of financial institutions to apply too much leverage to their capital base. It is calculated as a ratio between Tier 1 capital and total on-balance-sheet and off-balance sheet exposures.

Process for tracking and managing the risk of an of excessive leverage ratio

The Company closely tracks its leveraged financing. In the RAF, the leverage ratio is one of the indicators that are systematically included in the periodic reports to management and to the Board's Risk Committee.

The RAF limits framework provides for an orange zone from 3.375% upwards and a green zone from 4% upwards. It also aims for a 5% level for Aspa as a self-imposed target.

The Financial Management department also reports on this ratio to the Executive Committee and Board of Directors.

Table **LR2** appended to this report gives the leverage ratio of the Company.

Description of the factors impacting the leverage ratio

The total leverage ratio exposure as of 31/12/2024 was EUR 57,259,265,542 (compared with EUR 55,276,694,104 as of 31/12/2023). The corresponding leverage ratio is 5.37% (compared to 5.17% at 31/12/2023). At the consolidated level of Argenta Spaarbank, the leverage ratio was 5.08% at the end of 2024.

The leverage ratio increased compared to 2023 as a result of an increase in equity. This increase is higher in relative terms than the increase of the exposure due to the reinvestment of funds received from the growth of savings and debt securities issuance.

Reconciliation between total assets in the annual report and the measure of total exposure for the leverage ratio

The reconciliation between the total assets shown in the annual financial statements and the measure of total exposure for calculating the leverage ratio can be found in the attached template **LR1**.

17. Capital and liquidity management

Capital management

The Company is obliged to implement adequate processes and systems aimed at guaranteeing its long-term capital adequacy, taking into account all material risks and future changes in regulatory capital requirements.

These processes are known internationally as the Internal Capital Adequacy Assessment Process (ICAAP). The goal of the Argenta Group's risk management is to have the best possible capital structure and risk control with which it continues to meet the statutory capital requirements.

Implementing the business plan, with sufficient capital at all times the attendant need to ensure sufficient capital is available at all times to pursue the planned growth, is a key focus here. The business plan therefore forms an important anchoring point for the various (normative and economic) ICAAP calculations, with the ICAAP results also playing a decisive role in the approval process.

The Company pursues a policy of self-financing and therefore applies a prudent and conservative level of dividend payments. To retain a level of capital that provides sufficient room to support growth and meet the financial and operational risks, the Company seeks to satisfy its potential capital requirements with (a) retained earnings, (b) possible capital increases, and (c) subordinated alternative Tier 1 and Tier 2 loans. In addition, decisions may be taken to lighten the balance sheet by selling assets or by securitising part of the mortgage loan portfolios. In addition to managing the regulatory capital ratios, the capital requirements arising from the MREL (Minimum Requirement for own funds and Eligible Liabilities) and ALAC (Additional Loss-Absorbing Capacity) obligations (or minimum requirements) are also actively monitored with (d) senior non-preferred issues, so that the Argenta Group has robust solvency.

The risks to which the Company is exposed require a risk buffer in the form of own funds. The ongoing development of its activities as a conventional savings bank and hence, among other things, as a "transformation bank" (a bank that converts (transforms) funds deposited for the short term into long(er)-term investments), calls for continuous monitoring of the required own funds.

ICAAP incorporates all the Company and Bank Pool's procedures and calculations used to ensure:

- The proper identification and assessment of the risks;
- The maintenance of adequate capital in line with the bank's risk profile;
- The use and further development of risk management systems.

This means that in all circumstances (stress scenarios), the capital requirements of the Company and all its constituent parts are met with an adequate degree of certainty.

In the ICAAP, the Company's capital adequacy is assessed from an economic perspective and from a normative perspective. In the economic perspective, an internal definition of available or internal capital and required or economic capital is used. Here, all material risk factors are modelled so that total economic capital provides an accurate picture of the capital requirement. More information on ICAAP can also be found in Chapter 8.9., "Discussion of consolidated financial statements – Note 4. Risk management" in the "Integrated annual reports".

A direct link exists between the ICAAP calculations and a number of RAF indicators with their associated limits and flashing lights. Under the 99.9% scenario, the focus is on the ratio of available internal capital to required economic capital. For this a minimum limit of 120% is set and the green zone starts from 130%. However, the self-imposed goal is a ratio of 156% (this includes an additional 20% buffer), so that the Company has a comfortable capital situation at all times.

Under the 95% value stability scenario, the focus is on the ratio of the economic loss under a 95% scenario to available internal capital. Here, a limit of 30% is set and the green zone starts from less than 25%.

The 80% income stability scenario focuses on the ratio of income loss under an 80% scenario to the expected NIBT (net income before tax) under the base scenario. The limit is 100% and the green zone starts from less than 50%.

In the normative perspective, the impact of a number of internally defined company-wide stress scenarios on the statutory (Pillar 1) capital ratios is calculated. The objective of the normative ICAAP is to investigate capital adequacy under basic and stress scenarios over a 3-year horizon, and while always meeting minimum capital ratios as set by the ECB, taking into account changes in the regulatory framework (e.g. Basel IV). The projected capital ratios are tested using the internal limits from the RAF.

In addition to the internal stress tests, Argenta Group, like all other significant banks under direct ECB supervision, is subjected to the EBA/ECB stress test every two years. The next ECB stress test exercise is scheduled for 2025. The purpose of the stress test is on the one hand to evaluate the shock resistance of the European banking system and, on the one hand, to assess the financial health, risk profile and sustainability of the business model in the event of negative market developments.

