Annual report
2022
Belfius

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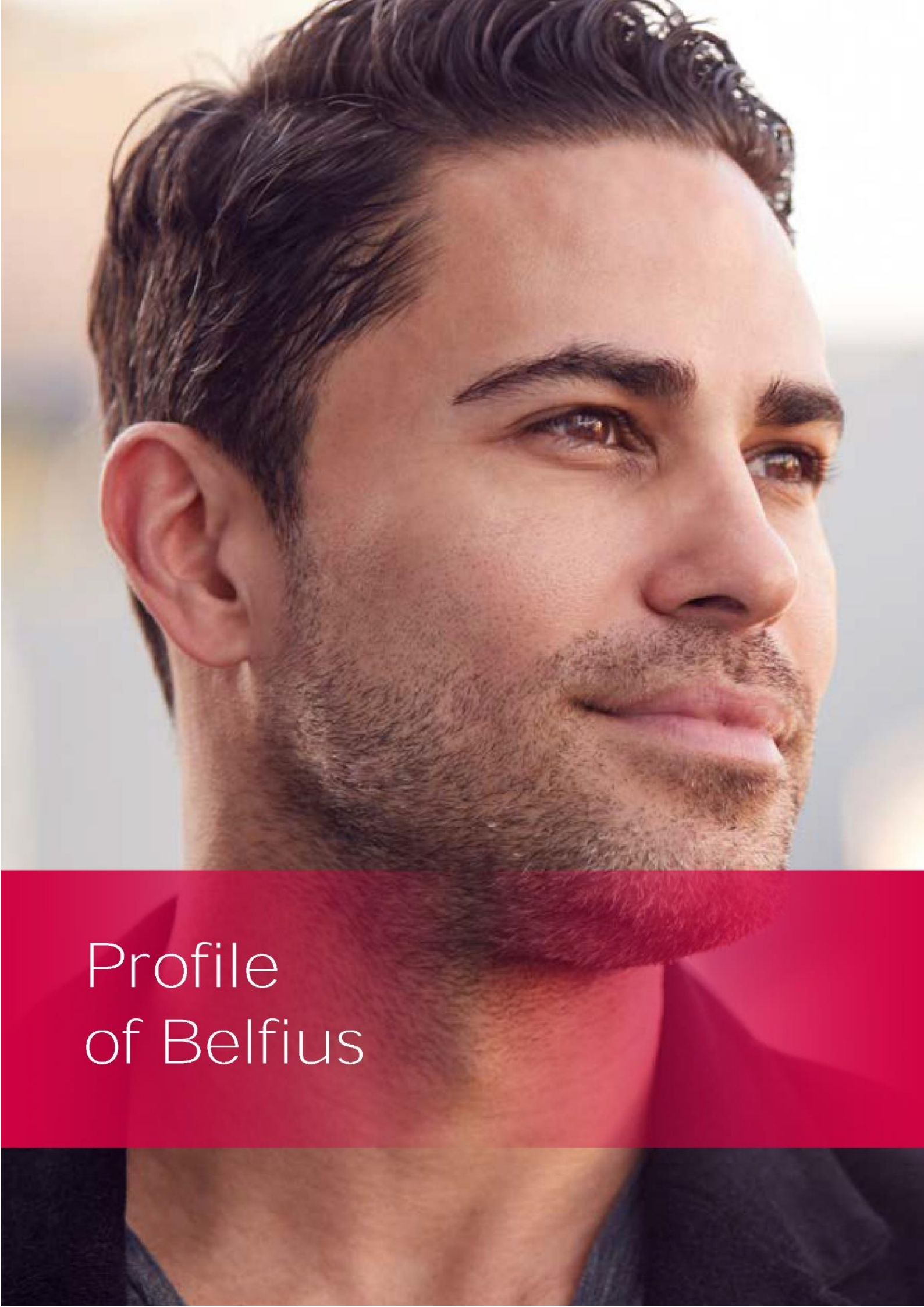
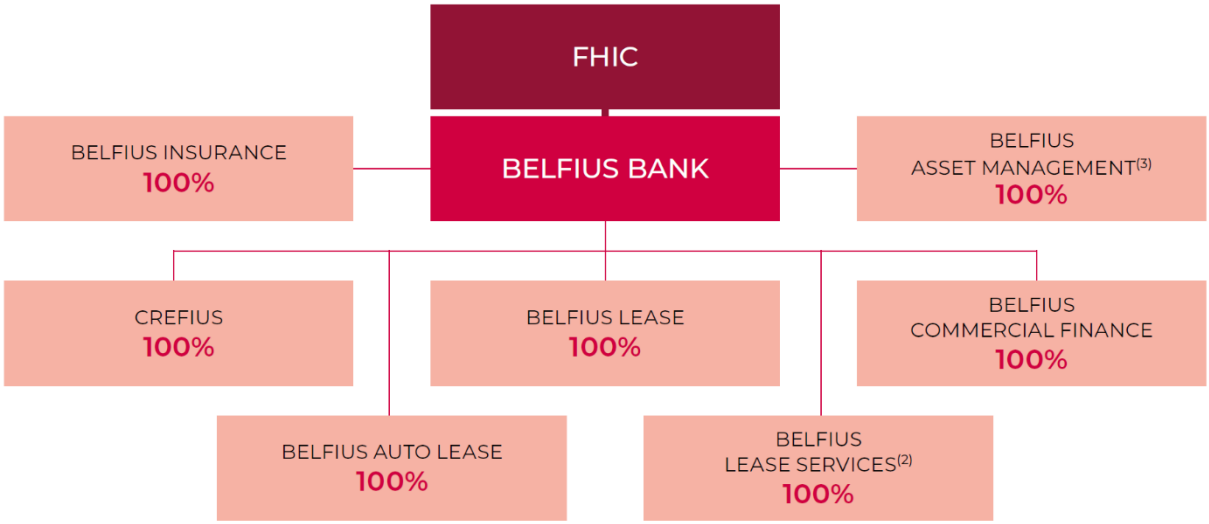


Profile of Belfius

Belfius is a Belgian banking and insurance group wholly owned by the Belgian federal state through the Federal Holding and Investment Company (FHIC). At the end of 2023, the total consolidated balance sheet amounted to EUR 179 billion.

Simplified group structure[1]



(1) For more details, see the list of subsidiaries of the consolidated financial statements in this annual report.
(2) Belfius Lease Services operates under the same brand (logo) as Belfius Lease.
(3) Following the strategic partnership with Candriam, one share of Belfius Asset Management is held by Candriam.

Our main commercial subsidiaries[1]

1. Belfius Insurance

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector. At the end of 2023, total consolidated balance sheet of Belfius Insurance amounted to EUR 19 billion.

2. Crefius

Company servicing and managing mortgage loans. At the end of 2023, total balance sheet of Crefius amounted to EUR 22 million.

3. Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of 2023, total balance sheet of Belfius Auto Lease amounted to EUR 661 million.

4. Belfius Lease

Company for financial leasing and renting of professional capital goods. At the end of 2023, total balance sheet of Belfius Lease amounted to EUR 1,115 million.

5. Belfius Lease Services

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of 2023, total balance sheet of Belfius Lease Services amounted to EUR 3,039 million.

[1] Total IFRS balance sheet before consolidation adjustments.

6. Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). At the end of 2023, total balance sheet of Belfius Commercial Finance amounted to EUR 1,414 million.

7. Belfius Asset Management

Company for administration and management of investment funds. At the end of 2023, total balance sheet of Belfius Asset Management amounted to EUR 185 million and assets under management amounted to EUR 30.7 billion.

Our activities

Belfius is a Belgian bank-insurer serving **more than 3.8 million customers** as of 31 December 2023, from all segments of the Belgian economy including the retail, SME, public sector and corporate markets. With approximately 350,000 entrepreneurs, enterprises and public and social institutions (E&E&P), Belfius is successfully pursuing its ambition of 'Lead & Loved Bank' in the Entrepreneurs and Enterprises (E&E) segment, and remains leader in the public and social sector thanks to more than 160 years of experience.

Belfius' integrated business model is based on creating and leveraging synergies across these client segments, as well as its products and businesses. Belfius organises its commercial activities into its Individuals segment and Entrepreneurs, Enterprises & Public segment.

1. Individuals

Belfius offers **individuals** a comprehensive range of retail, private banking, wealth management and insurance products and services. Belfius serves its 3.4 million customers through its integrated omni-channel distribution network, which includes 468 branches, digital channels, its modern interaction platform Belfius Connect and a large number of automatised self-banking machines. Through executing its digital strategy, Belfius became a leader in mobile banking with over 1.98 million active mobile users.

Belfius Insurance, a subsidiary of Belfius Bank, distributes its insurance products through the Belfius Bank branches and multi-channel distribution network, through the tied agent network of DVV Insurance, as well as through Belfius Direct Insurance. Through its Elantis and DVV brands, Belfius also offers mortgage loans and consumer loans to its customers.

2. Entrepreneurs, Enterprises & Public

The **Business Banking** segment mainly comprises self-employed persons, liberal professions (e.g. lawyers, doctors, accountants and so on) and SMEs with a turnover of EUR 0 to EUR 10 million.

The **Corporate Banking** segment includes medium and large Belgian companies with a turnover of more than EUR 10 million and operating in Belgium in all sectors of activity.

The **Public and Social** segment includes local public bodies (e.g. municipalities, provinces, police districts and public centres for social action), supralocal public bodies, regional and federal public bodies, mutual societies and trade unions, healthcare (hospitals, retirement homes), education (universities, schools) and housing, as well as foundations, social secretariats and pension funds.

Belfius provides these clients with a wide and integrated range of products and services, including credit lending, treasury management, insurance products, financial markets products and financial IT tools.

Belfius Insurance also sells insurance products to its public and social sector clients. Specific life insurance solutions are offered, especially pension insurance in the first and second pension pillars for civil servants and investment products in Branch 26 (life insurance with a capital guarantee and guaranteed minimum return, to which a variable profit participation feature may be added). The development of the insurance policies specifically

dedicated to the “Business” segment is one of the strategic development axes for both Life and Non-Life segments and are distributed via the Belfius Bank branches and via the tied agent network of DVV Insurance.

Our staff members

At the end of 2023, Belfius’ operations provided employment for 6,939 staff members, and there were approximately 3,300 persons working in the Bank’s and Insurer’s independent networks.

Key figures

Consolidated statement of income

(in millions of EUR)	2022[2]	2023
INCOME	2,722	3,141
EXPENSES	(1,417)	(1,538)
GROSS INCOME	1,305	1,603
Impairments on financial instruments and provisions for credit commitments	(105)	(109)
Impairments on tangible and intangible assets	(2)	(1)
RESULT BEFORE TAX	1,197	1,493
Tax (expense) income	(264)	(376)
NET INCOME AFTER TAX	933	1,117
Non-controlling interests	1	2
NET INCOME GROUP SHARE	932	1,115
of which		
Bank[1]	762	876
Insurance[1]	169	239

(1) Contribution of the Belfius Insurance and Belfius Bank groups to the consolidated statement of income.
(2) Pro forma IFRS 17 figures.

Consolidated balance sheet

(in millions of EUR)	31/12/22[1]	31/12/23
TOTAL ASSETS	179,068	179,179
TOTAL LIABILITIES	167,158	166,960
TOTAL EQUITY	11,910	12,219

(1) Pro forma IFRS 17 figures.

(in millions of EUR)	31/12/22[1]	31/12/23
TOTAL ASSETS	179,068	179,179
of which		
Cash and Balances with central banks	27,295	20,487
Loans and advances due from credit institutions	4,144	5,274
Loans and advances	110,203	114,531
Debt securities and equity instruments	26,997	27,924
Derivatives	5,893	5,321
TOTAL LIABILITIES	167,158	166,960
of which		
Cash and Balances from central banks	5,904	1,430
Credit institutions borrowings and deposits	1,870	3,912
Borrowings and deposits	108,447	104,000
Debt securities issued and other financial liabilities	29,899	36,018
Derivatives	8,249	7,229
TOTAL SHAREHOLDERS' EQUITY	11,378	11,684
of which		
Shareholders' core equity	10,776	11,491
Gains and losses not recognised in the statement of income	602	193
TOTAL EQUITY	11,910	12,219
of which		
Total shareholders' equity	11,378	11,684
Additional Tier-1 instruments included in equity	497	497
Non-controlling interests	35	38

(1) Pro forma IFRS 17 figures.

Ratios[1]

	31/12/22[3]	31/12/23
Return on equity (ROE)	8.9%	10.1%
Return on assets (ROA)	0.49%	0.62%
Cost-income ratio (C/I ratio)	44%	43%
Asset quality ratio	1.82%	1.95%
Coverage ratio	59.6%	56.0%
Liquidity Coverage Ratio (LCR)[2]	173%	139%
Net Stable Funding Ratio (NSFR)	135%	128%

(1) Unaudited.
(2) 12-month average.
(3) Pro forma IFRS 17 figures.

Solvency ratios[1]

	31/12/22[3]	31/12/23
CET 1 capital ratio[2]	16.4%	16.0%
Tier 1 capital ratio[2]	17.2%	16.7%
Total capital ratio[2]	19.8%	19.1%
Leverage ratio	6.2%	6.5%
Solvency II – ratio (before dividend)	205%	207%
Solvency II – ratio (after dividend)	193%	195%

(1) Unaudited.
(2) For the determination of the Capital ratios under Basel III, the regulatory authority asks Belfius Bank to apply a risk weighting of 370% on the capital instruments held by Belfius Bank in Belfius Insurance after deduction of goodwill. This is commonly known as "Danish compromise".
(3) Pro forma IFRS 17 figures with regards to CET1 capital ratio, Tier 1 capital ratio, Total capital ratio and Leverage ratio. The pro forma takes into account the implementation of IFRS 17 as well as the IFRS 9 business model reassessment on 1 January 2023, where a reclassification of EUR 8.9 billion has taken place from the Belfius Insurance portfolio of loans and debt securities measured at AC to loans and debt securities measured at FVOCI.

ESG as a business driver[1]

(in billions of EUR)	2022	2023
Total volume in Funds of the future	2.20	2.54
Total volume of investment portfolio Belfius Insurance managed according to Portfolio21 criteria (till 09/22) - TAP criteria (as of 09/22)	9.70	10.25
% art 8 & 9 in outstanding active investments offer submitted to SFDR (except mandates)	84%	91%

(1) Unaudited.

Human Capital

	2022			2023		
Staff members	Male	Female	Total	Male	Female	Total
TOTAL	3,452	3,263	6,715	3,531	3,408	6,939

Ratings of Belfius Bank as at 21 March 2024

	Stand-alone rating[1]	Long-term rating	Outlook	Short-term rating
Fitch	a-	A-	Stable	F1
Moody's	baa1	A1	Positive	Prime-1
Standard & Poor's	a-	A	Stable	A-1

(1) Intrinsic creditworthiness.

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Message from the chairmen

While Belfius continues to demonstrate more than ever its Love for the Belgian economy and society, this illustrates not only the strength of the company's strategy, but also and above all the trust of its 3.8 million customers. Thanks to their trust, we at Belfius have become what we are today: a financially robust bank-insurer with sound foundations that enable us to be Meaningful & Inspiring for the whole of Belgian society. Our strategy since day one has always focused on the medium and long term: creating rock-solid foundations and maximising the way we reinvest the savings entrusted to us back into our thriving Belgian economy and society. Together, we are building a stronger and more sustainable Belgium, creating opportunities and making dreams come true. For everyone.

For all entrepreneurs who trust Belfius to make their dreams come true

Belfius is reviving up its engine for the Belgian economy, granting a total of EUR 13.6 billion in new long-term loans to Belgian entrepreneurs and enterprises in 2023 (up +8.9% compared with 2022). Its market share, based on total outstanding loans in the Entrepreneurs & Enterprises segment (EUR 39.7 billion) continues to grow and has exceeded 20% in 2023, taking Belfius from a challenger bank to a Lead Bank in the world of Belgian entrepreneurs. And this applies to all sectors, including those which have experienced difficulties in recent months, such as the real estate sector, or those which are facing growth challenges.

For a society with a resilient infrastructure serving all Belgians

As the benchmark bank for the Public and Social Sector, Belfius granted this segment EUR 3.2 billion in new long-term loans in 2023. With a total of EUR 23.7 billion in outstanding loans for the Public and Social Sector, Belfius is playing its full part in ensuring that all Belgians can count on the best hospitals, swimming pools and other infrastructures.

For a sustainable society ready to meet the challenges of tomorrow

In 2023, Belfius played a leading role in the sustainable transition in Belgium, by releasing the capital needed to boost this essential change. For instance, in collaboration with Aster, we will equip 52,500 social housing units with solar panels in Flanders. Together with SeGEC (Secrétariat Général de l'Enseignement Catholique), Belfius will equip more than 1,000 schools in Wallonia and Brussels with solar panels, with the support of the EIB and the EU. And by virtue of its considerable financing in renewable energy, Belfius is helping 3.5 million Belgian families to benefit from affordable green energy. Then there's the 'Corporate ESG Ambition' programme, through which Belfius is also fostering a sustainable entrepreneurial landscape. With its "Corporate ESG Ambition" programme, a unique approach: no fewer than 1,600 customers were met to inspire them and help them accelerate the achievement of their ambitions in this area.

For families and their housing dreams

Even in a period of challenging interest rates, Belfius remains the country's second-largest mortgage lender and helped some 30,000 families realise their housing dreams in 2023, with EUR 5.3 billion in new home loans and a stable 17.5% market share of new mortgages.

For families who want to protect what they have built

Belfius Insurance protects and insures those dreams of housing, new vehicles or other investments against the unexpected, in 2023 more than ever: the collection of Non-Life premiums (excluding Health) at group level reached EUR 822 million. Belfius' bank-insurance channel, by incorporating Belfius Direct Insurance, posted a strong growth of 7.8% and DVV increased by 8.0%. The year 2023 was marked by the launch of Belfius Direct Insurance, with innovative products aimed at making the lives of its customers easier and responding even better to the needs of customers who prefer a direct distribution channel.

For everyone, including the least privileged

Committed to being a bank-insurer for everyone, Belfius is the only bank which offers 163,400 social accounts through the CPAS, enabling the most vulnerable individuals and families to access financial resources. With a market share of over 45% and 46,000 customers with a basic banking service, we take our responsibility to make banking accessible to everyone, including the most vulnerable groups in society. Belfius is one of the only banks in Belgium to allow everyone to benefit from a free payment account. Belfius is also committed to providing maximum added value for the customer, for example with advantageous telecom rates via Beats packages. For those who are less at ease with digital technology, the Belfius Phone Banking service, which is free of charge and has won a European award, is available 24/7 for simple banking operations. In addition, customers over the age of 70 continue to benefit from free additional services, such as manual transfers or monthly statements sent by post.

For customers who rely on a bank-insurer close to home

In recent years, Belfius has invested heavily in its accessibility, both digitally, by telephone and in its 468 branches. Those who want to make their dreams come true with a bank-insurer close to home can turn to Belfius and its

extensive branch network, with its many experts offer a personalised service and tailored discussions. They answer some 200,000 telephone enquiries per month, or almost 10,000 per day. In addition, the staff members of the Belfius Connect contact centre answer more than 67,000 calls per month. Belfius continues to innovate and confirms its digital leadership: the number of active users has risen again and is now 2 million (with an average of 39 uses per person per month). The chatbot is currently the second most popular contact channel after the telephone, with an average of almost 70,000 conversations per month. And because accessibility remains a constant challenge, Belfius is committed in 2024 to building on its robustness to invest further in increased accessibility for everyone.

Chris Sunt

Chairman of the Board of Directors

Belfius Bank

For investors looking for meaningful investing

Again in 2023, Belfius continued to inspire its customers to invest in a unique and dedicated manner. As a result of customers' confidence in the Funds of the Future, the total amount invested has increased to EUR 2.5 billion. At the same time, Belfius is increasing its positive impact on society, as since the launch of the first fund, a total of EUR 8.1 million has been donated to charities linked to these funds. The 94,000 committed users of Re=Bel, Belfius' stock market investment platform, also demonstrate that Belfius' customers are interested in committed investments. More than 80% of Re=Bel investors deliberately choose companies which are aligned with Belfius' strategy for sustainable transition. Last year, the platform recorded more than 337,000 buy and sell transactions for a total amount of EUR 1.1 billion. Opening up new opportunities on rising interest rates, Belfius has also taken the lead with adapted actions and products, both for savers who prefer to keep their savings readily available and for those who can do without their savings for a certain period of time. Belfius was the first major bank on the Belgian market to increase interest rates on savings accounts, and did so twice during the year 2023. Term deposits and investments in branch 21 products rose by 56.4% to EUR 30.5 billion at the end of 2023. By virtue in particular of the offer of this type of product, total savings and investment deposits reached EUR 186.8 billion.

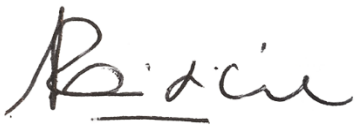
Customer confidence underpins excellent results and rock-solid strength

Our strong business figures reflect more than ever how Belfius continues to translate customer confidence into support to our customers, Belgian society and our shareholder. A combination of our consistent long-term strategy and a successful and diversified business model as a bank and insurer, plus sustained disciplined financial and risk management, all led to excellent financial results in 2023. Belfius closed the year 2023 with a consolidated net result after tax which is historically high at EUR 1.115 billion. The bank's contribution rose by 15% to EUR 876 million, while that of Belfius Insurance jumped by 41% to EUR 239 million. By virtue of this earning power, Belfius can further strengthen its capital base, while further investing in Belgian society and the economy, and remaining robust for the savers who entrust their savings to it. With a solid CET1 ratio of 16%, Belfius remains one of the most strongly capitalised bank-insurers in Europe, as confirmed by the EU stress test imposed on European banks in the middle of last year. Belfius Insurance's Solvency II ratio has risen slightly by 2% compared with the end of 2022, to 195%. The strong capital reserves also enable Belfius to pay a substantial social dividend in the form of a EUR 440 million ordinary dividend and a tax contribution of EUR 747 million, making a significant contribution to the Belgian State. It also allows Belfius to be an indispensable player in the transition to sustainability in Belgium and to continue to invest in products and services which are better adapted to customer needs. The costs of Belfius have increased by 7% in 2023, to EUR 1,740 million, the logical consequence of inflation on the one hand, and constant investments in people and technological innovations on the other hand. Nevertheless, the higher costs have been offset by higher growth in total income (EUR 4 billion, or +9% compared with the end of 2022), which means that Belfius' cost-income ratio can be further reduced to 43% at the end of 2023. Belfius' liquidity ratio also remains robust, with an LCR ratio of 139% and liquidity reserves of EUR 45.1 billion, despite the erosion of savings reserves due to the issue of the State note. The Belfius Group's equity capital stands at EUR 11.7 billion at the end of 2023.

Our commitment to society is stronger than ever, for all Belgians

More than ever in 2023, Belfius honoured its social commitment to Belgian society by being Meaningful & Inspiring for Belgian society. Together. It is a commitment that we can only fulfil thanks to our exceptional strength. Our unprecedented commercial and financial results combined with our prudent financial management enable us to play our full part in the transition to a sustainable Belgium. Together with our customers, we can continue to build a stronger, more sustainable and more beautiful Belgium, for the benefit of everyone. This is what Belfius is fully committed to. And our aim is to make and fulfil even stronger commitments in the future, for everyone. Driven by our Love for Belgian talent. Our customers' trust has allowed us to let all that talent shine for the past 12 years now. We therefore thank them in particular for the confidence with which they inspire us to give the best of ourselves every day. We are also grateful to our shareholder and the members of our Board of Directors for their faith and support in the development of our socially inspired strategy. And, finally, we extend our sincere thanks to our own talented people and our thousands of employees, as well as to our independent agents and their staff. Their commitment empowers the Love we have for our customers, every day – which is something we will continue to do together into the future.

Brussels, 21 03 2024



Marc Raisière

Chairman of the Management Board

Belfius Bank

Chris Sunt

Chairman of the Board of Directors

Belfius Bank

2023 highlights

The 2023 results of Belfius demonstrated the resilience of its business model and the relevance of its revenue diversification strategy. **Since more than a decade, Belfius keeps growing its business footprint in Belgium, living up to its purpose of being "Meaningful and Inspiring for Belgian society", a strategy that continues to result in dynamic commercial activities and sound growth pattern, even within the 2023 transforming macroeconomic, geopolitical and financial context.** European short-term rates are higher than the long-term rates since the end of March 2023 and the spread has been growing since then. Inflation, although demonstrating an easing trend amid higher interest rates, continued to weigh on the purchasing power of Individuals and on the profitability of Entrepreneurs and Enterprises. Credit spreads have tightened and equity markets have risen during 2023, driven by economic resilience, investor optimism and market expectations that the European Central Bank is at the peak of its monetary tightening cycle. Given the uncertainty surrounding future growth, interest rates, inflation, election outcomes, and the impact of geopolitical conflicts, it is however still necessary to remain vigilant in risk management and provisioning.

Belfius' **consolidated net income** 2023 stood at EUR 1,115 million[2], which is EUR 183 million higher than in 2022 (EUR 932 million). With such outstanding result - in a transformed geopolitical, macroeconomic and inflationary context - Belfius exceeds for the first time the symbolic EUR 1 billion net profit threshold, mainly thanks to a strong year-on-year increase in net interest income and growing contribution from our insurance activities, despite costs pushed up by inflationary pressures. The total income[3] has increased by EUR 338 million vs 2022 (from EUR 3,712 million to EUR 4,050 million), driven by net interest income, resilient net fee and commission income and insurance contribution to income, supported by solid ALM management, outweighing the increase of the Costs[4] by 7% due to higher workforce expenses related to inflation and investments in human capital to support commercial growth and operational resilience as well as continued investments in our data and digital transformation journey.

According to IFRS 17 reporting standards, Insurance Service Expenses (ISE) and Net Reinsurance Result (NRR) have been added to the income statement to reflect, on the one hand, the costs incurred in providing insurance services in the period[5] and, on the other hand, the costs linked to the reinsurance activities in the period. Insurance Service Expenses have decreased on an adjusted basis[6], this improvement is mainly attributable to Non-Life.

The Cost of Risk translated into a net allowance of EUR -109 million compared to a net allowance of EUR -105 million in 2022. The level of Pre-Provision Income[7], at EUR 1,603 million, increased with EUR 298 million vs 2022.

Belfius Bank contributed for EUR 876 million to the consolidated net profit (versus EUR 762 million in 2022). Belfius Insurance's contribution amounted to EUR 239 million (versus EUR 169 million in 2022), demonstrating its structural value creation with its solid RoE of 15.3%.

These resilient results underline that our strategy "Inspire 2025" keeps translating into sound commercial dynamics and sustained support to the Belgian economy:

- Still historically sound production of EUR 23.4 billion of new long-term loans, a decline of -6.3% vs 2022. Overall, the stock of outstanding commercial loans reached EUR 113.7 billion as of end 2023, a growth of +3.5% compared to December 2022;
- Our strategy "Bank for Investors" is also flourishing with the outstanding Savings & Investments growing to EUR 186.8 billion, thanks to a combination of organic growth effect in both maturing deposits and off-balance sheet products and of positive market effect;
- The insurance business continued to grow steadily, with Non-Life GWP (including Health) reaching EUR 859 million mostly thanks to a strong growth of the bancassurance channel (+9%), whereas Life GWP declined by -1%, with some shift from Invest Branch 23 towards Invest Branch 21 in light of higher interest rate environment.

In 2023, Belfius has grown **more mature** in serving all segments of the Belgian economy, **more scalable towards the future**, as illustrated by its competitive, resilient and improving cost-to-income ratio[8] of 43%, and **more solid** by growing its profit capacity beyond the EUR 1 billion mark, by keeping its RoNRE (Return on Normative Regulatory

[2] Belfius, as integrated bank-insurer, has released its 2023 results in accordance with the new accounting standard IFRS 17 with regards to insurance activities. Consequently, the balance sheet and P&L figures, as well as specific ratios, have been changed or redefined. All these changes have been implemented with retroactive effect to the 2022 results.
[3] Excluding Insurance Service Expenses, which under IFRS 17 accounts for as negative income, and net reinsurance result.
[4] Including directly attributable costs for insurance contracts.
[5] Including incurred claims and any subsequent change in the liability for incurred claims (except for effect of time value of money that is booked in Insurance Finance Income and Expenses).
[6] Insurance Service Expenses Adjusted equal Insurance Service Expenses, plus Net Reinsurance Result, minus Operating Expenses allocated to Insurance Service Expenses.
[7] Pre-provision income is pre-provision income before impairments on financial instruments and provisions for credit commitments and impairments on tangible and intangible assets.
[8] Representing Costs (including costs directly attributable to insurance services) divided by Income.

Equity) for the third year in a row above the 10% mark (12.5% RoNRE as per end of December 2023), and by keeping its CET 1 ratio at a very solid solvency level of 16.0%, Belfius Insurance SII ratio at 195% and Belfius' LCR ratio at 139%.

Outstanding commercial activity for Enterprises in 2023

Belfius has granted an amount of EUR 23.4 billion in new long-term financing to the Belgian economy, down by EUR -1.6 billion from EUR 25.0 billion in 2022, the result of the strong contraction in the Belgian mortgage loan market. Out of these EUR 23.4 billion, 58.3% (EUR 13.6 billion) went to Entrepreneurs and Enterprises with the latter accounting for EUR 9.6 billion. Belfius also granted EUR 3.2 billion of new long-term loans to the Public and Social sector and as such remains the reference partner for those clients. EUR 6.6 billion in new long-term financing went to Individuals, including EUR 5.3 billion in mortgage loans.

These overall sound commercial dynamics resulted in a continued solid increase of our outstanding stock of loans in most segments of the Belgian economy and Belgian Corporate loan market reached an estimated market share above 21%.

In 2023, Savings and Investments benefitted from both positive organic growth and positive market effects amounting respectively to EUR +3.3 billion and to EUR +4.1 billion. In this transforming interest rates environment, the global Savings and Investments' organic growth has seen a major product shift from non maturing deposits towards term deposits and bonds. The solid EUR +11.0 billion organic growth in maturing deposits and Branch 21 offset the contraction in non maturing deposits following the interest rates increase, the latter in line with Belgian market evolution, while Asset Management Services & Equity presented a positive organic growth of EUR 1.2bn in 2023. Despite this challenging macroeconomic and financial context, the Savings & Investments outstanding has reached EUR 186.8 billion, a growth of +4.1% compared to end December 2022.

The Individuals (IND) segment displayed a noticeable increase of EUR +5.4 billion since end 2022, with strong organic growth (EUR +2.3 billion) and positive market effect (EUR +3.1 billion). Savings & Investments for the Entrepreneurs, Enterprises & Public (E&E&P) segment increased by EUR +2.0 billion since end 2022 with a positive organic growth (EUR +1.1 billion), impacted by the (fully compensated) shift from non maturing deposits towards term deposits and bonds, and a positive market effect (EUR +1.0 billion).

Within our Insurance activities, Non-Life GWP (including Health) reached EUR 859 million, a growth of +7% (y-o-y). This strong performance was mainly achieved in the Belfius Bank's distribution channel (+9%).

Life GWP reached EUR 1,343 million, a slight decrease of -1% compared to 2022, with some shift from Invest Branch 23 towards Invest Branch 21 in light of the higher interest rate environment. Belfius Insurance was the first insurer to offer Branch 21 at higher guaranteed rates in 2022. Life reserves have increased by +3.3% at EUR 14.2 billion compared to end 2022.

Belfius continues to perform well on the digital front. The number of active mobile users reached 1.98 million at the end of December 2023, up +6% compared to year end 2022. Belfius offers a leading & award-winning mobile banking app. Belfius will continue to leverage its world-class mobile app as the cornerstone, including to offer inspiring and innovative "beyond bank-insurance" solutions to our customers.

In 2023, Belfius continues to take an active role in the transition towards a sustainable future of the Belgian society. Belfius is committed to making a difference in the environmental and social challenges and to encourage solutions that contribute to a more sustainable society in Belgium. From accompanying our customers in defining their strategy to financing their investments, from reinventing mobility to initiating solutions regarding energy renovations, Belfius positions itself as a leading actor in this field.

Excellent financial performance in 2023

Belfius' consolidated net income 2023 stood at EUR 1,115 million, driven by strong commercial dynamics and increasing income, within a persistently executed strategy supported by solid ALM management, and despite inflationary pressures on the cost side.

Total income amounted to EUR 4,050 million in 2023, up +9% or EUR +338 million compared to 2022 (EUR 3,712 million) thanks to:

- **increase of the net interest income bank** by +20% (EUR 2,108 million in 2023 vs EUR 1,752 million in 2022) in higher interest rate environment, driven by improving interest margin on non maturing deposits and still supportive remuneration on the large liquidity buffer held in cash during the year. This overall growth of interest margin is somewhat softened by: (i) volume shift from non maturing deposits towards term funding; (ii) pressure on new loan margins from general market delay between loan pricings and sharp increases of market interest rates, and (iii) continued strong competition in the Belgian loan market;
- **increasing net fee and commission income bank** from EUR 757 million in 2022 to EUR 760 million in 2023, mainly thanks to increasing payment service and third-party product fees, as well as continuously growing fees from Non-Life insurance activities through the banking network;
- **growing insurance pre-provision income contribution**, despite lower financial income in higher interest rate environment leading to decreasing **Life insurance income** (EUR 456 million in 2023 vs EUR 482 million in 2022) and thanks to higher **Non-life & Health insurance income** (EUR 866 million in 2023 vs EUR 809 million in 2022), in line with sound portfolio growth;
- **other income** at EUR -140 million in 2023 compared to EUR -88 million in 2022, mainly stemming from higher bank levies in 2023 and the reversal of some provisions in 2022.

Insurance Service Expenses adjusted for directly attributable costs for insurance contracts and reinsurance amounted to EUR -708 million in 2023 vs EUR -787 million in 2022. This improvement is mainly driven by Non-Life, thanks to the recalibration of the confidence interval to 77.5% and to the lower level of natural catastrophes' claims in 2023 while 2022 was impacted by February 2022 storms, as well as to the impact of reduced inflation assumptions on Best Estimate calculation.

Belfius continued to develop its strong footprint in operational, commercial and financial terms, by investing in human talent and digital capital. The year 2023 has been marked by further investments in technology as well as in human capital. **Costs**[9] went up by +7% at EUR 1,740 million in 2023 vs EUR 1,620 million in 2022 due to inflationary pressures and these growth investments. However, thanks to the solid income evolution y-o-y, Belfius' C/I ratio further improved at 43% in 2023 compared to 44% in 2022.

All in all, the combination of strong income dynamics and improved insurance service expenses adjusted, despite growing operating expenses as well as continuing investments in commercial activities, ESG, IT and digitalization, led to an increase in **pre-provision income** by +23%, to EUR 1,603 million in 2023 (vs EUR 1,305 million in 2022).

In 2023, Belfius made again a detailed review of its credit risk portfolio and continued to calibrate its IFRS 9 provisions.

Belfius continues to evolve its credit risk provisioning in synchronization with such transforming context, where inflationary pressures have had the hand over recession risk during the year 2023, and where economic growth continued to show more resilience than formerly anticipated in general.

The former best estimate "ex-ante provisioning" of expected losses due to the effects of the Covid-crisis, including expert based overlays for some Covid-impacted sectors, has been:

- slightly adjusted for improving economic outlooks (moving from EUR 124 million end 2022 to EUR 88 million end 2023), fully focusing again on forward looking assessment, and
- redirected from Covid-induced overlays for vulnerable sectors to Inflation and Energy related vulnerabilities.

[9] Including directly attributable costs for insurance contracts.

Next to that, higher migration to stage 3 (mainly during 1H 2023) has occurred, especially in the construction and manufacturing sectors (SME to mid-sized companies).

This led in 2023 to a **negative cost of risk** of EUR -109 million (net allowance), more in line than past few years with historical terms, compared to EUR -105 million or a net allowance in 2022.

As a result, the **net income before taxes** amounted to EUR 1,493 million in 2023 compared to EUR 1,197 million in 2022.

The **tax expenses** amounted to EUR 376 million in 2023 compared to EUR 264 million in 2022, showing an effective tax rate in line with the statutory tax rate (25%). The higher IFRS taxes in 2023 are mainly the result of a higher consolidated result before tax than in 2022 and the limitation of the NTK[10] deductibility to 20% since the start of the year (compared to 100% the previous years).

As a consequence, **consolidated net income** 2023 reached EUR 1,115 million compared to EUR 932 million in 2022. This is Belfius' highest net income since its origins, back in 2011.

Continued investment in the future, with a focus on sustainability

Belfius' mission, "Meaningful and Inspiring for Belgian Society. Together." encapsulates the role it sees for itself: to support and strengthen the Belgian economy and society in a sustainable way.

This drives the development of initiatives that put customers in the driver's seat of their ESG ambition, such as:

- The launch of **Corporate ESG Ambition**, a unique approach to motivate, accompany and reward Belgian companies through their entire ESG journey from strategy definition to implementation;
- The launch of **three additional variants of mortgage loans for energy-efficient housing**, with discounts for new constructions and for energy efficient renovations (in case of reduction of energy consumption with at least 30% or below 150 kWh/(m² year));
- The addition of **a new investment theme to our "Funds of the Future"**, around water and the pressure exerted by human activities on water resources.

Next to this, we are also proud that:

- Belfius' 2022 carbon baseline, including financed emissions, received limited assurance. This is another important step in view of our **decarbonization ambition**;
- Belfius Insurance increased its shareholder participation in **Inclusio**, a real estate company investing in social real estate in Belgium;
- Belfius, with ELENA and the Secrétariat Général de l'Enseignement Catholique (SeGEC), contributed to **the financing of solar panels** for catholic schools in Brussels and Wallonia;
- Belfius Insurance received a "Responsible Investment" **DECAVI Award** for its investment insurance products (aligned with our Transition Acceleration Policy (TAP)[11];
- The Belfius' trading room assisted its customers with the issuance of **EUR 2.5 billion Green and Social bonds in 2023.** Next to this, Belfius also issued its own, second Green Bond for EUR 750 million, that have been invested in eligible assets, under a framework aligned with the four core components of the Green Bond Principles 2018 and validated by Sustainalytics
- Belfius' Board of Directors decided to strengthen the criteria of the **Belfius' Transition Acceleration Policy**, mainly on fossil fuels and production of electricity.

[10] Belgian tax on credit institutions.
[11] For more information, please refer to https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/TAP-Policy-EN.pdf.

Solid solvency ratios and sound liquidity position

In terms of financial robustness, **Belfius continues to combine dynamic growth with sound solvency, liquidity and risk metrics**:

- the **CET 1**[12] **ratio** stood at 16.0%, down 49 bps compared to the CET 1 ratio as of December 2022. This decrease over 2023 is mainly the result of higher regulatory risk exposures (EUR +5.4 billion to EUR 69.5 billion), partially compensated by higher CET 1 capital (EUR +539 million);
- this strong and solid CET 1 level is net of a 40% **dividend pay-out ratio**, hence a potential 2023 dividend of EUR 440.3 million[13], thanks to which Belfius continued to support its commercial franchise development. Hence, the total cumulative amount of dividends since Belfius' origins back in 2011 amounts to EUR 2.5 billion;
- the **total capital ratio** stood at 19.14% compared to 19.76% end 2022;
- the **leverage ratio** increased to 6.5% compared to 6.2% per end December 2022. The increase is the result of the higher regulatory Tier 1 capital, and a lower leverage exposure;
- insurance activities also displayed continued solid solvency metrics, with a **Solvency II ratio** of 195% end of December 2023;
- end of December 2023, Belfius continued to show an excellent liquidity and funding profile with a **LCR** of 139% and a **NSFR** of 128%;
- **total shareholders' equity** (Net Asset Value) further improved to EUR 11.7 billion end December 2023 (vs EUR 10.9 billion end 2022), as a result of strong financial results and favorable financial markets.

[12] The pro forma of the CET 1 ratio, total capital ratio, leverage ratio and Net Asset Value takes into account the implementation of IFRS 17 as well as the IFRS 9 business model reassessment on 1 January 2023, where a reclassification of EUR 8.9 billion has taken place from the Belfius Insurance portfolio of loans and debt securities measured at amortised cost to loans and debt securities measured at fair value through other comprehensive income.
[13] As decided by the Board of Directors of 21 March 2024 upon a proposal for dividend (to the General Assembly of 24 April 2024) over 2023 year-end results.

Sustainability report 2023

As a Belgian bank-insurer, whose mission is to be "Meaningful and Inspiring for Belgian society. Together.", Belfius is fully committed to its customers and their love, continuously integrating sustainability in its strategy and articulating its sustainability strategy around two guiding principles, "Walk the talk" and "Customers in the driver's seat":

- Walk the talk: First, Belfius wants to lead by example and decarbonize its own operations as much as possible;
- Customers in the driver's seat: Then, Belfius wants to inspire its customers to define ambitious sustainability objectives (to have the greatest possible impact) and support them in realizing their ambitions thanks to an adapted range of meaningful solutions, products and services.

Meaningful growth

Belfius wants to facilitate the transition to a low-carbon, resilient and inclusive Belgian society.

That is why Belfius reinforced its Transition Acceleration Policy in 2023, mainly with regards to fossil fuels and electricity production. The Transition Acceleration Policy[14] is Belfius' policy on "controversial" or "sensitive" sectors. It is applied to all Belfius' activities, with a double objective to both encourage and support economic actors in their shift towards more sustainable activities and to reduce its negative impact by discontinuing or limiting its support to non-sustainable activities.