In the years between these stress tests, the European banking sector is subjected to thematic stress tests, such as the climate risk stress test in 2022 and the cyber resilience stress test in 2024.

The results of the stress tests are one of the factors on the basis of which Argenta's minimum capital requirement and capital guidance are determined, expressed in terms of a Pillar 2 (P2) Requirement and a P2 Guidance.

The probability and impact of the stress tests in relation to the risk appetite is intended to lead to a weighing up of accepted risks and to risk-mitigation measures or the decision to hold more capital. The financial impact resulting from stress tests is defined as the direct negative impact on the core capital.

The calculations according to the Basel rules (Pillar 1) for capital management are reported to the supervisory authority and used in-house.

The Supervisory Review and Evaluation Process (SREP, annual global evaluation) is the control process carried out by the regulator covering the evaluation of the capital and liquidity adequacy of the bank, the robustness of its business model and the adequacy of its risk governance framework. The result of the SREP is communicated to the Argenta Group on an annual basis. It consists – in addition to the minimum capital requirements and capital recommendations – of the regulator's assessment of the 4 SREP components on the basis of which Argenta Spaarbank and the Argenta Group (at

BVg level CRR scope) are evaluated. Where appropriate, actions and recommendations are prescribed in order to solve shortcomings.

The present P2R (Pillar 2 capital requirement) is 1.50% in terms of the CET1 requirement. In terms of the leverage ratio requirement, the regulator decided not to impose a P2R. Also, with regard to liquidity, the SREP decided not to impose additional liquidity buffers.

Liquidity management

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

The financing model and liquidity profile of the Argenta Group is mainly characterised by:
- A substantial base of customer deposits;
- Being widely present across the Belgian and Dutch markets;
- A diversification towards wholesale funding consisting of RMBS, covered bonds, senior bonds including green bonds and certificates of deposits;
- A liquid securities portfolio.

Funding policy is directed first and foremost at obtaining funding from retail customers in Belgium and the Netherlands through payments and savings accounts and term deposits. Customer deposits constitute the largest and most important primary funding source of the Company's banking activities.

Subsidiary Argenta Spaarbank also goes to the interbank or professional market to fund itself. This is done to diversify its sources of financing in order to meet new legal requirements or to support the S&P rating (EMTN programme with the possibility to issue Tier-2, Senior Non Preferred (SNP) or Senior Preferred (SP) instruments). Since 2021, Argenta may, after first obtaining a licence from the regulator, issue Belgian Covered Bonds (*Pandbrieven*). Periodically, repos can also be concluded 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.

Risk Management in the Bank Pool

Argenta 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 "Liquidity risk" standard. This standard provides an overview and description of the key elements of the ILAAP (Internal Liquidity Adequacy Assessment Process) and their interaction, and explains how ILAAP is integrated into Argenta'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). The second-line responsibility lies with the Risk department. Management of the liquidity position falls under the authority of the Treasury and Investment Management department.

For measuring, monitoring, checking and reporting on the liquidity risk, the Company has a specially adapted management information system, including a contingency plan, in order to be able to adequately manage its liquidity in both normal and exceptional circumstances. In addition to the extensive regulatory reporting, extensive internal reporting has also been developed. In this way, management and stakeholders are permanently aware of the evolving situation. 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 Risk” standard.

The risk appetite is managed in the Bank Pool’s RAF by limits and flashing light levels on the following risk indicators:
- The LCR (Liquidity Coverage Ratio): this ratio tests the liquidity buffer against a pre-defined outflow of financial liabilities over a 30 day period;
- The NSFR (Net Stable Funding Ratio): this ratio compares available liquidity against required liquidity over an at least one-year period;
- The AER (Asset Encumbrance Ratio, strict and broad): this ratio compares the amount of unencumbered assets against the volume of protected deposits;
- Loans/balance ratio: this ratio monitors the illiquid portion of the assets within set limits; and
- Wholesale funding ratios: these ratios track the proportion of institutional funding and refinancing risk within set limits.

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

With respect to the regulatory ratios, the company applies a minimum of 105% (borderline orange – red zone) for the Liquidity Coverage Ratio (LCR) within the RAF, with a (self-imposed) target range of [180% – 185%] (green zone from 125%). For the NSFR (Net Stable Funding Ratio) the minimum is 105% (borderline orange – red zone), with a target of a ratio of 132% (green zone from 120%).

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 2024, Aspa was in category 2.

The overview of the AER ratios and legal limits can be found in the overview below:

	Legal limits	31/12/2023	31/12/2024
AER strict (RAF limit)	95%	112.2%	110.0%
AER wide (RAF flashing light)	110%	117.3%	115.1%

The LCR and the underlying components can be found in table **LIQ1** (appended to this report).

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, Argenta Group also has a portfolio of ECB-eligible securities and other saleable securities.

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

Argenta maintains a derivatives portfolio with a view to hedging the interest rate risk. The value of this portfolio is hedged with collateral. The assets used as collateral are excluded from the LCR liquid buffer. The LCR also takes into account potential collateral outflows due to fluctuations in the valuation of the portfolio and a negative change in the rating of Argenta Spaarbank. The development of the collateral is closely monitored.