Belfius seeks to leverage its financing capacity towards providing maximum support to all its customers (i.e. retail customers, enterprises and entrepreneurs, public and social sector actors) in the transition towards a low-carbon economy. Belfius sustainable financing highlights are further detailed in Chapter 5 of the Sustainability Report and include for 2023:

- The launch of the revised energy-efficient mortgage loans' offer with discounts for the new nearly zero energy buildings (nZEB), the purchase of energy-efficient homes (EPC ≤ 150 kWh/m^2/year) and for the energy renovations of buildings (in order to reduce energy consumption with at least 30%);
- The launch of Corporate ESG Ambition, a unique approach to motivate, accompany and reward Belgian companies through their entire ESG journey from strategy definition to implementation;
- The further development of our Ambition Loans and Leasing range, investment credit and financial leasing structures respectively, to assist both corporate and public clients in funding projects with a positive environmental ambition in the fields of real estate, mobility, energy and water & waste management;
- With ELENA and the SEGEC (General Secretariat of Catholic Education), the financing of solar panels for more than 1,000 catholic schools in Brussels and Wallonia, for a total value of some EUR 23 million over a four-year period.

In addition to classic credit financing, Belfius assisted its customers with the issuance of EUR 2.5 billion Green and Social bonds in 2023.

The drive towards more sustainability in buildings and mobility is supported through Belfius' insurance products too. For instance, Belfius Bike Insurance won a DECAVI Award in 2023.

Besides, Belfius invites customers to invest in a meaningful way both through its actively advised investment offer (Branch 23 or thematic mutual funds) and through the execution-only brokerage platform Re=Bel. In 2023, a fund centered on water was added to Belfius' thematic mutual fund range.

In 2023, Belfius successfully issued its own, second Green Bond for EUR 750 million, whose proceeds are being invested in projects or assets relating to renewable energy, energy efficiency, clean transportation, green real estate and waste & water management. This Green Bond was issued under a framework aligned with the four core components of the Green Bond Principles 2018 and validated by Sustainalytics.

[14] The Transition Acceleration Policy of Belfius excludes companies that systematically or seriously violate one or more of the UN Global Compact principles. It puts restrictions on sensitive sectors and business areas such as tobacco, gambling, weapons, energy (thermal coal, unconventional oil & gas extraction, conventional oil & gas extraction, electricity production, nuclear power plants), mining, palm oil, soy, agricultural commodities (only stock market trading). For more information, please refer to https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/TAP-Policy-EN.pdf.

Climate and environmental risks and impacts

In line with the expectations from the European Central Bank, Belfius is continuously working to strengthen its approach on climate and environmental risks (as explained in detail in Section 6.1 of the Sustainability Report). In 2023, a climate and environmental risks materiality assessment was conducted to evaluate the impact of a wide range of climate and environmental risk drivers on the bank's main risk categories (credit risk, market risk, non-financial risk, liquidity risk and strategic risk) through various transmission channels (loss of revenues, increase of costs and investments, etc.) and over different time horizons (short, medium and long term).

Belfius calculates its carbon footprint, including its financed emissions according to the PCAF methodology. Belfius' 2023 carbon footprint is explained in section 6.2 of the Sustainability Report.

In 2023, Belfius also conducted a high-level materiality assessment to develop a comprehensive understanding of how to effectively address challenges related to biodiversity. This approach will enable us to focus on specific areas within our operations where our impact on biodiversity is most significant and where we are most dependent on it. You can read about Belfius' biodiversity materiality assessment in Section 6.3 of the Sustainability Report.

Community involvement

Finally, Belfius engages with selected local charities to fight child poverty (Viva for Life) and support young people (Jez!), education (Da's geniaal!/ C'est génial!, Ecole 19) and people with disabilities (Special Olympics). Please read about Belfius' community involvement in Chapter 8 of the Sustainability Report.

Human resources

Belfius is fuelled by the mission to be "Meaningful and inspiring for Belgian Society. Together", a vision brought to life by the talents that make up Belfius' workforce. We consider our employees essential and understand their significant role in the success of our operations. Our human resources policies support the transformation of Belfius into an organization that is centred on its customers and that readily adapts to change. As such, our responsibility lies in overseeing our human capital while ensuring our culture and purpose are aligned.

Belfius' four core values provide the framework for our corporate culture:

- Customer orientation: the satisfaction of our customers is and will remain the reference and ambition that governs everything Belfius does;
- Authenticity: Belfius respects each person's individuality and finds differences enriching. Everyone is at their best if they can be themselves;
- Fairness: Belfius seeks to balance the interests of all of its stakeholders: its aim is to create long-term value for customers and the company, as well as for the community and the environment;
- Entrepreneurial spirit: Belfius dares to take new paths and push the limits. It also has a flair for opportunity that it aims to deliver with passion, determination and integrity.

Belfius continues to emphasize the importance of continuous learning and the wellbeing of its talents.

Staff members: the backbone of the company

1. Key Figures

In 2023, Belfius Group counted 6,939 staff members, of which 99% had permanent contracts.

The age pyramid shows the distribution of the number of staff members by age group. These figures show that ageing is not only one of the major challenges of the near future (47.8% of staff members at Belfius Bank & Insurance are aged 50 or more), but also offers opportunities in terms of 'employability' of younger staff members, who can as a result continue to develop within the organization.

Movements in the number of active employees in the consolidated Belfius group (headcount)[1]

Type of contract	2022			2023		
	Male	Female	Total	Male	Female	Total
Permanent contract	3,422	3,234	6,656	3,506	3,394	6,900
Fixed-term contract	30	29	59	25	14	39
TOTAL	3,452	3,263	6,715	3,531	3,408	6,939

Movements in the number of active employees working full-time / part-time in the consolidated Belfius group (headcount)[1]

Work regime	2022			2023		
	Male	Female	Total	Male	Female	Total
Full-time	3,327	2,389	5,716	3,403	2,547	5,950
Part-time	125	874	999	128	861	989
TOTAL	3,452	3,263	6,715	3,531	3,408	6,939

Movements in the number of active employees per age category in the consolidated Belfius group (headcount)[1]

Age category	2022			2023		
	Male	Female	Total	Male	Female	Total
20y-29y	310	307	617	357	359	716
30y-39y	617	534	1,151	661	581	1,242
40y-49y	790	930	1,720	772	893	1,665
50y-59y	1,252	1,244	2,496	1,187	1,229	2,416
60+	483	248	731	554	346	900
TOTAL	3,452	3,263	6,715	3,531	3,408	6,939

(1) All of the figures relating to staff are for the 'active' headcount (unless stated otherwise), i.e. excluding employees taking early retirement, on long-term sick leave, full-time time credits, on secondment.

2. Talent Acquisition

Talent Acquisition refers to the act of placing particular emphasis on the process of finding and hiring new employees.

In 2023, 1,247 internal and external vacancies for permanent positions were opened for Belfius Bank and Belfius Insurance.

787 of these vacancies were filled for Belfius Bank and 208 for Belfius Insurance.

Number of internal and external vacancies at Belfius Bank and Belfius Insurance, excl. temporary vacancies

	2022	2023
# vacancies	1,254	1,247

Movements in the number of 'arrivals' per age group in the consolidated Belfius Group, excl. transfers between entities[1]

Year	Age Group	Male	Female	Grand Total
2022	20-29	123	94	217
	30-39	113	89	202
	40-49	60	51	111
	50-59	35	22	57
TOTAL 2022		331	256	587
2023	20-29	149	137	286
	30-39	99	93	192
	40-49	46	67	113
	50-59	19	19	38
TOTAL 2023		313	316	629

(1) All of the figures relating to staff are for the 'active' headcount (unless stated otherwise), i.e. excluding employees taking early retirement, on long-term sick leave, full-time time credits, on secondment.

Belfius is convinced that it is necessary to invest today in tomorrow's solutions in order to face the challenges of the future. For Belfius, as for many other companies, the recruitment of fresh talent presents its own challenges. Belfius is constantly on the lookout for the right new talents to reinforce expertise in specific domains and to build a talent pipeline of diverse profiles with the potential to grow and remain relevant.

In 2023, Belfius recruited 28 Young Professionals, young people who had just graduated or who had limited professional experience. These young staff members work on strategic projects in different departments over a period of two years (four missions of six months each).

In 2023, Belfius Bank and Belfius Insurance welcomed 68 trainees.

Number of work experience trainees at Belfius Bank and Belfius Insurance (from school)

	2022	2023
Male	46	40
Female	30	28
GRAND TOTAL	76	68

Finally, Belfius continuously invests in its talent acquisition processes with the double objective of increasing efficiency and optimising employee experience.

Some of the initiatives taken in 2023:

- We created an inspiring new external and internal jobsite, allowing direct posting on LinkedIn and other job boards. This jobsite is key for Belfius as an employer, enhancing communication towards the job market. The content on the jobsite is designed to be attractive to Millennials and Gen Z too, and pays specific attention to Diversity and Inclusion;
- We implemented a new recruitment tool, allowing for more effective follow-up of candidate inflow, screening and hiring, as well as more active participation in the process by business managers;
- We invested significantly in the end-to-end onboarding journey to offer a unique 'Belfius Love' experience to all new colleagues;
- We participated in over 60 university or secondary school job fairs, workshops and campus recruitment events, increasing Belfius Employer Brand recognition for Gen Z.

3. Outflow

Natural turnover is also a challenge for Belfius. In absolute figures, the number of departures slightly decreased in 2023 versus 2022. The majority of these were staff members in the 60+ age group who were retiring (38% of total departures). At the end of 2023, the 60+ age group represents 13% of our active population at Belfius Bank and Belfius Insurance.

Movements in the number of 'departures' per age group in the consolidated Belfius group, excl. transfers between entities[1]

Year	Age Group	Male	Female	Total
2022	20-29	27	29	56
	30-39	57	38	95
	40-49	31	22	53
	50-59	25	10	35
	60 and +	82	44	126
TOTAL 2022		222	143	365
2023	20-29	28	24	52
	30-39	56	29	85
	40-49	27	31	58
	50-59	17	12	29
	60 and +	90	45	135
TOTAL 2023		218	141	359

Movements in churn in Belfius Bank and Belfius Insurance, i.e. Number of departures in year N / [(# headcounts at 31/12 for year N-1 + # headcounts at 31/12 for year N) / 2][1]

	2021	2022	2023
Belfius Bank	4.01%	4.82%	4.67%
Belfius Insurance	8.54%	7.81%	6.66%

(1) All of the figures relating to staff are for the 'active' headcount (unless stated otherwise), i.e. excluding employees taking early retirement, on long-term sick leave, full-time time credits, on secondment.

Talent management

As a bank-insurer, the quality of Belfius' talents is a key asset. However, just attracting the right talent is not enough. It is vital to create a conducive, healthy, secure and motivating work environment, while focusing on the development of these talents to provide meaningful employment. Investing in lifelong learning and sustainable careers is the only way to encourage talent retention and prepare for the challenges ahead.

1. Lifelong learning

Lifelong learning is the ongoing, voluntary and self-motivated pursuit of knowledge for either personal or professional reasons.

Changes in the environment, such as new technologies, digitization, or early retirement, require staff members to be flexible. People no longer embark on a 'job for life', so in an environment that is rapidly changing, a culture of life-long learning is crucial. Belfius is convinced that this is the best guarantee for its staff members to stay ahead of the latest developments and to increase their employability. Consequently, Belfius provides its staff members with the means they need to continue investing in their personal development and, in doing so, it is nurturing a purposeful and sustainable organisation.

To give its employees every opportunity to develop in a rewarding work environment, a Learning & Development team is dedicated to the development and management of training (hard and soft skills), as well as talent development.

Belfius offers its employees a wide range of training programmes that cover soft skills, technical skills and theoretical knowledge through the My Development portal. 24,641 days of training were given in 2023 (mostly by videoconference).

A thorough revision of our learning offer began in 2023. It will result in a Learning & Development framework based on three pillars: mandatory essentials learning, on-demand job related training and learning journeys on invitation. The first pillar of essentials trainings covers subjects such as banking and insurance basic knowledge, security and key soft skills. The second pillar organises learning per job domain and offers learning modules based on career aspirations and self-awareness to facilitate internal mobility. The third pillar proposes learning journeys on invitation and is specifically developed to support the career of people managers and key talents at Belfius.

	2022		2023	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Average days of training per employee (incl. on-the-job, e-learning & mandatory training)	7.8	6.8	5.2	5.2
Average per female employee	8.0	7.0	5.5	5.3
Average per male employee	7.6	6.5	5.0	5.2

The My Development portal also provides access to:

- Share&Learn: an internal platform for every employee to share informative or inspiring content;
- GetAbstract: an online service that provides summaries (to be read in less than 10 minutes) of over 10,000 of the most influential books in the business world on personal development, leadership, business strategy or sales and marketing;
- +Babbel: a learning platform to learn new languages.

Initiatives organised by and for employees are also promoted. In our Train Your Colleague sessions, employees with specific expertise (for example digital or linguistic skills) share knowledge with their colleagues. In total, more than 70 training sessions were given in 2023, reaching more than 1,150 colleagues.

2. An ambitious career policy

Our career policy is a set of strategies and actions designed to help individuals maintain a successful and fulfilling career over the long term.

In 2019, Belfius Bank introduced a new career policy based on two pillars:

- A reflection tool that is available in the form of a personal online questionnaire, allowing employees to ask themselves the right questions to manage all aspects of their career;
- The opportunity for each employee to invite their manager at least once every 12 to 18 months to a career interview to discuss future professional plans.

In addition, continuous feedback is part of the Belfius culture. Belfius supports managers and directors in giving feedback as often as possible following negative or positive performances:

- Positive and exceptional performance is often rewarded with variable remuneration (a 'spot award') that can be awarded throughout the year;
- Under-performance is followed up with concrete feedback and an action plan is discussed between the manager and the department's HR business partner.

As a next step, we focused on increasing the impact of our talent and career policy in 2023. A new set of valuable interactions were designed to foster dialogue around mutual expectations, career aspirations, action plans and feedback.

Internal mobility

One of the ways to achieve a sustainable career is to move to another role/function within the company (internal mobility). As an employer, Belfius offers a wide range of functions both in central and regional departments, and offers a wide variety of job opportunities to potential candidates.

In 2023, Belfius took steps to support internal mobility through the initiation of a user-friendly internal job site. Moreover, job vacancies are typically open to existing employees for at least six weeks before being advertised externally. The fulfilment of our internal mobility objectives depends on a collaborative relationship among hiring managers, HR business partners and recruiters.

In 2023, 277 staff members changed jobs within Belfius Bank and 74 within Belfius Insurance.

	2021		2022		2023	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Number of staff members who changed jobs within Belfius	336	75	360	110	277	74

3. Employee satisfaction & engagement

For the past ten years, Belfius has been measuring the satisfaction and engagement of its staff members through its annual engagement survey. Engagement remained very high in 2023, with 86% of employees engaged across Bank and 87% of employees engaged across Insurance.

'Satisfaction indicator' scores from the Engagement Survey (Belfius Bank and Belfius Insurance)[1]

	2021	2022	2023
Belfius Bank	92.9%	95.0%	93.5%
Belfius Insurance	92.7%	92.0%	93.9%

'Engagement indicator' scores from the Engagement Survey (Belfius Bank and Belfius Insurance)[1]

	2021	2022	2023
Belfius Bank	87.0%	87.5%	85.6%
Belfius Insurance	84.7%	83.9%	86.7%

(1) All of the figures relating to staff are for the 'active' headcount (unless stated otherwise), i.e. excluding employees taking early retirement, on long-term sick leave, full-time time credits, on secondment.

4. Leadership

A new Leadership framework based on values and attitudes

Our values are at the core of our culture: customer orientation, authenticity, fairness and entrepreneurial spirit.

In 2023, a team dedicated to Leadership was created in a bid to centralize efforts in implementing and anchoring a new leadership framework. This new leadership framework will act as the basis for many initiatives relating to learning and development, as well as talent management. All employees will be encouraged to "Dare", "Care" and "Make it happen" (Belfius attitudes).

Every year, HR launches an internal talent scouting exercise. Each department can offer employees the opportunity to enrol in a talent development programme (BeLeads, Forward, Future Team Leaders, Talented Employees) to shape the managers of tomorrow. The HR Business Partner supports departments and their managers in their choice of candidates with their knowledge of the individuals concerned. During this exercise, Belfius ensures that women and men are given equal opportunity.

Furthermore, particular attention is given to selecting, developing and coaching people managers so that they are fully equipped to embody our unique culture and play their essential role along employee journeys.

Inclusive company culture

1. Human rights

Belfius respects the rights of its employees and in turn expects them to respect Belfius' human rights values, as stated in Belfius' Human Rights Policy and the Code of Conduct, requiring an honest and ethical attitude at work.

Guided by Belgian law, human rights and labour regulations, Belfius formally forbids child and forced labour across all its activities. In line with the International Labour Organization's (ILO) conventions and local/EU regulations, Belfius demonstrates absolute respect and compliance for its employees' right to participate in collective bargaining and freedom of association. In 2023, 94.28% of Belfius Bank and Belfius Insurance employees were covered by collective bargaining agreements.

The CLA N° 5 of the NAR dated 24 May 1971 on the status of trade union delegation of personnel within companies, states that the representative workers' and employers' organisations express agreement with the following principles:

- Workers recognize the necessity of the legitimate authority of the heads of enterprises and perform their work scrupulously;
- Employers respect the dignity of workers and treat them fairly. They undertake not to hinder, either directly or indirectly, their freedom of association and the free development of their organization within the company.

Enterprise representatives and trade union delegates are under all circumstances expected to demonstrate a sense of justice, fairness and conciliatory spirit towards good labour relations in the company and are expected to combine their efforts to comply with social legislation, collective agreements and labour regulations.

The management body is responsible for setting the social strategy, policies and risk framework, as well as supervising and managing their implementation. Conversely, employees are bound to perform their assigned

work with care and observe professional secrecy, particularly regarding confidential information that could cause damage to the company, both during and after the execution of the employment contract.

Discrimination of individuals on the basis of personal characteristics such as, amongst others, gender, skin colour, age, disability or sexual orientation, has no place in Belfius' corporate culture. This is enshrined in our Anti-Discrimination Policy. Belfius applies a zero-tolerance policy towards violence in the workplace including verbal, physical and sexual harassment.

Belfius respects the privacy of employees and acknowledges that data privacy issues are human rights issues, falling under the "S" of ESG. According to Human Rights Watch, comprehensive data protection laws are essential in protecting human rights. The right to privacy, but also many related freedoms, depend on the ability to make choices regarding how and with whom information is shared. Compliance with Global Data Protection Regulation (GDPR) is a crucial aspect in the processes to guarantee **privacy and protection of personal data**.

2. An active diversity, equitable opportunities and inclusion (DEI) approach

An active diversity, equitable opportunities and inclusion (DEI) approach is a proactive and deliberate effort to promote a culture that fosters diversity, equality and inclusion, ensuring equal opportunity and equal pay.

Belfius believes a diverse and inclusive workplace where each employee feels its presence is valued and respected is conducive to a sense of engagement and innovation. For this reason, DEI makes up one of the core values of Belfius' approach. We also believe that this contributes to the development of Belgian society.

With this purpose, the **Diversity Manager** and **Diversity Steering Group** have been working towards creating an ever more inclusive environment at Belfius since 2015. In line with this, Belfius has also integrated its DEI approach into the screening of candidates, interview processes, salary proposals, recruitment KPIs, onboarding journeys, promotions and leadership trajectories, as well as employer brand and value propositions. This global approach is aimed at making Belfius an increasingly inclusive organisation, addressing various forms of diversity (gender, generation, sexual orientation, origin, (dis)abilities, etc.).

As a firm believer in the importance of diverse representation, Belfius is a signatory to the **Inclusive Panels Charter**. The purpose of this charter is to strive towards diverse panel representation in order to facilitate the creation of a sense of belonging for the audience.

Belfius continues to take an active part in the **"Women In Finance"** initiative to improve gender balance in the financial sector. By signing the Financial Sector Diversity Charter in 2019, Belfius committed itself to pursuing a set of diversity objectives, rendering them public and reporting on them annually. The results are published on the Department of Finance website.

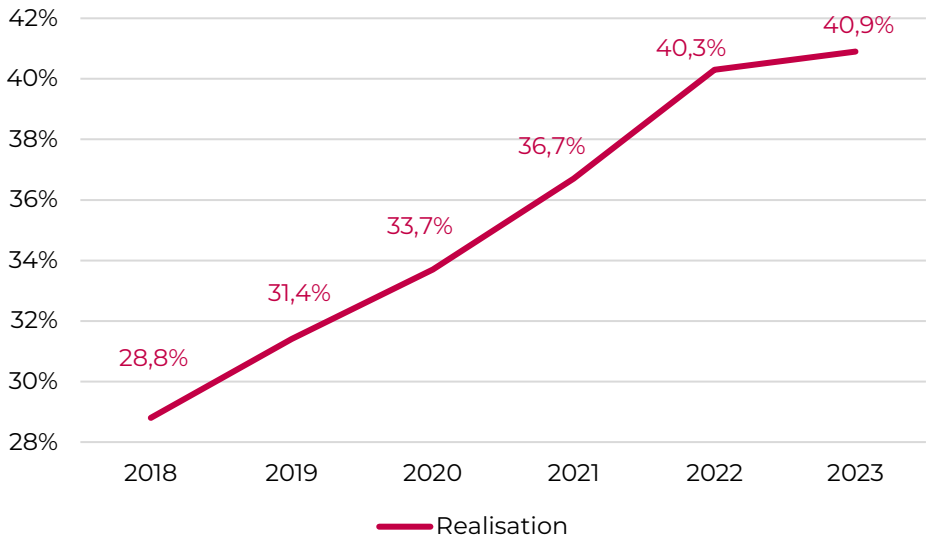
In 2023, Belfius launched two internal networks:

- **Belfius Equal & Allies**: according to a recent study by the Human Rights Campaign Foundation[15], 46% of LGBTQIA+ employees do not express themselves freely at work. This working group within the Diversity team, inspired by our **Open@Work** partnership[16], aims to offer LGBTQIA+ employees a working environment in which they feel safe and free to be themselves, in particular through awareness-raising actions and inclusive events open to all;
- **Origin**: this network was launched to promote cultural diversity within the company and to help create an increasingly inclusive working environment so that every employee feels appreciated and valued for their uniqueness and can benefit from the same opportunities for development, whatever their origins.

Belfius is gradually establishing a better gender balance at all levels of the organization. The average number of women in managerial positions (manager or senior/key position except Management Board) evolved positively in 2023. By 2025, our aim is that 44% of managerial positions are occupied by women (Belfius Bank and Belfius Insurance). Women make up 33.3% of Belfius Bank's Board of Directors and 26.67% of Belfius Insurance's Board of Directors.

[15] A Workplace Divided: Understanding the Climate for LGBTQ+ Workers Nationwide - Human Rights Campaign (hrc.org).
[16] The Open@work initiative is a network of companies that aim for everyone to feel comfortable and at home in their work environment.

Arithmetic average BB & BI weight female managers



Belfius' remuneration policy is gender-neutral and non-discriminatory. The remuneration policy ensures equal access to all available positions within the company without gender distinction and applies a uniform system of remuneration for the same category of employees. Belfius strives for equal remuneration for equal responsibilities and experience and discusses, measures and reports evaluations, remunerations and promotions within the competent bodies on an annual basis. An analysis to measure a possible gender pay gap is carried out every two years and is presented to social partners (Works Council). In 2022, the unadjusted pay gap is 12% for Belfius Insurance and 11% for Belfius bank. The adjusted pay gap is 1% for both entities, meaning the same salary is paid under the same conditions (seniority in the company, function level, level of education, activity percentage) regardless of the employee's gender.

To complement our DEI approach, Belfius supports employees through all stages of their lives and career paths with a parental leave policy.

Belfius Bank

	2022			2023		
	Total	Male	Female	Total	Male	Female
Total number of employees entitled to parental leave	1,100	633	467	1,120	628	492
Total number of employees who took parental leave	152	64	88	163	67	96
Total number of employees who returned to work after parental leave ended	152	64	88	161	66	95
Total number of employees who took parental leave in the year and are still employed today	147	61	86	159	65	94
Retention rate of colleagues who took parental leave	97%	95%	98%	98%	97%	98%

Belfius Insurance

	2022			2023		
	Total	Male	Female	Total	Male	Female
Total number of employees entitled to parental leave	387	181	206	433	203	230
Total number of employees who took parental leave	64	22	42	73	23	50
Total number of employees who returned to work after parental leave ended	61	21	40	71	22	49
Total number of employees who took parental leave in the year and are still employed today	59	21	38	69	21	48
Retention rate of colleagues who took parental leave	92%	95%	90%	95%	91%	96%

Finally, the Belfius Young Community (BYC) brings together employees under the age of 36 to support them in the early years of their careers. Through its activities, the community contributes to broadening the role of young employees so that they can leave their mark on Belfius' corporate culture.

Strong focus on health and wellbeing

By prioritising health and wellbeing regardless of circumstance, individuals can improve their overall quality of life and be better equipped to handle the challenges that they may face.

Belfius attaches great importance to the general wellbeing, safety and health – both physical and mental – of all its staff. Welfare, safety and health concern us all and is a right for each and every one of us.

1. Occupational health and safety management system

Belfius has a health and safety policy as specified by the Wellbeing Law of 1996 and its executive decrees (Codex Wellbeing at Work). It requires the development of a policy that aims to prevent accidents at work and occupational illnesses and specifies the relationship between people and work so that better attention is paid to a more holistic view of its workforce.

Belfius employs a dynamic risk management system that covers the following seven wellbeing domains: occupational safety, ergonomics, occupational hygiene, occupational health, environmental impact on employees, psychosocial aspects and the embellishment of workplaces, as well as the (potential) interactions between these domains. The risk management system enables prevention planning and the implementation of policies, in accordance with the Deming Principle (Plan-Do-Check-Act).

The prevention policy takes into account a number of specific government-issued legal and regulatory requirements, such as the designation of an internal health & safety adviser, the affiliation to an external health & safety service, the Committee for Prevention and Protection at Work, emergency procedures (first aid, fire, etc.) and accident prevention, as well as psychosocial and ergonomic risks.

Belfius also works with contractors, third parties, temporary workers and trainees. These persons are considered equal to internal employees under the wellbeing law and therefore have the same rights and obligations.

2. Hazard identification, risk assessment and incident investigation

A job risk analysis exists for all internal employees. It is carried out by the internal Health & Safety department and the occupational physician. The result of this analysis determines whether the employee should have a medical examination, follow specific trainings, be supplied with personal protection equipment, etc. The results of this analysis are reviewed on a yearly basis and adjustments are carried out if needed. Every employee has the right and duty to report an unsafe situation and also has the right to suspend work if they consider it too dangerous. An internal employee can do this by informing their supervisor, or by contacting the Health & Safety service. Legislation protects employees against possible reprisals. The external workforce has the same duties, rights and protections in reporting unsafe situations under wellbeing legislation.

For internal employees, a root cause analysis is performed for each accident (via an insurance declaration tool). Based on this analysis, corrective measures are determined to avoid a similar incident/accident in the future. For the external workforce, accident investigations are carried out by the third-party employer. These provide Belfius with the necessary information so that any preventive measures can be taken. At least once a year, third parties are obliged to provide Belfius with a list of all incidents that have occurred. In the case of serious accidents, Belfius has the right to participate in the Root Cause Analysis.

As a service provider, Belfius' most significant risks lie in the areas of psychosocial and ergonomic considerations for internal employees. Contractors, due to the nature of their work, may interact with increased technical installations, such as in the case of structural maintenance. To date, there have been no serious industrial accidents recorded involving contractors. Through active contractor management, Belfius makes continuous efforts to facilitate necessary information exchanges with a view to preventively identify risks and minimise them by implementing all essential measures.

Belfius conducts regular risk assessments for various aspects, including psychosocial (2019, 2021, 2022), ergonomics (2016, 2017, 2022), indoor climate (2021, 2022), fire & safety (2021, 2022, 2023) and job functions (2016, 2021, 2023). The bank often employs participatory risk analysis methods, allowing every employee to be involved and contribute to the identification of risks through a broad, anonymous employer report. In addition, all employees have the opportunity to suggest initiatives and areas of improvement. The findings and recommendations from these risk analyses are translated into actionable plans. Both the results and plans are presented and monitored by the Committee for Prevention and Protection at Work.

3. Health and Safety organisation at Belfius

The Committee for **Prevention and Protection at Work** aids in enforcing legal and regulatory provisions concerning employee wellbeing at work. Workers' representatives in this committee, representing all employees (white-collar and blue-collar workers), are elected every four years during social elections and are convened whenever necessary.

In 2023, nine meetings were conducted for Belfius Bank and 13 for Belfius Insurance. These meetings formally covered topics such as work safety, employee health protection, psychosocial elements (psychosocial hazards, stress, workplace violence, harassment or sexual harassment), ergonomics, occupational hygiene, workplace beautification and environmental measures impacting wellbeing at work.

Additionally, several prevention advisors are available, including one specializing in psychosocial aspects. At Belfius, every **prevention advisor** doubles as a confidentiality advisor and is therefore bound by professional secrecy. The Committee for Prevention and Protection at Work also approves these individuals.

Belfius disseminates ample wellbeing information via its Intranet. Employees can find content on physical fitness, mental resilience, work safety, optimal work environment, healthy lifestyle and training, as well as a contact page for Health & Safety support through internal communication channels.

Belfius requires all employees to undertake a Health & Safety e-learning programme and participate in an evacuation exercise or fire drill. First aid training is provided to the first aid team and fire training is given to the fire intervention team. Optional training includes psychosocial training (such as mindfulness and efficient stress management) and automated defibrillator training.

Most Belfius employees do not interact with customers directly. For those who do however, the primary risk is aggression. To assist, additional security personnel, as well as training on managing aggression and aggressive customers, is provided.

Annual reports on health and wellbeing policies and actions, along with figures (such as absenteeism, engagement, PBT-score, etc.) relative to external sectoral and national benchmarks, are presented to the **Board of Directors**.

4. Investing in well-being

Belfius has been following a structured approach to employee **health and wellbeing** for several years. They can find support internally from the psycho-social team, but also externally through an Employee Assistance Programme (EAP).

The EAP provides free external assistance, complementary to the internal prevention services. The service is accessible 24/7, remotely or via a personal interview, is fully confidential and is available to employees and their families for any problem (psychological, relational, financial, legal, practical work /life balance support etc.), whether private or professional in nature. In 2023, 205 Belfius Bank & Insurance employees called on the EAP.

In addition, Belfius is also affiliated to an external prevention service, Idewe, which has more than 1,000 qualified employees providing support in seven wellbeing domains, as stipulated in the legislation. They support Belfius for around 1,500 hours per year, the largest number of hours going to medical examinations and performing risk analyses in all domains (safety, ergonomics, psychosocial).

Within Belfius Bank, a free medical check-up is offered every two years from the age of 40. At Belfius Insurance, the check is offered to all employees every two years for employees under the age of 50 and annually from the age of 50.

5. Work-related issues

At Belfius Bank and Belfius Insurance, there were 13 accidents at work in 2023, 28 of which occurred whilst commuting, with no fatalities.

	2022		2023	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Total number of employees with work-related injuries	39	7	36	5
Of which fatalities	1	0	0	0
Of which a workplace accident	10	0	12	1
Of which commuting	28	7	24	4

Specific guidelines are communicated to minimize work-related injuries. These include reporting an unsafe situation, creating an optimal working environment, detailed safety instructions and recommendations for safe commuting, as well as detailed emergency procedures and/or descriptions of evacuations.

In addition to the hardship caused to employees, work-related accidents recorded in 2023 represented a loss of productivity. This loss is calculated by the quotient of the number of hours of incapacity in the event of an accident and the total number of performable hours. Only employees on the payroll are taken into account.

	2022		2023	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Performable Hours (in thousand)	6,933	1,473	8,482	2,183
Work accident (expressed in thousands of hours)	3.3	0.3	4.2	1.1
Loss of productivity	0.048%	0.019%	0.050%	0.050%

Over the past three years, absenteeism at Belfius has remained relatively stable.

Absenteeism

	2021	2022	2023
Belfius Bank	3.90%	4.61%	4.46%
Belfius Insurance	5.42%	5.51%	5.44%

Remuneration at Belfius

1. Employee benefits

Employee benefits are designed to provide employees with financial and non-financial support that can help to improve their overall quality of life and job satisfaction.

The compensation and benefits offered to employees vary across different entities within the group. On the whole, employees at Belfius Bank and Belfius Insurance are entitled to benefits including, but not limited to, pension plans, life and health insurance, disability and invalidity coverage, parental leave, meal vouchers and a cafeteria plan, alongside a.o. mobility options such as car lease. Differentiation of benefits for employees based on the type of employment contract is possible:

- In principle, the same benefits apply for part-time employees as for full-time employees, apart from the fact that some are calculated on a pro rata basis, depending on the percentage of their work regime (e.g. salary, premiums, etc.);
- For employees on fixed-term contracts, some benefits do not apply. Those are mainly linked to the cafeteria plan and lease contracts. Benefits where the leasing period is longer than the duration of the fixed-term contract do not apply for fixed-term contract employees.

2. Senior management

Concerning remuneration policies for members of the highest governance body and senior executives, Belfius Group aims to have a single, overall remuneration policy for all entities. This remuneration policy fully applies to Belfius Bank and Belfius Insurance. With regards to subsidiaries and, more specifically, to Belfius Asset Management, the same basic principles apply. The specific nature of the subsidiary, in particular its size, specific regulations and the company's impact on the risk profile of the Belfius Group, must always be taken into account.

Process of defining remuneration

The Belfius Group's remuneration committee prepares the remuneration policy of the entities belonging to Belfius Group. The resulting recommendations are submitted for decision to the respective Boards of Directors.

The policy may be revised at any time pursuant to a decision of the Board of Directors at the proposal of the Remuneration Committee, including in the event of a change in legislation relating to fiscal, social and accounting law, a change in corporate governance rules, or a change in the applicable legal and regulatory framework.

Depending on the activity and level of seniority in the position, Belfius Group positions the remuneration of employees to whom the remuneration policy applies in relation to their peers. The positioning is therefore done in relation to a reference market.

By means of an endorsement or decision by the Board of Directors of the company concerned, targeted measures may be considered in certain Belfius Group entities when significant anomalies are identified in order to enable Belfius Group to attract the missing necessary talent, or to retain and reward the talent already present.

Structure of remuneration

Any type of remuneration may consist of:

- A **fixed** component, which constitutes the largest part of the remuneration. This includes the fixed salary, a role-specific premium (provided the employee continues in the same position), group insurance allowance (if legal conditions are met), fixed reimbursement for out-of-pocket expenses, healthcare insurance and a company car;
- A **performance-related** variable component that comprises additional payments that are linked to predefined performance criteria to retain and motivate existing staff, as well as to be able to recruit new talent in line with market practices.

The performance-related remuneration is made up of three parts that are assessed separately based on a number of financial and non-financial, quantitative or qualitative criteria.

- Group and entity share: this share is common to all and is calculated based on indicators taken into consideration by the Board of Directors at the proposal of the Remuneration Committee;
- Business share: the business share is assessed individually in the light of the objectives allocated for the coming year;
- Individual share: the individual share is assessed based on the objectives for the year in question, based on financial and qualitative criteria, such as management skills, the way in which the person in question took part in the development or practical implementation of the business plan for his or her department and compliance with the mission of the Belfius Group.

Belfius also encourages the adoption of Belfius' sustainability values by its managers through their annual variable remuneration. Non-financial qualitative criteria such as own operations' carbon emissions, leadership development, diversity and risk culture are included in the three sections mentioned above and represent at least one third of the total. This encourages further support for ESG considerations in decision-making.

In the event that Belfius Group experiences a potential consolidated loss, or a significant drop in results or other adverse situation, the group & entity and business shares of the performance-related remuneration may be reduced to zero. In addition, the entire performance-related remuneration may be reduced to zero if the individual assessment falls below a certain percentage, or if the results or other circumstances in which Belfius Group finds itself are so severe that the Board of Directors, on the advice of the Remuneration Committee, is obliged to bring the entire performance-related remuneration to zero.

Besides legislative and regulatory provisions, variable remuneration clawbacks can occur in various situations, such as active participation in fraud or issues related to company performance or risk.

If a signing-on payment were to be made by way of compensation for a loss of variable remuneration allocated by the previous employer, this payment must reflect the long-term interests of the company and must meet all requirements regarding variable remuneration, in particular with regards to deferment, retention, payment in instruments and clawback rules. Non-compensatory signing-on payments may only be allocated once and only if the company has a solid capital base.

Severance pay encompasses not just dismissal or redundancy compensation, but also any other payment given at the end of an employment relationship in any form, including non-competition payments.

Financial results

Preliminary notes to the consolidated financial statements

1. Changes to the scope of consolidation

Belfius Insurance and a.s.r. (one of the largest Dutch insurers) have founded Fixxer, with a goal to internationally develop the "repair in kind" activity of Jaimy (a subsidiary of Belfius Insurance). The new company Fixxer includes the technology platform of Jaimy after a demerger of Jaimy that took place in April 2023. Belfius Insurance has a share of 50.16% in Fixxer, and a.s.r. owns the remaining 49.84%. The investment of Belfius Insurance in Fixxer amounts to EUR 1.5 million. Fixxer is consolidated using the equity method as joint control is exercised.

Corona and Belfius Insurance merged on 1 July 2023. The entire insurance portfolio of Corona was transferred to Belfius Insurance, which took over all rights and obligations arising from these insurance contracts. The merger has been approved by the National Bank of Belgium and was applied retroactively (for tax and accounting purposes) as from 1 January 2023. Corona continues its operations from 1 July 2023 under the new commercial name Belfius Direct Verzekeringen / Belfius Direct Assurances.

Belfius Insurance decided to liquidate the subsidiary Jane in December 2023. Jane was commercially launched at the end of 2019 and provided a sensor enabled monitoring solution combined with an artificial intelligence algorithm learning the habits of the elderly person, thus allowing the elderly to stay longer in their own homes.

2. Fundamentals of the consolidated financial statements

The consolidated financial statements of Belfius are prepared on a going concern basis in accordance with the International Financial Reporting standards as adopted by the EU.

Analysis of the consolidated balance sheet

Summarised consolidated balance sheet

(in millions of EUR)	31/12/22[1]	31/12/23	Evolution
TOTAL ASSETS	179,068	179,179	111
Of which			
Cash and balances with central banks	27,295	20,487	(6,808)
Loans and advances due from credit institutions	4,144	5,274	1,131
Loans and advances	110,203	114,531	4,328
A Measured at amortised cost	109,236	109,762	526
B Measured at fair value through other comprehensive income	171	4,181	4,010
C Measured at fair value through profit or loss	796	588	(208)
Debt securities & equity instruments	26,997	27,924	927
A Measured at amortised cost	17,495	13,522	(3,973)
B Measured at fair value through other comprehensive income	4,041	8,719	4,678
C Measured at fair value through profit or loss	1,491	1,507	16
D Measured at fair value through profit or loss - unit linked products	3,970	4,176	206
Derivatives	5,893	5,321	(572)
TOTAL LIABILITIES	167,158	166,960	(198)
Of which			
Cash and balances from central banks	5,904	1,430	(4,474)
Credit institutions borrowings and deposits	1,870	3,912	2,043
Borrowings and deposits	108,447	104,000	(4,447)
A Measured at amortised cost	108,428	103,980	(4,447)
B Measured at fair value through profit or loss	20	20	0
Debt securities issued and other financial liabilities	29,899	36,018	6,119
A Measured at amortised cost	18,517	23,603	5,086
B Measured at fair value through profit or loss	7,411	8,239	827
C Measured at fair value through profit or loss - unit linked products	3,970	4,176	206
Derivatives	8,249	7,229	(1,019)
Liabilities from insurance/reinsurance contracts	10,895	11,405	510
Subordinated debts	1,547	1,778	231
TOTAL EQUITY	11,910	12,219	309
Shareholders' core equity	10,776	11,491	715
Gains and losses not recognised in the statement of income	602	193	(409)
TOTAL SHAREHOLDERS' EQUITY	11,378	11,684	306
Additional Tier-1 instruments included in equity	497	497	0
Non-controlling interests	35	38	3
TOTAL LIABILITIES AND EQUITY	179,068	179,179	111

(1) The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets of Belfius Insurance which occurred on 1 January 2023, we refer to the Accounting principles (note 3.2. "First time adoption IFRS 17") for more information.

Total assets increased by EUR 0.1 billion, or 0.1%, from EUR 179.1 billion for the year ending 31 December 2022, to EUR 179.2 billion as of 31 December 2023. The total assets are composed of EUR 162.7 billion for the Belfius Banking Group (compared with EUR 163.0 billion at 31 December 2022) and EUR 16.5 billion for the Belfius Insurance Group (compared with EUR 16.1 billion at 31 December 2022). These amounts represent the contribution of the Banking and Insurance Groups to the consolidation scope and do not reflect their respective stand-alone total assets.

The total balance sheet remained stable due to compensating effects. On the one hand, the total balance sheet increased due to an increase in mortgage and term loans in line with the continuous development of our commercial franchise (EUR +4.4 billion). On the other hand, the maturity of part of Belfius' participation in the TLTRO III (EUR -4.6 billion) resulted in a decrease of the balance sheet. Furthermore, at the liabilities side of the balance sheet, a decrease in borrowings and deposits measured at amortised cost (EUR -4.4 billion) can be

observed, reflecting the impact of the issuance of the Belgian government bond (representing an outflow of EUR -3.5 billion). This decrease is more than compensated by an increase in debt securities issued measured at amortised cost (EUR +5 billion), resulting from the change in overall customer deposits' profile in current interest rate environment towards maturing deposits.

As a result of the implementation of IFRS 17, on 1 January 2023, Belfius Insurance has reassessed its business models under IFRS 9 resulting in a reclassification of the loan and bond portfolio from the "hold to collect" business model (measured at amortised cost) into the "hold to collect and sale" business model (measured at fair value through OCI). In total, EUR 4.5 billion loans and advances, and EUR 4.4 billion debt securities were reclassified from measured at amortised cost to measured at fair value through OCI. The reclassification of Belfius Insurance's loan and bond portfolio has a negative OCI impact of EUR -464 million (after deferred tax) as a result of negative fair value adjustments on the loan and bond portfolios.