18. Remuneration policy, diversity and integrity

This section provides disclosures on remuneration policy (both substantive elements and the decision-making process for arriving at this policy). Most of these disclosures are also included in the Company's Integrated annual report which is published on the www.argenta.be website.

Argenta has 3 charters that describe the basic principles and values that Argenta sees as central to its activities: the "Suitability of Key Officers" Charter including "Diversity", the "Integrity" Charter and the "Sustainability" Charter. By their nature, these charters apply across the Argenta Group.

Remuneration Committee

There is a single Remuneration Committee at Argenta, consisting of certain members of the Board of Directors of Argenta Bank- en Verzekeringsgroep. Based on a waiver granted by the supervisory authority, the Remuneration Committee operates at group level and no separate remuneration committees have been set up within the Boards of Directors of either Argenta Spaarbank or Argenta Assuranties.

The Remuneration Committee advises on the remuneration policy with respect to the members of the Board of Directors, those employees whose professional activities can have a material impact on Argenta (the "identified staff") and all other employees of the Argenta Group, including Argenta Nederland, AAM and Arvestar.

It monitors changes in remuneration within the Argenta Group, makes sure that the remuneration policy promotes a solid risk culture, and makes general recommendations to the Board of Directors. For this purpose, it also examines annually whether remuneration in the Argenta Group is in line with the remuneration policy.

The Remuneration Committee annually assesses the remuneration of executive and non-executive directors from the perspective of the Remuneration Policy adopted by Argenta and the conformity of the remuneration with legal and regulatory provisions, including the possibility that the remuneration could be of such a nature that it could create a conflict of interest between the directors and the institution.

The Committee has established that the remuneration of non-executive directors consists solely of a fixed monthly fee, plus a fixed amount per Board committee meeting attended. The Committee confirms that this remuneration is consistent with Argenta's Remuneration Policy, and with the business strategy, objectives, values, and long-term interests of the institution. The remuneration is not of such a nature that it could create a conflict of interest between the non-executive directors and the institution.

The Committee has further established that the annual remuneration of the executive directors consists solely of a fixed monthly fee, plus premium contributions into two group insurance schemes, one for creating supplementary pension capital and one for disability insurance. The basic fixed remuneration primarily reflects the relevant professional experience and organisational responsibilities, as set out in the job description that is part of the executive director mandate. There is no form of remuneration that depends on performance criteria. The committee has determined that the remuneration of the executive directors is in line with Argenta's Remuneration Policy, and with the business strategy, objectives, values and long-term interests of the institution. The remuneration is not such as to create conflicts of interest between the non-executive directors and the institution.

In 2024, the Remuneration Committee met three times.

The following non-executive members of the Board of Directors of Argenta Bank- en Verzekeringsgroep are on the Remuneration Committee:

- Raf Vanderstichele (Chairman)*
- Bart Van Rompuy
- Marc van Heel

* independent member of the Remuneration Committee as stipulated in Article 7:87(1) of the Belgian Companies and Associations Code (WVV)

Chairman Raf Vanderstichele was active for many years as a certified auditor at an international audit firm and statutory auditor of several Belgian companies, including in the financial sector.

The Remuneration Committee is composed so as to be able to give a sound and independent assessment of remuneration policies and compensation practices and the incentives created by it for risk management, capital requirements and liquidity position.

Its composition was temporarily changed following the sudden and unexpected departure of a director. As a result, the independent directors on the Remuneration Committee are not in the majority. The composition of the Appointments Committee and the Remuneration Committee is also temporarily identical. Pending the selection of a new independent director, this is the best alternative to ensure continuity of decision-making during this transition period.

Remuneration policy of the Argenta Group

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.

The Board of Directors is then responsible for supervising the implementation of the decision of the general meeting.

The Argenta Board of Directors lays down a remuneration policy for all employees[2] of the whole Group and monitors its implementation in collaboration with the Remuneration Committee and the independent control functions. This policy takes account of the complexity and structures of the Group to determine, develop and implement a consistent policy for the whole Group that is in accordance with the Group's risk management strategies. The policy is applied to all relevant persons at Group level. This policy does not apply to the branch managers or their employees.

Argenta guarantees:

- The overall consistency of the Group's remuneration policy, by ensuring that it satisfies the statutory requirements of companies forming part of the Group and by ensuring the proper application thereof;
- That the remuneration policy is consistent with the business strategy, objectives, values, and long-term interests of the institution, and also includes measures for the avoidance of conflicts of interest;
- The direct supervision by the Remuneration Committee of the remuneration of senior managerial employees who perform risk management and compliance functions;
- The involvement of the independent control functions:
  - the risk management function ensures that the remuneration policy is in accordance with thorough and effective risk management and promotes sound risk management;
  - the compliance function analyses the consequences of the remuneration policy for the compliance of the institution with legislation and regulations, internal policy and the risk culture, and reports all compliance risks and non-compliance issues identified to the competent management body; the compliance function formulates an annual opinion via the Risk Committee;
  - the internal audit function carries out independent testing of the structure and the implementation of the institution's remuneration policy and its consequences for its risk profile, and assesses how these consequences are managed;
- Mutual contact and exchange of information among the competent functions at Group level with Argenta AM, Arvestar and Argenta Nederland; and
- A gender-neutral remuneration policy.