1. Assets

1.1. Cash and balances with central banks

Cash and balances with central banks decreased by EUR -6.8 billion, or -24.9%, to EUR 20.5 billion (31 December 2022: EUR 27.3 billion). The decrease is mainly linked to the maturity of part of Belfius' participation in the TLTRO III for EUR -4.6 billion, resulting in a decrease of Belfius' deposit facility at the ECB. Belfius deposits part of its cash at the NBB/ECB within the framework of its liquidity management.

1.2. Loans and advances due from credit institutions

Loans and advances due from credit institutions increased with EUR 1.1 billion, or 27.3%, to EUR 5.3 billion (31 December 2022: EUR 4.1 billion). The increase stems from an increase in reverse repos of EUR 0.8 billion and an increase of EUR 0.3 billion term loans.

1.3. Loans and advances

Loans and advances increased by EUR 4.3 billion, or 3.9%, to EUR 114.5 billion (31 December 2022: EUR 110.2 billion).

As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, a reclassification of EUR 4.5 billion has taken place from the Belfius Insurance portfolio of loans measured at amortised cost to loans measured at fair value through other comprehensive income.

This reclassification resulted in negative fair value adjustments of EUR 325 million.

An increase in loans and advances measured at amortised cost of EUR 5 billion can be noted from 1 January 2023 to 31 December 2023 stemming from the continuous development of the commercial franchise of Belfius Bank.

Loans and advances measured at other comprehensive income decreased by EUR 0.1 billion from 1 January 2023 to 31 December 2023 as a result of a decrease in the outstanding mortgage portfolio of Belfius Insurance.

Certain other loans do not pass the SPPI-test and are therefore measured at fair value through profit or loss. These mostly relate to loans to the public and social sector with specifically structured interest rate features. The outstanding volume thereof decreased by EUR -0.2 billion to EUR 0.6 billion end of December 2023, as a result of repayments, restructurings to loans passing the SPPI-test, and negative fair value adjustments.

The asset quality ratio, indicating the ratio between impaired (stage 3) loans and advances and the gross outstanding loans and advances, increased from 1.82% at 31 December 2022 to 1.95% at 31 December 2023 (see chapter on Risk Management for additional information).

1.4. Debt securities and equity instruments

The Belfius Banking Group contributed EUR 14.3 billion (31 December 2022: EUR 13.9 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 13.6 billion (31 December 2022: EUR 13.1 billion).

The debt securities measured at amortised cost decreased by EUR -4.0 billion, or -22.7%, to EUR 13.5 billion (31 December 2022: EUR 17.5 billion) due to the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of EUR 4.4 billion debt securities of the Belfius Insurance portfolio formerly measured at amortised cost to measured at fair value through other comprehensive income.

The impact of the reclassification is partially offset by investments (EUR 1.8 billion) both in government and corporate bonds, partially compensated by maturities (EUR -0.9 billion) mainly in government bonds.

Furthermore, Belfius sold EUR 0.3 billion short term corporate bonds out of the hold to collect portfolio. These sales are considered as infrequent sales and are therefore consistent with the hold to collect business model. The resulting capital losses amounting to EUR 20 million are included in the impairments on financial instruments and provision for credit commitments.

The financial assets measured at fair value through other comprehensive income increased by EUR 4.7 billion, or 115.8%, to EUR 8.7 billion (31 December 2022: EUR 4.0 billion), mainly as a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of EUR 4.4 billion debt securities of the Belfius Insurance portfolio measured at amortised cost to measured at fair value through other comprehensive income. Furthermore, an increase of EUR 0.3 billion can be observed stemming from new acquisitions of mainly corporate bonds within the Belfius Insurance portfolio, partially compensated by disposals. Fair value adjustments on debt securities remained globally stable compared to 31 December 2022, as negative fair value adjustments of EUR -0.3 billion related to the reclassification were almost entirely offset by positive fair value adjustments of EUR +0.3 billion in the course of 2023 resulting from tightened credit spreads and the realisation of capital losses, despite increased short term interest rates.

Debt and equity instruments measured at fair value through profit or loss remained stable at EUR 1.5 billion (31 December 2022: EUR 1.5 billion) mainly due to acquisitions in the fund portfolio at Belfius Insurance, almost fully offset by a decreasing temporary warehousing volume from the Financial Markets' "client flow management" activity.

Debt securities measured at fair value through profit or loss – unit linked (Branch 23) increased by EUR 0.2 billion, or 5.2%, to EUR 4.2 billion (31 December 2022: EUR 4.0 billion) mainly resulting from positive fair value adjustments (EUR 0.3 billion), partially offset by net cash outflows (EUR -0.1 billion).

1.5. Derivatives

Derivatives decreased by EUR -0.6 billion, or -9.7%, to EUR 5.3 billion (31 December 2022: EUR 5.9 billion), mainly due to the impact of higher interest rates. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 7.1 billion at the end of 2023, compared with EUR 8.0 billion at the end of 2022.

2. Liabilities

Total liabilities decreased by EUR -0.2 billion, or -0.1%, to EUR 167.0 billion (31 December 2022: EUR 167.2 billion), mainly resulting from a decrease in "Cash and balances from central banks" and "Borrowings and deposits" due to maturities in the TLTRO funding in 2023 (EUR -4.6 billion) and a decrease in payment and savings accounts (EUR -10.1 billion). This decrease was partially offset by the growth in term deposits (EUR +6.5 billion) and an increase in "Debt securities issued" for EUR 6.1 billion as a result of the increase in certificates of deposits (EUR +1.5 billion) and the issuance of bonds (EUR +3.6 billion). Note that the issuance of the Belgian Government bond end September 2023 resulted in an outflow in the payments and savings accounts of EUR -3.5 billion.

2.1. Cash and balances from central banks

Cash and balances from central banks decreased by EUR -4.5 billion to EUR 1.4 billion (31 December 2022: EUR 5.9 billion), resulting from a decrease in TLTRO funding due to maturities. The remaining total TLTRO III participation amounts to EUR 1.4 billion as at 31 December 2023.

2.2. Credit Institutions borrowings and deposits

Credit Institutions borrowings and deposits increased by EUR 2.0 billion, or 109.3%, to EUR 3.9 billion (31 December 2022: EUR 1.9 billion), mainly as a result of an increase in repurchase agreements (EUR 1.4 billion) and term deposits (EUR 0.5 billion) within Belfius' short-term liquidity management.

2.3. Borrowings and deposits

Borrowings and deposits decreased by EUR -4.4 billion, or -4.1%, to EUR 104.0 billion (31 December 2022: EUR 108.4 billion), mainly due to the decrease in payment and savings accounts (EUR -10.1 billion), partially offset by an increase in term deposits (EUR +6.5 billion) resulting from the higher interest rate environment and the issuance of the Belgian Government bond in September 2023 for which an outflow of EUR -3.5 billion in payment and savings accounts could be noted.

2.4. Debt securities issued and other financial liabilities

Debt securities issued and other financial liabilities increased by EUR 6.1 billion, or 20.5%, to EUR 36.0 billion (31 December 2022: EUR 29.9 billion).

The debt securities measured at amortised cost increased by EUR 5.1 billion, or 27.5%, to EUR 23.6 billion (31 December 2022: EUR 18.5 billion), primarily as a result of issuances of non-convertible debt securities (EUR +3 billion), including the issuance of a Green Senior Preferred bond (EUR 0.8 billion) in 1H 2023 and a Senior Preferred bond (EUR 1 billion) in 2H 2023. Furthermore, covered bonds were issued for EUR +1.5 billion in the form of two mortgage pandbrieven benchmark issues, partially compensated by maturities of covered bonds (EUR -1.2 billion). Furthermore, certificates of deposit increased by EUR +1.5 billion.

Debt securities measured at fair value through profit or loss – unit linked (Branch 23) increased by EUR 0.2 billion, or 5.2%, to EUR 4.2 billion (31 December 2022: EUR 4.0 billion), stemming from positive fair value adjustments (EUR 0.3 billion), partially offset by net cash outflows (EUR -0.1 billion).

2.5. Derivatives

Derivatives decreased by EUR -1.0 billion, or -12.4%, to EUR 7.2 billion (31 December 2022: EUR 8.2 billion), mainly due to the impact of higher interest rates. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 7.1 billion at the end of 2023, compared with EUR 8.0 billion at the end of 2022.

2.6. Liabilities from insurance/reinsurance contracts

The liabilities from insurance/reinsurance contracts increased by EUR 0.5 billion, or 4.7%, to EUR 11.4 billion. The liabilities from insurance contracts increased mainly due to an increase in the present value of future cash flows resulting from the impact of the decrease in the discount rate. On the other hand, the liabilities from insurance contracts decreased due to the update of the mass lapse calibration as well as the impact of the update of the non-financial assumptions (mainly the downward revision of the inflation and expenses on the best estimate). The Contractual Service Margin (CSM) decreased by EUR 8 million to EUR 771 million (31 December 2022: EUR 779 million) and was negatively impacted by amongst others contract renegotiations beyond the modeled lapse risk and the refinement of actuarial models. Furthermore, the CSM release for services provided amounts to EUR -96 million, and the value of the new business 2023 amounts to EUR +150 million.

2.7. Subordinated debts

Subordinated debts increased by EUR 231 million, or 14.9%, to EUR 1.8 billion (31 December 2022: EUR 1.5 billion) as a result of the issuance of EUR 500 million Tier 2 notes in January 2023, partially offset by the call of Tier 2 notes in March 2023 (EUR -200 million), in July 2023 (EUR -50 million) and in December 2023 (EUR -17.5 million).

3. Equity

Total equity increased by EUR 309 million, or 2.6%, to EUR 12.2 billion (31 December 2022: EUR 11.9 billion), attributable to the increase of EUR 715 million in shareholders' core equity and the increase of EUR 3 million in non-controlling interests, partially compensated by the decrease of EUR -409 million in gains and losses not recognised in the statement of income (mainly related to the IFRS 9 business model reassessment).

The net asset value of Belfius amounts to EUR 11.7 billion (31 December 2022: EUR 11.4 billion).

3.1. Shareholders' core equity

Shareholders' core equity increased by EUR 715 million, or 6.6%, to EUR 11.5 billion (31 December 2022: EUR 10.8 billion). This increase was due to the profit for the period of EUR 1,115 million, partially offset by the payment of the dividend over full year 2022 results of EUR 384.5 million and the realised results on equity instruments that are recognised directly in retained earnings (EUR -7 million after tax, mainly at Belfius Insurance). The coupon payment on Additional Tier 1 amounted to EUR -14 million after tax (considered as dividend under IFRS).

3.2. Gains and losses not recognised in the statement of income

Gains and losses not recognised in the statement of income decreased by EUR -409 million, or -68.0%, to EUR 193 million (31 December 2022: EUR 602 million). The contribution of the Belfius Banking Group amounted to EUR 69 million (increase of EUR 31 million) and the Belfius Insurance Group to EUR 124 million (decrease of EUR -441 million).

When taking into account the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, the evolution of the gains and losses not recognised in the statement of income would be positive and amounting EUR +54 million (compared to an evolution of EUR -409 million when comparing to 31 December 2022). The impact of interest rate evolutions on the insurance liabilities (Belfius applies the OCI option under IFRS 17) and financial assets counterbalance each other in the gains and losses not recognised in the statement of income.

The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR -131 million, or 59.1%, to EUR -353 million (31 December 2022: EUR -222 million) mainly due to the IFRS 9 business model reassessment on 1 January 2023, resulting in an impact of EUR -464 million as financial assets (loans and advances and debt instruments) of the Belfius Insurance portfolio were reclassified from measured at amortised cost to measured at fair value through other comprehensive income. The decrease is partially compensated by positive fair value adjustments of EUR +0.3 billion in the course of 2023 resulting from tightened credit spreads and the realisation of capital losses, partially offset by increased short term interest rates.

The fair value of equity instruments measured at fair value through other comprehensive income increased by EUR 59 million, or 42.7%, to EUR 195 million (31 December 2022: EUR 137 million), resulting from increased fair values of essentially unquoted shares.

Gains (losses) on cash flow hedges decreased by EUR -16 million to EUR -129 million (31 December 2022: EUR -113 million), due mainly to the evolution of basis spreads on derivative positions in GBP and USD.

The remeasurement of the pension plans recognised in OCI (EUR +6 million, after tax) is mainly due to the positive return on plan assets (EUR +41 million), experience adjustments (EUR +13 million), partially offset by a decrease of the discount rate.

The total (re)insurance finance component recognised in other comprehensive income decreased by EUR -326 million, or -48.0%, to EUR 354 million (31 December 2022: EUR 680 million) mainly explained by the impact of changes in discount rate.

3.3. Additional Tier-1 instruments included in equity

There was no variation in the value of the additional Tier 1 issue.

Analysis of the consolidated statement of income

Summarised consolidated statement of income

(in millions of EUR)	31/12/22	Contribution Bank into group[1]	Contribution Insurance into group[1]	31/12/23	Contribution Bank into group[1]	Contribution Insurance into group[1]	Evolution
INCOME	2,722	2,416	307	3,141	2,718	423	419
Of which							
Net interest income	2,079	1,752	327	2,426	2,108	319	347
Net fee and commission income	773	757	16	779	760	19	6
Net insurance result	(103)	0	(103)	39	0	39	142
Net income from financial instruments at fair value through profit or loss	25	52	(28)	54	52	1	29
Net income on investments and liabilities	56	16	40	(7)	14	(22)	(64)
Net other income and expense	(183)	(193)	10	(214)	(247)	33	(31)
EXPENSES	(1,417)	(1,337)	(80)	(1,538)	(1,434)	(104)	(121)
NET INCOME BEFORE TAX AND IMPAIRMENTS	1,305	1,078	226	1,603	1,284	319	298
Impairments on financial instruments and provisions for credit commitments	(105)	(91)	(14)	(109)	(108)	(1)	(4)
Impairments on tangible and intangible assets	(2)	(1)	(1)	(1)	(0)	(1)	1
NET INCOME BEFORE TAX	1,197	986	211	1,493	1,175	317	295
Total tax (expense) income	(264)	(224)	(41)	(376)	(299)	(77)	(111)
Attributable to non-controlling interests	1	0	1	2	1	1	1
Net income group share	932	762	169	1,115	876	239	183

(1) Information based on non-audited figures.

1. Income

Total income increased by EUR 419 million, or 15.4%, to EUR 3,141 million (31 December 2022: EUR 2,722 million). Belfius Banking Group contributed EUR 2,718 million (31 December 2022: EUR 2,416 million) and Belfius Insurance Group contributed EUR 423 million (31 December 2022: EUR 307 million).

1.1. Net interest income

Net interest income increased by EUR 347.4 million, or 16.7%, to EUR 2,426 million (31 December 2022: EUR 2,079 million), resulting from increasing interest margin on the commercial balance sheet and solid ALM management, despite pressure on new loan margins from general market delay between loan pricings and sharp increases of market interest rates, as well as continued competition in the Belgian loan market.

The interest expense on TLTRO III funding from ECB/NBB central bank and accounted for in 2023 amounts to EUR -126 million (versus interest income amounting to EUR 72 million in 2022).

1.2. Net fee and commission income

Net fee and commission income increased by EUR 6.1 million, or 0.8%, to EUR 779 million (31 December 2022: EUR 773 million). The increase is mainly attributable to an improvement of commission income on issues and placements of securities (EUR +14.6 million), mainly explained by the upfront fee of EUR +7.6 million in relation to the "Government bond", corresponding to 30 bps on EUR 2.5 billion subscribed via Belfius. Furthermore, an increase can

be observed in payment services (EUR +8 million) as a result of increasing transaction volumes, as well as an increase in commission income from private membership fees (EUR +3 million). Fee income on asset management services decreased (EUR -11 million) stemming from a decrease in investment transactions on mutual funds compared to 2022.

1.3. Net insurance result

The net insurance result increased by EUR 141.7 million, or 137.8%, to EUR 39 million (31 December 2022: EUR -103 million). The increase is mainly related to activities measured under PAA (non-life and health collective), going from EUR 28 million in 2022 to EUR 118 million in 2023, resulting from an increase in insurance revenue due to the premium indexation to compensate for inflation pressure on claims and costs, but also due to the growth in the Non-Life portfolio. Furthermore, the reassessment of the risk adjustment, the downward revision of the inflation parameter, and the absence of material natural catastrophes in 2023 resulted in a positive impact on the result. The net insurance result for GMM (life and health individual) increased with EUR 51 million, and was impacted by the evolution of financial, non-economic assumptions and by the refinement of actuarial models recognised in the 2023 accounts.

1.4. Net income from financial instruments measured at fair value through profit or loss

Net income from financial instruments measured at fair value through profit or loss increased by EUR 28.7 million to EUR 53.5 million (31 December 2022: EUR 24.8 million).

Net trading income increased by EUR +121 million to EUR 119 million end 2023. Note that this line includes the fair value changes of "economic hedges" (financial instruments that cannot be defined as accounting hedges under IFRS) for EUR +25 million (31 December 2022: EUR -92 million), including EUR -3 million results on swaps economically hedging the accounting hedge inefficiencies.

The net income from (non-trading) financial instruments mandatorily measured at fair value through profit or loss increased by EUR 64 million to EUR -26 million end 2023 driven by the evolution in interest rates.

The net income of hedge accounting decreased by EUR -157 million to EUR -39 million end 2023 and was negatively impacted, among other factors, by evolutions on certain basis spreads and basis risks. The net result of hedge accounting of 2022 is related to the evolution of the real rates in 2022 of the inflation linked bonds hedged by inflation linked swaps which stabilised in 2023.

The net result on economic hedges of the "result from (non-trading) financial assets mandatorily measured at fair value through profit or loss", and the "net result of hedge accounting", are both classified in the line "net trading income".

1.5. Net income on investments and liabilities

Net income on investments and liabilities decreased by EUR -63.6 million, or -112.8%, to EUR -7 million (31 December 2022: EUR 56 million).

In 2023, Belfius realised capital gains on the sale of tangible fixed assets (EUR 12.5 million), mainly on the sale of a building in Namen (EUR 1.5 million), Ghent (EUR 1.4 million) and on the sale of several buildings where bank agencies were located (EUR 7.8 million).

In 2022, Belfius realised capital gains on the sale of tangible fixed assets (EUR 35.4 million), mainly on the partial sale of the Pacheco building (EUR 22.2 million) and on the sale of several buildings where bank agencies were located (EUR 12.3 million). In 2022, capital gains of EUR 12.9 million were also realised on the sale of Alysea, a subsidiary that invested in a retirement home building in Luxembourg.

Furthermore, Belfius Insurance realised capital losses on the sale of bonds for ALM purposes in 2023 amounting to EUR -24 million, partially compensated by EUR 8 million capital gains (compared to EUR 10 million capital gains and EUR -1 million capital losses from the sale of bonds in 2022).

1.6. Net other income and expenses

Net other income and expenses decreased by EUR -30.8 million, or -16.8%, to a loss of EUR -214 million (31 December 2022: a loss of EUR -183 million).

Belfius recognised an expense of EUR -285 million in 2023 as levies (including the contribution to the Single Resolution Board), an increase of EUR -14 million compared to 2022 due to increased sector levies and the option taken in 2022 to book part (EUR -13 million) of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment (IPC), while Belfius did not opt for an Irrevocable Payment Commitment in 2023. Belfius has recorded an amount of EUR 30.5 million related to Irrevocable Payment Commitments in its off-balance sheet accounts as Belfius deems that no present obligation exists.

2. Expenses

Expenses increased by EUR -120.7 million, or 8.5%, to EUR -1,538 million (31 December 2022: EUR -1,417 million), mainly due to the impact of inflation, workforce reinforcement and the continued investment in innovation.

Note that under IFRS 17 directly attributable costs to insurance contracts (EUR -202 million versus EUR -203 million in 2022) are no longer recognised in the line "Expenses", but are included in the present value of the insurance liabilities.

2.1. Staff expense

Staff expense increased by EUR -70.7 million, or 11.6%, to EUR -679 million (31 December 2022: EUR -608 million) due to an increase in the number of FTE and the wagedrift resulting from salary indexations.

2.2. General and administrative expense

General and administrative expense increased by EUR -38.6 million, or 8.1%, to EUR -517 million (31 December 2022: EUR -479 million), impacted by the inflation environment and in line with our continuous commercial growth requiring continued investments in additional external workforce, digital and automation.

2.3. Network costs

Network costs increased by EUR -7.9 million, or 3.6%, to EUR -224 million (31 December 2022: EUR -217 million), in line with the increased commercial activities. To note also that 2022 was positively impacted by a partial reversal of a provision for network restructuring for EUR 4 million.

2.4. Depreciation and amortisation of fixed assets

Depreciation and amortisation of fixed assets increased by EUR -3.6 million, or 3.2%, to EUR -117 million (31 December 2022: EUR -114 million), driven by the increase in IT assets resulting from more insourced IT infrastructure services. As part of the yearly review, Belfius recognized accelerated depreciations in line with the revised useful life of internally developed software given the rapid changes in technology and the accelerated uptake of digital services.

3. Net income before tax and impairments

Net income before tax and impairments increased by EUR 297.9 million, or 22.8%, to EUR 1,603 million (31 December 2022: EUR 1,305 million). Belfius Banking Group contributed EUR 1,284 million (31 December 2022: EUR 1,078 million) and Belfius Insurance Group contributed EUR 319 million (31 December 2022: EUR 226 million).

4. Impairments

4.1. Impairments on financial instruments and provision for credit commitments

Impairments on financial instruments and provision for credit commitments increased by EUR -3.8 million to EUR -109 million (31 December 2022: EUR -105 million).

In 2022 Belfius updated the underlying macro-economic scenarios to take into account the increased macro-economic uncertainties (due amongst others to the second-round effects of the Covid-19 crisis, the inflationary environment and the geopolitical situation) resulting in an increase of the stage 1 and 2 impairments. The overlays for specific risk pockets and individual counterparts were also reassessed, resulting in partial reversals of the stage 2 impairments accounted for back in 2020. Impairments were also recognised on a limited number of defaulted exposures (stage 3) during 2022. Overall, this resulted in a Cost of Risk of EUR -105 million in 2022.

In 2023, with the Belgian economy showing strong resilience, the macroeconomic factors were adjusted positively, resulting in a reversal of provisions in stage 1 and 2. Furthermore, the underlying nature of the vulnerable exposures has shifted completely from "Covid-driven" to "Energy & Inflation linked", which has led to a reassessment of these overlays and a partial reversal thereof. Next to that, a higher level of default inflows were noted during 2023, resulting in an increase in stage 3 impairments. Furthermore, Belfius realised EUR 20 million capital losses on the sale of bonds (measured at amortised cost) in the ALM portfolio for risk adjustment purposes.

Overall, this resulted in a net negative Cost of Risk of EUR -109 million in 2023.

More detailed information is provided in the Credit Risk section of the management report.

4.2. Impairments on tangible and intangible fixed assets

Impairments on tangible and intangible assets decreased by EUR 1.2 million to EUR -0.9 million (31 December 2022: EUR -2.0 million).

In 2022, Belfius reassessed its intangible and tangible assets, whereby an impairment of EUR 1.9 million was enacted on the intangible assets of Jane and an impairment reversal of EUR 0.6 million was recognized on the intangibles of Jaimy.

In 2023, an impairment of EUR -0.5 million was enacted on intangible assets of Jane prior to its liquidation.

5. Net income before tax

Net income before tax increased by EUR 295.3 million, or 24.7%, to EUR 1,493 million (31 December 2022: EUR 1,197 million). Belfius Banking Group contributed EUR 1,175 million (31 December 2022: EUR 986 million) and Belfius Insurance Group contributed EUR 317 million (31 December 2022: EUR 211 million).

6. Tax expense

The tax expense, including deferred taxes, increased by EUR -111.5 million, or 42.2%, to EUR -376 million (31 December 2022: EUR -264 million) as a result of the higher consolidated result before tax and the limitation of tax deductibility of the new tax on credit institutions (NTK) since 1 January 2023.

As such, an increase in the effective tax rate to 25.2% can be observed for 2023, compared with 22.1% for 2022.

Net deferred tax expense increased by EUR -73.4 million to EUR -71 million (31 December 2022: deferred tax income of EUR 2 million), due mainly to temporary differences for impairments, valuation of insurance liabilities and fair value adjustments.

7. Net income group share

Total net income amounted to EUR 1,117 million. The net income attributable to Belfius amounted to EUR 1,115 million (31 December 2022: EUR 932 million).

8. Post balance sheet events

8.1. Dividend

The Board of Directors of 21 March 2024 has proposed to the General Assembly of 24 April 2024 an ordinary dividend of EUR 440.3 million in respect of the accounting year 2023, based on a pay-out ratio of 40% on the consolidated 2023 net result.

8.2. Capital and liquidity management

To optimize its capital structure and to support its liquidity diversification, Belfius issued:

- EUR 500 million of Non Preferred Senior notes in January 2024 with a maturity in January 2029;
- EUR 500 million of Belgian Mortgage Pandbrieven with a 7-year maturity in February 2024; and
- EUR 500 million of Tier 2 notes in March 2024, with a maturity in 2035 and call date in 2030.

9. Solvency[17]

9.1. Solvency at Bank level

Note that in the disclosures for regulatory own funds and regulatory risk exposures the date of 31 December 2022 refers to the situation as of 1 January 2023, so including the impact of IFRS 17 as well as the reassessment of the business models under IFRS 9 for Belfius Insurance.

At the end of 2023, CET 1 ratio amounted to 15.95%, a decrease of 49 bps compared to end of 2022. The CET 1 ratio takes into account the transitional add-back of IFRS 9 provisions, end 2023 amounting to 14 bps (compared to 36 bps at the end of 2022).

The decrease in CET 1 ratio is the result of higher total regulatory risk exposure (-133 bps), partially compensated by positive effects from higher CET 1 capital (+84 bps).

CET 1 capital amounted to EUR 11,087 million, compared with EUR 10,547 million at the end of 2022. The increase in CET 1 capital of EUR 539 million resulted mainly from the increase in regulatory core own funds by EUR 715 million and the increase of "gains and losses not recognized in the statement of income" for EUR 71 million, partially offset by the higher deduction for foreseeable dividend for EUR 443 million (compared to EUR 387 million in 2022), composed of the sum of the proposed ordinary dividend of EUR 440 million and the correction for the Additional Tier 1 cost of EUR 3 million, and the decreased add-back of IFRS 9 provisions thanks to the transitional arrangements stated in the CRR 2 for EUR 128 million.

At the end of 2023, regulatory risk exposure of Belfius amounted to EUR 69,504 million, an increase of EUR 5,353 million compared to EUR 64,150 million at the end of 2022.

The credit risk exposure amount including counterparty credit risk increased by EUR 5,021 million to EUR 54,291 million mainly due to the commercial growth in Franchise activities (EUR 3.1 billion) particularly in the Corporate segment, as well as to regulatory changes (EUR 1.6 billion) mainly driven by the first phase of a model landscape review

The risk exposure amount for Danish Compromise increased by EUR 511 million to EUR 8,422 million, mainly as a result of the increased equity value of Belfius Insurance following the increases in reserves, net income and reserves OCI.

The CVA exposure amount remained stable over the year and increased by EUR 85 million resulting from a certain volatility in the last semester of 2023.

[17] Unaudited

The market risk exposure amount decreased by EUR 611 million, the decrease in the first semester of 2023 due to methodological changes was partially offset in the course of the year due to scenario volatility and position increase).

The operational risk exposure amount increased with EUR 348 million, in line with the increase in income.

At the end of 2023, the Tier 1 capital ratio amounted to 16.67%, a decrease of 55 bps compared to the end of 2022.

The total capital ratio amounted to 19.14% at the end of 2023, a decrease of 62 bps compared to the end of 2022.

More detailed information is provided in the Capital Management section of this annual report.

9.2. Solvency at Insurer level

The Solvency II-ratio (before dividend) of Belfius Insurance stood at 207% at the end of December 2023, the Solvency II-ratio after dividend stood at 195%. It slightly increased compared to last year, given that the small decrease in SCR has been reinforced by also an increase in AFR including a foreseeable dividend of EUR 118 million.

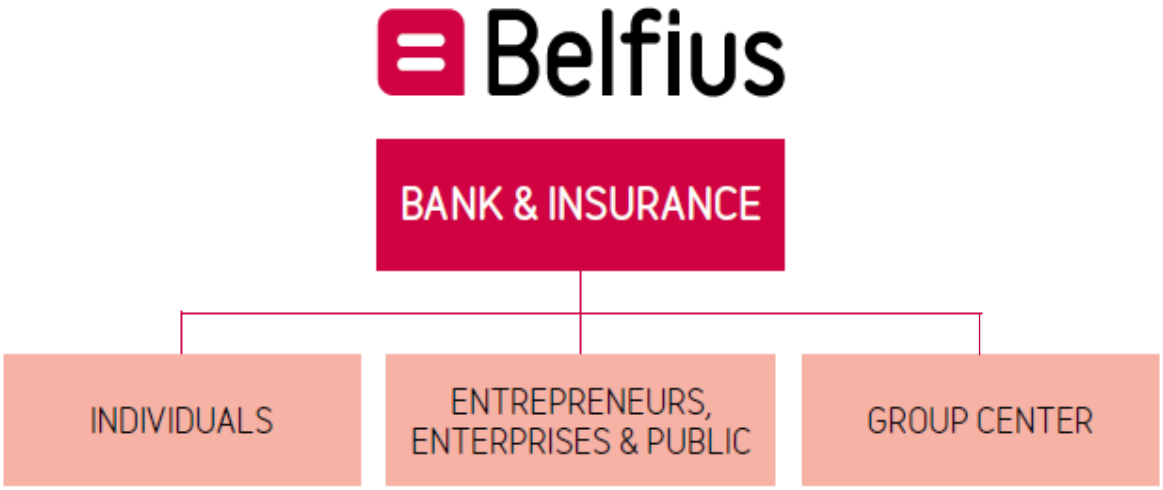
More detailed information is provided in the Capital Management section of this annual report.

Segment reporting

Analytically, Belfius splits its activities and accounts in three segments: Individuals (IND) and Entrepreneurs, Enterprises and Public (E&E&P) and Group Center.

- Individuals (IND), managing the commercial relationships with individual customers both at bank and insurance level. Within the Individuals segment, we distinguish 4 subsegments: Savers, investors, Private and Wealth;
- Entrepreneurs, Enterprises and Public (E&E&P), managing the commercial relationships with public and social sector, business and corporate clients both at bank and insurance level;
- Group Center (GC), containing the residual results not allocated to the two commercial segments. This mainly consists of results from Bonds and Derivatives portfolio management.

Please refer also to the operating segment reporting in the financial statements. Some figures may not add up due to rounding.



Key figures of the segment reporting

Balance Sheet

(in billions of EUR)	31/12/2022 Assets	Liabilities	Equity
Individuals (IND)	57	83	2
Entrepreneurs, Enterprises & Public (E&E&P)	64	48	5
Group Center (GC)	59	36	5
TOTAL	179	167	12
of which banking group[1]	163	152	11
of which insurance group[1]	16	15	1

(In billions of EUR)	31/12/2023 Assets	Liabilities	Equity
Individuals (IND)	57	81	2
Entrepreneurs, Enterprises & Public (E&E&P)	68	50	6
Group Center (GC)	54	36	4
TOTAL	179	167	12
of which banking group[1]	163	151	12
of which insurance group[1]	17	16	0

(1) Note that the assets, liabilities and equity represent the contribution of the Belfius Insurance and Belfius Bank groups to the consolidated balance sheet.

The assets and liabilities allocated to Individuals (IND) and Entrepreneurs, Enterprises and Public entities (E&E&P) reflect the commercial activities of those business lines. Where IND shows an excess of funding, E&E&P is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 93% loan to deposit ratio at the end of December 2023.

Note that there are no internal sales or purchases between segments, the assets and liabilities within a segment are those generated and originated by the business lines.

The equity allocated to Individuals and E&E&P is a normative regulatory equity, which is derived from the regulatory risk exposures of these business lines multiplied by 13.5% (Belfius' minimum operational CET 1 ratio).

Key figures of the segment reporting

Statement of income

(in millions of EUR)	2022			
	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	2,194	1,309	209	3,712
INSURANCE SERVICE EXPENSES ADJUSTED[1]	-605	-182	0	-787
COSTS	-1,039	-507	-74	-1,620
of which directly attributable costs from insurance	-153	-50	0	-203
GROSS OPERATING INCOME	550	620	135	1,305
Cost of Risk	-39	-77	10	-105
Impairments on (in)tangible assets	-2	0	0	-2
RESULT BEFORE TAX	509	543	146	1,197
Tax (expense) income	-115	-122	-28	-264
NET INCOME AFTER TAX	394	421	118	933
Non-controlling interests	0	0	1	1
NET INCOME GROUP SHARE	394	421	117	932
of which banking group[2]	256	387	119	762
of which insurance group[2]	139	34	-3	169

(in millions of EUR)	2023			
	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	2,359	1,566	125	4,050
INSURANCE SERVICE EXPENSES ADJUSTED[1]	-535	-172	0	-708
COSTS	-1,103	-560	-77	-1,740
of which directly attributable costs from insurance	-153	-49	0	-202
GROSS OPERATING INCOME	721	834	47	1,603
Cost of Risk	-12	-72	-25	-109
Impairments on (in)tangible assets	-1	0	0	-1
RESULT BEFORE TAX	708	762	22	1,493
Tax (expense) income	-184	-186	-7	-376
NET INCOME AFTER TAX	524	577	16	1,117
Non-controlling interests	1	0	1	2
NET INCOME GROUP SHARE	523	577	15	1,115
of which banking group[2]	323	537	15	876
of which insurance group[2]	199	40	0	239

(1) Insurance Service Expenses Adjusted = Insurance Service Expenses + Net Reinsurance Result - directly attributable cost from insurance.
(2) Note that the statement of income represents the contribution of the Belfius Insurance and Belfius Bank groups to the consolidated statement of income.

Individuals (IND)

Business description Individuals

Belfius is a leading bank-insurer in Belgium, serving 3.4 million Individuals. It is renowned for its mobile banking services, with over 1.98 million active mobile users at the end of 2023 and a top-rated mobile banking app (4th place in Sia Partners 2023 International Mobile Banking Benchmark). Belfius is the second largest provider of mortgage loans in the Belgian market, with a portfolio of EUR 45.4 billion in outstanding loans for Individuals. Belfius also holds a 17.5% market share in new mortgage loan production in 2023. Additionally, Belfius is one of the largest providers of savings and investment products in Belgium. Finally, within the individual insurance product category, Belfius holds 5.59% share of the non-life market and 8.42% share of the life market[18].

Belfius offers insurance products to Individuals through the Belfius Bank branch network, digital touchpoints and wealth managers, as well as through the tied agent network of DVV Insurance. It also offers insurance products through a direct distribution channel with Belfius Direct Insurance, the former Corona Direct. Elantis, also part of Belfius Insurance, offers mortgage loans and consumer loans through independent brokers, booked on the balance sheet of Belfius Insurance, Belfius Bank and a third-party bank.

[18] Based on 2022 figures from Assuralia; 2023 figures not yet available.

1.1. Customer Segmentation

For Individuals, our segmentation is based on the customer's behaviour, aspiration and financial footprint, in terms of both loans and assets. This results in customers being subdivided into Savers, Investors, Private Banking and Wealth Management.

Savers and Investors

Clients are segmented into Savers and Investors, not based on their assets, but on behaviour. Savers are individuals who do little or no investing and who mainly seek a safe haven in their savings book. An Investor, on the other hand, is someone who mainly invests, has a certain amount of knowledge about investing and who has a minimum of EUR 7,500 of investments with Belfius.

Private Banking and Wealth Management

Clients in these high-net-worth segments are typically subdivided on the basis of their financial footprint. Private Banking starts from clients with assets of at least EUR 500,000. Private clients are assigned a Private Banker, serviced through one of our 27 Private & Wealth Houses, and enjoy a range of privileged services. In addition, Belfius continued its Private Membership which offers clients access to exclusive investment solutions and benefits. Wealth Management clients (> EUR 2.5 million) are admitted by invitation only and are assigned a Wealth Manager.

Despite a challenging economic context, Belfius' Private and Wealth Management franchise showed excellent development in 2023, with a growing client base and increasing total outstanding.

We continued to invest in our range of exclusive products for our Private and Wealth clients, in particular by launching two new exclusive funds for Private Banking, as well as a new private equity operation. In addition we organised a number of high-quality events (e.g. Inspired by Convictions) which significantly contributed to maintaining high levels of satisfaction among our Private (94%) and Wealth (92%) clients.

1.2. Our range of banking solutions and services

Payment products

Belfius offers payment products in the form of packages which include current accounts linked to a debit and credit card, depending on the level of service chosen. Since 2023, we are gradually replacing the Bancontact debit cards co-badged with Maestro® by Bancontact cards co-badged with Debit Mastercard®. The packages range from the introductory, free Beats Pulse package (which does not include a credit card) to the Beats Star product. The issuance of a credit card is subject to acceptance through an efficient risk management process. All cards offer the convenience of contactless payment using either the card or a smartphone. Belfius has a payment solution for Android and iOS users for all card types. In an effort to simplify its customers' daily lives, Belfius will continue to introduce new features in the coming months, including seamless payment solutions.

Belfius is a main shareholder of Bancontact Payconiq, a market leader in local card and payment systems in Belgium. In addition, Belfius also takes part in the European Payment Initiative (EPI) to develop a European alternative for payments across Europe, based on the instant payment technology.

Credit Products

Belfius' main credit products for Individuals include mortgage loans, which are available at a range of fixed or variable interest rates. The increase in interest rates has significantly impacted the mortgage market, which experienced a significant decline in 2023 compared to 2022. Despite the challenging market conditions which exerted pressure on margins, Belfius demonstrated steady growth by incrementally increasing its market share in mortgage production to 17.5% in 2023.

In May 2023, Belfius introduced a national initiative aimed at providing a compelling incentive for potential mortgage borrowers. Through our Beats telco package, new customers who signed up for a mortgage have received one year of free internet. Belfius plans to institutionalise cross-selling between its Home and Telco offering, which would further boost Beats telco sales.

In June 2023, Belfius extended its offer for energy efficient living by launching new interest rate discounts for new constructions and energy renovations. By offering these interest rate discounts for low energy houses, Belfius supports the Belgian society in the Energy Transition. Over the long term, Belfius is exploring other structural financing solutions to encourage and facilitate energy investments.

To assist prospects and clients in finding suitable mortgage solutions, Belfius introduced a feature in November 2023 allowing them to schedule appointments directly in the credit specialist's calendar through the Online Mortgage Simulator (OMS). Belfius further emphasised the personal guidance of clients in their home journey. This included the active support of our home experts in initiatives such as enhancing the energy efficiency scores of their homes.

Belfius also offers a wide range of consumer loans for different purposes. The growth in renovation loans continued in 2023 due to the increased importance of energy-efficient investments. In order to support energy projects, Belfius extended the maximum duration of the renovation energy loan to 180 months.

Savings and Investment Products

Since 2022, a new paradigm has been established with a rise in rates linked to the return of inflation. This has resulted in interest rate conditions returning to attractive territory. In 2023, fixed income products and Branch 21 products have attracted particular interest from defensive investors who had few other options in recent years because of low interest rates. Belfius increased interest rates on savings accounts twice during 2023, systematically playing a pioneering role in the Belgian market.

The organic growth in Save and Invest suffered from a complex economic environment, with the main drivers being the 1Y Belgian government bond, the overall economic context and the changing saving behaviour of consumers. The impact of the 1Y Belgian government bond on non maturing deposits was significant (EUR 3.5 billion), but Belfius was able to keep the impact under control by virtue of a series of commercial actions which were introduced.

Meaningful and inspiring investment solutions remained a cornerstone of Belfius' investment approach. In September, a new 'Fund of the Future' Water=Well was launched which provides our clients with the opportunity to invest in shares of companies around the world which are active in the water industry. With this tenth Fund of the Future, Belfius once again confirmed its desire to offer its customers a wide range of thematic investment funds, which responds to the major challenges of today and tomorrow, and which can bring opportunities. The investments of these ten funds cover more than 75% of the investable United Nations Sustainable Development Goals.

Re=Bel Platform

The investment app with a cause experienced a significant growth, accounting for 94,000 users and EUR 1.1 billion in investments of which 78% in sustainable companies according to Belfius ESG criteria.

The Re=Bel Platform continued expanding its offering, which now exceeds more than 1,200 trackers (ETF/ETC/ETN). A 14th inspiration theme relating to artificial intelligence (AI) has been added to Re=Bel. Two features have been integrated into the platform, enhancing convenience and user-friendliness. Firstly, a price alert notification to your smartphone is introduced, alerting when a stock or tracker reaches the price set by the customer. Secondly, clients gain visibility into the most significant stock price fluctuations on Euronext markets, providing valuable insights into market dynamics. In July 2023, Re=Bel earned the title of the 'Most User-Friendly Investment App' in Belgium and the Netherlands, as awarded by SIA Partners.

Insurance Products

Belfius offers its customers a comprehensive range of Life and Non-Life insurance products through Belfius Bank's branch network and its digital touchpoints. It also offers these products through the tied agent network of DVV Insurance, as well as through the direct distribution channel, Belfius Direct Insurance.

In Non-Life, the product range includes car insurance (third party and omnium/damage), property insurance, third party civil liability insurance, and miscellaneous risks insurance such as bicycle insurance for example. For Non-Life insurance products, the most significant products are property and mobility insurance, which accounted for 42.0% and 39.8% of gross written premiums for Individuals in 2023. Several milestones were reached in 2023 for Non-Life insurance. A new assistance product was launched which is rewarded by the label 'Best Buy' of Test Aankoop. The "Kilometre" insurance of Belfius Direct Insurance was introduced via Belfius Mobile application and our branches. When looking at our non-life gross written premium, we noticed a growth of +7% compared to last year.