The Argenta Group strives to remunerate its employees in line with market conditions. The salaries of Argenta's employees, administrative staff, management and Executive Committee members consist solely of a fixed amount. No variable remuneration, shares, stock options, entry bonus or deferred compensation are granted.

2 Only the remuneration of the members of the Board of Directors is determined by the General Meeting, please refer to the Remuneration Committee's charter. Here too, the Board of Directors remains responsible for the proposals submitted to the shareholders' meeting, as well as for the effective implementation and oversight of any changes in remuneration policies and practices.

The remuneration policy determines which remuneration package applies to which jobs, taking into account the degree of difficulty, responsibility, level of required training or experience and necessary specialisation of a particular job. Argenta expressly pursues a gender-neutral remuneration policy. The employee's function is the sole factor which determines what the pay category is, and the pay category determines the remuneration package of the employee concerned.

The main aspects of this policy are:
- The compensation benchmarks: benchmarks established by the Board of Directors for all function types at Argenta;
- An Argenta "function house", with a company-specific "pay house" linked to it (with sector-defined minimum pay scales and benchmark-driven Argenta market indicators);
- A company-wide system for pay increases, taking into account the fulfilment of the function and the individual compa-ratio range of the employee compared to the Argenta Market Indicator for the pay category to which his/her function belongs (compa-ratio: the percentage ratio of the gross monthly salary compared to the relevant Argenta Market Indicator); and
- A cafeteria plan as a means of offering flexibility in the salary package.

The Executive Committee, the Remuneration Committee of the Board of Directors and subsequently the Board of Directors itself approved the limits of the remuneration policy in 2016.

An in-depth exercise was conducted for this area in 2022. Two collective agreements were concluded for the entire package of updates:
- Collective agreement on the update to the remuneration policy (02/12/2022);
- Collective agreement on teleworking (02/12/2022).

In addition to the standard remuneration (monthly salary), all Argenta staff members receive double holiday pay, 13th month pay, hospitalisation insurance, group insurance, disability insurance and meal vouchers. The hospitalisation insurance can be extended to the entire family. For certain functions, company cars or business expense allowances may be granted.

The "Argenta remuneration policy for non-directors" of 27/06/2023 describes the principles applied by Argenta to achieve sustainable and correct remuneration for the (non-director) employees of Argenta's companies in Belgium.

The Argenta Group's total wage bill is disclosed in the Integrated annual reports (see www.argenta.be).

Identified staff

The remuneration policy must provide for appropriate incentives in order to encourage prudent behaviour in those employees whose professional activities have a material impact on an institution's risk profile.

The Executive Committee defines which employees qualify as identified staff on the basis of quantitative and qualitative criteria – on the basis of the Delegated Regulation (EU) 2021/923 of 25/03/2021 (bank regulations) and the Delegated Regulation 2015/35 of 10 October 2014 Art. 275C (insurance regulations). This proposal will be submitted to the Remuneration Committee for an opinion. The Remuneration Committee will submit the proposal with its opinion to the Board of Directors for ratification.

The persons concerned will be informed that they qualify as identified staff and the regulator will also be informed.

The Board of Directors has ultimate responsibility for the process of appointing employees and the policy for doing so. The competent management body in its supervisory function:
- Approves the appointment policy as part of the remuneration policy;
- Is involved in the draft of the self-assessment;
- Guarantees that the assessment for the appointment of employees was properly carried out in accordance with Directive 2013/36/EU, Delegated Regulation (EU) no. 2021/923 of 25/03/2021 and the EBA Guidelines EBA/GL/2021/04;
- Continuously supervises the appointment process;
- Approves material exemptions from or changes to the established policy and carefully studies and monitors the effect of them;

- Approves exclusions of employees in accordance with Article 4(2) of the Delegated Regulation (EU) 2021/923 of 25/03/2021 if the institutions are of the opinion that these employees do not satisfy the qualitative criteria set in the Delegated Regulation (EU) 2021/923 of 25/03/2021 because they do not have a material impact on the institution's risk profile, and oversees this matter;
- Regularly tests the established policy and changes it as necessary.

The Board of Directors is assisted in this by the Remuneration Committee. The Risk Committee is also involved, without prejudice to the tasks of the Remuneration Committee or the independent control functions.

52 persons were designated as identified staff at Argenta Group (CRR scope, excluding the subsidiary Aras) in the year 2024.

The total Argenta salary bill for identified staff amounted to EUR 13,803,484 in 2024. The attached template **REM5** provides a breakdown of the remuneration of these identified staff by business area.

In 2024, severance pay was awarded to one employee belonging to the identified staff. Please refer to template **REM3** for further information.

Note on remuneration policy for Executive Committee members

The remuneration of the members of the Executive Committee is explained in Chapter 5. "Governance" of the Company's BVg Integrated annual report.

The executive directors receive fixed annual remuneration that does not include any elements that could encourage the pursuit of short-term objectives that are inconsistent with the Argenta Group's longer-term objectives.

The fixed annual remuneration complies with the requirements laid down by 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.

The remuneration of directors below excludes remuneration for work for the subsidiary Aras. The remuneration of the entire Group can be found in BVg's "Integrated annual report".

In 2024, the total direct remuneration of the executive directors of the Argenta Group (Argenta Bank- en Verzekeringsgroep, Argenta Spaarbank and Argenta Assuranties[3]) amounted to EUR 2,202,372.05 (compared to EUR 1,973,962.29 in 2023). This is an increase of 11.57% compared with 2023.