In Life insurance products, Belfius offers Protection as well as Saving and Invest products. Protection includes mortgage/outstanding balance cover, death insurance and critical illness insurance. In 2023, multiple initiatives were implemented to facilitate the medical acceptation process of these products. 2023 was marked by various campaigns for Life Investment Products (Branch 21, Branch 23 and Branch 44). The rise in interest rates especially brought opportunities for the Branch 21 product.

Belfius continuously strives to improve the client experience by reinforced servicing, enhanced and extended digital offers and capabilities, increasing personalisation and focussing strongly on the Bank-insurance commercial dynamic.

1.3. Distribution Channels

Belfius

Belfius has an omni-channel business model, consisting out of three high-performing, mutually reinforcing sales and servicing channels (digital, remote-access and branches). The aim of this omni-channel approach is to strike the right balance between human interactions and efficient, user-

friendly digital and remote-access interactions. The innovative digital and remote-access approach is geared towards basic sales and servicing interactions, combined with value-added branch interactions for advisory, key life moments or if desired by the customer. In 2023, a global action plan was created to increase availability and accessibility further for customers and prospects across channels.

In the context of Batopin, the new bank neutral network of ATMs established by Belfius, BNP Paribas Fortis, ING and KBC, Belfius removed ATMs in 33% of the branches. However, a cashless machine remains in every branch offering which bring self-service functionalities to customers such as transfers and printing bank statements.

Belfius offers its banking and insurance products through its network of 468 branches (including Private and Wealth Houses), its digital channels and its Belfius Connect remote service centre. It also offers its insurance products through its network of 290 (at the end of 2023) DVV tied insurance agent branches and its Elantis brand.

Branch Network

Belfius Bank serves its customers through 468 Branches as at the end of 2023, of which 363 are tied independent agent branches and 105 are own branches. All branches are grouped into 64 organisational "clusters". On average, each cluster operates across 7 branches and has a sales force of approximately 46 persons. Our branches or branch employees are available physically in the branches with or without an appointment and by telephone, mail and other digital channels.

To support our growth ambitions in Private Banking and Wealth Management, Belfius continued the roll-out of a branch footprint of Private and Wealth Houses, dedicated to our Private Banking and Wealth Management customers.

By the end of 2023, Belfius had opened 27 Private and Wealth Houses.

Belfius Connect

Belfius Connect, the Belfius sales and servicing centre, supports omni-channel end-to-end sales flows, using different communication channels (including telephone, mail, chat, chatbot and social media) to interact with customers aiming to create a loved customer experience by providing the relevant solution quickly and first time right.

We see a number of key elements in 2023:

- An increasing customer willingness to interact remotely as the total number of Belfius Connect interactions has doubled compared to 2019;
- The channel mix is changing dramatically;
- After a historical dominance of phone calls, Belfius Connect noticed that live chat and chatbot are becoming the preferred channel.

Belfius Connect won the Silver Award in the "Best Customer Experience" category during the European Contact Centre and Customer Service Awards in London. This is a great recognition for the teams who work day in day out to improve the quality of our service.

DVV Insurance, Tied Agent Network

DVV Insurance has a history of more than 90 years in the Belgian Life and Non-Life insurance market, by virtue of a network of self-employed agents, selling exclusively DVV's insurance solutions. Through 290 branches, and ~900 dedicated insurance experts as at the end of 2023, DVV Insurance offers individuals, the self-employed and small enterprises a complete range of insurance products as well as mortgage loans.

DVV has a unique brand promise based on "quite simply good service" supported by empathy, expertise, straightforwardness and proximity.

In today's competitive market, DVV's strategy is to expand its customer base further. In addition to keeping a strong position in Non-Life for Individuals, DVV is looking for more growth in Life for Individuals. A clear focus is placed on providing the right and appropriate service and advice by our local agent network to their customers by using a well-developed check-up-programme.

In 2023, the DVV tied agent network remained an important channel for the distribution of Non-Life insurance products of Belfius both in the Individuals and in the Business segment.

Belfius Direct Insurance

Belfius Direct Insurance, historically known as Corona Direct, was integrated in Belfius Insurance on 1 July 2023 and rebranded to Belfius Direct Insurance. It offers its 229,000 customers (slight decrease of 1,000 customers in 2023 due to integration and rebranding) insurance products through direct channels (e-commerce, telephone and affiliate partners).

In addition to the kilometre-linked car insurance, which is the founding pillar of the company, Belfius Direct has intensified its multi-portfolio strategy in the last decade by distributing pet insurance, tenant insurance and funeral insurance. In Q4 2023, the pet insurance was extended to cats.

Next to direct selling, Belfius Direct insurance has a strong focus on selling insurance products via strategic partners like Tom&Co, Just Russel or Sereni and via comparison websites like Verzekeringen.be or Independer. As of Q4 2023, the kilometre-linked car insurance is also sold via the Belfius app and branches, leveraging the customer base of Belfius.

Belfius Direct's product offering is digital, standardised and searches for an innovative angle at a competitive price, relying on a strong customer service and a completely renovated IT infrastructure.

Elantis

Elantis offers mortgage loans and consumer loans through independent brokers and has been a Belfius Insurance's subsidiary since 2012. Mortgage production has experienced a substantial decline (-34%) compared to 2022, in line with the market evolution. As of 31 December 2023, Elantis accounted for EUR 0.23 billion of Belfius' outstanding consumer financing and EUR 4.7 billion of Belfius' outstanding mortgage loans. The loans production also gives the opportunity to cross sell with Life insurances and Belfius daily banking products.

1.4. Digital, data and beyond banking

Digital Leadership

Amidst an increasingly competitive digital landscape, Belfius continues to fortify its position as a frontrunner in digital innovation across diverse customer segments, solidifying its brand and orchestrating digital solutions and human interaction.

Belfius continues to invest in its Mobile app, resulting in high customer satisfaction (98%) and excellent app store ratings (4.7). Our mobile efforts were once again recognised by Sia Partners, who rated our app as part of the top 4 best banking application worldwide, according to their yearly study.

We continue to sustain our global digital leadership position by accelerating our 'Rebelise the app' programme and working towards the execution of the Beyond strategy. The objective is to reinvent ourselves as a digital leader and create a new standard in mobile banking and insurance. We foresee a major update of our Belfius Mobile in 2024 with improvements on ease of navigation, end-to-end (AI) self-service, increased personalised communication and information, and overall improvements in UX-design. Our digital strategy puts a key focus on Mobile for the short term, but data shows which website and desktop applications are still used intensively by our Business, Private, and Wealth segments. We are launching several initiatives to enhance the navigation and functionalities of our web platforms.

Throughout 2023, the evolution of our mobile platform remained steadfast in adapting to the evolving mobile preferences of our customers. Notably, our customer base's digital engagement reached unprecedented levels, with 1.98 million active users embracing the app, averaging 39.0 log-ins per month. While primarily utilised for daily banking functionalities, the introduction of our mobile chatbot has significantly enhanced self-service capabilities across our digital channels. Since November 2023, we now manage a higher ratio of chat interaction (51.2%) compared to telephonic interactions to service our clients. Combined with a significant increase in the bot's success rate (64%), this will allow us to better serve our customers 24/7, whilst boosting accessibility of call agents and agencies.

We will double down on these efforts in 2024 and see a continued rise in the number of use cases which our customers will be able to complete end-to-end from within the bot's environment.

We observe a consistent increase in the number of digital active users. To remain among the undisputed digital leaders on the market in the future, Belfius has chosen to evolve and optimise the organisation further, leading to the creation of a digital department with a close focus on remaining a worldwide reference in digital banking.

Digital Sales

Belfius digital sales continued their growth path which can be demonstrated by:

- 70% of pension savings plans were sold digitally, of which 90% via mobile;
- 44% of new credit cards were sold through digital channels;
- 44% of recurring investment plan sales were sold digitally;
- 16% of home insurances were sold digitally. This ratio increases to 26% for renters;
- 67% of the newly launched "Kilometre" insurance in the Belfius channels were sold digitally.

Digital communications contributed further to branch sales, underlining the commercial added value of an innovative digital and omni-channel approach. Belfius will capitalise on a strong digital penetration, high frequency of contact and high degree of satisfaction to encourage users to come more often to the Mobile App, to inspire our customers and trigger end-2-end digital sales transactions thanks to relevant insights based on customer behaviour, transactional data and

preferences. The digital platform, supported by customer analytics, creates numerous opportunities for cross-selling, also through proactive customer proposals in the high number of digital touchpoints per month per user at a cost-effective service cost for Belfius.

Data

Data and AI continue to be key levers to inform, execute and monitor the business strategies.

In 2023 we realised the migration of all key reports to a new and improved technology platform and we made again significant strides towards better integrated and harmonised data. Through reporting and advanced data science, we also delivered many new insights leading to improved understandings of customer behaviours and needs; allowing us not only to position solutions better but also to optimise the customer experience.

As we continue to keep our strategic focus on the building of solid and shared data foundations, we also ensure we keep a close eye on rapid developing areas such as AI to explore ways to leverage these capabilities to serve customers better as well to manage risk and cost.

Beats

After doubling telco sales in 2022, sales have grown again by 50% in 2023 proving that Beats telco has become an inherent part of our commercial approach. This growth is the result of a further increase of the network expertise in telco products and commercial initiatives which respond to the advantage of the natural 'proximity' between home and telco and tap into the moment when people move to a new place.

In 2024, we expect to continue this growth by structurally anchoring Telco-Home cross-sell in our commercial approach and potentially extending to other relevant domains or target groups with natural proximity.

On top of that, Belfius will continue to invest in the commercial performance of its physical and digital channels, while building a sustainable portfolio of Beats telco clients.

Banx

Banx was launched in 2021 as an innovative initiative aimed to address a niche audience seeking sustainability. However, launching a new bank in a mature market like Belgium is not easy. This resulted over the last two years in a slower than expected start to the adoption of this value proposition.

Ambition and Strategy 2025 in Digital, Data & Beyond

In 2023, Belfius continued implementing its 2025 ambitions adapting Belfius even more to a digital-human and integrated business model. The investments in the following three domains are key drivers of transformation of Belfius as part of the 2025 strategy. Data, Digital and Beyond act as performance and efficiency enablers for all segments, enabling Belfius to implement its strategy.

The implementation of efficiency initiatives across Belfius' business lines and the development of Belfius' digital service offering have played a significant role in the improvement of Belfius' financial performance, including through operational efficiency improvements in the branch network, product portfolio and sales force as well as efficiencies delivered by its mobile platform. A key component of Belfius' strategy is to continue to capitalise on these initiatives and to optimise its operating model further through ongoing integration and more digitalisation. As such, Belfius is able to maintain a controlled cost base, balancing its cost savings and efficiency gains with further strategic and innovation investments.

Commercial performance Individuals in 2023

At 31 December 2023, **total savings and investments** amounted to EUR 121.7 billion, an increase of +4.6% compared with the end of 2022, thanks to EUR 2.3 billion organic growth and EUR 3.1 billion market effect in 2023. Higher interest rates shifted the product mix from Non Maturing deposits to Maturing Deposits (Term Deposits, Bonds) and to the 1Y State Government Bond.

Non Maturing deposits totalled EUR 55.7 billion at 31 December 2023, down -11.0% from the end of 2022. The payment and savings accounts outstanding reached respectively EUR 12.6 billion (-9.7%) and EUR 43.1 billion (-11.3%) at the end of December 2023.

Maturing deposits and Branch 21 amounted to EUR 18.3 billion, up +38.6% compared to the end of 2022. This strong increase is mainly due to Term Deposits and Bonds that benefitted from higher interest rates and amounted respectively to EUR 4.2 billion (+225% vs 2022) and EUR 9.9 billion (+25% vs 2022).

Asset Management Service and Equity investments volumes increased by +10.0% compared to the end of 2022, to EUR 41 billion, mainly explained by the positive market effect and to a lesser extent by the organic growth.

Individuals (unaudited)

(in billions of EUR)	31/12/22	31/12/23	Evolution
TOTAL SAVINGS & INVESTMENTS	116.4	121.7	4.6%
NON MATURING DEPOSITS	62.5	55.7	-11.0%
Savings accounts	48.6	43.1	-11.3%
Payment accounts	13.9	12.6	-9.7%
MATURING DEPOSITS AND BRANCH 21	13.2	18.3	38.6%
Term/Straight Deposits	1.3	4.2	225.2%
Bonds	7.9	9.9	25.5%
Savings Certificates	0.4	0.7	59.6%
Branch 21, Branch 23 Funding & DVV	3.6	3.5	-2.0%
ASSET MANAGEMENT SERVICES AND EQUITY	37.3	41.0	10.0%
Asset Management Services	34.2	37.7	10.1%
Equity	3.1	3.3	8.7%
OTHER SAVINGS AND INVESTMENTS	3.3	6.7	103.7%
Pension Insurance	1.9	1.9	1.1%
Others[1]	1.4	4.8	238.4%

(1) Including Third Party Products.

Total loans to customers increased by +3.5% to EUR 50.3 billion at 31 December 2023. Mortgage loans, which account for 90% of all loans for Individuals, amounted to EUR 45.4 billion at the end 2023 (+3.4%), while consumer loans and other loans to Individuals stood respectively at EUR 1.8 billion and EUR 3.0 billion, stable compared to 2022.

New long-term loans granted to Individuals clients during 2023 amounted to EUR 6.6 billion, a decrease of -29% compared to EUR 9.3 billion in 2022. In 2023, the new production of mortgage loans decreased by -33% to EUR 5.3 billion. During the same period, EUR 0.8 billion in consumer loans and EUR 0.5 billion in new long-term business loans were granted, stable compared to 2022.

Individuals (unaudited)

(in billions of EUR)	31/12/22	31/12/23	Evolution
TOTAL LOANS TO CUSTOMERS	48.6	50.3	3.5%
Mortgage Loans	44.0	45.4	3.4%
Consumer Loans	1.7	1.8	4.9%
Other Loans[1]	2.9	3.0	5.0%

(1) Mainly Professional loans.

Non-life insurance Gross Written Premiums grew by +7.2% in 2023 compared to 2022, at EUR 675 million, boosted by the Bank distribution channel (+9.6%). The premium collection in DVV Insurance amounted to EUR 297 million, (+6.1% compared to 2022) and in Belfius Direct Insurance, previously Corona, to EUR 71 million, up +1.6% compared to 2022. Such growth is mostly driven by premium indexation to compensate for inflation pressure on claims and costs, but also slightly improving thanks to net new business growth in Bank-Insurance and DVV.

The mortgage loan intentional cross-sell ratio for credit balance insurance increased to reach 136% at the end of 2023. The intentional mortgage loan cross-sell ratio for property insurance increased to 88%.

Life insurance reserves increased slightly (+3.5%) since end 2022 to EUR 10.1 billion at the end of 2023. Unit-linked reserves (Branch 23) increased with +6%, mainly thanks to a positive market effect of EUR 0.3 billion and the reserves Life Invest Branch 21 increased with +7% since Belfius was the first to launch a product with increased guaranteed interest rate.

Individuals (unaudited)

(in millions of EUR)	31/12/2022	31/12/2023	Evolution
TOTAL PREMIUMS RECEIVED	1,595	1,638	2.7%
Life	965	962	-0.2%
Non-Life & Health	630	675	7.2%

Individuals (unaudited)

(in billions of EUR)	31/12/22	31/12/23	Evolution
TOTAL LIFE INSURANCE RESERVES[1]	9.8	10.1	3.5%
Protection	0.6	0.7	6.1%
Invest	5.9	6.1	3.1%
Pension and Endowment	3.3	3.4	3.6%

(1) Investment products and insurance products.

Belfius continues to set the pace in mobile banking in Belgium and further developed its digitally supported business model. At the end of 2023, Belfius apps for smartphones and tablets had 1.98 million users (+5.5%) and were consulted on average 39.0 times per month. The high satisfaction figures show that continuous innovation, focused on user-friendliness and valuable utility for the customer, pays off.

Belfius continues to extend the functionalities of its apps. In 2023, 70% of the new pension saving contracts, 44% of the new credit cards and 47% of the new savings accounts were subscribed via direct channels.

Financial results Individuals in 2023

In 2023, total income amounted to EUR 2,359 million, up +8% compared to the end of 2022, demonstrating the resilience of Belfius Individuals' business model in the context of challenging market.

Net interest income of the bank amounted to EUR 822 million, a strong increase of +23%, mainly thanks to the non maturing deposits that benefitted from higher interest rates, despite the shift towards maturing funding and the lower margin on loans portfolio.

Net fees and commissions of the bank amounted to EUR 632 million, slightly below last year (EUR -4 million), mainly explained by lower production in Asset Management Services, partially offset by higher fees realized in Insurance Non-Life and in the context of VP Private Membership and Beats.

The Life insurance contribution amounted to EUR 339 million in 2023, down by -12% compared to 2022, due to lower financial income and lower insurance finance result, only partly compensated by the higher insurance results impacted by the refinement of actuarial models recognized in 2023 accounts.

The Non-life insurance contribution amounted to EUR 689 million in 2023, a strong increase of +11% compared to 2022, thanks to the portfolio growth (incl. premium indexation to compensate for inflation impact on claims and costs).

The other income amounted to EUR -123 million in 2023 compared to EUR -111 million in 2022, mainly stemming from the higher bank levies in 2023 (in particular DGS and to a lesser extent NTK).

The Insurance services expenses adjusted reached EUR -535 million in 2023, an improvement of EUR 70 million, or 12% compared to 2022, mainly explained by the lower level of natural catastrophes' claims in FY 2023 and a recalibration of the risk adjustment confidence interval to 77.5%.

In 2023, costs amounted to EUR 1,103 million, an increase of EUR 64 million or +6% compared to 2022, explained by the workforce reinforcement and the wage-drift effect.

As a result, gross operating income increased to EUR 721 million in 2023, up EUR 171 million or +31% compared to 2022.

The cost of risk amounted to EUR -12 million in 2023, an improvement of EUR +26 million compared to 2022 due to the reversals of stage 1 & 2 provisions.

The impairments on (in)tangible assets amounted to EUR -1 million.

Pre-tax income stood at EUR 708 million, up EUR 199 million or +39% compared to 2022.

Tax expenses amounted to EUR 184 million in 2023 compared to EUR 115 million in 2022.

Individuals' net income Group share increased by +33% and amounted to EUR 523 million in 2023.

There is no special item in Individuals in 2023, so the adjusted net income Individuals amounted to EUR 523 million in 2023.

The Individuals' cost-income ratio amounted to 46.7% in 2023 compared to 47.4% in 2022. The Return on Normative Regulatory Equity (RoNRE) stood at 33.7%.

Financial Results IND

(in millions of EUR)	2022	2023
INCOME	2,194	2,359
Net interest income bank	666	822
Net fee and commissions bank	636	632
Life insurance income	385	339
Non-life & Health insurance income	619	689
Other income	-111	-123
INSURANCE SERVICE EXPENSES ADJUSTED[1]	-605	-535
COSTS	-1,039	-1,103
of which directly attributable costs from insurance	-153	-153
GROSS INCOME	550	721
Cost of Risk	-39	-12
Impairments on (in)tangible assets	-2	-1
RESULT BEFORE TAX	509	708
Tax (expense) income	-115	-184
NET INCOME AFTER TAX	394	524
Non-controlling interests	0	1
NET INCOME GROUP SHARE	394	523
ADJUSTED NET INCOME GROUP SHARE[2]	391	523

(1) Insurance Service Expenses Adjusted = Insurance Service Expenses + Net Reinsurance Result - directly attributable cost from insurance.
(2) Adjusted results are Alternative Performance Measures and are defined and reconciled in the APM-document on the website: www.belfius.com.

Ratios

(in %)	2022	2023
Cost-income ratio[1]	47.4%	46.7%

(1) Costs (total opex) relative to income.

Entrepreneurs, Enterprises & Public (E&E&P)

Business description E&E&P

Belfius offers a complete range of banking and insurance products and services to **more than 350,000 entrepreneurs, enterprises and public and social institutions (E&E&P)**. While still leading the public and social sector thanks to more than 160 years of experience in the sector, Belfius is successfully pursuing its 'Lead and Loved Bank' strategy in the Entrepreneurs and Enterprises (E&E) segment. It is clear that the Bank is positioning itself as a leader in the corporate market and has a solid position with a market share that is tending towards 20% (19.4% for the Business segment and 21.1% for the Corporate Banking segment).

1. Customer segmentation

The E&E&P division's products and services are aimed at entrepreneurs (Business segment), medium and large companies (Corporate segment) and public and social sector entities (Public and Social segment).

- The **Business Banking segment** mainly comprises self-employed persons, liberal professions (e.g. lawyers, doctors, accountants, and so on) and SMEs with a turnover of between EUR 0 and 10 million;
- The **Corporate Banking segment** groups together medium and large Belgian companies with a turnover of more than EUR 10 million and operating in Belgium in all sectors of activity. Within Corporate Banking, Belfius has created a new segment on the borderline between Business Banking and Corporate Banking, with a turnover of between EUR 10 and 25 million, called the 'Local Corporate' segment;
- The **Public and Social segment** includes local public bodies (e.g. municipalities, provinces, police districts and public centres for social action), supralocal public bodies (e.g. inter-municipal), regional and federal public bodies, mutual societies and trade unions, healthcare (hospitals, retirement homes), education (universities, schools) and housing, as well as foundations, social secretariats and pension funds.

'Lead and Loved Bank for E&E&P'

2. Distribution channels

The Public and Social Sector sales network comprises 35 bankers in three regions. The relationship managers focus on specific customer segments. Knowing how their customers operate, they are able to identify the banking and insurance solutions which best meet their needs.

The Corporate Banking sales network comprises 77 corporate bankers in four regions. We also have 38 bankers (8 staff members and 30 self-employed in our branch network) to serve companies in the Local Corporate segment (turnover between EUR 10 and 25 million).

Within Corporate Banking and Wealth Management distribution, we also have 19 salaried Wealth Managers who approach entrepreneurs for their private needs. They provide day-to-day support to Wealth customers (with assets in excess of EUR 2.5 million) in managing their wealth. Since 2021, Wealth customers have been welcomed in exclusive Private and Wealth Houses.

To strengthen its "Belfius Private Banking and Wealth Management" positioning further and to increase its market share, Belfius has launched the "Private Banking Direct Approach" within Corporate Banking. The aim is to strengthen the Wealth and Private offering in order also to approach Corporate customers and contacts with Private Banking potential.

We currently have 7 private bankers who assist private customers (with assets of more than EUR 500,000) in managing their private and professional needs.

The Business Banking segment is served by some 320 Business Bankers in our branch network.

Within the E&E&P segments, the banker is the key contact in the commercial interaction with the customer. He is the main contact person and maintains a long-term relationship of trust with the customer. Bankers can call on in-house experts at any time for the various product and service lines, for example in investment, cash management services, trade finance, factoring, insurance, financial markets and leasing. A bankers' approach surrounded by experts, Wealth Managers and Private bankers is at the heart of our service model for E&E&P customers.

In addition to the major asset we already have, namely quality human service, Belfius is also focusing on the digital aspect. Like our private customers, our business customers can also carry out their banking transactions with Belfius remotely.

Business customers can carry out all their transactions via Belfius Direct Net. They also have access to the Belfius Mobile application, which has been recognised as the best in the world in terms of convenience, functionality, design and user experience.

The BelfiusWeb application can be used to manage a multitude of banking services. Inter alia, it allows you to initiate payments and sign transactions securely and with no limit on the amount, for example application forms (accounts, cards, BelfiusWeb and so on). Available 24 hours a day, 7 days a week, everything is done digitally, saving a considerable amount of time for customers, who can also sign documents on their smartphone. It also offers the possibility of drawing straight loans or rollovers directly.

For some years now, Belfius has also been offering specialised and innovative applications. Belfius recently launched BE-Trade, which facilitates the end-to-end processing of international trade operations for customers. We also offer Belfius Edge,

which allows E&E customers to execute foreign exchange transactions digitally directly in the Belfius trading room. And finally, since June 2022, we have also offered customers a new E-FX application to initiate international payments directly via BelfiusWeb or Belfius Mobile.

3. Our range of banking solutions and services

Belfius wishes to remain a powerful driver of the Belgian economy with a high volume of credit and wants to continue to help customers develop their activities and manage their cash flow by offering a range of first-class solutions and services to meet their business and private needs.

'More than ever, Belfius supports the Belgian economy with a significant volume of loans to E&E&P customers.'

3.1. Financing products

Belfius has a formal commitment: to support the Belgian economy, not only when things are going well but also in times of difficulty.

Belfius offers its E&E&P customers a range of long-term and short-term credit products to enable them to finance and develop their business. These include:

- Specific tailor-made financing solutions (loans, factoring, leasing) for start-ups, doctors and accountancy professionals. The products include cash management and payment solutions, investments, mobility solutions, Non-Life insurance products and professional Life products;
- Working capital solutions: to finance working capital needs, Belfius offers a range of solutions such as short-term loans and factoring aimed at optimising and avoiding the tying up of liquid assets. Each solution is tailored to a specific situation, making it easier to manage the business or to optimise the accounting or tax situation;
- Leasing services: through its subsidiaries Belfius Lease and Belfius Auto Lease, Belfius offers various financial and operational leasing solutions;
- Debt Capital Markets (DCM): Belfius is widely recognised for its expertise and its role of accompanying Belgian issuers in the issue of bonds on the financial markets in the (semi-)public and corporate sectors. Despite the volatility and difficulty of the market, Belfius is the leading bank for DCM in Belgium in terms of number of transactions. In total, no fewer than 33 bond transactions representing EUR 6.6 billion short-term and long-term alternative financing were issued in 2023. On 19 January 2023, Belfius was proclaimed 'Bond Finance House of the Year' for the 7th time in ten years by Euronext Brussels. In addition to this prestigious and much sought-after award, Belfius also won the title of 'ESG Bond Finance House of the Year' for the first time. These awards confirm Belfius' position as the undisputed leader in Debt Capital Markets transactions for Belgian issuers and also confirm its pioneering role in the issuance of Green Bonds and Social Bonds for Belgian companies and (semi-)public entities;
- Equity Capital Markets (ECM): Belfius is also active in the equity capital market, structuring and placing market transactions for its Belgian corporate customers (initial issues, capital increases, private share placements). Despite the difficult environment, Belfius completed 14 deals in 2023. In view of the unquestionable success of the last five years, Belfius and Kepler Cheuvreux renewed their strategic partnership in the Belgian equity market in February 2023 for a period of five years. Thanks to this partnership, Belfius has been able to establish itself as an equity expert, broaden its offering and continue to provide Belgian listed companies and IPO candidates with the best equity platform;
- Real estate financing: the Belfius real estate department offers customers the support of its in-house architects, engineers and project managers specialising in construction and financing. With its unique 'Smart Building and Renovation solutions' (a tailor-made 'all-in' formula to help and accompany customers from A to Z in their projects), Belfius financed 38 projects worth EUR 161 million in 2023;
- Infrastructure financing: Belfius plays a key role in structuring and financing major infrastructure investment projects in Belgium, in particular renewable energy projects, as well as semi-public real estate and infrastructure projects, via structured loans, syndicated loans and PPP financing;
- Trade and export financing: Belfius offers Belgian companies operating internationally a range of trade and export financing products and services, from documentary credit to buyer credit. Transactions are carried out through an extensive network of correspondents who embody the presence of Belfius in all the major countries of the world.

In early 2023, Belfius was named 'Belgium's Best Trade Finance Provider 2023' for the third year running by the international magazine Global

Finance. This award is a mark of recognition for the efforts made by Belfius to support Belgian companies in their day-to-day import and export activities.

'For the third year running, Global Finance magazine has awarded Belfius the title of best bank for Cash Management activities. This accolade confirms Belfius' expertise in the day-to-day management of companies' cash flows.'

3.2. Payment products

For the third consecutive year, the internationally renowned magazine Global Finance has awarded Belfius the title of best bank for Cash Management activities on the Belgian market. This accolade confirms the expertise of Belfius and its real added value for entrepreneurs and enterprises in our country, for the day-to-day management of their cash flows. This title once again attests to the know-how of Belfius and the relevance of the Belfius cash offer for companies.

In fact, alongside its standard banking offer, which includes accounts, social accounts, debit cards, credit cards and cash pools, Belfius offers payment products tailored to the various needs of E&E&P customers, such as prepaid cards, online payment solutions with specialist Mollie, and the exclusive collaboration with Twikey for all direct debit needs and new payment request and e-invoicing methods,

For Business Banking, payment products are offered in the form of current account packs linked to a debit and credit card (Business Pack and Business Pack Plus) at a lower price than each individual product, combined with other advantages (free multi-currency compartments, two instant payments per month included and discount on CODA reporting fees). In 2023, packs tailored to customers' needs were introduced for the Corporate and Public and Social Profit segments.

With Payworld, Belfius has a new partner (alongside Worldline) to equip its customers with a payment terminal. For the time being, it is mainly small retailers, start-ups and doctors who have already been offered a Payworld terminal.

Belfius also positions itself as an account aggregator, and offers the management of accounts with other banks and enabling payment transactions to be carried out from these accounts. Through its own channels, Belfius offers to manage accounts with other banks and to execute payment transactions from those accounts.

Belfius offers cash management and liquidity services to its public customers. The Bank has long been the cashier of all Belgian regional administrations (except one) and almost all Belgian municipalities. Belfius is also the cashier for the Brussels Capital Region and the Walloon Region.

In an uncertain economic climate which has a direct impact on companies' cash flow, Belfius has joined forces with EMAsphere, an SaaS reporting platform dedicated to monitoring financial performance. Through exclusive dashboards which can be accessed via EMAsphere, Belfius' corporate customers benefit from reliable and up-to-date indicators to help them manage their cash flow. This is an essential tool to facilitate their decision-making and ensure their sustainability.

Finally, Belfius attaches great importance to the security of transactions and constantly monitors its internal procedures to prevent fraud. Belfius offers its customers an additional security package based on three axes to help companies and public administrations in the prevention, detection and management of fraud risks. Belfius and its partners then carry out an analysis of internal procedures, an IT audit of the customer's security systems and an anti-fraud analysis programme.

3.3. Savings and investment products

Against a background of rising interest rates, Belfius offers two categories of savings and investment products to its E&E&P customers: on-balance sheet products, such as the various savings accounts, term accounts, savings certificates and bonds issued by Belfius; and off-balance sheet products, including discretionary portfolio management, mutual funds and bonds issued by third parties. Dedicated product managers create savings and investment products which meet their specific needs in terms of risk, structure and maturity.

3.4. Insurance products

Belfius Insurance offers entrepreneurial customers a complete range of Life and Non-Life insurance products via the Belfius Bank branch network and its digital contact points.

The product range includes Non-Life insurance cover: car insurance, third party liability insurance, fire insurance, industrial accident insurance and miscellaneous risk insurance.

Other Life insurance products such as protection insurance (inter alia for credits), supplementary private pensions for the self-employed and individual pension commitments are offered to professional customers.

Belfius Insurance also markets Life insurance products among its public and social customers. The

specific Life insurance solutions mainly concern second and third pillar pension insurance in the public service.

3.5. People Rewards

Belfius also offers a range of financial and insurance products such as warrants, Belfius Autolease and Life insurance to all employers who wish to remunerate their employees within the framework of a variable remuneration policy.

3.6. Financial analysis service

Belfius also carries out annual studies to enlighten customers on topics such as the development of local, municipal and provincial finances, with specific variations for each local authority. Special financial analyses are also offered to individual municipalities and hospitals, to help them understand their own finances and see their figures in relation to regional or peer averages. These studies have become the reference management tools for Belfius customers in the public and social sector.

In keeping with tradition, Belfius Bank presented its report on the state of local finances in June. After the health crisis, the 2023 study looks at the evolution of local finances after several successive crises. High inflation, soaring wage costs and the flight of energy prices have put towns and municipalities under considerable pressure, with costs rising dramatically.

For the 29th time, Belfius has deciphered the financial situation of general hospitals in Belgium and analysed the figures for the financial year 2022 and the first few months of 2023. In this study, Belfius examines the impact of wage cost inflation and rising energy costs on the budgetary framework of hospitals.

3.7. Belfius also assists Wealth Management in the realisation of their personal projects

In order to reaffirm its ambitions to meet the professional and private needs of its customers, Belfius organised 'inspired by art' face-to-face events for its Corporate and Wealth customers in eight different locations (Herentals, Brussels, Gent, Mons, Leuven, Namur, Antwerp and Liège) at the beginning of 2023, with more than 1,370 customers in attendance.

Our strategy linking professional and private needs is clearly bearing fruit with Wealth Management customers. It is based on a human and customer-oriented approach, supported by our digital know-how, international investment expertise and collaboration with strong partners.

To inspire its customers, Belfius organises an exclusive quarterly event, 'Inspired By Convictions', at which experts share their investment convictions. The 7th edition of 'Inspired by Convictions', which was held online and in person, was a complete success and enabled Belfius to share its vision of the financial markets with its customers. It was an opportunity to take stock, with the experts from Belfius Asset Management and its partners Candriam and BlackRock, of the developments observed since March.

To support business owners, Belfius has created Bizz Matcher, an internal platform enabling bankers to put sellers and buyers in touch with each other. In November, as part of Business Transfer Week, Belfius organised a webinar and presented its Bizz Matcher platform.

'Corporate ESG Ambition is a new, innovative and unique approach to motivating, supporting and rewarding Belgian companies as they implement their sustainable strategy.'

4. Sustainability as a key element in our range of products and solutions

In view of the energy challenges facing businesses and public institutions, sustainability is an integral part of Belfius' strategy. Within this context, the Bank continues to expand its range of sustainable products and solutions.

In February 2023, we launched Corporate ESG ambition, a unique ESG initiative on the Belgian market to guide and encourage corporate customers to define their sustainable strategy independently. This tool, available in the form of an ESG dashboard, represents a huge acceleration in ESG dialogue with customers and in their participation in the sustainable transition.

The primary objective is to inspire companies in their choice of sustainable objectives by ensuring that they are relevant, based on the company's sustainability profile and sector of activity (sustainable objectives have been defined for 60 different sectors within our customer base). Ten months after the launch of the tool, more than 1,200 customer visits have already been carried out.

Secondly, Belfius will provide concrete solutions for financing, mobility and carbon neutrality to help companies achieve the objectives they have set themselves.

Belfius has thus launched two sustainable financing formulas at attractive rates, namely an investment

loan and a lease, the funds of which are intended to finance a project which meets environmental objectives (such as electric or hybrid vehicles, improving the energy performance of buildings, electricity production using solar, wind, hydraulic or geothermal energy, waste and wastewater management and so on).

Aware of the challenges linked to sustainable mobility, Belfius Auto Lease is firmly committed to flexi-mobility and offers a range of flexible, sustainable and innovative mobility solutions, adapted to the specific needs of customers and developed with several leading Belgian partners:

- Belfius Car Lease, a complete range of tailor-made car leasing formulas aimed at promoting the use of environmentally-friendly vehicles and including, for example, recharging infrastructures for electric or plug-in vehicles. Belfius encourages its professional customers to move towards greater sustainability in car leasing. For example, 80% of new leasing contracts at Belfius Auto Lease are for more environmentally-friendly vehicles. Belfius Auto Lease is thus well on the way to achieving the target of reducing CO_2 emissions from its vehicle fleet by 50% by 2025, to which it has committed itself;
- Belfius CenEnergy, specialising in the deployment of safe and intelligent recharging infrastructures throughout Belgium;
- Belfius Bike lease, an 'all-in' operational bicycle leasing formula (in partnership with Cyclis, the pioneer of bicycle leasing in Belgium);
- Belfius Move by Skipr, an innovative digital solution to optimise staff travel while reducing the administrative burden for the employer. This solution includes an app for planning, booking and paying for journeys by combining different means of transport and choosing the shortest, most environmentally-friendly route and so on.

Finally, through Corporate ESG ambition, Belfius has provided an incentive to encourage companies to achieve sustainable objectives through a financial reward or a contribution to one of three Belgian initiatives focusing on the environment, health or social integration.

The modernisation and in-depth renovation of many buildings is unavoidable. Solutions to make them more intelligent and, above all, less energy-consuming and thus reduce our CO_2 emissions are at the forefront of our thinking. It is with this in mind that Belfius is offering the Smart Building and Renovation solution, a tailor-made all-in formula to help and support, from A to Z, schools, care institutions, businesses and local authorities from A to Z at the various stages of their projects (from around EUR 1 million). This goes from technical and energy audits to the final acceptance of the building. In so doing, Belfius assists all authorities in one of the main pillars of the National Investment Pact and in Belgium's urgent need to modernise and improve its building stock. Through this Smart Building and Renovation Solutions product, Belfius has supported and financed 38 projects in 2023 for a total of EUR 161 million.

In 2023, Belfius also played a 'senior role' in no fewer than 10 Green & Social bonds for an amount of EUR 3.24 billion.

On 5 June 2023, Belfius issued a second green bond (a bond in which the funds raised are used to finance sustainable projects such as wind farms, the installation of solar panels and so on). This strategic bond was a huge success, with investor demand more than twice the amount targeted by the issue. This huge interest confirms the confidence in Belfius and its sustainable strategy. Indeed, with this second green bond, Belfius is once again underlining the importance of sustainability in its overall strategy.

Finally, we are proud of an exceptional collaboration between the SeGEC (Secrétariat Général de l'Enseignement Catholique) and Belfius, with the support of the European Union, to equip catholic free schools in Wallonia and Brussels with solar panels within four years. In all, more than a thousand schools, catering for 475,000 pupils from nursery to higher education, will be able to benefit from this programme. The aim of this ambitious programme is to make our school buildings more sustainable, thereby helping to cut CO_2 emissions by reducing schools' energy bills.

"Always more. For your love" is clearly a promise which Belfius is fulfilling on the ground.

5. Belfius, Lead & Loved Bank for Belgian entrepreneurs, enterprises and the Public & Social sector

"Always more. For your love" is clearly a promise which Belfius is fulfilling on the ground.

At the beginning of September, the Union Wallonne des Entreprises, CBC Banque et Assurance and Belfius joined forces to support Wallonia's entrepreneurs and enterprises even more. The aim is to share their respective expertise in order to be stronger in responding to the needs of our

customers on the ground and to support them in their development and job creation. Through this partnership, Belfius intends to play more fully than ever its role as a driving force in the Belgian economy.

On 11 May 2023, the 20th edition of the 'Best Finance Team of the Year' ceremony was held, bringing together more than 600 financial managers from numerous Belgian companies (CFO community) and giving Belfius a high profile in the business world. Belfius is the exclusive partner of this event organised by Financial Media. In order to support the best sustainability projects carried out by CFOs and financial directors in companies, Belfius has presented its very first 'ESG Ambition Award'. Colruyt Group is the first company to win this ESG Ambition Award. With this award, we aim to recognise companies that do not see sustainability as a one-off initiative, but as an integral part of their strategy.

Belfius is also one of the main sponsors of the Municipalia trade fair, a key event which brings together all the major players in local government. The event attracted more than 10,000 visitors, 1,500 of whom visited the Belfius stand. They were also invited to the conference "Responding to climate challenges" given by Belfius. This is an exceptional showcase which enables Walloon companies to present their know-how and to meet with all those in charge of municipalities, provinces, inter-municipalities, associations, autonomous authorities and other public interest bodies.

Additionally, Belfius participates in Royal (e.g. Senegal and Germany) and Princely missions. This gives Belfius the opportunity to highlight its support to entrepreneurs and enterprises in the realisation of their commercial projects on an international level. With a unique local approach. And of course this is with a willingness to accelerate their energy transition, so that together we can make a difference for Belgian society.

Commercial performance E&E&P in 2023

As of 31 December 2023, total savings and investments amounted to EUR 65.0 billion, up +3.2% (EUR +2 billion) compared to the end of 2022. Non Maturing Deposits (saving and payment accounts) decreased by more than EUR 6 billion to EUR 33.4 billion explained by the Product mix switch to Maturing Deposits. Asset Management Service and Equity investments increased by EUR 1.5 billion to EUR 10.5 billion, mainly explained by the positive market effect and the good organic growth. Other Savings and Investments increased by EUR 0.9 billion to EUR 9 billion, mainly explained by the increase in Commercial Paper.

Entrepreneurs, Enterprises & Public (Unaudited)

(in billions of EUR)	31/12/22	31/12/23	Evolution
TOTAL SAVINGS AND INVESTMENTS	63.0	65.0	3.2%
Non maturing deposits	39.6	33.4	-15.7%
Maturing deposits and Branch 21	6.3	12.2	92.3%
Asset Management Services and Equity	9.0	10.5	16.5%
Other savings and investments[1]	8.1	9.0	11.5%

(1) Commercial Paper & others.

Total outstanding loans increased to EUR 63.4 billion (+3.5%). Outstanding loans to Business customers has grown by EUR 0.6 billion (or +3.8%). Outstanding loans to Corporate customers has grown strongly by EUR 1.9 billion (or +8.1%). In Public & Social Banking, the outstanding loans remained stable compared to 2022.

Entrepreneurs, Enterprises & Public (Unaudited)

(in billions of EUR)	31/12/22	31/12/23	Evolution
OUTSTANDING LOANS	61.2	63.4	3.5%
Business	15.0	15.6	3.8%
Public & Social	23.9	23.7	-0.9%
Corporate	22.3	24.2	8.1%
OFF-BALANCE SHEET COMMITMENTS	28.5	29.0	1.7%

Belfius granted EUR 16.8 billion (+7%) in new long-term loans in the Belgian economy to Business, Corporate and Public and Social sector clients.

In 2023, EUR 4 billion new long-term loans to business clients were granted. Belfius assisted 42,864 new start-ups (of which 30% are starters of 3 years or less), strong increase of +60% compared to 2022.