There are no employees at Argenta Group, including in the Executive Committee, who receive more than one million euros. Template REM4 consequently does not apply to Argenta.

Contributions to the group supplementary pension and disability policies for the executive directors (excluding any portion for Aras) amounted to EUR 481,496.53.

At the end of their mandate, the executive directors receive a payment in accordance with the directors' agreement for executive directors. In accordance with the new Article 12/1 of Annex 2 of the Banking Act, which entered into force on 23 July 2022, Argenta has chosen to include a severance payment in the contracts of executive and non-executive directors consisting of a combination of a non-competition payment and an allowance by analogy with the severance payment in an employment contract where the total of these payments does not exceed 12 months' gross pay of the executive director concerned.

Appointments Committee

There is a single Appointments Committee in operation at Argenta, consisting of certain members of the Board of Directors of Argenta Bank- en Verzekeringsgroep. Based on a waiver granted by the supervisory authority, the Remuneration Committee operates at group level and no separate appointment committees have been set up within the Boards of Directors of either Argenta Spaarbank or Argenta Assuranties.

3 Remuneration relating to the subsidiary Argenta Assuranties is not included in this Pillar 3 report.

The Appointments Committee is tasked with assisting the Boards of Directors of the Argenta Group companies and advising them on assuming their responsibilities and on taking the necessary decisions with regard to the composition, structure and functioning of the Board and of the Executive Committee.

For this the Committee examines the performance of the Boards of Directors and of the Executive Committees of the Argenta Group companies, as well as the performance of their individual members and prepares the succession plans in the two bodies.

The following non-executive members of the Board of Directors of Argenta Bank- en Verzekeringsgroep were on the Appointments Committee as of 31 December 2024:

- R. Vanderstichele * (Chairman),
- M. Van Heel
- B. Van Rompuy

* independent member of the Appointments Committee as stipulated in Article 7:87(1) of the Belgian Companies and Associations Code (WVV)

Chairman Raf Vanderstichele was active for many years as a certified auditor at an international audit firm and statutory auditor of several Belgian companies, including in the financial sector.

The Appointments Committee is composed in such a way as to be able to give a sound and independent opinion on the composition and functioning of the governing and policy bodies of the institutions which make up the Argenta Group, and in particular of the individual and collective expertise of the members, their integrity, reputation, independence of mind and availability.

The composition of the Appointments Committee and the Remuneration Committee is also temporarily identical. Pending the selection of a new independent director, this is the best alternative to ensure continuity of decision-making during this transition period.

Meetings are held as often as the chair of the committee considers desirable. In 2024 the committee met six times.

Information on the selection process for the Executive Committee

The selection process for Executive Committee members is as follows: a first selection of candidates takes place in collaboration with external selection offices. After a first selection, the Appointments Committee and the Remuneration Committee assume their role as advisors to the Board of Directors. The Board of Directors appoints a candidate and presents this person to the supervisory authority. The final appointment is made after the supervisor has found the proposed candidate to be "fit and proper".

Diversity at Argenta Group

As a bank insurer, Argenta strives to be a reflection of society so that all customers and employees feel at home with Argenta.

This is why Argenta gives every employee equal opportunities and the focus is on talent, regardless of gender, age, disability, belief, philosophy, marital status, birth, wealth, political opinion, trade union membership, language, health status, sexual orientation, physical or genetic characteristics, social, cultural or ethnic origin. This is further explained in the Diversity Charter and the Anti-Discrimination policy. This also means that Argenta pursues a gender-neutral policy in areas such as remuneration, recruitment, career development and succession, access to training and opportunities to apply for internal vacancies.

The Diversity Charter, which was integrated within the "Suitability of Key Executives" Charter (Board of Directors Q3 2023 and Q1 2024), meets this legal obligation and extends the scope to Argenta's management and head office employees in Belgium and the Netherlands.

In accordance with Art. 31(2), indent 1 of the Banking Act[4], the Appointments Committee shall set a target for the representation of the under-represented gender in the statutory governing body and shall draw up a plan to achieve this target. Argenta has set a target of 33% in its Diversity Charter.

Boards of Directors

Six of the sixteen Argenta Group directors (across the different Boards of Directors) are women (37.5%).

New directors are selected primarily on the basis of their specific knowledge, training and experience with a view to strengthening the functioning of the board on which they sit.

When recruiting, however, care will always be taken to ensure that there is at least one candidate of each gender in the last three candidates.

Executive Committee, effective management and Argenta Group management

Three of the seven Executive Committee and/or “senior management” members are women (42.9%).

New members are selected in the first place on the basis of their specific knowledge, training and experience with a view to strengthening the functioning of the committee on which they sit. When recruiting, care will always be taken to ensure that the last three candidates include at least one candidate of each gender and that at least one candidate comes from the minority age group.

Argenta head office staff

Given the healthy distribution between male and female employees and the good reflection of society in terms of age, Argenta Group does not apply specific gender or age targets. New employees are selected in the first place on the basis of their specific knowledge, training and experience with a view to strengthening the function that they will occupy at Argenta Group. More information can be found in the respective subcategories of the Company’s social balance sheet and its integrated annual report.

Directors’ external mandates

Each director is encouraged to organise their personal and professional activities in such a way as to avoid conflicts of interest with the Argenta Group (in line with Article 7:96 of the Belgian Companies and Associations Code (WVV)).