The production of long-term loans for Corporate customers amounted to EUR 9.6 billion (+18% increase compared to 2022), confirming Belfius' position as a leader in the corporate market, with a solid position and a market share of 21,1%.

In 2023, Belfius granted EUR 3.2 billion of new long-term financing to the public sector. Belfius remains the undisputed leader in this market and responds to every financing tender from public bodies, to which it offers sustainable financing conditions. Belfius manages the cash flow of virtually all local authorities and was awarded 58% (in volume on production) of the public sector financing files put out to tender in 2023.

Belfius also strengthened its leading position in the Debt Capital Markets (DCM) for (semi-)public and private companies: in 2023, the Bank issued EUR 6.6 billion in innovative financing instruments in the form of short-term issues (average outstanding amount on commercial paper) and long-term issues (Medium Term Notes and bonds).The E&E&P segment's commercial results in insurance shows opposite trends in terms of underwriting volumes:

- Non-life GWP E&E&P: increase compared to 2022 (+5.2%) to EUR 183 million thanks to growth in the business segment of both Bancassurance and DVV, offsetting the decrease in the Wholesale segment due to the end of an important Property contract;

- Production of E&E&P Life: decrease compared to 2022 by EUR -12 million to EUR 380 million. The main impact is on Business Pension GWP, which suffers from lower back services IPT, while GWP on wholesale contracts is only slightly lower than in 2022.

Entrepreneurs, Enterprises & Public (Unaudited)

(in millions of EUR)	2022	2023	Evolution
TOTAL PREMIUMS RECEIVED	566	564	-0.5%
Life	392	380	-3.0%
Non-Life & Health	174	183	5.2%

Entrepreneurs, Enterprises & Public (Unaudited)

(in billions of EUR)	31/12/22	31/12/23	Evolution
TOTAL LIFE INSURANCE RESERVES(1)	4.0	4.1	1.8%
Protection	0.0	0.0	0.0%
Invest	0.3	0.2	-30.0%
Pension and Endowment	3.7	3.9	4.4%

(1) Investment products and insurance products.

Financial results E&E&P in 2023

In 2023, total income E&E&P amounted to EUR 1,566 million, up EUR 257 million or +20% compared to 2022.

E&E&P Net interest income of the Bank amounted to EUR 1,114 million, up +21% compared to 2022. This is mainly due to the strict pricing of the Payment Account in an increasing interest rate environment.

E&E&P Net fee and commission income of the bank increased in 2023 to EUR 140 million (EUR +9 million) mainly thanks to the increase in payments.

Life Insurance contribution ended at EUR 117 million in 2023, 21% higher than in 2022, mainly explained by the finetuning of the IFRS17 treatment and higher recurring financial revenues only partly offset by capital losses and lower Insurance finance result.

Non-life insurance contribution decreased from EUR 190 million in 2022 to EUR 177 million in 2023, because of finetuning of the IFRS17 treatment.

E&E&P Other income of the Bank increased from EUR -29 million in 2022 to EUR 18 million in 2023, or EUR +47 million mainly explained by the very negative impact of Other Income in 2022 which was hit by important negative impacts in Financial Markets (increase of IR volatility and CTP spread).

The Insurance services expenses adjusted reaches EUR -172 million in 2023, an improvement of EUR 10 million, or +5% compared to 2022, mainly thanks to lowered inflation assumptions on Best Estimate calculation.

In 2023, costs amounted to EUR 560 million, an important increase compared to 2022 (+10%) explained by the workforce reinforcement and wage drift effect.

As a result, gross operating income was EUR 834 million in 2023, an important increase of EUR 214 million, or +35% compared to 2022.

Pre-tax income amounted to EUR 762 million, which was EUR 219 million higher (+40%) than in 2022.

The tax charge amounted to EUR 186 million in 2023, EUR 64 million higher than in 2022.

As a result, the E&E&P net income Group share reached EUR 577 million in 2023, an increase of EUR +156 million compared to 2022.

There is no special item in E&E&P in 2023, so the adjusted net income E&E&P amounts to EUR 577 million in 2023 compared to EUR 421 million adjusted net income in 2022.

The **cost-income ratio** of the E&E&P segment is 35,7% in 2023. The **Return on Normative Regulatory Equity** (RoNRE) is 10% in 2023.

Financial Results E&E&P

(in millions of EUR)	2022	2023
INCOME	1,309	1,566
Net interest income bank	920	1,114
Net fee and commissions bank	131	140
Life insurance income	97	117
Non-life & Health insurance income	190	177
Other income	-29	18
INSURANCE SERVICE EXPENSES ADJUSTED[1]	-182	-172
COSTS	-507	-560
of which directly attributable costs from insurance	-50	-49
GROSS INCOME	620	834
Cost of Risk	-77	-72
Impairments on (in)tangible assets	0	0
RESULT BEFORE TAX	543	762
Tax (expense) income	-122	-186
NET INCOME AFTER TAX	421	577
Non-controlling interests	0	0
NET INCOME GROUP SHARE	421	577
ADJUSTED NET INCOME GROUP SHARE[2]	421	577

(1) Insurance Service Expenses Adjusted = Insurance Service Expenses + Net Reinsurance Result - directly attributable cost from insurance.
(2) Adjusted results are Alternative Performance Measures and are defined and reconciled in the APM-document on the website: www.belfius.com.

Ratios

(in %)	2022	2023
Cost-income ratio[1]	38.7%	35.7%

(1) Costs (total opex) relative to income.

Group Center

Group Center (GC) operates through two sub-segments:

- Run-off portfolios, inherited from the Dexia era, which mainly comprise:
    - a portfolio of bonds issued by international issuers, particularly active in the public and regulated utilities sector (which includes UK inflation-linked bonds) and ABS/RMBS, the so-called ALM Yield bond portfolio;
    - a portfolio of credit guarantees, comprising credit default swaps and financial guarantees written on underlying bonds issued by international issuers, and partially hedged by Belfius with monoline insurers (mostly Assured Guaranty); and
    - a portfolio of IR derivatives with Dexia entities as counterparty and with other foreign counterparties.
- ALM liquidity and rate management and other Group Center activities, composed of liquidity and rate management of Belfius (including its ALM Liquidity bond portfolio, derivatives used for ALM management and the management of central assets) and other activities not allocated to commercial activities, such as corporate and financial market support services (e.g. Treasury), the management of two former specific loan files inherited from the Dexia era (loans to Gemeentelijke Holding/Holding Communal and Arco entities), and the Group Center of Belfius Insurance.

These portfolios and activities are further described below

ALM Liquidity bond portfolio

The ALM Liquidity bond portfolio is part of Belfius Bank's total LCR liquidity buffer and is well diversified with high credit and liquidity quality.

At the end of 2023, the ALM Liquidity bond portfolio stood at EUR 7.8 billion, up EUR 0.7 billion, or 10%, compared with December 2022. At the end of 2023, the portfolio was composed of sovereign and public sector bonds (61%), covered bonds (33%), corporate bonds (5%) and asset-backed securities (<1%). Belgian and Italian government bonds in the ALM Liquidity bond portfolio both amounted to EUR 1.5 billion and EUR 0.9 billion respectively.

At the end of 2023, the ALM Liquidity bond portfolio had an average life of 6.9 years, and an average rating of A (100% of the portfolio being investment grade) compared with A- at year-end 2022.

ALM Yield bond portfolio

The ALM Yield bond portfolio of Belfius Bank was used to manage excess liquidity (after optimal commercial use in the business lines) and consisted mainly of high-quality bonds from international issuers.

At the end of 2023, the ALM Yield bond portfolio stood at EUR 3.0 billion, down 3%, compared with December 2022. At the end of 2023, the portfolio was composed of corporates (79%), sovereign and public sector (10%), asset-backed securities (6%), and financial institutions (4%). Almost 85% of corporate bonds, composed mainly of long-term inflation-linked bonds, are issued by highly regulated UK hospitals, infrastructure companies and utilities such as water and gas distribution companies. These bonds are of satisfactory credit quality and the majority of these bonds are covered by credit protection from a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of 2023, the ALM Yield bond portfolio had an average life of 18.9 years. The average rating of the ALM Yield bond portfolio stood at A-. 94% of the portfolio was investment grade.

Derivatives with Dexia entities and foreign counterparties

During the period it was part of the Dexia Group, formerly Dexia Bank Belgium (now Belfius Bank) was Dexia Group's "competence centre" for derivatives (mainly interest rate swaps). This meant that all Dexia entities were able to cover their market risks with derivatives with Dexia Bank Belgium, mainly under standard contractual terms related to cash collateral. The former Dexia Bank Belgium systematically re-hedged these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius' accounts: once in relation to Dexia entities and once for hedging.

The total outstanding notional amount of derivatives with Dexia entities and interest rate derivatives with international counterparties amounted to EUR 7.0 billion at the end of 2023, down EUR 1.1 billion, or -

13%, compared with EUR 8.1 billion at the end of December 2022.

Derivatives with Dexia entities decreased by 16% (or EUR -1.0 billion) to EUR 5.2 billion at the end of 2023. This decrease is due mainly to amortisations. Derivatives with international counterparties decreased by EUR 0.2 billion (or -10%) to EUR 1.7 billion at the end of 2023.

The fair value of Dexia and international counterparty derivatives amounted to EUR 0.8 billion at the end of 2023. After collateralisation, the Exposure At Default (EAD) remained stable at EUR 0.7 billion.

At the end of 2023, the average rating of the total portfolio stood at BBB+ and the average residual life of the portfolio stood at 10.2 years[19].

Credit guarantees

At the end of 2023, the credit guarantees portfolio amounted to EUR 1.9 billion, down EUR 0.1 billion or -5% compared with December 2022. It relates essentially to Financial Guarantees, and Credit Default Swaps issued on corporate/public issuer bonds (93%) and ABS (3%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius, mainly from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) resulted in a portfolio that is 97% investment grade in terms of credit risk profile. The most important risk is a credit default swap position on a Mexican RMBS which saw its credit quality significantly deteriorate following an earlier change in indexation.

At the end of 2023, the average rating of the portfolio stood at A- (stable compared to year end 2022). The average residual life of the portfolio stood at 11.1 years.

Other Group Center activities

Other activities allocated to Group Center include:

- the interest rate and liquidity transformation activity performed within ALM, after internal transfer pricing with commercial business lines, including the use of derivatives for global ALM management;
- the management of two legacy loan files inherited from the Dexia era, i.e. the investment loans to two groups in liquidation, namely Gemeentelijke Holding/Holding Communal and some Arco entities;
- the flow management, including hedge management, of internal and external interest rate derivative flows given that Group Center is the Belfius Competence Centre for interest rate derivatives;
- treasury activities (money market activities); and
- the results including revenue and costs on assets and liabilities not allocated to a specific business line.

The Group Center of Belfius Insurance is also fully allocated to these other Group Center activities. The Belfius Insurance Group Center contains income from assets not allocated to a specific business line, the cost of Belfius Insurance's subordinated debt, the results of certain of its subsidiaries and costs that are not allocated to a specific business line.

Financial results GC in 2023

In 2023, **total income** amounted to EUR 125 million, that is EUR 84 million less than in 2022. This evolution stems from the other income (positive impact from provision for potential settlements of ongoing disputes with third parties which has been reversed in 2022 due to interest rate movements) and a lower Fair Value through P&L in 2023.

Total costs only slightly increased from EUR 74 million in 2022 to EUR 77 million in 2023.

The **gross operating income** decreased from EUR 135 million in 2022 to EUR 47 million in 2023.

The **cost of risk** stood at EUR -25 million in 2023, mainly impacted, in our bonds portfolio, by a downgrade on one position and a migration of another position from stage 1 to stage 2, and loss on sale of ALM Liquidity portfolios.

There is no impairment on (in)tangible assets in 2023 as in 2022.

Pre-tax income stood at EUR 22 million in 2023 compared to EUR 146 million in 2022.

[19] Calculated on EAD.

Taxes amounted to EUR -7 million in 2023 compared to EUR -28 million in 2022, mainly due to the limitation of the deductibility of the Belgian tax on credit institutions to 20% since beginning of 2023.

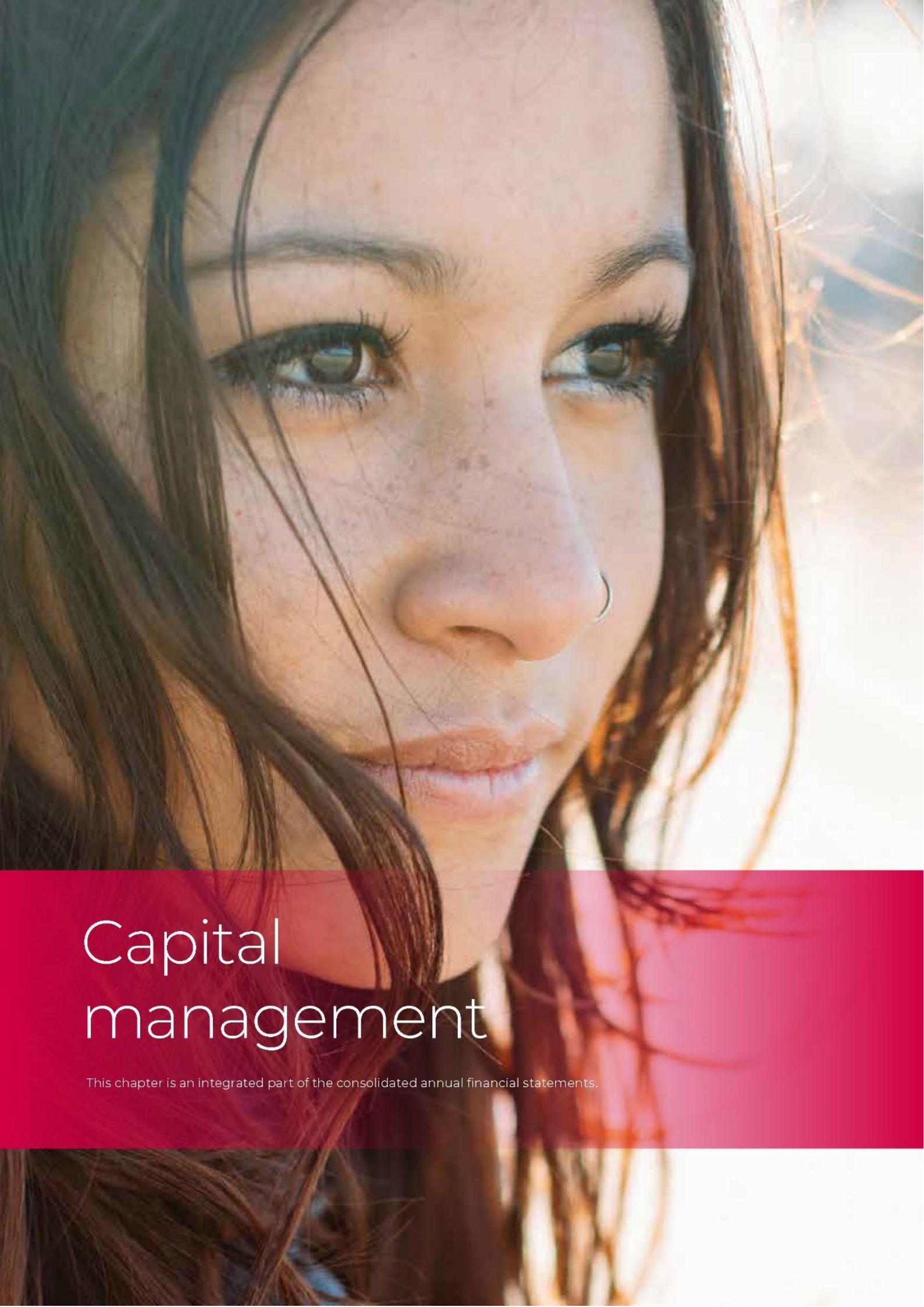
As a result, Belfius' **GC net income group share** amounted to EUR 15 million in 2023, compared to EUR 117 million in 2022.

Excluding special items, the **adjusted net income GC** stood at EUR 24 million in 2023, compared to EUR 116 million in 2022.

Financial Results GC

(in millions of EUR)	2022	2023
INCOME	209	125
Net interest income bank	166	172
Net fee and commissions bank	-10	-13
Life insurance income	0	0
Non-life & Health insurance income	0	0
Other income	52	-35
COSTS	-74	-77
GROSS INCOME	135	47
Cost of Risk	10	-25
Impairments on (in)tangible assets	0	0
RESULT BEFORE TAX	146	22
Tax (expense) income	-28	-7
NET INCOME AFTER TAX	118	16
Non-controlling interests	1	1
NET INCOME GROUP SHARE	117	15
ADJUSTED NET INCOME GROUP SHARE[1]	116	24

(1) Adjusted results are Alternative Performance Measures and are defined and reconciled in the APM-document on the website: www.belfius.com



Capital management

This chapter is an integrated part of the consolidated annual financial statements.

Capital management at the bank[20]

1. Prudential supervision

1.1. Minimum Requirement

Belfius Bank reports on its solvency position on a consolidated level and on a statutory level in line with the revised Capital Requirements Regulation and Directive, commonly referred to as CRR 2 and CRD 5:

- the minimum capital requirements ("Pillar 1 requirements") as defined by Article 92 of Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 (CRR 2);
- the capital requirements that are imposed by the SREP decision (Supervisory Review and Evaluation Process) pursuant to Article 16(2)(a) of Regulation (EU) No 1024/2013 and which go beyond the Pillar 1 requirements ("Pillar 2 requirements");
- the combined buffer requirement as defined in Article 128(6) of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU (CRD 5).

[20] Unaudited.

Minimum CET1 ratio Requirement

(in %)	2022	2023
Pillar I minimum	4.50%	4.50%
Pillar II requirement	1.198%	1.204%
Capital conservation buffer	2.50%	2.50%
Buffer for (other) domestic systemically important institutions	1.50%	1.50%
Countercyclical buffer	0.06%	0.13%
Sectoral systemic risk buffer	0.30%	0.27%
MINIMUM CET 1 CAPITAL RATIO REQUIREMENT	10.051%	10.099%
Pillar II guidance	0.75%	0.75%
MINIMUM CET 1 CAPITAL RATIO GUIDANCE	10.801%	10.849%

Following the annual "Supervisory Review and Evaluation Process" finalized at the end of 2022 and taking into account the sectoral systemic risk buffer for Belgian residential real estate exposures (notified by the NBB in May 2022), Belfius has to comply with a minimum CET 1 capital ratio for 2023 of 10.099% (before Pillar 2 Guidance).

- a Pillar 1 minimum of 4.5%;
- a Pillar 2 Requirement (P2R) of 1.204% (after split of 2.14% P2R);
- a capital conservation buffer (CCB) of 2.5%;
- a buffer for (other) domestic systemically important institutions (O-SII buffer) of 1.5% (imposed by the National Bank of Belgium);
- a sectoral systemic risk buffer of 0.27%;
- a countercyclical capital buffer (CCyB) of 0.13%.

Note that the Pillar 2 Requirement (P2R) was set at 2.14% (to compare with 2.13% in 2022) to be held in the form of 56.25% CET1 capital and includes a prudential add-on for non-performing exposures of 14 bps.

Also note that the countercyclical buffer was set at 0.13% (to compare with 0.06% in 2022), an increase of 7 bps mainly following the change in countercyclical buffer rate for Great Britain.

In line with the enhanced resilience of Belfius in the EBA stress test published in July 2021 as set forth in the 2021 SREP Decision which continues to apply, the Pillar 2 Guidance (P2G) remains unchanged at 0.75% on the CET1 capital ratio. As a result, Belfius has to comply with a minimum CET1 ratio of 10.849% for 2023 (to compare with 10.801% in 2022). The consolidated CET 1 capital ratio of Belfius at the end of December 2023 stood at 15.95%, well above the 2023 applicable CET 1 capital ratio requirement of 10.099%.

Further to these regulatory requirements, Belfius stated in its Risk Appetite Framework that, in normal market circumstances and under stable regulations, it would strive to respect a minimum operational CET 1 ratio of 13.5%, on consolidated level.

Note that the prudential treatments regarding loss absorbency (Minimum Requirement Eligible Liabilities – MREL) are disclosed in chapter 7 hereunder.

1.2 Applied methodology

Following the amendments of CRR article 473a in 2020, Belfius requested and was granted by the ECB the application of transitional measures for the first time adoption impact and all subsequent impacts of IFRS 9 on the expected credit loss model as from 31 December 2020 onwards. As a result, the solvency metrics are referenced as "transitional" for both the CET 1 capital and the risk exposure amounts. These transitional measures apply until 31 December 2024.

The regulator authorized Belfius to apply article 49 of the CRR and to monitor and report solvency within the prudential scope, where Belfius Insurance is accounted for using the equity method (i.e. not fully consolidated), and to include all capital instruments of Belfius Insurance, subscribed by Belfius Bank, in the total regulatory risk exposure by applying a weighting of 370% (the so-called "Danish Compromise").

In addition to the CRR 2/CRD 5 regulations, Belfius is considered as a financial conglomerate with significant banking and insurance activities and is required to comply with the Financial Conglomerate Directive (FICO 2002/87/EC). For this purpose, specific reporting requirements with financial statements, regulatory capital, risk concentration, intragroup transactions and leverage ratio are sent to the regulator. These calculations and reports are made on the consolidated position of the Bank and insurance group.

Regarding intragroup transactions, Belfius Bank provides liquidity and capital funding as well as capital guarantees to subsidiaries and related parties, following its centralized position and based on the principles of consolidation with no material impact on the Group's risk profile.

At the end of December 2023, Belfius complied with all requirements requested from a financial conglomerate point of view.

2. Regulatory own funds at a consolidated level

As indicated above, for regulatory reporting purposes, Belfius Insurance group is not consolidated but accounted for using the equity method. As a result, the core shareholders' equity and consolidated net income reported in the consolidated financial statements is equal to those reported in the regulatory reporting used for the regulatory core own funds.

Note that in the disclosures for regulatory own funds and regulatory risk exposures the date of 31 December 2022 refers to the situation as of 1 January 2023, so including the impact of IFRS17 as well as the reassessment of the business models under IFRS 9 for Belfius Insurance.

At the end of 2023, the starting point for the regulatory core own funds amounted to EUR 11,491 million and was equal to the core shareholders' equity in the consolidated financial statements. The increase of EUR 715 million compared with the end of 2022 stems mainly from the result of 2023 of EUR 1,115 million versus EUR 932 million as well as the increased reserves and retained earnings (EUR 533 million) following the integration of last year's result (EUR 932 million) after the dividend payment (EUR 384.5 million) over 2022.

Regulatory own funds

(in millions of EUR)	1/1/23[1]	31/12/23
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS	10,776	11,491
DEDUCTION OF FORESEEABLE DIVIDEND	-387	-443
TRANSITIONAL MEASURES ON IFRS 9 PROVISIONS	216	88
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	251	322
Remeasurement defined benefit plans	120	126
OCI reserves - portfolios measured at FVTOCI	131	196
Other reserves	-113	-129
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	113	129
DEDUCTIONS AND PRUDENTIAL FILTERS	-308	-371
Investments in securitisation positions	0	0
Deferred tax assets on losses carried forward	0	0
Changes in the value of own credit standing	-11	-8
Value adjustments due to the requirements for regulatory prudent valuation	-64	-60
Intangible fixed assets	-74	-90
Goodwill	-104	-104
Shortfall of provisions over expected losses for IRB portfolios	-2	-1
Defined Benefit Pension Plan assets	-8	-40
Payment Commitments IPC	-31	-31
NPE insufficient loss coverage	-15	-38
Additional deduction due to CRR Art 3	0	0
COMMON EQUITY TIER 1 CAPITAL (CET1 CAPITAL)	10,547	11,087
Additional Tier 1 capital instruments	497	497
TIER 1 CAPITAL	11,045	11,584
Tier 2 capital instruments	1,281	1,369
Excess of provisions over expected losses for IRB portfolios	185	201
General credit risk adjustments SA (standard approach)	165	149
TIER 2 CAPITAL	1,632	1,718
REGULATORY OWN FUNDS (AFTER APPROBATION OF RESULT)	12,676	13,302

(1) Pro forma IFRS 17 and IFRS 9 reassessment figures. The pro forma takes into account the implementation of IFRS 17 as well as the IFRS 9 business model reassessment on 1 January 2023, where a reclassification of EUR 8.9 billion has taken place from the Belfius Insurance portfolio of loans and debt securities measured at AC to loans and debt securities measured at FVOCI.

At the end of 2023, CET 1 capital amounted to EUR 11,087 million, compared with EUR 10,547 million at the end of 2022. The increase in CET 1 capital of EUR 539 million resulted mainly from the increase in regulatory core own funds by EUR 715 million, an increase of "gains and losses not recognized in the statement of income" for EUR 71 million partially offset by the increased correction for foreseeable dividend for EUR 56 million (amounting to EUR 443 million in 2023 compared to EUR 387 million in 2022, both based on a 40% pay-out ratio and including the AT1 cost), the decreased add-back of IFRS 9 provisions following the transitional arrangements stated in the CRR 2 for EUR 128 million, and an increase of the prudential deductions for EUR 63 million.

(in millions of EUR)	
Consolidated net result 2023	1,114.5
Correction for coupon for AT1 holders, after tax	-13.7
Pay-out ratio 2023 (capital and dividend policy)	40%
Foreseeable dividend for ordinary shares	440.3
Paid interim dividend	0
Remaining foreseeable dividend for ordinary shares	440.3
Remaining coupon for AT1 holders for 2023	2.9
Total foreseeable dividends to deduct from undistributed profit	443.2

The deduction for foreseeable dividends, as stipulated in article 3 of CRR2, amounts to EUR 443 million, the sum of the proposed ordinary dividend of EUR 440 million based on the pay-out ratio of 40% on the result of 2023 and the correction for the Additional Tier 1 cost (accounting wise to be treated as dividend) for EUR 3 million (which remained stable compared to 2022.

Furthermore, the transitional measure IFRS 9 on impairments amounts to EUR 88 million, the decrease of EUR 128 million is mainly due to the degressive character of this transitional measure of EUR 116 million (decrease of the multiplicators for the static and the dynamic components) and the decrease of the current stock of impairments of EUR 12 million.

The "gains and losses not recognized in the statement of income" amount to EUR 322 million, the increase of EUR 71 million is stemming from the sum of the net increase of EUR 65 million of the increased fair value revaluations on assets mainly at Belfius Insurance (EUR 391 million) partially offset by the decrease of the (re)insurance finance component at Belfius Insurance (EUR 326 million), and the increase of EUR 6 million in the remeasurement of defined benefit pension plans.

The prudential deductions amounted to EUR -371 million (compared to EUR -308 million in 2022), the increase mainly relates to:

- an increase in the deduction of software and other intangible assets of EUR 17 million following increased activated software eligible for prudential amortization;
- an increase of the deduction of Defined Contribution net pension plan assets of EUR 31 million due to the evolution of the plan assets and the discount rate; and
- the increase of insufficient loss coverage for Non Performing Exposures of EUR 23 million due to new non-performing exposures coming in the scope of the NPE loss coverage regulation (CRR2); partially offset by
- a decrease of EUR 4 million of the deduction for own credit risk and a decrease of EUR 4 million of the deduction for additional value adjustments for regulatory prudent valuation;
- note that the deduction for goodwill and for irrevocable payment commitments (IPC) with regard to single resolution funds remained stable.

The significant and non-significant investments in own funds instruments of financial entities and the stock of not recognized deferred tax assets remain below the thresholds for deduction of the regulatory own funds and are included in the credit risk exposure amount.

Tier 1 capital amounted to EUR 11,584 million, compared with EUR 11,045 million at the end of 2022, the increase of EUR 539 million is related to the increase in CET 1 capital. The Tier 1 capital includes the additional Tier 1 issue of EUR 500 million (nominal value) dated February 2018.

Tier 2 capital decreased to EUR 1,718 million compared with EUR 1,632 million at the end of 2022. The increase of EUR 87 million was mainly related to the increase of EUR 87 million of the regulatory value of existing Tier 2 capital instruments, the issuance of EUR 500 million Tier 2 notes and the calls of EUR 267 million Tier 2 notes in 2023. The total of other Tier 2 elements remained stable, the increase related to the higher excess of provisions in comparison to expected losses for IRB portfolios is offset by a decrease of the general credit risk adjustments for SA portfolios.

We refer to the disclosure in the financial statements regarding subordinated debts for a brief description of the additional Tier 1 and Tier 2 instruments and to the detailed characteristics of these instruments in the Pillar 3 – Risk Report.

At the end of 2023, total regulatory own funds amounted to EUR 13,302 million, compared with EUR 12,676 million at the end of 2022.

3. Regulatory risk exposure at a consolidated level

Total Risk Exposure Amount (TREA) includes risk-weighted exposures for credit risk including counterparty credit risk, CVA risk, market risk and operational risk. Each of the underlying risks is detailed in this report (section IV, V & VII). The risk exposure amount also stems from the Danish Compromise, whereby the capital instruments issued by Belfius Insurance and held by Belfius Bank are included in the TREA via a weighting of 370%.

Note that in the disclosures for regulatory own funds and regulatory risk exposures the date of 31 December 2022 refers to the situation as of 1 January 2023, so including the impact of IFRS 17 as well as the reassessment of the business models under IFRS 9 for Belfius Insurance.

(in millions of EUR)	1/1/23[1]	31/12/23	Evolution
Regulatory credit risk exposure	49,271	52,793	3,522
Regulatory CVA exposure	321	406	85
Regulatory market risk exposure	2,980	2,369	-611
Regulatory operational risk exposure	3,667	4,015	348
Danish Compromise	7,911	8,422	511
Additional risk exposure (Art 3 CRR)	0	1,498	1,498
REGULATORY RISK EXPOSURE	**64,150**	**69,504**	**5,353**

(1) Pro forma IFRS 17 and IFRS 9 reassessment figures. The pro forma takes into account the implementation of IFRS 17 as well as the IFRS 9 business model reassessment on 1 January 2023, where a reclassification of EUR 8.9 billion has taken place from the Belfius Insurance portfolio of loans and debt securities measured at AC to loans and debt securities measured at FVOCI.

At the end of 2023, Belfius TREA amounted to EUR 69,504 million, an increase of EUR 5,353 million compared with EUR 64,150 million at the end of 2022.

The risk exposure amount for credit risk amount including counterparty credit risk increased by EUR 5,021 million to EUR 54,291 million due to:

- a growth in commercial activities (EUR +3.1 billion),and particularly in the Corporate segment;
- regulatory changes (EUR +1.6 billion) mostly driven by the first phase of Belfius model landscape review (EUR +1.5 billion) consisting in a planned reversal to the standardized approach of some low default portfolios;
- various factors affecting Group Center (EUR +0.4 billion).

The risk exposure amount for the Danish Compromise increased by EUR 511 million to EUR 8,422 million, mainly as a result of the increased equity value of Belfius Insurance following the increases in reserves and net income (EUR 114 million) and reserves OCI (EUR 23 million).

The risk exposure amount for CVA remained stable over the year (EUR +85 million) while encountering some volatility in the last half year following rates movements.

The risk exposure amount for market risk decreased (EUR -611 million). The sharp drop observed in Q1 2023 due to the methodological changes in the VAR calculation method was partially offset in the course of the year due to scenario volatility and position increase.

Risk exposure amount for Operational risk increased (EUR +348 million) over the period, in line with the increase in income.

4. Solvency ratios for Belfius Bank at a consolidated level

At the end of 2023, the CET 1-capital ratio amounted to 15.95%, a decrease of 49 bps compared to 2022. Proforma figures are published for 2022, taking into account the implementation of IFRS 17 as well as the IFRS 9 business model reassessment on 1 January 2023. Note that this transitional CET 1-capital ratio takes into account the transitional IFRS 9 measures with impacts on prudential capital and risk exposure for 14 bps, a decrease by 22 bps compared to the end of 2022.

The decrease in CET 1-capital ratio is the result of higher risk exposures (-133 bps) partially compensated by the increase of the prudential capital (+84 bps).

At the end of 2023, Tier 1 capital ratio amounted to 16.67%, a decrease of 55 bps compared to 2022.

The total capital ratio amounted to 19.14%, a decrease of 62 bps compared to the end of 2022.

Note that without the application of the IFRS 9 transitional measures, the fully loaded CET 1-capital ratio would amount to 15.81%, the Tier 1 capital ratio would amount to 15.53% and the Total Capital ratio would decrease by 14 bps amounting to 19%.

	1/1/23 Transitional[1]		31/12/23 Transitional	
CRR 2/CRD 5	Danish Compromise	Deduction method	Danish Compromise	Deduction method
Common Equity Tier 1 capital ratio (CET 1-capital ratio)	16.44%	16.91%	15.95%	16.32%
Tier 1-capital ratio (T1-capital ratio)	17.22%	17.47%	16.67%	16.83%
Total Capital Ratio	19.76%	19.64%	19.14%	18.97%

(1) Pro forma IFRS 17 and IFRS 9 reassessment figures. The pro forma takes into account the implementation of IFRS 17 as well as the IFRS 9 business model reassessment on 1 January 2023, where a reclassification of EUR 8.9 billion has taken place from the Belfius Insurance portfolio of loans and debt securities measured at AC to loans and debt securities measured at FVOCI.

Applying the "Danish Compromise" compared with the deduction method for capital instruments of Belfius Insurance (equity deducted from CET 1 capital and subordinated debt instruments deducted from Tier 2 capital) would have the following impacts: an increase of 37 bps of the CET 1-capital ratio and a decrease of 17 bps of the Total Capital ratio.

5. Solvency ratios for Belfius Bank at a statutory level

At the end of December 2023, CET 1-capital ratio on Belfius Bank statutory level amounts to 14.87% compared to 15.49% end 2022, a decrease due to an increase in credit risk.

At the end of December 2023, the available distributable items on statutory level amounted to EUR 5,692 million.

6. Leverage ratios for Belfius Bank at a consolidated level

The leverage requirement is, as from June 2021, a binding CRR 2 requirement. The CRR 2 integrated the leverage ratio in the Pillar I requirement and set the level of minimum requirement at 3%, and a surcharge has also been fixed by the EBA for G-SIB with a mandate to analyse whether some O-SIB (like Belfius) should be given the same or similar additional buffer requirement.

The leverage ratio is defined as the Tier 1 capital (the numerator) divided by the exposure measure (the denominator), computed as balance sheet assets after certain restatements on derivatives, securities financing transactions, off-balance-sheet items and prudential adjustments (for items already deducted from the numerator).

In order to be consistent with the calculation of the regulatory Tier 1 capital (numerator), the calculation of the leverage exposure (denominator) is based on the prudential consolidation perimeter, where Belfius Insurance is accounted for using the equity method.

Furthermore, the application of transitional measures for IFRS 9 provisions from December 2020 has an impact on the numerator (cf. above) and the denominator.

Also note that as in previous chapters 2, 3 and 4, the date of 31 December 2022 refers to the situation as of 1 January 2023, so including the impact of IFRS 17 as well as the reassessment of the business models under IFRS 9 for Belfius Insurance, with impacts on the leverage ratio numerator and denominator.

The risk of excessive leverage is managed through the Financial Plan process. The leverage ratio as defined in the CRR 2 is further an integrated part of the Risk Appetite Framework for which internal limits and targets are set and which is validated by the Board of Directors. The risk of excessive leverage is included in the Belfius reporting and control processes and is monitored regularly. Any important deviation and/or prudential changes in the leverage ratio is reported to the appropriate committees for management actions. Please note that Belfius stays well below the prudential threshold indicators of 8% on SFT leverage exposure and derivatives leverage exposure.

At the end of 2023, the Belfius transitional leverage ratio stood at 6.55%, an increase of 38 bps compared with the end of 2022 and well above the minimum pillar 1 requirement of 3%.

The increase is the result of positive effects (30 bps) from the higher level of Tier 1 capital (see above) and the positive effect (8 bps) from the decreased total leverage exposure measure due to:

- a significant decrease in deposit facilities to central banks;
- a decrease of the SFT add on stemming from decreased pledges to central banks for the TLTRO exposures; and
- a decreased off balance leverage exposure stemming from a change in conversion factor for unused credit lines, partially offset by
- the increased production of corporate and mortgage loans in other assets; and
- a slight increase of SFT reverse repos;
- the leverage exposure value for derivatives remained stable.

(in millions of EUR)	1/1/23[1] Transitional	31/12/23 Transitional
TIER 1 CAPITAL	11,045	11,584
Total assets	178,604	179,179
Deconsolidation of Belfius Insurance (equity method)	-14,865	-15,791
Adjustment for derivatives	-6,248	-5,604
Adjustment for securities financing transactions exposures	3,194	1,597
Adjustment for Central Banks reserves	0	0
Adjustment for prudential corrections in calculation of Tier 1 capital	13	-185
Off-balance sheet exposures	18,282	17,658
LEVERAGE RATIO EXPOSURE	178,980	176,854
LEVERAGE RATIO (in %)	6.17%	6.55%

(1) Pro forma IFRS 17 and IFRS 9 reassessment figures. The pro forma takes into account the implementation of IFRS 17 as well as the IFRS 9 business model reassessment on 1 January 2023, where a reclassification of EUR 8.9 billion has taken place from the Belfius Insurance portfolio of loans and debt securities measured at AC to loans and debt securities measured at FVOCI.

Please note that the fully phased-in leverage ratio, excluding the transitional measures for IFRS 9 provisions would decrease by 5 bps.

7. Minimum requirement for own funds and eligible liabilities

On 15 December 2023, the NBB notified Belfius that going forward it has to execute the SRB MREL instruction regarding the minimum requirement own funds and eligible liabilities at the consolidated level of Belfius Bank under BRRD2. For Belfius Bank, the MREL requirement on a consolidated basis is set at 23.75% of Total Risk Exposure Amount (TREA) and 7.07% of Leverage Ratio Exposure (LRE).

Belfius Bank must meet the target no later than 1 January 2024 and must provide for a linear build-up of equity and eligible liabilities towards the requirement. The SRB also determined an intermediate target of 22.37% of TREA and 6.84% of LRE which had to be met by 1 January 2022.

The SRB MREL instruction also defines a subordination requirement: Belfius Bank must meet at least 15.21% of TREA and 7.07% of LRE by means of subordinated MREL. Own funds used to meet the combined buffer requirement (CBR) set out in Directive 2013/36/EU (at 4.40% of TREA for Belfius currently) are not eligible to meet the requirements expressed in TREA. Belfius Bank must comply with this subordination requirement by 1 January 2024, subject to an intermediate target of 15.21% of TREA and 6.84% of LRE by 1 January 2022.

Belfius already meets its expected BRRD2 MREL requirements end 2023. Indeed, expressed in TREA, Belfius MREL realised of EUR 20.2 billion amounts 29.02% to be compared with 28.15% of the 2024 final binding target (including CBR).

In the same way, Belfius MREL subordination of EUR 15.1 billion amounts 21.79% of TREA to be compared with 19.61% of the binding target (including CBR). Expressed in LRE, Belfius MREL subordination of 8.56% stands in excess of 7.07% MREL requirement.

Capital management at Belfius Insurance[21]

1. Prudential supervision

Belfius Insurance reports to its regulator, the NBB. Amongst others a quarterly report concerning its solvency margin and liquidity is required at a statutory level.

As part of prudential supervision over systemic insurers, highly detailed information is also provided to the NBB about the company's strategy, its ALM policy and the sufficiency of its technical provisions.

2. Regulatory own funds

The own funds of Belfius Insurance available and eligible to cover the solvency capital requirements are determined according to the valuation and eligibility principles defined in the Solvency II regulation, Directive 2009/38/EU.

The regulatory own funds after foreseeable dividend of Belfius Insurance amounted to EUR 2,061 million at the end of December 2023. It is composed for 79% of the highest quality capital Tier 1 (including a grandfathered Tier 1 perpetual loan). Tier 2 capital equals EUR 345 million and consists mainly of two subordinated loans granted by Belfius Bank, and the Tier 3 capital relates to a deferred tax asset of EUR 87 million.

Compared to December 2022, the regulatory own funds of Belfius Insurance have increased by EUR 18 million, after a foreseeable dividend of EUR 118 million. A slight decrease in interest rates had a positive impact on the assets, which was almost fully compensated by increasing best estimate liabilities linked to this interest rate movement but tempered by the projected lower inflation.

Belfius Insurance consolidated

(in millions of EUR)	31/12/22	31/12/23
AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND	2,169	2,180
Tier 1	1,570	1,576
IFRS Equity	1,827	1,788
Valuation difference (after tax)	-257	-212
Restricted Tier 1	171	171
Tier 2	336	345
Subordinated debt	325	334
Others	11	11
Tier 3	92	87
DTA	92	87
AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND	2,043	2,061
AFR before foreseeable dividend	2,169	2,180
Foreseeable dividend	126	118

3. Solvency requirement

The risks that Belfius Insurance faces are reflected in the "Solvency II requirements" which are applicable to all EU-Member States. The Solvency II Capital Requirement (SCR) is calculated based on the asset and liability portfolio of Belfius Insurance and those investment entities that are fully consolidated for Solvency II purposes.

[21] Unaudited.

The SCR for Belfius Insurance is determined using the "Standard Formula" as defined in the Solvency II regulation, taking into account a volatility adjustment. In its SCR, Belfius Insurance has to apply the additional restriction on the use of Loss Absorbing Capacity of Deferred Taxes as prescribed by the NBB.

Belfius Insurance's SCR amounted to EUR 1,055 million at the end of December 2023, a decrease of EUR 5 million compared to the end of 2022. Market risk remains the main contributor to the required capital, due to spread and equity risk, that both decreased thanks to the adequate management actions executed throughout the year 2023. The SCR linked to interest rate risk was rather limited thanks to the ALM management of Belfius Insurance, targeting a limited global duration mismatch between assets and liabilities. The second important contributor is the Insurance risk, which decreased during the year 2023 mainly due to the lower inflation observed.