The Boards of Directors of the Argenta Group companies have established a policy in their internal rules of procedure, including organisational and administrative arrangements (including keeping information on the application of the same). It also contains procedures for identifying and preventing 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 Group have exercised external mandates during the past financial year:

4 There is no analogous provision in the Insurance Supervision Act

Name and present position within the institution	Name of the company in which an external mandate is exercised	Registered office	Industry sector	Position	Listing on a regulated market	Capital link
Devlies Peter Executive Director	European Savings and Retail Banking Group	Belgium	European banking association	Director appointed by Aspa	N	N
	Febelfin – since 20/09/2024	Belgium	Federation of the Belgian financial sector	Member of Exco Director appointed by Aspa	N	N
	BVB – since 20/09/2024	Belgium	Belgian bank and stockbroking association	Member of the Executive Committee Director	N	N
	Kompanjon VZW	Belgium	Education	Director	N	N
Haegeman Marie-Anne Non-executive director	Euroclear Bank NV	Belgium	Credit institution	Executive director	N	N
Henriksen Carlo – until 26/04/2024 Non-executive director	Cofena VZW	Belgium	Culture	Director	N	N
	Koninklijke Golf Club Oostende CV	Belgium	Golf	Chair	N	N
Peeters Rudi Non-executive director	Colruyt Group NV	Belgium	Retail	Director (via Rudann BV)	Y (Euronext)	N
	Intesa VZW	Belgium	Services centre	Director	N	N
	Rudann BV	Belgium	Management company	Director	N	N
	Torfs Import Service NV	Belgium	Retail	Director (via Rudann BV)	N	N
	Vandersanden Group NV – until 31/05/2024	Belgium	Construction	Director (via Rudann BV)	N	N
Thijssen Caroline – until 04/10/2024 Non-executive director	CT Impact BV	Belgium	Management company	Director	N	N
	VP Capital NV	Belgium	Financial holding company	Director	N	N
	Etex NV	Belgium	Industrial holding company	Director (via CT Impact)	Y (Euronext)	N
	Toolbox VZW	Belgium	Other	Chair	N	N

Name and present position within the institution	Name of the company in which an external mandate is exercised	Registered office	Industry sector	Position	Listing on a regulated market	Capital link
Thomas Baudouin Non-executive director	BTH Consulting BV	Belgium	Management company	Director	N	N
	Reimagine BV	Belgium	Digital and AI Consulting	Director (via BTH Consulting)	N	N
	Tender Experts BV	Belgium	SAAS software	Director (via BTH Consulting)	N	N
Timmermans Veerle Non-executive director	Securex VZW	Belgium	External service for prevention and protection	CEO (via 2 Times a Lady)	N	N
	2 Times a Lady BV	Belgium	Management company	Director	N	N
Van Heel Marc Chairman of the Board of Directors	Kerkelijke Instelling Erfgoed Glorieux	The Nether-lands	Charity	Chair of the Supervisory Board	N	N
	Calmer Haven BV	The Nether-lands	Management company	Director	N	N
Van Hulle Cynthia Non-executive director	Warehouses de Pauw NV	Belgium	Real estate	Director	Y (Euronext)	N
	Miko NV	Belgium	Food	Director	Y (Euronext)	N
	Rega Instituut VZW	Belgium	Research	Director	N	N
Van Rompuy Bart Non-executive director	Investerings-maatschappij Argenta NV	Belgium	Financial hol-ding company	Director	N	N
	Rapportering en coördinatie BV	Belgium	Management company	Director	N	N
Vanderstichele Raf Non-executive director	Korora BV	Belgium	Management company	Director	N	N

Integrity at Argenta Group

Argenta is aware of the importance of promoting and safeguarding integrity in all areas. The Integrity Charter also forms the official basis for Argenta's banking and insurance policy and serves as a guideline for actions and decision-making in Argenta.

Integrity implies loyalty to the generally accepted standards in the banking and insurance sector. To stimulate the desired behaviour among employees, a “DOPE” programme has been introduced. The word “DOPE” comes from the initial letters, in Dutch, of the corporate values that all staff members actively bear in mind in their daily work.

These are:

1. **Close at hand:** All employees respect each other's opinions, share knowledge and experiences, are honest with each other and enter into long-term relationships, not letting self-interest prevail. On top of this comes constant attention to the customer, to ensure excellent service.
2. **Enterprising:** Employees take actions themselves to achieve the goals set and when they detect any opportunities.
3. **Pragmatic:** Argenta staff members go straight to the target, without detours. A good solution does not have to be unnecessarily difficult.
4. **Simple:** Communication with each other should be clear, focused on essentials. Simple solutions should be sought that do not complicate matters unnecessarily.

Argenta should set up an appropriate organisation and procedures to ensure that its staff members have integrity. The compliance function plays an important role in creating and enforcing the integrity policy. This integrity policy is described in the Integrity Charter.

The compliance officer of the Argenta Group, who is also the Compliance Director, is responsible for a coordinating and initiative-taking role with regard to the implementation of the integrity policy and reports to Argenta's Executive Committee.

The internal codes of conduct cover topics such as corruption, information security, commercial gestures, accepting or giving gifts, undue self-interest in transactions between staff and Argenta, and all kinds of other unethical or illegal conduct in the context of activities inside or outside Argenta.