(in millions of EUR)	31/12/22	31/12/23
SOLVENCY II CAPITAL REQUIREMENT	1,060	1,055
Market Risk	664	670
Credit Risk	111	133
Insurance Risk	843	804
Operational Risk	80	83
Diversification	-544	-539
Loss absorbing capacity of technical provisions and deferred taxes	-94	-96

4. Solvency ratios at Belfius Insurance

The Solvency II-ratio of Belfius Insurance stood at 207% before foreseen dividend at the end of December 2023, after dividend we end at 195%. It increased compared to last year (193%), given the slight decrease in SCR and the increase of the AFR after foreseeable dividend.

The Board of Directors of Belfius Insurance proposed to the General Assembly to pay a dividend over FY 2023 equal to EUR 118 million and to maintain the remaining profit to be allocated in retained earnings.

Further to the minimum regulatory requirements of 100%, Belfius Insurance has, in current market circumstances and under current regulations, defined a minimum operational Solvency II ratio of 160%.

Solvency II-ratio

(in %)	31/12/22	31/12/23
Solvency II ratio (before dividend)	205%	207%
Solvency II ratio (after dividend)	193%	195%

In addition to the establishment of a complete risk framework, the Solvency II regulations also require a self-assessment in which, taking the business plan into account, the future capital buffers are estimated and a number of sensitivity analyses are performed. In these analyses, Belfius Insurance still disposes of the appropriate capital margins required to absorb shocks, as stated in the Risk Appetite Framework approved by the Board of Directors.

	Shock	Solvency II Ratio (in %)
Base case (after dividend)		195%
Stress scenarios		
Interest rate	-50 bps	195%
Equity	-30%	181%
Credit Spread		
Credit spread on corporate bonds	+50 bps	189%
Credit spread on government bonds	+50 bps	183%
Credit spread on corporate & government bonds	+50 bps	175%
Real Estate	-15%	187%
No Volatility Adjustment (VA)		174%
Ultimate forward rate (UFR) @ 3%		193%

A 50 bps fall in the interest level (compared with the level at the end of 2023) would have a neutral impact on the Solvency II ratio. A stock market shock of -30% on share prices would have an impact of -14 pp while a drop in the real estate portfolio of 15% would decrease the solvency ratio by -8 pp. A 50 bps rise in the credit spreads across the

whole bond and credit portfolio leads to a drop of -21 pp and the elimination of the Volatility Adjustment in calculation of the Best Estimate of liabilities would result in an impact of -21 pp. The reduction of the Ultimate Forward rate (UFR) from the current level to a level of for instance 3% would decrease the solvency ratio by -3 pp.

Capital Adequacy[22]

1. Economic capital

As required by Pillar 2 of the Basel regulation, Belfius has an internal mechanism for the quarterly monitoring of the main risk appetite and capital adequacy ratios. This quarterly reporting is completed with a monthly monitoring addressing some of the key risk appetite and capital adequacy ratios.

1.1. Definition

The economic capital is defined as the potential deviation of Belfius' economic value from its expected economic value, and this within a given interval of confidence and time horizon. The confidence threshold (99.94%) chosen for scenarios involving losses in value corresponds to the Bank's targeted senior unsecured debt rating at a horizon of one year (A rating for 2023).

The economic capital quantification process is organized in three phases: identifying the risks (definition and cartography, reviewed on an annual basis, in collaboration with the various business lines), measuring the risks (mainly on the basis of statistical methods and/or scenarios) and aggregating the risks based on an inter-risk correlation matrix.

Most risks are capitalized based on measuring the unexpected loss. However, if alternative management techniques (limits, other buffers than capital, governance) are considered more appropriate to cover them, some risks are not capitalized.

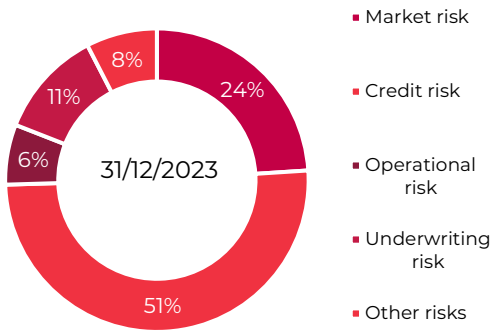
The economic capital is central in the context of Belfius' risk appetite and is also complementary to the Stress Test framework for Internal Capital Adequacy Assessment Process (ICAAP) purposes. It is also involved in pricing as well as in the assessment of Belfius' profitability.

1.2. Economic capital adequacy

The Management Board is responsible for managing the capital level and allocation process and has authority in all matters relating to economic capital informed by output of various economic capital models and monitoring of ratios, limits and triggers (regulatory and economic levels).

Belfius economic capital was EUR 6,661 million at the end of December 2023 (against EUR 5,745 million at the end of 2022).

Breakdown of economic capital by type of risk

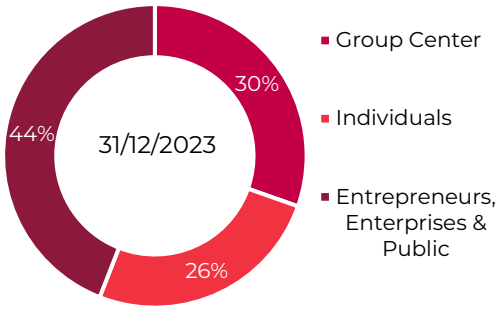


[22] Unaudited.

Credit risk represented approximately 51% of the economic capital and was the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 24%, underwriting risk 11%, operational risk 6% and other risks (prepayment, funding,...) 8%.

By business line, the economic capital was allocated as follows: Individuals and Entrepreneurs, Enterprises & Public represented 26% and 44% respectively of Belfius' economic capital; the balance was made up of 30% allocated to the Group Center (mainly for the Belfius' general balance sheet management in terms of interest and funding risks, including the bonds investment portfolios and for the portfolios of derivatives and run-off credit guarantees).

Breakdown of economic capital by business line



Risk management

This chapter is an integrated part of the consolidated annual financial statements.

Introduction

Belfius' activities are exposed to a number of risks such as - but not exclusively - credit risks, market risks, liquidity risk, non-financial risk, insurance risk, changes in regulations, the macroeconomic environment and geopolitical risks in general, that may also have a negative impact on the Bank's balance sheet and profit and loss accounts.

To manage adequately these risks, Belfius has put in place a sound governance, including a robust risk framework and a sound risk culture.

1. Macroeconomic environment in 2023

The Belgian economy experienced a soft landing in 2023 after growing at a 3% rate in 2022. Due to the weakening of global demand and a strict monetary policy at the ECB, GDP growth slowed from 1.7% on a yearly basis in the first quarter to 1.4% in the third quarter of 2023.

The euro area economy suffered a more severe slowdown in 2023 as Germany, the largest economy of the single currency bloc, struggled with an industrial recession and weak demand in export markets. As a result, euro area GDP growth fell to 0.5% in 2023, after posting 3.4% GDP growth in 2022.

1.1. Investments and consumption

Corporate investment grew at a stronger pace than in 2022, helped by sharp declines in energy prices and the fading risk of gas shortages. Congestion of global supply chains also eased considerably in 2023, underpinning activity as companies worked off the backlog of unfilled orders. Business sentiment in the manufacturing sector was much lower however than in the service sector as activity levels in global industry remained very weak.

Consumers were cautious in terms of spending as real income growth was mostly negative in the first half of the year due to high inflation. In Belgium and most member states of the euro area, households scaled back investments in dwellings and the broader real estate market due to rising mortgage rates and falling house price inflation.

On the positive side, labor demand in the euro area remains quite strong with unemployment rates at or close to record lows. In the euro area, unemployment was at 6.4% at the end of 2023, compared to 6.7% in 2022. In Belgium, the unemployment rate ended the year at 5.4%.

1.2. Inflation

In both Belgium and the wider euro area, inflation rates fell sharply over the course of the year, as prices for gas, electricity and oil headed lower compared to 2022. In Belgium, the harmonized index of consumer inflation dropped from 7.4% in January 2023 to 0.5% in December 2023. In the euro area, average inflation declined from 8.6% at the start of the year to 2.9% in December 2023.

1.3. Monetary Policy

For most of 2023, the ECB continued to tighten monetary policy in response to inflation being above the central bank's inflation objective. Between January and September, the ECB raised its policy rates from 2% to 4%. The central bank is expected to loosen monetary policy later in 2024, provided inflation pressures continue to ease.

1.4. Fiscal Policy

On the level of the euro area, the debt to GDP ratio dropped in 2023 compared to 2022 as national governments withdrew energy support measures launched in 2022 during the energy price crisis, and used the savings to cut deficits. In February 2024, EU member states and the European Parliament reached a political agreement on new budget rules. Countries with deficits above 3 percent will have to make an annual effort of 0.5 percentage points. For countries with higher deficits, the requirements will be higher.

After narrowing to 3.5% of GDP in 2022, the general government deficit of Belgium is expected to widen to 4.7% of GDP in 2023. In 2024, the budget deficit should improve slightly as the temporary energy and Ukraine-related measures, will be eliminated.. The Belgian public debt ratio increased in 2023 to 105.3% of GDP.

2. Ratings

Between 1 January 2023 and 21 March 2024, rating agencies took the following decisions:

- on 28 June 2023, S&P confirmed Belfius Bank's long-term rating at A with Stable outlook;
- on 7 July 2023, Moody's affirmed Belfius Bank's long-term rating at A1 and changed the outlook to Positive from Stable;
- on 13 July 2023, Fitch affirmed Belfius Bank's long-term rating at A- with Stable outlook.
- on 27 December 2023, Moody's affirmed Belfius Bank's long-term rating at A1 with outlook Positive;
- on 28 December 2023, S&P confirmed Belfius Bank's long-term rating at A with Stable outlook.

Ratings of Belfius Bank as at 21 March 2024

	Stand-alone rating[1]	Long-term rating	Outlook	Short-term rating
Fitch	a-	A-	Stable	F1
Moody's	baa1	A1	Positive	Prime-1
Standard & Poor's	a-	A	Stable	A-1

(1) Intrinsic creditworthiness.

Governance

In line with Article 194 of the "Banking Law", Belfius is managing risks based on a Group-wide, consolidated and integrated risk management framework and Belfius assumes a risk-based approach to strengthen the conglomerate dimension further.

The overall objective is to have risk management coordination, ensuring consistency while respecting the entities' specific features, responsibilities and legal/regulatory obligations. The main pillars of this risk management are an appropriate risk governance structure, a robust and aligned risk framework, risk monitoring and decision-taking process.

The conglomerate dimension of Belfius' Risk Governance includes:

- At the level of the Board of Directors: joint RC/RUC's (Risk Committee / Risk & Underwriting Committee);
- At the level of the Management Board (strategic level):
  - A Group Management Committee (GMC), with potential conflicts dealt with at an Intra-group Committee (IGC) level;
  - A joint Non-Financial Risk Committee (NFRC), related to all NFR topics;
  - A Conglomerate Monitoring Committee (CMC), assuring an overview of all subsidiaries. Inter alia it tackles the risk management framework of each subsidiary;
- At a general risk level (tactical/operational level), several committees are 'joint' or 'Belfius Together' (BB: Belfius Bank; BI: Belfius Insurance and Belfius AM: Belfius Asset Management):
  - The Conglo Risk Executive Committee (Conglo Risk ExCom) with participation of the CRO of BI and Belfius AM;
  - The Capital Group Committee (CGC) is a joint BB and BI committee;
  - The Investment Conviction Committee (ICC) is a joint BB, BI and Belfius AM committee;
  - The Assets & Liabilities Committee (ALCo) of Belins in which BB participates;
  - The Belfius AM Pricing & Methodology Committee in which BB participates;
- At specific risk level, several sub-domains have a common governance with 'Belfius Together' sub-committees for various risks:
  - The Information Security Committee;
  - The Anti-Fraud Steering Committee;

- The Privacy Steering Committee;
- The (Physical) Security Steering Committee;
- The Outsourcing Management Committee;
- A cross committee for ESG/Climate Risk.

The three main entities (BB, BI and Belfius AM) have similar risk policies, guidelines framework and approach. They use similar and/or common tools ensuring consistency and enabling coherence as well as an integrated management of risks and internal controls:

- Risk Appetite Framework: defined and validated Group-wide by Belfius Bank and cascading down to subsidiaries based on the RAF at a Group level;
- Risk Management & Control executed through the "Senior Management Report on the Assessment of the Internal Control";
- ICAAP (Internal Capital Adequacy Assessment Process) & Recovery Plan (Belfius Bank) and ORSA (Own Risk and Solvency Assessment; Belfius Insurance).

The Conglomerate dimension has been further developed with a closer oversight of all material subsidiaries, on other dimensions:

- Further alignment of major Risk policies in a conglomerate approach;
- The creation of a risk function in all material subsidiaries.

1. Risk Governance Structure

A performant risk governance structure is considered to be a central cornerstone to sound risk management. A robust risk committee set-up incorporates effective communication and reporting lines and a clear delineation of responsibilities and competences.

1.1. Risk Committees at a strategic level operating within the Management Board

Two risk committees have been set up within the Management Board of Belfius Bank, prepared by the Risk department and meeting several times a year:

- the Risk Policy Committee (RPC) surveys the definition and the implementation of the Bank's principal risk management and measurement policies, processes and methodologies, and supervises their validation status;
- the Non-Financial Risks (NFR) Committee ensures a well-governed and coordinated non-financial risk framework for an effective Non-financial risk management.

In addition to these two risk committees, four functional areas also report to the Management Board without a separate committee being set up for them:

- the Credit Risk Committee (CRC) centralizes all credit risk-related topics (origination, monitoring, impairment) into one committee with the presence of the Management Board members who are directly involved (CRO, Head of PBR & WEP);
- the Financial Markets Committee (FMC) has as its prime function the effective risk management oversight and steering of the Financial Markets activities. It is held once a month with a strict quorum including members of the Management Board (CRO, CFO and Head of WEP);
- the Assets & Liabilities Committee (ALCo): the ALCo has received a mandate to realize the effective ALM management within the regulatory framework. The Liquidity Management Committee has been mandated by the ALCo to take care of all aspects relating to liquidity management and steering as well as reporting;
- the Capital Group Committee (CGC) anticipates, understands, prepares, analyses and monitors all capital aspects at a conglomerate level (Bank, Insurance and related subsidiaries) in compliance with regulatory, legal and economic constraints. It also acts as Prudential Watch Committee (PwaC).

1.2. Risk Committees on tactical/operational level

The Management Board delegates certain decisions to a tactical/operational level. The details of this delegation are set out in the applicable committee charters. For matters that fall outside this delegation, the tactical/operational level provides information or puts forward opinions to the Management Board, which then decides.

The committees that are part of the tactical/operational level are committees on which the Risk department generally participates alongside business divisions. Risk committees which are steered by the Risk department focus mainly on risk appetite and methodology. Risk/Business committees which are steered jointly by the Risk department and Business focus mainly on guidelines, transactions and risks at a counterparty level. The Risk department has a veto right in many of these committees, as well as the right to bring files for decision to a higher governance level.

2. Risk appetite

Risk appetite is the level of risk that an institution is prepared to take, given the expectations of the main stakeholders (shareholders, creditors, regulators, rating agencies, customers, employees...), in order to ensure the safeguard of a sound risk and financial profile. This risk appetite is defined by the Board of Directors, on proposals from the Management Board. The Risk Department prepares the Management Board's proposals and the Board of Directors' decisions, and also sets the rules and the framework for implementation of those rules.

Based on a holistic approach, risk appetite is a central reference point:

- for guiding strategy and planning;
- for framing performance in terms of growth and value creation;
- for facilitating day-to-day operating and commercial decisions.

The Bank's risk appetite consists of a series of quantitative elements (target Key Risk Indicators or KRI's) and qualitative elements (statements) that are designed to express the risk levels and types that are not acceptable, that are tolerated and targeted in order to achieve business strategy. They reflect also the risk culture (eg ethics, tax, compliance, fraud, ...). The quantitative framework is based on a mix of accounting ratios (gearing), regulatory ratios (solvency, liquidity), economic ratios (economic capital, earnings at risk) and internal KRIs. The different metrics cover a wide range of risks (credit risks, solvency, liquidity, market risks, concentration risks, non-financial risks, compliance risks, model risks, ESG risks ...).

Limits have been defined on each of these ratios with different zones, which lead to different governance and measures in case of breach. They are reviewed and updated each year by the competent bodies. The Risk and Finance departments are responsible for monitoring these ratios and, if there are discrepancies, for proposing measures to the Management Board to ensure the limits are met.

The RAF has been deployed in main subsidiaries, thereby allowing for increased consistency throughout the Group and close monitoring of the risk profile by the Conglomerate Monitoring Committee.

Next to the quantitative part, qualitative statements consisting of guiding rules aiming to define the risk appetite that cannot be expressed through quantitative ratios are embedded in the RAF.

The Risk Appetite Framework (RAF) was updated and approved by the Board of Directors in December 2023.

3. Stress tests

Belfius conducts annual stress tests as part of the ICAAP to assess its ability to withstand adverse scenarios and identify vulnerabilities in its solvency, profitability, and liquidity positions. Each year, stress test scenarios are reviewed and designed in a way to make sure they remain relevant and reflect current and potential threats.

The financial plan stress scenario is built around the main uncertainties surrounding the financial plan driven by the rapid changes in the economic context and in the behavior of all economic actors. The scenario focusses on the Belfius position in terms of interest rates evolutions, the competition both for deposits, loans and insurance products the economic impacts of a recession in which specific sectors could be more vulnerable. This scenario includes the second round effects and the solvency-liquidity feedback loop of this changing environment. The main scenario is complemented by two additional stress layers, focusing, on one hand, on additional stress applied on Commercial Real Estate and Residential Real Estate portfolios as well as on exposures to CCP, and on the other hand, on extreme liquidity stress resulting in the LCR ratio of 0%. Under the granularly applied stress, our Commercial Real Estate portfolio proved its resilience even though pockets of risk have been identified (ex: smaller projects, watchlist files) for which actions are already in place. The stress test also highlight a limited impact from the public sector on cost of risk and own funds requirements.

The EBA EU-wide stress test that took place in 2023 confirmed Belfius' anticipative risk management, as key cornerstone of the strategy. In light of a very severe scenario impacting both covid sensitive and energy sensitive sectors, credit impairments remained overall in line with 2021 stress test results, mainly thanks to Belfius' anticipative provisioning approach applied during last crises, through stage 1 and 2 overlay buffers that allow to mitigate the simulated credit impacts of higher default rates. RWA increases mainly stem from the simulated credit quality decline on Corporates, SME and Individuals, from an acute impact on commercial and residential real estate assets. Belfius' commercial franchise and diversification strategy allows for resilient profit capacity (+2.91% CET 1 ratio impact, before credit risk losses and market risk impacts), even during severe stress periods.

4. Recovery plan

Belfius submitted an updated Recovery Plan to the ECB in the second half of 2023. This plan outlines recovery measures that would be taken to restore the bank's long-term viability in the event of a significant deterioration of the macroeconomic environment.

In 2023, the focus was put on developing four extreme reverse stress scenarios resulting in the bank reaching its near default point in a short timeframe: a system-wide scenario (severe recession accompanied by high inflation and unemployment, crash of stock exchange and high funding spreads); idiosyncratic scenario (Belfius primarily hit through its UK and US exposures) and two liquidity stress scenario (fast and slow moving events leading to the bank run). The recovery plan demonstrates that Belfius benefits from sufficient recovery options. In extreme scenarios, the bank has enough measures at its disposal to restore solvency and LCR liquidity ratios within one year.

5. Resolution

Belfius cooperates with the Single Resolution Board to prepare resolution plans, in particular by providing them with all information conform the requirements. Workshops with the SRB and their communications (working priority letters) confirmed that Belfius has made significant progress in the last 3 years in terms of quality, completeness and timely deliveries in order to achieve full resolvability by the end of 2023. Belfius remains fully committed to further develop its resolvability capabilities in accordance with the revised SRB expectations.

In December 2023, Belfius successfully conducted a second resolution dry-run exercise to test governance, communication as well as the IT capacity to produce the bail-in datapoints, as bail-in is the preferred resolution strategy.

Credit risk

1. Methodology

For the management of its credit risks, Belfius uses an Advanced Internal Rating Based (AIRB) approach. This means that Belfius makes use of internal models for defining the key risk parameters Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF - the conversion of an available credit line in an expected amount draw down) for off-balance sheet commitments. Regarding the CCF parameter, Belfius makes a distinction between retail and non-retail counterparties: an advanced model is applied for retail counterparties, while non-retail counterparties use the regulatory values.

As a response to the latest EBA roadmap for the implementation of the regulatory review of internal models (focusing on the definition of default, PD and LGD estimations and the credit risk mitigation framework), and as a response to TRIM ("Targeted Review of Internal Models") findings, in 2020 Belfius set up a comprehensive model transformation plan for its AIRB models.

In that context a special attention is given to:

- enhancing the data quality framework for modelling;
- the implementation of a comprehensive Margin of Conservatism (MoC) framework;

- the review of low default portfolios' models, given that a limited number of observed defaults may jeopardize the model calibration.

This transformation plan will provide Belfius with a renewed set of models, as a cornerstone of the credit acceptance, loan life cycle management, credit risk management processes and reporting, and fully compliant with the latest regulatory requirements. Rationalization and simplification are two of the key principles that will guide this model portfolio transformation, where the following options are extensively studied (also with the finalization of Basel 3 standards in mind):

- applying an IRBA approach only to models with sufficient historical default and loss data; otherwise return to a less sophisticated approach;
- reducing the number of models by reviewing the model scope definition in line with the Belfius Strategy;
- simplifying the model structure of certain models (e.g. assess the adequacy and need of a qualitative questionnaire as part of the model development).

By the end of 2023, most models have been submitted to ECB for approval and one model has been approved and implemented in the production environment. In 2024, a set of new models are expected to be fully implemented as well.

2. Credit limits and credit committee

One of the main pillars of Belfius' risk management is the robustness of its credit acceptance process. It relies on a large range of directives, delegation rules and various governance instruments aimed at strictly controlling credit risks.

Belfius has defined counterparty limits and delegations of credit decision authorities for various types of credit risks which are monitored systematically, reported every quarter to governance bodies and, on top of that, assessed each year by the Risk Committee and the Board of Directors.

Over the years, Belfius has developed a set of Policies and Guidelines which cover the full credit risk life-cycle.

Credit granting

The credit decision process within Belfius relies on three types of decisions:

- automated decisions where the customer's credit application is checked against a series of risk and commercial parameters, and in which the results from the scoring model plays an important role;
- delegated decisions, i.e. decisions taken by staff to whom, intuitu personae and based on the certification of their risk competencies, decision-taking powers have been delegated;
- regular decisions taken by credit committees organized into a pyramidal structure, with at its top Belfius' Management Board which has delegated parts of its decision power to 'lower' credit committees. In exceptional cases, the Board of Directors is involved in the decision-making process. This is the case for important individual exposures and total exposures at boundaries of Belfius' Risk Appetite.

Belfius Bank has for years followed a strategy of being close to its customers:

- credit and risk committees have been highly regionalized and decision-making powers have been delegated to regional commercial and credit teams, both strengthening the principle of decision-by-proximity;
- this results in a strong involvement of the various teams in the decision-making process, as well as in a close monitoring of the use of the delegated powers mentioned above;
- it provides a significant added value to our customers, regardless of the segment in which they operate.

When granting credits to medium-sized and large enterprises as well as public sector and social profit customers, an individualized approach is applied:

- credit analysts examine the credit request autonomously and define the customer's internal rating;
- a credit committee or staff member(s) with decision-taking powers then takes a decision on the basis of various factors such as solvency, the customer relationship, the customer's prospects, the credit application and the collateral;
- in the analysis process, credit applications are carefully examined and only accepted if the perspective of continuity and the borrower's repayment capacity are demonstrated;

- to support the credit decision process a RoNRE (Return on Normative Regulatory Equity) is used in most cases to assess the expected profitability of the credit transaction or even of the full customer relationship.

Credit risk limit determination and monitoring

In order to manage its concentration risk, Belfius sets exposure limits at counterparty level as well as at the level of each risk group:

- these exposure limits are set on the basis of the customer's risk profile, the focus being mainly (but not exclusively) on the internal rating;
- they reflect Belfius' risk appetite in its individual customer relations and are as such part of the qualitative pillar of Belfius' Risk Appetite Framework;
- the allocation of such a limit does not imply that a customer is allowed to use it freely, as each transaction must be assessed and decided by the competent decision level.

Finally, the afore-mentioned counterparty limits are completed with a full set of portfolio limits and guidelines, that are part of the Belfius Risk Appetite Framework:

- several business lines need to comply with additional portfolio guidelines whose aim is to limit specific sector risks and/or sector risk concentrations;
- these guidelines impose an upper limit for certain sector risk pockets, regardless of the individual credit quality and limits on counterparty and/or risk group level;
- they are monitored quarterly by Risk Management teams and reported to Belfius' Central Credit Committee and subsequently to the Management Board via the Quarterly Risk Report.

Counterpart and portfolio monitoring

The overall objective of Belfius is to ensure the implementation of a sound, prudent and effective risk management, based on a full understanding of the risks and a swift and proactive identification of and alerting on potential risks.

For this reason, Belfius firstly monitors the solvency of the individual borrowers, and this throughout the whole credit life cycle:

- the economic review process of credit files assures that any sign of risk deterioration can be detected in time and monitored and/or addressed adequately;
- this review process is organized in an annual cycle, with in-depth analysis of customers with important credit exposures and/or significant evolutions in their risk profiles;
- it is complemented with early warning tools in order pro-actively to detect clients' financial deterioration.

In addition, Belfius also continuously monitors a series of key risk indicators (and their underlying dynamics) at portfolio level, and frequently performs ad-hoc analyses whenever specific risk pockets emerge.

3. Fundamentals of credit risk in 2023

Starting from the end of 2022, the ECB's interest rate hikes have successfully reduced the inflation that peaked after the Covid pandemic. Belgium's inflationary pressure has been significantly reduced, a.o. thanks to the decrease in energy prices. However, persistent geopolitical turbulence and the difficulty of leading European economies to regain their footing have continued to fuel economic uncertainty. Despite this environment, Belgium has shown a higher economic resilience than other European countries. Given the uncertainty surrounding future growth, interest rates, inflation, election outcomes, and the impact of geopolitical conflicts, it is still necessary to remain vigilant in risk management and provisioning.

Against this background, the Belfius loan portfolio has shown good resilience on its key risk indicators. The overall credit quality remained stable of for all customers segments without significant impacts from the Covid-19 pandemic, the energy crisis nor from the geopolitical tensions. Most of the households and non-financial corporations have weathered the crises a.o. by means of financial buffers and public and private support measures. The expected turn in the credit cycle has been orderly so far with a gradual increase of some of the credit risk indicators (watchlist, arrears and non-performing loans). During the last months residential and commercial real estate prices have shown greater resilience than in neighbouring countries.

High interest rates however restrained mortgage production and refinancing risk will appear more pronounced for weaker companies if and when a high for long cycle materializes. Within the Belfius' loan portfolio, an increase of bankruptcies is observed, although not yet at the pre-Covid level (2019), especially affecting smaller companies as well as the construction, transportation and hotel & catering sector. The development segment of the real estate industry, both residential and commercial, is hit in multiple ways by higher construction costs, higher interest rates and a lower demand, creating liquidity issues. The Covid-19 related measures and inflation impacts on the financial stability of public sector entities (including hospitals) is causing higher deficits and a rising government debt while next challenges such as energy transition, climate adaptation and infrastructure needs are in the middle of the public debate.

3.1. Cost of Risk in 2023

3.1.1. IFRS 9 impairment methodology at Belfius

Reference is made to the Appendix IX.1.4. Risk Report 2019 for a full description of the Belfius process to compute IFRS 9 expected credit losses (ECL). The basic principles of the process to compute IFRS 9 expected credit losses (ECL) are as follows:

- Belfius Bank and its subsidiaries recognise loss allowances for ECL on financial instruments at amortized cost or at fair value through Other Comprehensive Income (OCI);
- ECL are measured through a loss allowance that depends on the financial instrument's status:
    - for performing exposures (i.e. instruments that have not incurred a significant increase in credit risk since origination), referred to as stage 1, a 12-month ECL is calculated;
    - for underperforming exposures (i.e. instruments that have incurred a significant increase in credit risk since origination), referred to as stage 2, Lifetime ECL are calculated;
    - non-performing exposures (i.e. exposures that become credit-impaired), are classified in stage 3 and the ECL reflect the remaining exposure after a best-estimate of future recoveries;
- ECL are probability-weighted estimates of credit losses. This is expressed as the present value of cash shortfalls i.e. the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows that the entity expects to receive.
  ECL calculations use probability of default (PD) and loss given default (LGD) parameters. Point-in-time PDs are used that inter alia incorporate forward-looking macroeconomic information through the use of four different macroeconomic scenarios. These scenarios are built upon internal information delivered by the Belfius Research department, who uses external and internal information to generate a forecast "neutral" scenario of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities;
- Belfius assigns probabilities to the four forecast scenarios (neutral, optimistic, pessimistic and stress) and makes the link between macroeconomic variables and credit risk and credit losses through identified and documented relationships between key drivers of credit risk and credit losses for each portfolio of financial instruments on the one hand and statistical analysis of historical data on the other hand.

In the context of Covid-19 pandemic, followed by the Russia/Ukraine conflict and the resulting energy crisis, Belfius' basic principles for ECL computations have remained fundamentally unchanged, however some adjustments to the aforementioned approach were required in order to maintain an adequate coverage for potential risks. The adjustment mainly concerned the length of the reference period use to project macroeconomic factors (taking a longer history, and backward and forward looking elements, into account to avoid one-off effects from a turbulent period).

In 2023, entering into a post-Covid era, Belfius:

- decided in course of H1 to abandon the long term average of historic data in the calculation of the macroeconomic factors, and only use 2022-2024 macroeconomic data. By the end of 2023, Belfius returned to a full point-in-time and forward looking approach in macroeconomic factor calculation, that is based only on 2023-2025 macroeconomic data;
- maintains the system of four probability weighted forward-looking scenarios each with their own macroeconomic parameters to build optimistic, neutral, pessimistic and stress cases. Yet, the scenarios have been adapted to the updated macroeconomic environment.

Given that ECL estimations are complex and to a certain extent judgmental, the aforementioned mechanical approach is completed by management judgment through "management call" layers as authorized by the IFRS 9 accounting references. These layers can be positive or negative and aim to include any elements entering in the

ECL calculation which have not been taken into account by the mechanical computation on an individual level or a (sub)portfolio level. Belfius continued its portfolio analysis and monitoring process, in order to determine and keep up to date the sectors and/or clients vulnerable to inflation and energy price risks. For these risk pockets, an overlay for vulnerable exposures was constituted.

We recall that stage 1 and 2 provisions constitute anticipative provisioning against expected credit losses on files that could enter into default. To what extent these stage 1 and 2 provisions will be transformed into stage 3 provisions, covering incurred credit losses on defaulted loans, or be released, remains subject to uncertainty. If the macroeconomic environment improves to the extent that the anticipated transitions to default do not occur, part of these impairments will be reversed over time.

At the end of 2023, an ESG layer has been introduced for Environmental risks, related to specific risk pockets within the mortgage and E&E portfolios, in order to anticipate potential risks from the climate transition. It is important to clarify that (1) there is no double counting of the ESG layer with the other existing overlays, (2) this is a first-time-application of a concept that will evolve in the future and (3) a part of the exposures that are now covered by the overlay for Vulnerable Exposures (based on the energy-sensitive character), could shift to the ESG layer in the future. The incremental exposure for the ESG layer amounts to EUR 1.6 billion.

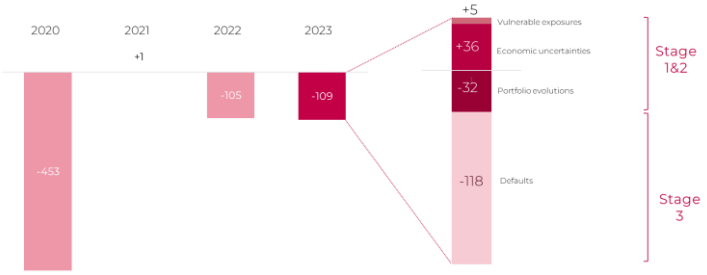
3.1.2. Drivers of the cost of risk in 2023

Cost of risk

The 2023 cost of risk amounts to EUR -109 million and is composed of EUR +36 million reversals due to the update of the macroeconomic factors and perspectives, EUR +5 million reversals following the reassessment of the overlay for vulnerable exposures, EUR -118 million specific provisions for loans in default and EUR -32 million allowances for portfolio evolutions[23].

Cost of Risk

(in millions of EUR)



Macroeconomic factors used in 2023 ECL calculations

The macroeconomic projections, used for ECL calculations, were updated in line with the Belfius Research department expectations. Compared to the data used in 2022, the GDP growth expectations for 2023 were revised upwards for Belgium (1.5%), and the US (2.4%). For 2024, the GDP growth expectations have been revised slightly downwards (from 1.6% to 1.2%) for Belgium, the Eurozone (from 1.5% to 0.9%) and the United States (1.2% to 1.1%).The recovery of the growth has shifted to 2025.The sharp slowdown of inflation, that initially was expected for 2023, was spread out over 2023 and 2024, to reach an expected level of 2.1% in 2025. The unemployment data were not materially adjusted compared to the data used in 2022; the unemployment figure still includes the exceptional temporary unemployment that is expected to be, to a certain extent, converted into a structural unemployment.

[23] O.w. EUR -20 million due to capital losses on the sale of LCR bonds, which are per Belfius policy presented as a component of the Cost of Risk.

Macroeconomic factors[1] used in ECL calculations

	As of 4Q 2022			As of 2Q 2023			As of 4Q 2023		
	2022	2023	2024	2022	2023	2024	2023	2024	2025
GDP (% Y-O-Y)									
Belgium	2.8	0.1	1.6	3.1	0.9	1.2	1.5	1.2	1.4
Eurozone	3.0	0.0	1.5	3.5	0.7	1.1	0.5	0.9	1.5
United States	1.6	1.0	1.2	2.1	1.4	0.4	2.4	1.1	1.6
CPI (% Y-O-Y)									
Belgium	10.4	6.1	3.0	10.3	5.1	3.4	2.6	4.7	2.1
UNEMPLOYMENT (%)[2]									
Belgium	9.3	8.8	8.3	8.5	8.2	8.0	8.3	8.0	7.8
Eurozone	9.9	8.5	7.1	9.6	8.2	6.8	8.6	7.2	7.0

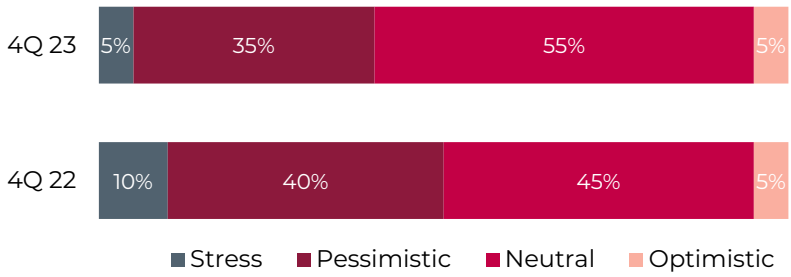
(1) Figures might differ from those presented in the section dedicated to the macroeconomic environment as IFRS 9 expected credit losses are performed during the quarter.
(2) Unemployment figures include the exceptional temporary unemployment.

Macroeconomic scenarios GDP (% YoY)

	As of 4Q 2022			As of 2Q 2023			As of 4Q 2023		
	2022	2023	2024	2022	2023	2024	2023	2024	2025
SCENARIOS									
Optimistic	3.4	0.7	2.2	3.1	1.5	1.8	2.1	1.8	2.0
Neutral	2.8	0.1	1.6	3.1	0.9	1.2	1.5	1.2	1.4
Pessimistic	1.7	-1.6	0.5	3.1	-0.2	0.1	0.4	0.1	0.3
Stress	1.2	-1.6	-0.1	3.1	-0.8	-0.5	-0.2	-0.5	-0.3

- The neutral case is completed with an optimistic, a pessimistic and a stress scenario. The table above illustrates the Belgian GDP Growth assumptions, as of end 2023, under the four scenarios.
- The scenario weights have been changed by shifting more weight to the neutral scenario (from 45% to 55%), simultaneously reducing the weight associated with pessimistic (from 40% to 35%) and stress (from 10% to 5%) scenarios.
- The update of the macroeconomic factors and reinforced forward-looking character of the ECL calculations have induced a reversal of EUR +36 million provisions in 2023.

Scenario weights (in %)



Sensitivity of the impairment stock stage 1 & 2 to changes in scenario weights

The following table provides an overview of the stage 1 & 2 impairments sensitivity to the weight of macroeconomic scenarios. Under the current methodology, the most relevant macroeconomic factors are GDP and Unemployment. Note that the sensitivity is not linear and cannot be simply extrapolated.

(in millions of EUR)	What if 85% optimistic[1]	Weighted average scenario 4Q23	What if 85% pessimistic[1]	What if 85% stress[1]
Impairment stock stage 1 & 2	724	904	1,072	1,283
% change vs weighted average scenario	-20%	0%	19%	42%
		Optimistic 5% Neutral 55% Pessimistic 35% Stress 5%		

(1) 5% on each of the 3 other scenarios.

The overlay approach

The mechanical calculations are completed with expert overlays. These overlays are designed to result in best estimate coverage of ECL in some specifically identified risk pockets of vulnerable exposures (defined in terms of sectors, groups of companies or individual exposures) when the credit risk is estimated to be (potentially) insufficiently covered by the mechanically-computed provisions.

In such case, one or more IFRS 9 parameters have been stressed when computing the ECL. For mortgages, a stressed LGD value has been applied, while for companies vulnerable to inflation and energy price risk, an add-on has been applied on the mechanically computed expected credit loss,. The add-ons correspond to an increased expected credit loss, equivalent to a 1 to 2 notch rating downgrade(s). This approach feeds the formal quarterly impairment process and results into shifts of individual files or risk pockets from stage 1 to 2. The approach results into ECL levels deemed more adequate to cover the related (increased) credit risk.

In 2020 and 2021, an overlay was constituted to cover for the risks related to the Covid-events. Credit exposures to individuals and companies with payment moratoria and companies in sectors that were hit more severely by the pandemic and the sanitary measures were included.

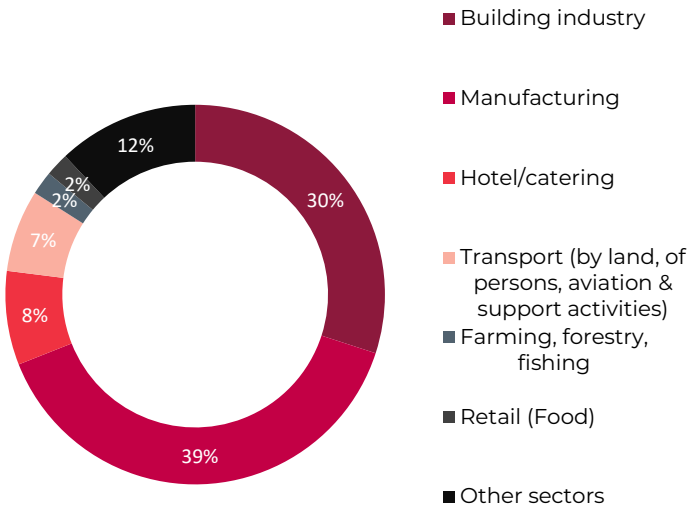
In 2022, the driver of risk gradually shifted also to sectors with a sensitivity to inflation and energy prices' increases.

In 2023, the Covid-related exposures completely disappeared from the overlay. The scope of the overlay was only linked to exposures that were vulnerable to energy and inflation. The definition of the scope did not change in 2023, the evolution of the provisions was driven by exposure evolutions and rating migrations.

The overlay for these vulnerable exposures was reduced by EUR 5 million in 2023. Vulnerable exposures with an initial Covid-effect phased out and so the overlay merely serves to cover for potential risks caused by inflation and higher energy prices.

Belfius' exposure towards these vulnerable sectors or counterparts is limited to 3.4% of the total portfolio and can be split as follows:

E&E Overlay – exposures by sector 31/12/2023: EUR 6.5 billion

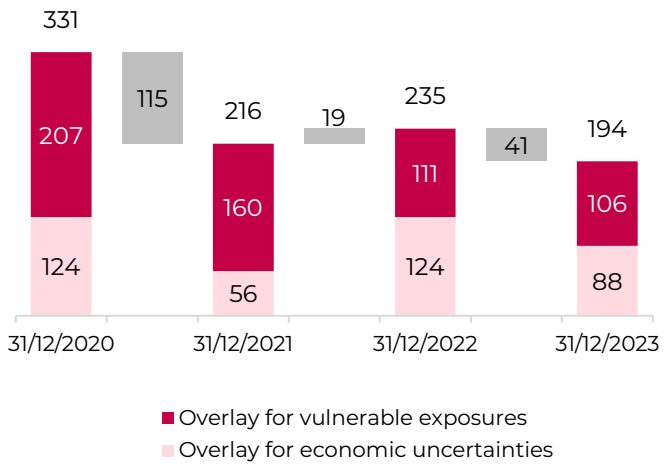


The provision for macroeconomic uncertainties and the overlay for vulnerable exposures combined form the Belfius "Overlay for economic uncertainties and vulnerable exposures", of which the stock as of end 2023 amounts to EUR 194 million (compared to EUR 235 million at the end of 2022):

- EUR 88 million for macroeconomic factors (vs EUR 124 million end 2022);
- EUR 106 million for vulnerable exposures (vs. EUR 111 million end 2022).