Argenta organises compulsory training courses for its employees on the various aspects of the Integrity policy.

19. Sustainability

19.1. Sustainability at Argenta Group

Argenta aims to make a contribution to the larger whole, dealing with the world in which we find ourselves in a meaningful, sustainable and worthwhile way. To achieve this, we commit to the three pillars or ESG dimensions of sustainability: environment (E), society (S) and good governance and responsible entrepreneurship (G for governance).

Caring lies at the heart of the organisation at Argenta. Caring that binds together and offers individuality. By consciously embedding it, Argenta is focusing on satisfied customers, happy employees and healthy long-term business results. Taking responsibility is an integral part of what Argenta stands for, what it does and how it does it, and is thus inextricably linked to ethics and integrity. It's as easy as that.

Argenta's sustainability strategy is built around 3 pillars:
- Banking and insurance should not cost the earth;
- Simple and close by;
- Ethics and integrity as our guide.

The "Sustainability Charter" is developing these pillars further.

The policy is established in 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 Argenta. The CSO is supported in the Marketing & Sustainability department by a sustainability manager, who shares responsibility for implementing the policy and the sustainability plan across the different departments.

Chapter 6. "Sustainability Statement" of the Company's Integrated annual report contains a detailed explanation of the Argenta Group's ESG policy.

19.2. Disclosure of ESG risks

Template **ESG1** shows an overview of the credit quality of the exposures to non-financial corporates by sector, with an indication of emissions and residual maturity.

Argenta wants to contribute to the Paris Climate Agreement target of limiting global warming to 1.5°C by 2050. We measure our efforts against transition paths that we set for our mortgage lending and investment activities in 2024 based on assumptions. We set reduction targets and take measures to systematically reduce emissions from our business activities (Scope 3 or financed emissions), while paying careful attention to the social impact the transition entails for our customers.

Our climate efforts cannot be seen separately from the broad context of sustainability. For Argenta the "E" of environmental is inherently bound up with the "S" of social. This means that we pay attention to the need for a transition towards a climate-neutral economy and the social consequences that go along with this. Consider topics such as social inclusion, affordability and accessibility. Simply supporting our customers is an important key in this story.

The approach for determining the transition pathways for the mortgage portfolios in Belgium and the Netherlands is based on the CRREM (Carbon Risk Real Estate Monitor) methodology. The CRREM modelling takes account of the SBTi (Science Based Targets initiative) and provides insights relating to the emissions of buildings. Argenta uses the 1.5°C emission routes because they are in line with the Paris climate targets. This methodology allows us to set a target trajectory that we will use as a benchmark to monitor our efforts in the coming years. Together with the teams responsible for the Belgian and Dutch lending activities, we examined various scenarios to identify what efforts need to be made to support the reduction targets.

The financed emissions from our investment activities are calculated according to the guidelines of the Partnership for Carbon Accounting Financials (PCAF). The main source for emissions data is Moody's ESG Solutions, our data provider, which collects emissions data separately for Scopes 1, 2 and 3 from our counterparties based on reported information from financial statements and sustainability reports. If emissions data is not available through our data provider, we enrich the dataset through manual searches in annual reports and sustainability reports. As a last resort, when specific emissions data is not available, we use PCAF emission factors based on sector and region as a proxy.

The financed emissions are then calculated using the absolute emissions in relation to the "attribution factor", which consists of Argenta's exposure in relation to the enterprise value per counterparty. The Sustainability Action Plan sets forth our concrete steps towards making a targeted impact. The 2024-2027 Sustainability Action Plan was validated by the Board of Directors in 2024.

We also have high ambitions for the asset management activities: we are applying strict exclusion criteria to limit the negative impact of our investments, and we are striving for a positive impact. Argenta therefore does not invest in companies operating in the extraction of fossil fuels.

All Argenta funds are subject to Articles 8 or 9, see the Sustainable Finance Disclosure Regulation (SFDR). Since 2023, the Argenta funds' carbon footprints have been measured and reported via PAI (Principal Adverse Impact) reports.

Achieving the goals of the Paris Climate Agreement and reducing Argenta's financed emissions depends very much on the policy and market context in which we find ourselves. Governments' policy choices will be crucial in the coming years. Changes in policy can have a decisive impact on the achievement of our long-term goals. Argenta has no control or impact on the general policy and market context.

Energy efficiency collateral

Template **ESG2** gives an indication of the energy efficiency of the collateral for mortgage loans. The energy efficiency is expressed both in EPC labels and as EP scores (specifically, consumption in kWh/m²). Rock.estate uses these EPC values as input variables to make estimates remotely during the acceptance process.

If no EPC label is available for the underlying property, an estimate is made on the basis of energy performance, i.e. the estimated consumption in kWh/m².

Estimates (energy label and consumption) are obtained for the Dutch portfolio through Calcasa, an external data provider. For the Belgian mortgage portfolio, an in-house estimate is made on the basis of the characteristics of the property, for example location, purpose, type and year of construction.

For the limited and reducing CBHK retail portfolio, no information is recorded about the energy performance (label and consumption).

Top 20 most-polluting companies

Template ESG4 is not appended to the report, in view of the fact that Argenta Group has no exposures to the top 20 of the most-polluting (carbon-intensive) companies. The analysis is based on the Carbon Majors Database. The most recent release of this database was in April 2024, with data for the year 2022.