Overlay

(in EUR million)



Stage 3 provisions for files in default

Belfius continues to apply its standard impairment process for non-performing exposures. The stage 3 provisions represent a cost of risk of EUR 118 million in 2023, which is close to the annual natural level for the Belfius portfolio. The stage 3 provisions for exposures in default have increased, and the related Cost of Risk Stage 3 is higher than the one of last year (EUR -60 million for 2022), stemming from exposures entering into default status in SME (in sectors real estate, construction, retail trade & hotel/catering) and Corporate (in sectors manufacturing, real estate and construction) segments.

3.2. Evolution of the portfolio by segment

3.2.1. Individuals

Due to a challenging macroeconomic environment, with moderate inflation and higher interest rates, the 2023 mortgage lending production saw a 30% decrease compared to the previous years. Nonetheless, the current mortgage portfolio increased from an FEAD of EUR 41.9 billion at the end of 2022 to EUR 43 billion in 2023.

Belfius was largely compliant with the NBB expectations set in 2019 regarding newly originated loans. The share of loans with LTV>90% remained relatively stable at 13.7%, while the loans with both an LTV>90% and a DSTI>50% represented 3% of the total 2023 production, well below the 5% threshold. Despite rising maturities and due to significantly larger interest payments, DSTI values were on average higher in 2023 compared to 2022.

Similar to last year, Belfius continued to monitor its mortgage portfolio for signs of deterioration. The negative impact of rising energy costs and inflation remained rather limited, mainly due to government energy subsidies as well as (partial) automatic wage indexations. A limited number of clients requested deferrals on capital payments in the context of the 2022 Febelfin initiative which ended in March of 2023. The volume of forborne mortgages decreased from EUR 419 million in 2022 to EUR 346 million in 2023 as a result of a large outflow of Covid-19 loans, more than compensating for the inflow related to higher energy costs.

Despite challenges posed by the current macroeconomic environment, the portfolio of mortgages performed well. Both the PD level and the NPL ratio of this portfolio remained stable at around 0.5% and 0.3% respectively. The share of newly originated fixed-rate interest rate mortgages remained high at 99%, reducing the impact of rising interest rates on the performance of these loans.

Similarly to mortgages, consumer loans experienced a slowdown in production growth compared to previous year. The FEAD amounted to EUR 5,7 billion at the end of the year, an increase of 3.7% compared to last year. The average PD decreased from 0.8% in 2022 to 0.7% in 2023. However, the NPL ratio slightly worsened, rising from 2.3% at the end of 2022 to 3.0% a year later. The opposite movement of these two risk indicators can be attributed to a single large file that transitioned from performing to non-performing loan.

We remain vigilant in monitoring the performance of loans granted to individuals but the slowdown in inflationary pressures and potential monetary easing could boost production and improve the quality of these two portfolios.

3.2.2. Entrepreneurs & Enterprises (E&E)

The economic environment remains challenging. Business confidence is showing some volatility, driven by variable energy prices, continued pressure on margins, a reduced potential for pass-through of higher costs, and higher interest rates, all within an ongoing search for a new normal. Some prudent signs of economic stabilization are visible: inflation pressure has dropped significantly, supply chain issues have been resolved, and the labour market tightness has slightly softened. While most companies appear rather resilient, building cash buffers and maintaining investment plans (mainly to boost productivity through digitisation and automation) and workforce, for a growing part, the economic situation seems to be at a turning point. Geopolitical circumstances currently do not create a significant negative economic impact but are adding uncertainty in case nearby war conflicts were to spread to other countries.

These general observations hide sectoral differences. Fundamentals for the manufacturing industry remain weak, especially for high energy-intensive activities, but are stabilizing after a period of softening demand because consumers have increasingly become cost-conscious. A notable exception in this segment is the construction and building materials sector, suffering heavily from the important cool-down of the real estate (development) market driven by the combination of higher construction costs and higher interest rates. On the other side of the spectrum, the services industry still has a positive drive, mainly in a B2B context, but has slowed down as well in real estate-related activities and retail trade (due to falling demand).

This mixed view is visible in the overall portfolio monitoring of Belfius' E&E loan portfolio, amounting to EUR 62.2 billion at the end of 2023:

- overall credit quality in the E&E segment is stable (average PD of 1.64% end 2023 compared to 1.58% end 2022) but with increasing watchlist volumes and, in the SME segment, also rising PD and NPL levels;
- production, especially in Corporate Banking, continued to be very dynamic with high credit quality driven by good rated large tickets while increasing concentration to some extent;
- the credit quality of the Commercial Real Estate portfolio showed a stable pattern but with attention points in the development sector and on smaller, less diversified, projects;

- bankruptcies are gradually returning to pre-Covid levels but with regional and sectoral differences with a more pronounced growth in the sectors construction, transportation, and hospitality and catering industry.

The Covid-19 pandemic and the war in Ukraine caused a significant increase in the price of construction materials. This was followed by an increase in interest rates. As a result, the real estate values came under pressure, financing conditions became more difficult and expensive, and real estate companies have been confronted with refinancing needs at higher costs. At the same time, the cash flows generated by their projects and asset disposals became more complicated. Sales to individuals are running less smoothly because rising interest rates are affecting their overall budget capacity. Institutional investors, such as insurers and pension funds, shun real estate as they have new alternatives such as bonds. Property developers are thus forced to look for other ways to reduce their cash outflows and costs in anticipation of a new interest rate equilibrium.

Taking into account the uncertainty about the construction and commercial real estate outlook, a fundamental reassessment of these sectors was performed in 2023, both from a concentration point of view and from an overall risk perspective. The deep dive analysis confirmed the fundamental credit quality of the portfolio but additional guidance have been given to cover for the increasing risk profile of smaller projects and individual concentrations.

The EU Green Deal has started to create full awareness of ESG in all economic activities. E&E clients are accompanied by Belfius, a.o. through the Corporate Ambition programme, to implement a sustainable transition. In addition, the integration of ESG aspects in the credit granting process is accelerating, capitalizing on the building blocks that have been implemented earlier.

3.2.3. Public sector clients

Belfius' loan portfolio for the Public & Social sectors amounted to an FEAD of EUR 36.1 billion at the end of 2023, contributing to the diversification of the Belfius' global loan portfolio. Overall, the public and social sector kept showing high credit standards and maintained its historically low risk profile, characterized by an average PD of 0.17% and an NPL ratio of 0.03%. However, this sector continues to face a number of challenges.

Belgian cities and municipalities had to deal with inflation peaking at 12.3% in October 2022. Although this figure has dropped drastically since then, to 1.35% last December, its effects have been felt strongly. Three factors were of particular concern. Firstly, general expenditure and interest payments rose sharply. Secondly, wages increased due to indexation, which is connected to inflation. And thirdly, energy bills more than doubled while the cost of building materials rose as well, putting pressure on public investments. A positive point can be found in the unexpected rise of municipal revenues due to the fact that some municipal income sources (taxes, funds, allowances) are also subject to indexation mechanisms.

All in all, these developments have potential impacts on the financial stability of municipalities. In spite of budgets generally being balanced, financial reserves have steadily decreased since 2020. Rising public debt levels will therefore hamper the ability of (local) authorities to react effectively in case of economic shocks, as was the case, for instance, during the COVID 19 pandemic. Regarding the performance of the Belgian Regions and Communities, the situation remains challenging as well, prompting Belfius to lower the outlook for some of these entities.

In addition, some necessary long-term expenditures will limit the space for budgetary manoeuvring for the public sector. Geopolitical risks may require higher investments in national security, and high energy costs have impaired the economic competitiveness of Europe since the start of the Russian invasion of Ukraine. Large investments are required with regard to infrastructure (rail, roads etc.), the energy transition and climate adaptation. Moreover, the Belgian Federal Planning Bureau forecasts the costs of the ageing population to outpace economic growth until 2050, when social expenditure is expected to peak at 30.1% of Belgian GDP. Furthermore, the lack of clarity regarding the fiscal reform will persist until at least the federal elections of June 2024.

Consequently, the National Bank of Belgium warns that the current federal budget might not be sustainable for the future, as it will push the deficit above 5% in 2026, while national debt would be around 110% of GDP in that same year. On a positive note, economic growth levels will remain healthy, amounting to 1.5% for 2023. The labour market continues to be robust, albeit tight.

Similar to the cities and municipalities, the Belgian hospitals were confronted with a sharp rise in energy and personnel costs, the latter due to indexation in an inflationary environment. The sector is dealing with a structural deficit while it needs to invest in new buildings and technology and increasingly expensive medical treatments. All the while, staff shortages are considered one of the sector's main challenges in Belfius' MAHA analysis, which is

especially noticeable in the nursing workforce. The rise in day admissions may lift this financial and capacity burden somewhat, but the structural challenges of staff shortages, the need for continuous investments and the requirements of an ageing population will continue to put pressure on this sector.

3.3. Insurance

The management of the credit risk of Belfius Insurance is the responsibility of Belfius Insurance risk management team, albeit in collaboration with the credit risk teams of Belfius Bank and aligned with the risk management guidelines that are applicable for the whole Belfius group. As such, this implies that credit limits are defined on a consolidated basis (with dedicated limits for Belfius Bank and Belfius Insurance) and that transfers of limits between the Bank and Insurance are permitted, on the condition that both parties agree. The CROs of Belfius Bank and Belfius Insurance coordinate the requests among each other.

3.4. International exposures

The sharp rise of the energy prices over the course of 2022 has abated in 2023. Together with decreasing food prices, the lower energy prices have resulted in a decrease of the inflation by the end of 2023. The resurfaced conflict between Israel and Hamas could however somewhat slow this decreasing trend. Long term interest rates were on the rise in 2023 before coming down again in the final quarter of 2023 following markets expectations of rate cuts by central banks in the course of 2024. In this difficult context, the credit risks in the different Belfius portfolios managed within Financial Markets performed relatively well. Nevertheless, some risks remain.

The ALM Liquidity portfolio, consisting of LCR eligible bonds, has increased by EUR 0.7 billion over the year 2023, from EUR 7.3 billion to EUR 8.0 billion. The majority of the new investments were done in covered bonds with a good diversification over different countries. The average rating of the portfolio increased from A- to A, with 100% of positions being of investment grade nature. Although the credit risk remains acceptable, there is still an important concentration of Italian sovereign bonds in this portfolio.

The run-off portfolios, consisting of the Yield bond portfolio, the credit derivatives portfolio and other legacy derivatives portfolio have remained fairly stable over the year, with only a slight decrease from EUR 8.0 billion to EUR 7.9 billion. The average ratings of the different subportfolios also remained stable at respectively A-, A- and BBB+. Even though there is some pressure on the credit quality of these portfolios, 94% to 97% of the positions are still of investment grade nature. The most important concentrations within these portfolios are UK inflation linked Utilities, mainly water and gas, and UK Healthcare bonds. Initially, the UK real rate continued its rise in 2023, but the trend reversed in the last quarter of the year. As such, the increase over 2023 was rather limited. Hence our concentration (which partially depends on UK real rate) on the UK utility and healthcare sectors remained relatively stable. About 75% of these positions benefit from a lifetime guarantee from an investment grade rated credit insurer.

The current tariff agreements continue to put pressure on the credit metrics of some UK water and gas utilities. The sustained high inflationary conditions in the UK are adding to this pressure. By the end of the second quarter, one of the primary UK water companies came under severe pressure. A new regulatory price framework will come into force in 2025 and will be pivotal for the future evolution of this sector. Combining huge investment needs to improve performance, attract sufficient new equity to improve resilience and at the same time keep a strong focus on client affordability will be an extremely difficult challenge.

In 2023, the pressure on the UK Healthcare sector continued. The difficult relationships between the involved parties in healthcare projects as a result of not respecting to project agreements has resulted in an important credit deterioration for some of these counterparties.

We continue to closely monitor the situation and future developments within these pressured sectors. There are currently no assets in stage 3 and the provisions for stage 2 assets within these portfolios amount to EUR 140 million.

Despite the permanent trading derogation from the NBB allowing to keep the remaining credit derivatives in trading, we continued actively seeking to unwind or derisk these positions. This has been our main derisking focus in 2023 and will continue to be so in 2024. In 2023, a negotiation took place on 2 of our positions, to restructure the transaction and reduce the remaining risks. Thanks to our conservative pricing at the end of 2022, this resulted in a positive impact in fair value at the end of 2023.

4. The risk management process concerning Forbearance, Watchlist, Default and Impairments

4.1. Forbearance

Forbearance measures imply the granting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments. These concessions may take the form of modifications to the loan contract or debt restructuring.

They apply to all loans and debt securities that are on-balance sheet and also to some off-balance sheet commitments. They do not apply to debt securities held for trading exposures.

Specific criteria are established for each business segment. These provide for a practical interpretation of the concepts of "financial difficulties" and "concession".

When granting a concession, the Bank is always led by a number of mainly business-related and economic factors. The fact that concessions are made, is one of the Watchlist indicators at Belfius and leads to a transfer of the exposures from stage 1 to stage 2 under IFRS 9.

Faced with the Covid-19 pandemic and its potential consequences on the financial situation of borrowers, Belfius has reviewed its forbearance policy in 2020-2021 in line with the EBA guidance: there is no automatic change in the forbearance classification for borrowers only based on the fact of a new loan granted under the state guarantee scheme or EBA compliant requested moratoria. In this context, the most vulnerable clients associated with high PD's and, with potentially longer-term use of moratoria were recognized as forborne.

Contracts which have reached their probation period of 2 years are assessed to determine if they are eligible for deflagging and should no longer be considered as forbearance measures.

Forbearance outflow linked to Covid started mid-2022 and continued in 2023.

At the end of 2023, an amount of EUR 1,598 million of loans at Belfius met the forbearance definition, of which EUR 60 million related to Belfius Insurance compared to, respectively, EUR 1,826 million and EUR 97 million at the end of 2022. Customers in the Corporate (EUR 686 million) and Business segment (EUR 443 million) represent the highest volumes with a forbearance status.

In 2023, the forbearance volumes decreased with EUR 228 million but the volumes still remain above pre-Covid levels. This is mainly explained by the outflow of forborne exposures related to Covid measures, and by the increase in Corporate Banking forborne exposures since the end 2022, concentrated in the commercial real estate portfolio.

4.2. Watchlist

The Watchlist Guideline defines internal and external (early warning) indicators to identify a significant increase of credit risk that may lead to an intensive follow-up and/or management of credit files. This allows the bank to closely monitor increasing credit risks and to take adequate credit mitigation measures in order to reduce them.

This is also reflected in the provisioning policy by applying a stage 2 for the majority of these exposures. On a quarterly basis, dedicated Risk Committees identify the files requiring a higher level of monitoring.

4.3. Default

A transversal default definition is applied within the entire Belfius Group and on all market segments in line with the EBA Guideline.

A default status is assigned to debtors which meet one or both of the following criteria:

- the debtor has material exposures which are more than 90 days past due;
- the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless the existence of any past due amount or the number of days past due;
- when a debtor belonging to a Risk Group defaults, all other debtors belonging to the same Risk Group will not be considered automatically as being in default. In such a case, Belfius' Default Committee will decide - based on a well-documented analysis - whether or not other companies belonging to the same

group will experience difficulties fulfilling their commitments due to this specific default and, if so, extend the default to the other members of the Risk Group.

Belfius Default guideline provides an in-depth description of indicators used to categorize an exposure in default.

The Default Committee within the Risk department is competent to define the default status.

Based on regulatory evolutions, Belfius has implemented the EBA updated definition of default as of mid-March 2020. Its internal guidelines were updated accordingly. The aim of the EBA guideline is to harmonize the definition of default across the EU prudential framework.

Main impacts are the materiality thresholds for obligations past due that are now composed of both an absolute and a relative threshold, and the introduction of a probation period of 3 months before reclassification into a non-defaulted status.

4.4. Impairments

At the end of 2023, the total impairment stock (stages 1-2-3) amounted to EUR 2,194 million compared to EUR 2,166 (restated) million at the end of 2022. This increase of EUR +28 million is explained by an increase in the Stage 3 and in the stage 1 provisions, slightly offset by reversals in the stage 2 provisions relating to the update of the macroeconomic factors and to the reassessment of the Overlay for vulnerable exposures.

5. Exposures to Credit Risk

Full Exposure At Default (FEAD) is determined as follows:

- for balance sheet assets (except for derivatives): the gross carrying amounts (before credit risk adjustments);
- for derivatives: the exposure at default calculated under the standardized approach for counterparty credit risk (SA-CCR);
- for Securities Financing Transactions: the carrying amount as well as the excess collateral provided for repurchase agreements;
- for off-balance sheet commitments: either the undrawn part of credit facilities or the maximum commitment of Belfius for guarantees granted to third parties.

FEAD for instance provides a consistent metric to present a combined view of the Bank and Insurance respective exposures to credit risk.

Breakdown of credit risk by counterparty

(FEAD, in millions of EUR)	31/12/22	31/12/23	Of which Bank	Of which Insurer
Central governments	37,236	30,856	25,790	5,067
of which government bonds	8,082	8,163	3,823	4,340
of which EU Central Bank	27,283	24,418	24,418	0
Public sector entities	41,084	40,613	39,225	1,388
Corporate	50,921	54,250	52,154	2,096
Project Finance	2,341	2,444	2,444	0
Retail	61,703	63,046	59,137	3,909
Financial Institutions	11,856	12,066	9,983	2,083
Other[1]	3,937	4,440	3,854	586
TOTAL	209,078	207,717	192,588	15,129

(1) Other include a.o. deferred tax assets, tangible and intangible assets and gains and losses on the hedged item in portfolio hedge of interest rate risk.

The figures in the above table are after elimination of intra-group exposures, but with inclusion of credit exposure from trading activities and counterparty credit risk.

Exposures are allocated to the final counterparty. This means that if substitution is applied to a certain exposure to a borrower guaranteed by another party, the exposure is shifted to the region, type of exposure and rating of the guaranteeing party.

As at 31 December 2023, the total credit risk exposure within Belfius amounted to EUR 207.7 billion, a decline of EUR -1.4 billion or 0.65% compared to the end of 2022.

This decline is attributable to banking activity (by EUR 1.5 billion), slightly offset by the increase for Belfius Insurance (by EUR 166 million).

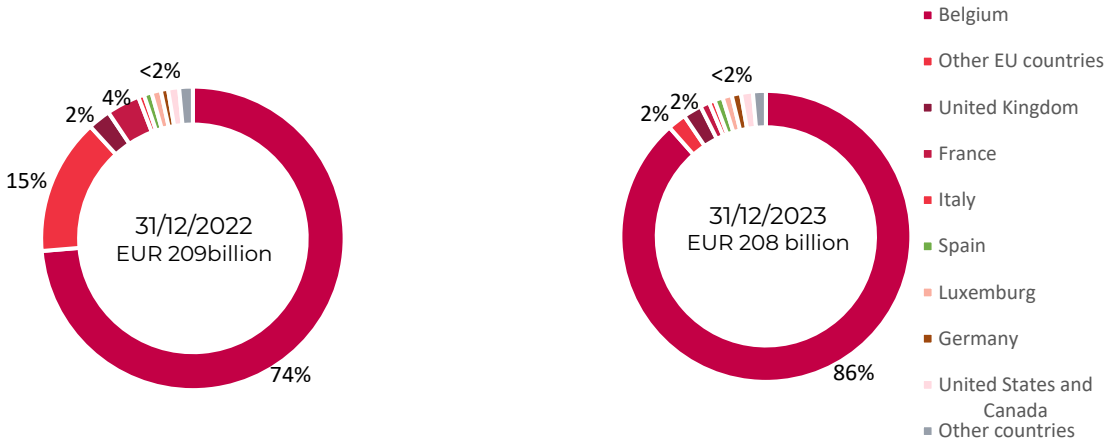
The decline by EUR -6.4 billion observed on the segment central governments is mostly due to the reduction of liquidity reserves deposited at the NBB. In terms of government bonds side, the exposure has slightly increased on the bank side (by EUR 77 million), while remained stable for Belfius Insurance year-on-year. Nearly half (46%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the Belgian government bonds represents 41% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 49%.

The credit risk exposure on individuals, self-employed and SMEs (30.3% of the total) and corporates (26% of the total) constitute the two main categories. The exposure on those categories increased by EUR 1.3 billion and EUR 3.3 billion respectively, reflecting Belfius' strategy to support the Belgian economy.

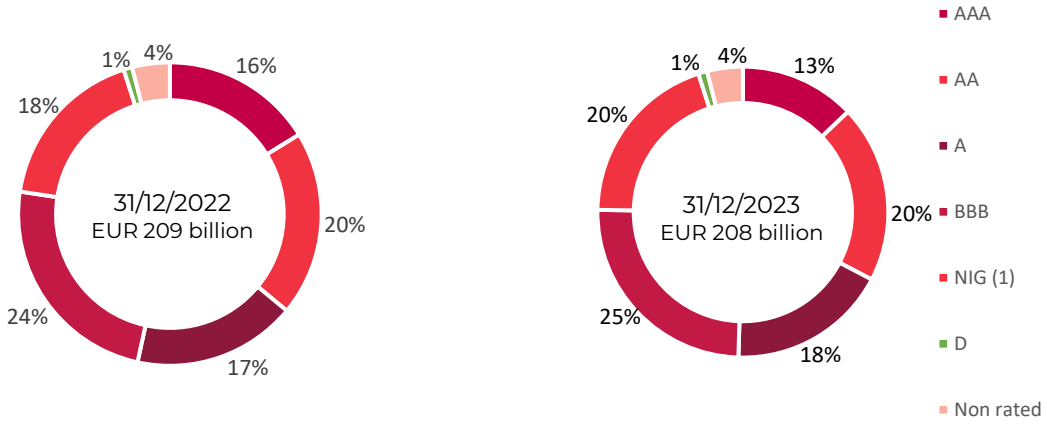
The credit risk exposure on public sector entities and institutions that are guaranteed by these public sector entities declined further in 2023 by EUR 0.5 billion.

Belfius' positions are mainly concentrated in the European Union: 95% or EUR 183.0 billion at bank level and 95% or EUR 14 billion for Belfius Insurance. The total credit risk exposure in Belgium is 86%, 3.4% in France and 2.5% in the United Kingdom, 1.3% in the United States and Canada, 1.2% in Luxemburg, 0.9% in Spain, 0.7% in Germany and 0.6% in Italy. The increase in the total credit risk exposures for Belgium (74% to 86% year-on-year) is explained by the reclassification of the deposits at central bank from Other EU countries to Belgium.

Breakdown of credit risk by geographical region



Breakdown of credit risk by rating



(1) NIG = Non-Investment grade.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 5.1 billion, a slight increase of EUR 124 million from the last year. About 60% of this credit risk exposure concerns bonds, of which close to two-third are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water, gas and electricity distribution. These bonds are of good credit quality, and moreover most of the outstanding bonds are covered with a credit protection issued by a credit insurer with a sound rating that is independent from the bond issuer. The remainder concerns the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks of these portfolios are also of good credit quality.

At the end of December 2023, 76% of the total credit risk exposure had an investment grade (IG) internal credit rating.

6. Asset quality

At the end of 2023, the amount of impaired loans on a consolidated basis amounted to EUR 2,259 million, an increase of +11.5% compared to year-end 2022. During the same period, the gross outstanding loans to customers increased by +4.1% and amounted to EUR 115,778 million at the end of 2023. As a consequence, the asset quality ratio amounted to 1.95% at the end of 2023. The stage 3 impairments increased by 4.8% and amount to EUR 1,266 million. The coverage ratio on impaired loans is 56.0%, compared to 59.6%. The decrease is mainly explained by a number of new defaulted files with strong collateral and recovery perspectives combined with reversals on existing files in default and the write-off of files with a high coverage without material additional impairment.

Asset quality[1]

(in millions of EUR, except where indicated)	31/12/22[4]	31/12/23
Gross outstanding loans and advances to customers (measured at amortised cost and fair value through OCI)	111,218	115,778
Impaired loans and advances to customers (measured at amortised cost and fair value through OCI)	2,026	2,259
Stage 1 impairments on loans and advances to customers	178	191
Stage 2 impairments on loans and advances to customers	425	379
Stage 3 impairments on loans and advances to customers	1,208	1,266
Asset quality ratio[2]	1.82%	1.95%
Coverage ratio[3]	59.6%	56.0%

(1) Belfius Insurance included.
(2) The ratio between impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(3) The ratio between the Stage 3 impairments and impaired loans and advances to customers.
(4) Pro forma IFRS 17 figures (change of business model).

Market risk

1. Overview

1.1. Market risk definition

Overall, market risk can be understood as the potential adverse change in the value of a portfolio of financial instruments due to movements in market price levels, to changes of the instrument's liquidity, to changes in volatility levels for market prices or changes in the correlations between the levels of market prices.

Management of market risk within Belfius encompasses all Financial Markets activities of the Bank and focusses on interest rate risk, credit spread risk, foreign-exchange risk, equity risk (or price risk), inflation risk and commodity price risk.

Market risk of Belfius Insurance is separately managed by its ALCo's. Belfius Insurance's ALCo makes strategic decisions affecting the balance sheet of the insurance company and its financial profitability taking into consideration the risk appetite pre-defined at Group level (i.e. directional ALM position in interest rate risks, equity and real estate risks, volatility and correlation risks).

1.2. Risk types

The sources of market risk are changes in the levels of:

- interest rates;
- credit spreads;
- inflation;
- foreign-exchange rates;
- equity prices;
- commodity prices;

and their related risk factors like volatility or correlation for example.

Interest rate risk may be understood as the variation of the value of assets or liabilities following changes in interest rates quoted on the markets. It is most pronounced in debt instruments, derivatives that have debt instruments as their underlying reference asset and other derivatives whose values are linked to market interest rates.

Credit spread risk is linked to the credit spread curve that can change for a counterparty even if the credit quality (rating) remains unchanged. This impacts the XVAs and mainly the Credit Value Adjustment (CVA) which applies

only on derivatives. Credit spreads also affects the bond asset price, but these are mostly value at amortized cost and exposure in trading portfolios at fair value is limited.

Foreign-exchange risk is the potential risk that movements in exchange rates may adversely affect the value of a financial instrument or portfolio. Despite exchange rates being a distinct market risk factor, the valuation of foreign-exchange instruments generally requires knowledge of the behaviour of both spot exchange rates and interest rates.

Equity price risk is the potential risk for adverse changes in the value of an institution's equity-related holdings. Price risks associated with equities are often classified into two categories: general (or non-diversifiable) equity risk and specific (or diversifiable) equity risk.

2. Structural & ALM risk

2.1. Policy on asset and liability management

Managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk and foreign exchange risk) is also known as Asset & Liability Management (ALM). The structural exposure at Belfius results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity.

Belfius' Board of Directors has the ultimate responsibility for setting the strategic risk tolerance, including the risk tolerance for market risks in non-financial markets activities. The Management Board of Belfius Bank and Belfius Insurance have the ultimate responsibility for managing the interest rate risks of Belfius within the above set risk tolerance and within the regulatory framework.

The real operational responsibility of the effective asset and liability management (ALM) is delegated to the Asset & Liability Committee (ALCo). The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of the Bank's respectively insurer's balance sheet within a framework of normative limits and reports to the Management Board and Board of Directors. Important files at a strategic level are submitted for final decision to the Management Board and Board of Directors, that have the final authority before any practical implementation.

The ALCo of the Bank is responsible for guiding and monitoring balance sheet and off-balance sheet commitments and, in doing so, places an emphasis on:

- the creation of a stable income flow;
- the preservation of economic value;
- the assurance of robust and sustainable funding.

The ALCo meets regularly, chaired by the Chief Financial Officer (CFO), with meetings attended by the Chief Risk Officer (CRO) and members of the Management Board responsible for commercial business lines (or their representatives).

The ALCo of Belfius Insurance plays the same role for the insurance company pursuing the same objectives but with a focus on the economic value and solvency according to the Solvency II regulation. The risk indicators are calculated based on a harmonised risk method for Belfius, supplemented by factors specific to Belfius Insurance relating to their risk management.

2.2. Interest rate risk

2.2.1. Interest rate risk of the banking activities

In respect to the interest rate risk, Belfius Bank pursues a prudent risk management of its interest rate positions in the banking book within a well-defined internal and regulatory limit framework, with a clear focus on generating stable earnings and preserving the economic value of the balance sheet and this in a macro-hedging approach, thoughtfully considering natural hedges available in the bank balance sheet.

The management of non maturing or 'on-demand' deposits (such as payment and savings accounts) and non-interest-bearing products use portfolio replication techniques. The underlying hypotheses concerning expected duration, rate-fixing period and tariff evolution are subject to constant monitoring and, if necessary, they are adjusted by the ALCo. Implicit interest rate options like prepayment risk are integrated through behavioural models. All ALM models are following the three lines of defense.

Interest rate risk has two forms: economic value of equity volatility and earnings volatility. The measurement of both of these forms is complementary in understanding the complete scope of interest rate risks in the banking book.

Banks' ALM objective is to protect the net interest income from downward/upward pressures in the current volatile interest rate environment, while respecting the risk appetite limits on the variation of economic value.

Economic value indicators capture the long-term effect of interest rate changes on the economic value of the Bank. Interest rate sensitivity of economic value of equity measures the net change in the ALM balance sheet's economic value of equity (under run off balance sheet assumption) if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -75 million per 10 bps as at 31 December 2023 (compared to EUR -59 million per 10 bps as at 31 December 2022), excluding interest positions of Belfius Insurance and of the pension funds of Belfius Bank.

Earnings at Risk indicators capture the shorter-term effect of the interest rate changes on the earnings of the Bank (under stable balance sheet assumption). Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency effect. A +100 bps increase of interest rates has an estimated impact on net interest income (before tax) of EUR -14 million of the next book year and an estimated cumulative effect of EUR +71 million over a three year period, whereas a -100 bps decrease would lead to an estimated impact of EUR -2 million of the next book year and an estimated cumulative effect of EUR -187 million over a three year period.

In addition to directional interest rate risk, curvature risk, due to steepening or flattening of the interest rate curve, is also followed up within a normative framework by the ALCo. The same goes for basis spread risk between Euribor and Eonia or €STR (Euro short-term rate) and cross-currency spread risk.

During 2023, the interest rates continued to rise, induced by the ECB policy to raise its policy rates in an effort to curb high inflation. Moreover, the interest rate curve remained inverted, which impacts the maturity transformation model of a universal bank such as Belfius Bank. All in all, the interest rate evolution for Belfius Bank has a very positive impact on Net Interest Income in 2023. On the one hand, the overall increase in rates starts to increase the interest rate received on new production of commercial loans, while, on the other hand, the interest paid to depositors still remained close to zero for payment accounts and is gradually increasing for savings accounts with a contained pass through. Refinancing and prepayments of mortgages have become less interesting for the customers. The increase in interest rates resulted in a shift of volumes from savings and payment accounts towards term funding (mainly term accounts).

Furthermore, the decrease in rates in the last month of 2023, has slightly deteriorated the collateral cost for derivative contracts, used to hedge the Bank's exposure to interest rate risk, compared to 2022. The ALCo will remain attentive to a volatile interest rate environment with the primary objective to respect the Risk Appetite Framework (RAF). ALM conventional models are regularly reviewed at the light of the macro-economic environment and prevailing interest rates. During 2023, the continued increase in interest rates has modified the expected interest rate sensitivities of the 'on demand' (or non maturing) deposits, which triggered a shortening of the duration of our conventional models for savings accounts and additional hedging to remain within Belfius' risk appetite.

2.2.2. Interest rate risk for insurance activities

The aim is to manage and limit the volatility in the income statement that can be caused by interest rate fluctuations and to safeguard the economic value of the shareholders' capital. Therefore, Belfius Insurance, as a matter of policy, does not hold any exposure with a high interest rate risk.

The duration that reflects the interest rate sensitivity of the balance sheet, is considered to be the leading measuring instrument for interest rate risk. The partial and global sensitivities of the interest rate risk per time bucket are more precise indicators that are monitored by the ALCo.

The limits for the interest rate risk are approved by the management board and the Board of Directors. They are translated to the Risk Appetite Policy for global risk indicators and to the Investment Framework for more operational risk indicators and monitored by the ALCo.

Belfius Insurance maintained its ALM strategy which aims to keep the duration between assets and liabilities effectively balanced.

Taking into account the sharp rise of interest rates as from beginning of the year 2022, Belfius Insurance has been forced to revise its current Life pricing substantially offering its customers attractive investment insurance products in Branch 21 and Branch 26. Alternatively there is still opportunity for its customers to foresee a certain degree of security in their investment in Branch 23 through the Branch 44 concept.

2.2.3. Aggregate interest rate risk for the Belfius Group

The figures below show the impact on the Belfius group's Economic Value of Equity and the Earnings at Risk for the next book year of a parallel upward shift of the yield curve of 10, resp. 100/50 bps.

(in thousands of EUR)	31/12/22	31/12/23
BELFIUS BANK		
Economic value of equity (+10 bps)	-58,734	-75,075
Earnings at risk (+100 bps)[1]	31,980	-13,568
BELFIUS INSURANCE		
Economic value of equity (+10 bps)	382	4,861
Earnings at risk (+50 bps)	4,392	2,268

(1) For 2022, an EaR of +/- 50 bps was calculated.

2.3. Credit spread risk

The credit spread risk is dealt with in the "Credit risk" section.

The sovereign and credit portfolio is managed by the investment departments under supervision of the respective ALCo's of Belfius Bank and Belfius Insurance. Its management is carried out according to a risk framework monitored by the risk department. The framework provides risk guidance for the investments. It sets risk appetite and operational limits for ensuring the credit quality of the credit portfolio within the well-defined limits and a sound diversification (e.g. among industry sectors or countries). Sensitivity analysis and stress testing are regularly performed.

At Belfius Insurance, the credit spread risk has been fully integrated in the Risk Management. Indeed, moving towards Solvency II, the credit spread risk became more than before a key driver of the solvency position of the insurance company both for the net asset value's sensitivity and for the capital requirement.

2.4. Equity risk

Equity risk is a key contributor to the net asset value's sensitivity and the capital requirement of the insurance company. The equity portfolio is managed by a dedicated Investment team under supervision of the ALCo. The investments are again framed by risk guidance and operational limits according to the risk appetite of Belfius Insurance.

Market risk management tools include stress test measurements that provide an indication of the potential market value loss under different scenarios and the solvency ratio's resilience.

The table below shows the price sensitivity of Belfius' equities portfolio to a downward shock of 30%.

(in thousands of EUR)	31/12/22	31/12/23
BELFIUS INSURANCE		
Market value - quoted shares & assimilated	277,322	224,318
Market value - quoted real estate	97,448	134,502
Shock 30% (negative)	-112,431	-107,646
VaR (99%, 10 days)	47,999	27,969

2.5. Real estate risk

Property investments are made of deals offering long-term stable returns mostly on the Belgian market. As such, these property investments must be viewed as a way of optimizing the risk/return of the investment portfolio and are allocated to the long-term life insurance business.

The table below shows the price sensitivity of Belfius Insurance real estate risk to a downward shock of 15%.

(in thousands of EUR)	31/12/22	31/12/23
BELFIUS INSURANCE		
Market value - not quoted real estate	720,198	680,375
Shock 15% (negative)	-108,030	-102,056

2.6. Foreign exchange risk

Although Belfius Bank uses the EUR as its reporting currency, part of its assets, liabilities, income and expenses are also generated in other currencies. The elements of the profit and loss accounts which are generated in foreign currency are systematically and on an ongoing basis converted in EUR, resulting in only limited net FX positions.

The foreign exchange rate risk is not significant at Belfius Insurance, as less than 1% of the portfolio's total market value is denominated in foreign currencies. The possibilities of holding exposures in foreign currencies are moreover deliberately limited by the Investment Framework.

2.7. Pension funds

Specific reports on the pension plans managed by the pension fund are submitted to the investment committee of those plans as a result of the delegation given by the ALCo. The investment committee analyses the impacts of the plans' position on interest rate, inflation and equity risk.

3. Trading market risk

Financial Markets activities encompass client-oriented activities and hedge activities at Belfius Bank. No Financial Markets activities are undertaken at Belfius Insurance. If there is a need for FM-products, they will go to Belfius Bank or other financial institutions.

3.1. Market risk governance

With the purpose of effectively managing the market risks Belfius Bank is facing, FM Risk Management has identified the following cornerstones as key pillars for the risk management of its Financial Market (FM) activities:

- an efficient organisation fostering an accurate identification, analysis and reporting of the different risks Belfius Bank is bearing, as well as a continued training of people in order to remain up to date with the latest evolutions in theories, regulatory issues, metrics or market changes;
- a robust limit framework with differentiated limits by activity or risk factor that is to be respected by all parties involved in market activities. On top of the VaR limits or P&L triggers, several other metrics have been identified as key controlling tools in the risk management process:
    - limits on notional amounts;
    - limits on maturities;
    - limits on type of products;
    - limits on sensitivities (known as "Greeks": delta, etc.);
    - back testing;
    - stress tests;
- finally, this framework is regularly submitted for revision to the FM Committee in order to be commensurate to the risk appetite defined by the Board of Directors of Belfius Bank.

3.2. Market risk measures

The Value-at-Risk (VaR) concept is used as the principal metric for proper management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value (NPV) the Bank might be facing in normal and/or historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius using a VaR computation:

- the interest rate, inflation and foreign exchange (forex) rate risk: this risk category is monitored via a historical VaR based on an internal model approved by the National Bank of Belgium and ECB. The historical simulation approach consists of managing the portfolio through a time series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated.
  The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear);

- the general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 1 year of history;
- the spread risk is measured via a historical approach, applying 1 year of observed variations on the sensitivities;
- the commodity risk is measured via a simplified VaR approach were calibrated shocks are multiplied with the sensitivities.

3.3. Market risk exposure

The overall average VaR of Financial Markets activities decreased from EUR 13.6 million in 2022 to EUR 11.5 million in 2023.

The VaR decreased steadily over the various quarters, due to declining positions in line with positive trading results over the year.

Value-at-risk by activity

VaR[1] (99% 10 days)	31/12/22				31/12/23			
(in millons of EUR)	IR[2] & FX[3]	Equity	Spread	Other risks[4]	IR[2] & FX[3]	Equity	Spread	Other risks[4]
By activity								
Average	7.5	4.6	1.1	0.4	6.1	3.5	1.3	0.6
End of year	6.3	5.8	0.8	0.4	5.3	2.8	1.0	0.3
Maximum	17.5	12.0	2.3	0.8	11.3	7.9	2.0	3.8
Minimum	3.7	2.2	0.2	0.4	3.5	2.1	0.7	0.3
Global								
Activity		13.6				11.5		
End of year		13.3				9.4		
Maximum		25.3				17.3		
Minimum		7.8				9		
Limit		26.3				26.3		

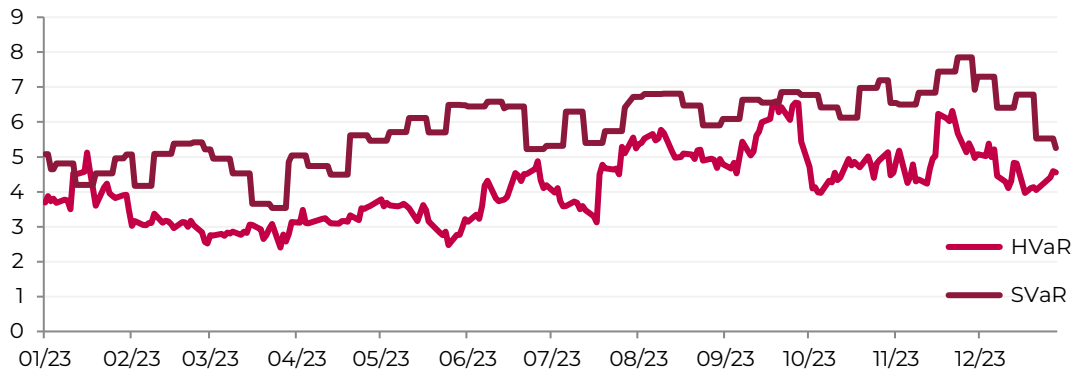
(1) The Value at Risk (VaR): is a measure of the potential change in market value with a probability of 99% and over a period of 10 days.
(2) IR: interest rate risk and inflation risk.
(3) FX: forex risk.
(4) CO_2 risk.

Evolution of global VaR in 2023

In millions of EUR

Evolution of HVaR and SVaR (internal model) in 2023

In millions of EUR



3.4. Stress testing

Although the VaR is a very useful risk management tool for controlling day-to-day loss-risk exposures, it does not fully withstand the test of abnormal market movements, and it does not always give a total accurate picture of market exposure. Stress tests reveal sometimes better such information by gauging Belfius market positions vulnerability to exceptional events and hence by providing additional information about market risks alongside the information embedded in the VaR. These risks include those associated with extreme price movements and those associated with scenarios not reflected in recent history or implied by the parameters used to compute the VaR. Consequently, Belfius Bank uses stress tests in addition to the VaR approach.

Three types of scenarios are considered: calibrated scenarios (shocks on each risk factor, calibrated as quantiles of their historical distribution), specific scenarios (specific shocks on some risk factors) and historical scenarios (scenarios based on previous crises, for which the Covid stress of 2020 has been added).

The results of these stress tests are reported on a monthly basis in the FM Risk Monitoring Report and to the FMRR.

3.5. Regulatory internal model and back testing

The aim of back testing is to test the accuracy and the mathematical soundness of the internal market risk measurement methodologies by comparing the calculated market risk figures with the volatility of the actual results. Back testing is a prerequisite for Belfius Bank since we use internal models to calculate the regulatory capital requirement for some market risks.

The result of the back test is the number of actual market losses greater than their corresponding VaR figures (i.e. “the number of exceedings”). According to this number, the regulators will also decide on the multiplier to be applied for determining the regulatory capital requirement for market risks.