Transition risk

The risk appetite framework (RAF) has been further expanded in respect of climate risk metrics: for the retail mortgage portfolios by the average EPC (energy performance certificate) for production and portfolio, and for the non-retail portfolio by the carbon transition score and the environmental score.

Physical risk

The risk appetite framework (RAF) was further supplemented at the end of 2023 (NL) – start of 2024 (BE) with physical climate risk metrics: with average percentages of acute flood risk for the retail mortgage portfolios.

Template **ESG5** gives an overview of the exposures which are subject to physical risks as a result of climate change.

For loans which are covered by residential and commercial immovable property, the geographic areas in question are Belgium and the Netherlands. In both countries, flood risk is considered to be the most significant acute (flooding of waterways and rivers) and chronic (flooding due to a rise in the sea level and changing precipitation patterns) climate-related hazards.

The flood analyses for the mortgage portfolios in Belgium and the Netherlands were performed by external parties on the basis of flood risk maps from the competent authorities in each country. Please note that the threshold values for identifying the exposures that are sensitive to flooding vary due to inherent differences in the methodologies behind the local flood maps.

The acute flood risk in Belgium is assessed by an external party (Rock.estate) on the basis of maps which have been drawn up by the regional authorities (Flemish Region: Vlaams Milieumaatschappij (VMM); Walloon Region: Service Public de Wallonie (SPW; Wallonia Public Service); Brussels Hoofdstedelijk Gewest (Brussels-Capital Region): Leefmilieu Brussel/Bruxelles Environnement (Brussels Environment). Properties that are regarded as sensitive to acute flood risk are positioned in insurance companies' exclusion zones or in areas with a probability of flood of 1 to 10 years in the present climate.

For the chronic flood risk in Belgium, the properties were plotted on the coastal flood map for 2050 of the Vlaamse Milieumaatschappij (VMM; Flanders Environment Agency). Properties that are marked as sensitive to chronic flood risk are located in areas with 1-year to 10-year flood events according to the climate projection for 2050. The chronic flood risk in Brussels and Wallonia cannot be assessed for lack of available data.

The flood analysis for the mortgage portfolio in the Netherlands is being carried out externally, by Calcasa. The maps used to assess acute and chronic flood risk in the Netherlands come from LIWO (Landelijk Informatiesysteem Water en Overstromingen – National Water and Flood Information System). Properties with an acute flood risk are in areas with a probability of flood of 1 to 30 years, while areas with a chronic flood risk are those with an expected probability of flood of 1 to 30 years in 2050.

For the non-retail investment portfolio, which mainly consists of debt securities, the acute and chronic climate-related physical risks were identified and assessed by means of physical climate risk data from our data provider Moody's ESG Solutions. This relates to more than 72% of our non-financial companies portfolio. Six climate-related risks were taken into account in the assessment: floods, forest fires, hurricanes, rising sea levels, heat and drought. The exposure to chronic climate-related risks is calculated on the basis of rising sea levels, heat and drought. The exposure to acute climate-related risk is calculated on the basis of floods, forest fires and hurricanes.

The data on physical climate risk from Moody's ESG Solutions is based on a detailed analysis in which the exposure to each risk was evaluated, irrespective of the nature of the activities and the physical location of a company's facilities. Different risk levels were identified for each risk, varying from no risk to a red flag risk.

To determine the percentage of establishments with a significant exposure to each risk, we recorded the risks which were stated to have a high potential negative impact. To then determine the rate of exposure to chronic/acute climate-related risks, the maximum percentage of the different risks in relation to chronic (rising sea level, heat and drought) or acute (floods, forest fires and hurricanes) climate-related risks was retained. The exposure is calculated on the basis of the different geographic locations of a company's installations. At present, the reported geographic areas are based solely on the country of a company's headquarters.

Green Asset Ratio (GAR)

The **ESG6** to **ESG8** templates provide the consolidated EU Taxonomy figures for the CRR scope at the level of Argenta BVg. It should be noted that the templates only include the turnover-based KPIs for the Climate Change Measurement (CCM) and Climate Change Adaptation (CCA) environmental targets. It is worth stating that adaptation activities under the CCA target are not included in the EU taxonomy reporting. Adaptation activities in templates ESG7 and ESG8 are identified as activities which are aligned with the Taxonomy but are not enabling activities under the CCA target. We refer to BVg's Integrated annual report for the full report of the EU Taxonomy and for further details of the underlying methodology and the assumptions applied.

Alignment metrics

For investment activities in the banking pool, Argenta set reduction targets in 2024 for three carbon-intensive sectors in which Argenta has limited positions and for which physical intensity metrics are available. It specifically covers the following sectors: cement production, motor vehicle production and electricity production. The reduction targets are aligned with the NZE 2050 scenario.

20. Supplementary disclosure

Disclosures on the governance arrangements are incorporated in the filed annual financial statements and "Integrated annual reports", which have also been published on the www.argenta.be website.

The Company did not qualify as Global Systemically Important Institution (G-SII) and therefore does not have to provide disclosures on this.

The above (not externally audited) disclosures are given in the context of Basel Pillar 3 and are published in Dutch and English on the Company website www.argenta.be with the intention of meeting the disclosure requirements of Part 8 of the CRR.

The Dutch version of this report is the original text; the English version is a translation. In the event of any discrepancies, the Dutch version will take precedence. Questions related to the distribution of these reports should be directed to:

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