Currently, two types of back testing are processed at Belfius Bank:

- Hypothetical back testing compares the hypothetical results of the portfolio's end-of-day value and, assuming unchanged positions, its value at the end of the subsequent day. This result is therefore without any provisions adjustments and other non-involved risk factors. The holding period is one day. During 2023, there were no negative exceptions to the hypothetical back testing;
- Real back testing compares the portfolio's end-of-day value and its actual value at the end of the subsequent day excluding fees, commissions, and net interest income. In 2023, there was 1 exception to the real back testing.

Liquidity risk

1. Liquidity risk at Belfius Bank

1.1. Liquidity management framework

Belfius Bank manages its liquidity with a view to complying with internal and regulatory liquidity ratios. In addition, limits are defined for the balance sheet amount that can be funded over the short term and on the interbank market. These limits are integrated in the Risk Appetite Framework (RAF) approved by the Board of Directors and reported on a quarterly basis. Available liquidity reserves also play a key role regarding liquidity: at any time, Belfius Bank ensures it has sufficient quality assets to cover any temporary liquidity shortfalls, both in normal markets and under stress scenarios. Belfius Bank defined specific guidelines for the management of LCR eligible bonds and non LCR eligible bonds, both approved by the Management Board. All this is laid down in the liquidity guideline, approved by the ALCo.

Asset and Liability Management (ALM), a division situated within the scope of the Chief Financial Officer (CFO), is the front-line manager for the liquidity requirements of Belfius Bank. It identifies, analyzes and reports on current and future liquidity positions and risks and defines and coordinates funding plans and actions under the operational responsibility of the ALCo and under the general responsibility of the Management Board. The funding plan is approved together with the financial plan by the Board of Directors, which delegates its execution to the ALCo. The ALCo also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM department.

ALM organizes a regular Asset and Liability Forum (ALF), in the presence of the Risk department, the Treasury department of the Financial Markets and representatives of the commercial business lines. The Asset and Liability Forum is in the first place a discussion forum on all topics with a link to the ALCo in preparation to the ALCo memos. This forum has been mandated by the ALCo to translate the strategic funding plans into tactical and operational funding strategies aligned to the financing needs stemming from Belfius' balance sheet and within the regulatory constraints (LCR, NSFR, encumbrance, MREL and so on).

ALM monitors the funding plan to guarantee Belfius Bank will continue to comply with its internal and regulatory liquidity ratios.

ALM reports daily to the CFO and CRO and quarterly to the Board of Directors about the Bank's liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate, challenges the retained hypotheses and models, realizes simulation over stress situations and oversees compliance with limits, as laid down in the Liquidity Guidelines.

1.2. Exposure to liquidity risk

The liquidity risk at Belfius Bank is mainly stemming from:

- the variability of the amounts of commercial funding collected from individuals and business customers, small, medium-sized and large companies, public and similar customers and allocation of these funds to customers through all type of loans;

- the volatility of the collateral that is to be deposited at counterparties as part of the CSA framework for derivatives and repo transactions (so called cash & securities collateral);
- the value of the liquid reserves by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB;
- the capacity to obtain interbank and institutional funding.

This year, the liquidity position was challenged by two liquidity crises: the banking failures in the US and in Switzerland in March, and the unprecedented outflows of individual deposits in September to the 1 year Belgian government bond. Additionally, Belfius witnessed considerable shifts of non maturing deposits towards (short) term funding. However, Belfius managed to maintain its strong liquidity

position mainly through the increase in short term and long term wholesale funding, as our strong rating and good perception from wholesale investors made it possible to easily access the markets when necessary.

1.3. Liquidity Risk Management

Strategies, scope and processes of liquidity risk management

The Liquidity report covers Belfius Bank on a consolidated level, i.e. the Bank with its subsidiaries and branches, incl. companies for securitization, excluding Belfius Insurance.

The strategy of the liquidity risk management is described in the Liquidity Risk Management Guidelines and in the Risk Appetite Framework (RAF). The RAF constitutes the highest level of risk limits and principles that express the risk tolerance of the Bank.

Monitoring is done through internal and regulatory liquidity Key Risk Indicators (KRI), with respective internal limits set up in the RAF. The liquidity KRI are reported on a regular basis and any exceeding of the limit is reported to the ALF and to ALCo, which has power of decision. Respect of those KRI is also tested under stress scenarios.

In addition, a series of Early Warnings indicators are monitored daily to identify as soon as possible liquidity tension on the markets.

In addition to the regulatory indicators, liquidity risk management focuses on:

- Internal liquidity ratio: a daily ratio that measures if Belfius Bank can survive a severe crisis for a minimum period of 3 months without recovery options (including a limited part of available ECB funding);
- Funding Gap: a daily follow up of the maximum funding gap limits by currency and by maturity bucket;
- Funding Plan and stress testing: development of a strategic Funding Plan with the projection of the funding sources and requirements over the next 5 years giving a projection of the liquidity reserves, LCR ratio, NSFR ratio, MREL requirements and Asset Encumbrance ratio. A severe stress scenario, combining Belfius specific and market specific events is applied on this Funding Plan: all RAF limits on liquidity KRI have to be respected;
- Collateral management: daily monitoring of collateral position and collateral needs of the Bank and their respective impact on liquidity;
- Intraday liquidity risk: in order to meet payment and settlement obligations on a timely basis under both normal and stressed conditions Belfius must have a sufficient buffer for operational and stressed outflows. The intraday liquidity is managed by the Treasury desk and controls are performed by Operations and Risk Management with a reporting of these tests to the ALF;
- Contingency Funding Plan (CFP): through a daily dashboard Belfius Bank created an adequate early warning system to detect market specific or Belfius specific liquidity events. A set of recovery measures is defined and regularly tested in the market with realistic amounts of funding, time to market and pricing. The CFP is consistent with the crisis management organization of Belfius Bank and has a clear decision process about responsibilities and organization of an ad-hoc ALCo to decide to activate the recovery measures;
- Recovery Plan (RP): in the RP a number of stress scenarios are defined that could bring the Bank near to failure. Recovery measures that can be launched to avoid this failure are tested in various scenarios;
- Liquidity Adequacy Statement (LAS): the ILAAP (internal liquidity adequacy assessment process) results in the LAS where the Management Board confirms in a statement that Belfius has enough liquidity to fund its activities and to sustain severe stresses and that liquidity risk is in line with the defined RAF and compliant with ILAAP requirements.

Belfius Bank developed the Liquidity Risk Management Guidelines and the RAF limits in order to remain sufficiently liquid in stress situations, without resorting to recovery actions which would generate significant costs or which would interfere with the core banking business of Belfius Bank.

1.4. Consolidation of the liquidity profile

During 2023, Belfius consolidated its diversified liquidity profile by:

- maintaining a funding surplus within the commercial balance sheet;
- increasing diversified long-term funding from institutional investors;
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors;
- issuing ECB eligible retained covered bonds.

The participation of Belfius Bank in the ECB TLTRO III funding programme for an amount of EUR 15.7 billion was reduced to EUR 6 billion end of 2022, In June 2023 another EUR 3.3 billion was repaid, and in December 2023 another EUR 1.3 billion was repaid. This leads to a residual funding through TLTRO of EUR 1.4 billion, that will expire in March 2024.

Belfius Bank closed the year 2023 with a 12-month average LCR of 139%. This decrease since end of December 2022 (173%), is mainly explained by the repayment of the TLTRO, the outflows of commercial deposits due to the 1 year Belgian government bond, and a continued strong growth in commercial loans. The high quality liquid assets (HQLA) end of December 2023 are composed of 69% Level 1 cash, 27% Level 1 bonds, 3% Level 2A bonds and 1% Level 2B bonds.

The Net Stable Funding Ratio (NSFR), based on the binding CRR2 rules and calculated according to EBA templates, stood at 128% at year-end 2023, a decrease also explained by the repayment of the TLTRO, outflows of commercial deposits to the Belgian government bond and continued growth in commercial loans.

1.5. Liquidity reserves

At the end of 2023, Belfius Bank had available liquidity reserves of EUR 45.1 billion. These reserves consisted of EUR 20.2 billion in cash, EUR 8.8 billion in ECB eligible bonds and EUR 16.1 billion in other assets also eligible at the ECB (of which EUR 10.9 billion in bank loans and EUR 5.3 billion in retained bonds).

These available liquidity reserves represent 7.1 times the Bank's institutional funding outstanding at the end of 2023 and having a remaining maturity of less than one year.

1.6. Funding diversification at Belfius Bank

The total funding of Belfius Bank amounted to EUR 141.1 billion as at 31 December 2023, compared to EUR 143.6 billion as at end December 2022. Belfius Bank has a funding profile that consists of mainly commercial funding (83%), senior wholesale funding (4%), secured funding (7%), net unsecured ST interbank funding (4%), and subordinated debt (2%).

Belfius Bank, as a universal bank, has a stable volume of commercial funding that comes from its Individuals (IND) and Entrepreneurs, Enterprises and Public (E&E&P) customers. IND and E&E&P funding equals EUR 117.4 billion of which EUR 71.8 billion is from IND. The decrease of EUR -2.6 billion commercial funding compared to 2022 is mainly due to the outflows of deposits to the 1 year Belgian government bond..

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, increased and stood at 93% at the end of 2023 as the growth in commercial loans was stronger than the funding increase. After the strong increase in interest rates and the effective containment of inflation in 2023, we observed a shift from non maturing deposits to other commercial funding products such as term deposits.

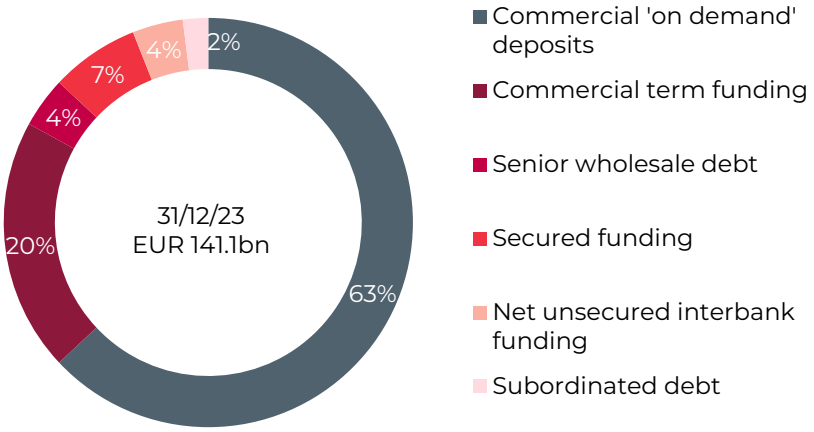
The commercial dynamic paradigm is slowly changing and Belfius Bank increasingly returns to the wholesale markets to replace TLTRO and compensate the outflows towards the Belgian government bond. Belfius Bank receives medium-to-long-term wholesale funding, including EUR 6.8 billion from covered bonds (EUR 5.6 billion backed by mortgage loans and EUR 1.2 billion by public sector loans), EUR 4.1 billion from preferred senior wholesale unsecured, and EUR 1.4 billion in TLTRO funding from the ECB as at 31 December 2023.

During 2023 Belfius Bank attracted nearly EUR 4 billion wholesale funding through issuances of covered bonds (EUR 1.5 billion), preferred senior unsecured (EUR 1.9 billion, of which EUR 0.75 billion in green format), and Tier 2 (EUR 0.5 billion).

The remainder of the Bank's funding requirements comes from institutional short-term deposits (Treasury) mainly obtained through placement of Certificates of Deposit and Commercial Paper (CP).

As a result of derivative contracts to cover the interest rate risk of its activities, Belfius Bank has an outstanding position in derivatives for which collateral must be posted and is being received (cash and securities collateral). In net terms, Belfius Bank posts more collateral than it receives. With the strong decrease in long term interest rates in December, however, the net cash collateral position has somewhat deteriorated from EUR 6.1 billion end of December 2022 to EUR 6.4 billion end of December 2023.

Belfius' main funding sources



1.7. Encumbered assets

Encumbered assets represent the on- and off-balance sheet assets that are pledged or used as collateral for Belfius' liabilities. Belfius has encumbered a part of its loan portfolio for issuing covered bonds and residential mortgage-backed securities (RMBS). Furthermore, assets are encumbered for repurchase agreements and collateral swaps. Belfius also continues to participate in TLTRO, for which assets are pledged as collateral. Finally, a part of Belfius' encumbrance results from collateral posted to secure derivatives transactions.

Belfius is active on the covered bond market since the set-up of the first covered bond programme in 2012.

The Bank also collects funding through repo markets for a limited amount and other collateralised deposits. A small part of the credit claims is pledged directly as collateral for intraday liquidity.

Since 2017 in the context of the management of its liquidity buffer, Belfius is also active in securities lending transactions under agreed Global Master Securities Lending Agreements (GMSLA).

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures under the form of cash or securities and to the collateral posted for the TLTRO funding. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction. The exceptional drawing on the TLTRO III, allowing Belfius to generate additional P&L and capital in order to sustain the Belgian economy, has led to a higher-than-normal Asset Encumbrance Ratio. However, in 2023, Belfius Bank repaid partially the TLTRO III for an amount of EUR 4.6 billion and net cash collateral position slightly deteriorated with EUR 0.3 billion.

At year end 2023 (point-in-time), the sources of asset encumbrance (matching liabilities) mainly consisted of:

- own covered bonds issued (EUR 6.8 billion);
- TLTRO (EUR 1.4 billion);
- derivatives exposures (EUR 3.7 billion);
- repurchase agreements (EUR 1.4 billion).

For the full disclosure under EBA guidelines we refer to the Risk Report of Belfius Bank.

2. Liquidity risk at Belfius Insurance

As an insurance company in terms of liquidity management, Belfius Insurance engages mainly in life insurance liabilities at relatively long term that are largely stable and predictable. Consequently, the funding requirement is quite limited. The premiums paid by policyholders are placed in long-term investments in order to guarantee the insured capital and committed interests at the contract's maturity date. Our liquidity indicators demonstrate that Belfius Insurance constantly holds enough liquid assets to cover its commitments on the liability side of the balance sheet.

In order to ensure that all short-term liquidity requirements can be met, Belfius Insurance has embedded liquidity management in its day-to-day activities through:

- investment guidelines that limit investments in illiquid assets;
- Asset Liability Management, ensuring that investment decisions take into account the specific features of the liabilities;
- policies and procedures put in place to assess the liquidity of new investments;
- follow up of the short-term treasury needs.

In addition, Belfius Insurance also holds a significant amount of unencumbered assets (mainly in governments bonds) eligible for repos in the context of its liquidity management.

The Investment department is responsible for Belfius Insurance's liquidity and cashflow management. Therefore, it uses long-term projections of the cash-flows of assets and liabilities. These cash flows are simulated under both normal and stressed situations.

The assets are valuated in market value. The "Undetermined" category includes the Branch 23 products and shares.

The liability side includes repo transactions and Branch 23 products within the "Undetermined" category.

	2022	
(in millions of EUR)	Assets	Liabilities
< 1 year	1,095	1,006
1 < 5 year	1,984	2,998
5 year and +	9,189	7,123
Undetermined	5,829	4,979
TOTAL	18,097	16,105

	2023	
(in millions of EUR)	Assets	Liabilities
< 1 year	832	1,133
1 < 5 year	2,842	2,463
5 year and +	9,295	7,855
Undetermined	6,051	4,177
TOTAL	19,019	15,627

Non-financial risk – operational risk

1. Non-Financial Risk Management Framework

Non-Financial Risk (NFR) must be understood as a broad umbrella covering all risks except "financial risks" (the latter encompassing market, ALM, liquidity, credit, and insurance risks). NFR covers among others operational

risks (including fraud, HR, IT, IT-security, business continuity, outsourcing, data-related, privacy ...) as well as reputational, compliance, legal, tax, ESG, ... risks.

The NFR management framework determines the principles that ensure an effective management of the non-financial risks. The principles are further elaborated in specific policies and guidelines adapted to the business activities. These general principles are following the applicable legal and regulatory requirements.

The framework is based on the following pillars:

- a risk mapping and taxonomy in order to ensure consistency within the organization, including a regular review of this mapping and taxonomy to identify emerging risks;
- clear roles and responsibilities, as well as a well-defined way of working together for all the risks based on the three LoD (3 LoD) model (decentralized responsibility);
- a strong governance/committee structure involving the appropriate level of management;
- a Risk Appetite Framework (RAF) definition and monitoring;
- transversal risk processes and dedicated risk management frameworks, which are structured into the following main domains: Change Risk Management, Integrated Risk Management, Risk Culture & Governance, Operational, Resilience, Information Security and Data Privacy (see further).

This framework provides comprehensive risk management and sound risk governance, to ensure an effective and efficient identification, assessment, mitigation and monitoring of non-financial risks.

The NFR department acts as an independent internal control function with a 2nd LoD role, and reports directly to the Chief Risk Officer (CRO). The NFR department also includes the specific functions of Anti-Fraud Officer, Data Protection Officer (DPO) and Chief Information Security Officer (CISO). Please note that we work closely with the CORM and Permanent Control functions in the business and support lines (1st LoD).

The reporting, is – besides several specific reports - mainly covered via a dedicated chapter in the Quarterly Risk Report or via dedicated sessions to the Management Board (also called NFR Committee) and senior management.

2. Transversal risk processes

2.1. NFR domain - Change risk management

Being and staying 'inspiring and meaningful for the Belgian society' implies continuous innovation. In that context, change risk management is a corner stone of the global risk management framework, with the New Product Approval Process (NPAP) and Project Risk Management as the main contributions.

2.1.1. New Product Approval Process

The process of developing or changing a function (product, service, activity, process, or system) involves a sound (ex-ante) risk assessment, the so-called New Product Approval Process (NPAP). Its purpose is to ensure that all risks related to any new or changed function are assessed by relevant experts and addressed accordingly and that they are overseen by a dedicated steering committee. It is a risk-based process with special attention to the due implementation of binding conditions.

2.1.2. Project Risk Management

The ability to deliver projects with high-quality standards within the designated timeframe is a key success factor. In this context, a Project Risk Management framework aims to correctly and timely identify risks and implement necessary controls and mitigating plans following a risk-based approach. This framework has been applied to strategic programs and their sub-projects, and the outcomes have been integrated into the Strategic Project Reporting presented to the Board of Directors.

2.2. NFR domain – Integrated risk management

2.2.1. Incident Management

The systematic collection and control of data on operational incidents is one of the main requirements of the Basel Committee regarding operational risk management.

The reporting mechanisms ensure that the responsible parties are notified quickly when incidents occur. Major incidents are investigated thoroughly and are reported to the CRO/Management Board. Such incidents are also

subject to specific action plans and appropriate follow-up, under the responsibility of the concerned line management, for avoidance, mitigation, or limitation of the related risk.

In 2023, an extensive exercise of reconciliation with accounting information has been further carried out in order to provide additional quality assurance.

For the period 2021-2023, Belfius Bank's average annual potential net losses stemming from operational incidents amounted to EUR 3.89 million[24]. The main areas of operational losses remain essentially due to incidents associated with external fraud and incidents in relation to execution, delivery, and process management. Other categories remain limited in amount but not necessarily in the number of events. The retail business accounted for the most significant part of the financial impact resulting from operational incidents.

2.2.2. Self-Assessment of Risks and Internal Controls

Another important task of risk management is the analysis of the overall main potential risks and related key controls, performed within Belfius Group's main entities. This is achieved through a bottom-up self-assessment of risks and internal controls (SARIC) in all departments and subsidiaries, using the COSO methodology to determine the internal control level. These exercises may result in the development of additional action plans to further reduce potential risks. They also provide an excellent overview of the main risk areas in the various businesses. They are conducted annually, and the results are submitted to the respective Boards of Directors. Belfius Bank also submits the senior management report on the assessment of the internal control to its regulators.

The risk profile resulting from the SARIC exercise is quite stable in terms of identified major inherent risks; and remains acceptable regarding global level of both quality of controls & residual risk profile.

2.2.3. Fraud risk management and 2nd LoD Branch Audit

Belfius applies a zero-tolerance policy for all forms of fraud (internal, external, and mixed fraud schemes), monitors the threats continuously and manages these risks based on a global anti-fraud policy as defined and steered by senior management. The roles and responsibilities have been clearly defined with business and support lines as the first risk managers. The CRO and NFR team, including the Anti-Fraud Officer as expert, have a clear 2nd LoD role. With the integration of Investigation & Branch Audit with NFR, a step towards a more holistic approach towards prevention, detection and remediation of fraud risk management has been taken. Processes are screened and internal controls evaluated to prevent fraud and this to protect the interests of Belfius and its employees, customers, suppliers, and other stakeholders.

Branch Audit, as part of the Risk function and from a 2nd LoD perspective, focusses specifically on traditional 'physical' distribution channels for which it provides through on site reviews an assurance on the degree of control for the risk generated during human intervention in the distribution process and which require a physical presence on site in order to be assessed. Branch Audit also formulates advices in order to improve the functioning of the internal control system with those distribution channels.

2.2.4. Managing insurance policies

Belfius also mitigates the possible financial impact of operational risks by taking insurance policies, principally covering professional liability, fraud, theft, and interruption of business and cyber risk. This is standard practice in the financial services' industry.

2.2.5. Outsourcing risk

Belfius recognizes the importance of addressing outsourcing and third-party risk and fully assumes its responsibilities, including but not limited to overseeing and managing the concerned arrangements and the risks involved, whilst ensuring compliancy with the "Final Report on EBA Draft Guidelines on Outsourcing Arrangements". A dedicated steering (risk) committee ensures a well governed and coordinated outsourcing strategy in line with Belfius strategy, risk appetite and regulatory requirements. The framework has been recently thoroughly revised, including a new target operating model and an extended coverage for all third parties (vendors, suppliers, partners, etc.), which will further ensure their life-cycle (risk) management from engagement to termination, based on a new risk-based approach. This new framework will be progressively implemented as from the beginning of 2024.

2.2.6. Permanent control

Effective risk management requires special attention to internal systems control. Belfius has implemented Permanent Control functions to provide ongoing assurance on the adequacy and effectiveness of its control environment.

[24] Losses incurred by clients are not included.

In addition to the organisational deployment of the permanent control function, control testing campaigns have been launched to test the main internal controls within the Bank and evaluate them on appropriateness, effectiveness and efficiency. If any major gaps are identified during testing, action plans are developed to address them.

2.3. NFR domain – Risk culture & governance

The formal definition of a Risk Appetite Framework (RAF) is the key reference for the group Risk Management practice covering both financial and non-financial risks. The RAF for NFR contains quantitative elements (target values or ratios) and qualitative elements (statements) and is articulated around three concepts on which limits are defined:

- "Risks": What are the risks? How to appreciate the risk level (past and forward looking)?
- "Risk management capacity": What is the capacity to manage the risks?
- "Loss tolerance": What are the potential P&L and future RWA impacts Belfius tolerates?

The RAF is continuously updated and improved regarding RAF indicators, with constant challenging at the governance level and an improving level of maturity.

2.4. NFR domain – Operational resilience

2.4.1. Business continuity & crisis management

Belfius is committed to its clients, counterparties, and regulators to establish, maintain, and test viable alternative plans that, in the event of an incident, enable the continuation or resumption of critical business activities at the agreed operational level and in compliance with Belgian regulations.

The supporting process, the business continuity and crisis management, is aligned with the ISO22301 standard and the BCI Good Practice Guidelines. It is applied in a uniform way at all Belfius entities and relies on a.o. threat analysis, business impact analysis, reallocation strategies (dual office, remote and homeworking, etc.), effective management reporting, business continuity plans as well as exercise and maintenance programs.

Several exercises have been conducted to test Belfius' ability to react, of which several tabletop exercises to test our capacity to react to tail risks, such as staff reallocation on sites in case of telework failure or resolution planning in accordance with SRB expectations.

Crisis management has also been reviewed to enhance Belfius' response in crisis situations, particularly in the event of cyber-attack.

As a result, Belfius' Business Continuity Management process is highly developed and ensures the institution's future resilience.

2.4.2. Employment Practices (HR) & Workplace Safety, Damage to Assets & Public Safety risk

Belfius has a very low appetite for physical security and workplace safety risks and strives to provide a safe environment for its staff, clients, guests, and assets by ensuring that its physical security measures and procedures meet high standards. In this regard, a dedicated risk committee systematically monitors the overall situation, especially in case of potential incident.

2.5. Information security management

The purpose of information security is to protect Belfius' data and information, including that belonging to Belfius' customers, against loss of integrity, loss of confidentiality, and unplanned unavailability. To this end, Belfius has developed and deployed its own Information Security Management System (ISMS) framework, which is inspired by ISO 27000 but includes additional control objectives.

In 2023, Belfius continued to deploy ISMS controls, following a risk-based approach. Additionally, the publication of the regulatory technical standards for the Digital Operational Resilience Act (DORA) has marked a milestone as they now need to be integrated into our ISMS deployment effort. Another milestone was the preparation of the ECB stress test on cyber resilience. The different initiatives related to information security have been synthesized into a global roadmap.

2.6. Data privacy management

Respect for privacy and customer satisfaction

The respect for privacy and the protection of personal data is a key commitment at Belfius, which is translated into a sound internal governance and principles to be followed in the respect of GDPR.

To continuous ensure data privacy within Belfius, the Privacy Committee related to GDPR meets regularly. Belfius' Management and several committees are regularly informed about GDPR at Belfius.

The Data Privacy Officer (DPO) is part of the 2nd line of defence. A network of privacy correspondents, active in each department, work closely with the DPO to continuously raise awareness, control, and monitor processes and activities being in line with GDPR.

GDPR conformity, including a risk assessment for the rights and freedom of the owners whose personal data is treated, is ensured in every process involved in offering existing, adapted, and new products, innovative digital tools, services, and information sharing to its clients.

This includes reviewing the privacy notice, implementing an adapted cookie policy and adhering to the rulings of the European Court of Justice on eventual international transfers or access to personal data.

All activities treating personal data are documented in a privacy register by the business lines, and Belfius is highly committed to avoiding personal data breaches and managing any incidents as quickly as possible.

Data subjects can exercise their rights through various means, including the Belfius' online and mobile applications. More than 98% of the data subject rights requests are made through Belfius' online app and they receive an response on the same business day.

In 2023, there were no major personal data breaches identified. However, eleven minor incidents were reported to the Data Protection Authority, which is a decrease from fourteen in 2022, seven in 2021, and eight in 2020. In each case, prompt responses and appropriate actions were taken to prevent future incidents.

Insurance risk

1. Definition

Belfius Insurance, as a part of the Belfius Group, takes up risk through the insurance contracts that it underwrites. The risks within the underwriting risk category are associated with both the exposure covered by the specific line of insurance (Life or Non-Life) and the specific processes associated with insurance business (claims processing, premium collection, pricing, selection, etc.).

The risks that apply to all lines of the insurance business can be globally categorised as follows:

Life underwriting risk: is the risk arising from the life insurance obligations, in relation to the perils covered and the processes used in the conduct of business. It is split up into seven sub segments:

- mortality risk, which is the risk that mortality increases. It applies to all undertakings for which the pay-outs expected to be made increase when there is a rise in mortality;
- longevity risk is the opposite of the mortality risk. It applies to policies for which a fall in mortality would result in an increase in the expected pay-outs (e.g. pension policies). Improvements in medical treatments that prolong life without restoring the ability to work could cause these risks to materialize at a greater frequency than currently observed;
- morbidity or disability risk relates to the risk of loss or disadvantageous movement in expected benefits caused by changes in the level, nature, trend or volatility of the degree of disability;
- lapse risk for Life is described as the risk of loss or increase in pay-out caused by a difference between the effective exercise rate of the contractual options by the policyholder and the expected exercise rate. The

term "options" should be viewed in the broad sense of the word: this sub-module contains options in relation to redemption, cancellation or premium reduction, as well as the expansion of the guarantees. For some policies, exercise may be at the benefit of the insurance company, while for others it may result in a loss. As a result, this sub-module features two scenarios: one in which the options are exercised more frequently than expected and another where they are exercised less frequently;
- expense risk corresponds with the risk that the expenses are higher than expected or that they subdue to higher inflation than expected;
- revision risk only applies for the annuities the amounts of which may be valued negatively for the insurer as the result of a change in the statutory environment or in the policyholder's health situation;
- catastrophe risk is restricted to policies where an immediate and dramatic rise in mortality would result in an increase in benefits.

Non-Life underwriting risk: is the specific insurance risk arising from Non-Life insurance contracts. This uncertainty about the results of the insurer's underwriting could be split in four sub-segments:

- Premium risk is the risk where the amount of premiums received is not sufficient to pay claims that occur during the coverage period to which the premiums relate;
- Reserve risk is the risk of loss or unfavourable change in the value of the insurance undertakings arising from changes in the frequency and severity of the insured events, as well as in the date and amount of the claims to be paid;
- Catastrophe risk is the risk arising from unpredictable events including, but not limited to, windstorms, coastal inundation, floods, severe winter weather, and other weather-related events, pandemics, large-scale fires, industrial explosions, earthquakes and other man-made disasters such as civil unrest and terrorist attacks, that is not covered by the premiums or reserves; and
- Concentration risk: is the risk arising from risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of Belfius Insurance. Belfius analyzes and monitors its concentration risk in a 200 up to 500 meters radius in property, and for locations with a large staff concentration in workers' compensation. Reinsurance contracts are in place to mitigate this concentration risk. Given the activities of Belfius Insurance, the concentration risk is limited. Note that in property insurance there are a limited number of risk exposures exceeding the EUR 100 million threshold, Belfius has reinsured these risk exposures to mitigate the risk.

Product design risk: is the risk of loss resulting from features, options or guarantees that were unanticipated in the design and pricing of the insurance product.

2. Managing the insurance risk

The Risk & Underwriting Committee gives recommendations about strategy in the area of underwriting and reserving for the insurance companies within Belfius Insurance and the resulting policy, in particular with regard to the following points:

- types and characteristics of the insurance business that Belfius Insurance is willing to manage;
- selection criteria for the risks that match the risk appetite;
- the way in which the actual underwriting is monitored;
- the managing between, on the one hand, the insurance premiums collected and, on the other, the claims to be paid out when costs are borne;
- identification of the risks arising from the undertakings of Belfius Insurance, including the implicit options and the capital that is guaranteed by the insurance products;
- making provisions for claims.

Reinsurance is one of the methods used to limit the insurance risk. The main objective of reinsurance is to reduce volatility in capital requirements and profits, and to diminish the un-certainty associated with the risk in the insurer's valuation.

The drivers of reinsurance are:

- capacity: reinsurance gives insurers greater flexibility in terms of scope, type of risk and business volume that they can safely accept. This enables insurers to embark on new business or to expand their activities for a short period;

- stability: structured reinsurance programs enable insurers to stabilize their operating income;
- protection: reinsurance provides protection against cumulative financial losses caused by a succession of events (such as poor weather) or against significant financial losses arising from a single event;
- funding: reinsurance can be an alternative to a capital increase;
- expertise: reinsurers assist insurers in their area of expertise. The qualified staff of reinsurance companies offer their services, for instance in establishing a new business.

3. Sensitivities

We refer to note 9.8 of the consolidated financial statements for further information, section Insurance Risk.

4. Development of claims

We refer to note 9.8 of the consolidated financial statements for further information, section Insurance Risk.

Corporate governance

Composition of the Management Board and of the Board of Directors of Belfius Bank

1. Management Board

1.1. Composition

CHAIRMAN	Marc Raisière
MEMBERS	Marianne Collin
	Dirk Gyselinck
	Olivier Onclin
	Bram Somers
	Johan Vankelecom

As at 31 December 2023, the Management Board of Belfius Bank consisted of 6 members, namely: Marc Raisière, Chairman, Marianne Collin, Dirk Gyselinck, Olivier Onclin, Johan Vankelecom and Bram Somers.

On the Ordinary General Meeting of Shareholders held on 26 April 2023,

- the mandates of Marianne Collin, Olivier Onclin and Johan Vankelecom, as Executive Directors were renewed, for a term of four years to end immediately after the Ordinary General Meeting of Shareholders in 2027;
- Bram Somers was appointed as Executive Director, for a term of four years to end immediately after the Ordinary General Meeting of Shareholders in 2027.

Next to that the Board of Directors meeting held on 27 April 2023 decided to grant discharge to the members of the Management Board for the performance of their mandate for the 2022 financial year. The members of the Management Board did not take part in the deliberations and decisions of the Board of Directors in relation to their discharge as they have a conflict of interests.

1.2. Remit

The Management Board is responsible for the effective management of the Bank, directing and coordinating the activities of the various business lines and support departments within the framework of the objectives and general policy set by the Board of Directors. These powers do not include determining the Bank's overall policy, nor actions reserved for the Board of Directors by the provisions in the Companies and Associations Code or by the Banking Law.

The Management Board ensures that the Bank's business activities are in line with the strategy, risk management and general policy set by the Board of Directors. It passes on relevant information to the Board of Directors to enable it to take informed decisions. It formulates proposals and advice to the Board of Directors with a view to defining or improving the Bank's general policy and strategy.

The members of the Management Board form a collegial body. They are required to carry out their duties in complete objectivity and independence.

Under the supervision of the Board of Directors, the Management Board takes the necessary measures to ensure that the Bank has a robust and suitable organisational structure suited to the Bank's organisation, in order to guarantee the effective and prudent management of the Bank in accordance with the Banking Law.

In principle, the Management Board meets once per week.

2. Board of Directors

2.1. Composition

As at 31 December 2023, the Board of Directors consisted of 18 members, 6 of whom are members of the Management Board (cf. next table). The Board of Directors consists of professionals from a variety of industries, including the financial sector and has the expertise and experience required in relation to the Bank's various operating businesses.

On the Ordinary General Meeting of Shareholders held on 26 April 2023,

- the Director's mandates of Marianne Collin (Executive Director), Georges Hübner (Independent Director), Olivier Onclin (Executive Director) and Johan Vankelecom (Executive Director) were renewed for a term of four years, to end immediately after the Ordinary General Meeting of Shareholders in 2027;
- Bram Somers was appointed as Executive Director for a term of four years to end immediately after the Ordinary General Meeting of Shareholders in 2027;
- Colette Dierick, Hélène Goessaert and Daniel Falque were appointed as Independent Directors for a term of four years to end immediately after the Ordinary General Meeting of Shareholders in 2027;
- Estelle Cantillon and Olivier Gillerot were appointed as Independent Directors with effect as of 27 September 2023 for a term to end immediately after the Ordinary General Meeting of Shareholders in 2027.

The Director's mandates of Bruno Brusselmans (Independent Director), Carine Doutrelepont (Non-Executive Director), Martine De Rouck (Independent Director) and Diane Rosen-Zygas (Independent Director) ended immediately after the Ordinary General Meeting of Shareholders held on 26 April 2023.

2.2. Remit

The Board of Directors defines on proposal or recommendation of the Management Board and inter alia supervises:

- the institution's strategy and objectives;
- the risk policy, including the risk tolerance level;
- the organisation of the institution for the provision of investment services, the exercise of investment activities, the provision of ancillary services, the marketing of structured deposits and the provision of advice to clients on such products, including the organisational arrangements, as well as the skills, knowledge and expertise required of the staff, the resources, procedures and mechanisms with or by which the institution provides those services and exercises those activities;
- the integrity policy.

In the context of this responsibility, the Board of Directors is actively involved with the general policy, in particular regarding the supervision of the risk policy, organisation and financial stability of the Bank and its governance, including the definition of the credit institution's objectives and values.

Also, as Belfius Bank is head of the Belfius Group Financial Conglomerate, Belfius Bank's Board of Directors is responsible for the general policy, risk appetite and strategy of the Belfius Group and the compliance of the subsidiaries herewith.

The Board of Directors also approves the Bank's Governance Memorandum.

In 2023, the Board of Directors met seventeen times.

2.3. Conflicts of interest

During the financial year 2023 several decisions of the Board of Directors required the application of Article 7:115 of the Companies and Associations Code as Member(s) of the Management Board / Director(s) had a conflict of interest of a financial nature.

These decisions referred to:

- the performance-related remuneration and to the setting of the individual objectives of the Members of the Management Board

The Members of the Management Board did not take part in these deliberations nor in these decision-making. They declared that they had an interest of a financial nature opposed to the interest of the company given that these points concern the determination of their performance-related remuneration.

Excerpt from the minutes of the Board of Directors of Belfius Bank of 26 January 2023

The Board of Directors unanimously approved the evaluation score (...) for the general part of the management contract for the Members of the Management Committee (General Objectives 2022) for the 2022 performance year.

(...)

Based on the positive advice of the Remuneration Committee, the Board of Directors unanimously approved the assessment of the members of the Management Board and its translation into a performance-related remuneration amounting to (...)

(...)

Based on the positive advice of the Remuneration Committee, the Board of Directors unanimously approved the assessment of the Chairman of the Management Board and its translation into a performance-related remuneration amounting to (...)

Excerpt from the minutes of the Board of Directors of Belfius Bank of 21 March 2023

Based on the positive advice of the Remuneration Committee, the Board of Directors unanimously approved the individual objectives for the Members of the Management Board (including Bram Somers) for the financial year 2023 subject to the adaptations requested at the meeting.

(...)

Based on the positive advice of the Remuneration Committee, the Board of Directors unanimously approved the individual objectives for the Chair of the Management Board for the financial year 2023 subject to the adaptations requested at the meeting.

- the policy relating to maternity leave for female members of the Management Board.

  Marianne Collin did not take part in the deliberations nor in the decision-making as she had a conflict of interest.

  Excerpt from the minutes of the Board of Directors of Belfius Bank of 2 March 2023

  (The Board of Directors) (...) unanimously approved the policy relating to maternity leave for female members of the Management Board and asked that the remuneration policy be adapted accordingly.

- the discharge granted to the Members of the Management Board

  According to article 7:109, § 3 of the Companies and Associations Code, after the adoption of the annual accounts, the Board of Directors has to decide on the granting of discharge to the Members of the Management Board. The Board of Directors has to describe the pecuniary consequences of the proposed decision and the justification for its decision.

  The Board of Directors recognized that there is a conflict of interest of a financial nature. However since the Board of Directors didn't intend to bring a claim for damages against the Management Board and/or its members there is no patrimonial impact for Belfius Bank SA. The Board of Directors decided at the Board of Directors meeting held on 27 April 2023 to grant discharge to the members of the Management Board.

  Excerpt from the minutes of the Board of Directors of Belfius Bank of 27 April 2023

  Marc Raisière, Marianne Collin, Dirk Gyselinck, Olivier Onclin and Johan Vankelecom did not take part in the deliberations nor in the decision-making as they have a conflict of interest.,

The Board of Directors unanimously granted discharge to the Members of the Management Board for their activities during the 2022 financial year.

- the mandate renewals of Directors (see above)

  In accordance with the procedure provided for under the Companies and Associations Code, the Board of Directors applied the procedure regarding conflicts of interest in the context of granting loans falling within the scope of Article 72 of the Banking Law. It concerns more specifically a mortgage loan granted to Dirk Gyselinck and Bram Somers, executive directors of Belfius Bank, respectively under conditions applicable to customers.

BOARD OF DIRECTORS OF BELFIUS BANK (31/12/23)	MAIN FUNCTION	Non-executive director	Member of the Management Board	Independent director	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee	Intra-group Committee	Technology Committee
CHRIS SUNT	Chairman of the Board of Directors of Belfius Bank SA	*							*	
MARC RAISIÈRE	Chairman of the Management Board of Belfius Bank SA		*							
MARIANNE COLLIN	Member of the Management Board of Belfius Bank SA Chief Risk Officer, responsible for Risk Management & Compliance									
DIRK GYSELINCK	Member of the Management Board of Belfius Bank SA Responsible for Wealth, Enterprises & Public									
OLIVIER ONCLIN	Member of the Management Board of Belfius Bank SA Responsible for Private, Business & Retail Banking									
BRAM SOMERS	Member of the Management Board of Belfius Bank SA Chief Technology Officer									
JOHAN VANKELECOM	Member of the Management Board of Belfius Bank SA Chief Financial Officer, Responsible for Corporate Strategy, Capital Management, Financial Conglomerate Steering and Investor Relations, ALM, Legal, Tax, Accounting, Strategic Planning and Performance Management (SPPM), Strategic Research and Belfius Asset Management									
PAUL BODART	Director of companies and non-profit organisations									*
ESTELLE CANTILLON	FNRS Research Director at the Université Libre de Bruxelles (ULB)							1		
COLETTE DIERICK	Director of companies									
DANIEL FALQUE	Director of companies and non-profit organisations									
OLIVIER GILLEROT	Director of companies and non-profit organisations								1	1
HÉLÈNE GOESSAERT	Director of companies									
PETER HINSSEN	Entrepreneur, keynote speaker and author									
GEORGES HÜBNER	Full Professor at the HEC Liège, Liège University				*					
ISABEL NEUMANN	Chief Investment Officer at Shurgard Self Storage									
LUTGART VAN DEN BERGHE	Emeritus extraordinary professor at the University of Ghent and emeritus part-time professor at the Vlerick Business School					*	*			
RUDI VANDER VENNET	Full Professor in Financial Economics and Banking at the University of Ghent							*		

Notes: 1. As from 27 September 2023; The star refers to chairman or chairwoman.

Relationship between the Board of Directors and the Management Board

Management of the credit institution's activities remains under the sole authority of the Management Board. Such management takes place without any outside intervention and is carried out within the framework of the general policy laid down by the Board of Directors.

Advisory committees established by the Board of Directors

The Board of Directors established various advisory committees to assist it in its task, i.e. a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of non-executive directors. In line with the EBA guidelines the majority of the members of the advisory committees are Independent Directors. Members of these advisory committees are member of a maximum of three such advisory committees.

An Intra-group Committee and a Technology Committee have also been established within the governance of the Belfius Group as well as an Art Council.

1. Nomination Committee

The Nomination Committee plays an advisory role and prepares decisions of the Board of Directors of Belfius Bank in relation to appointments, HR, succession plans, and so on. It also ensures the application of provisions concerning corporate governance. With the objective of efficiency and consistency regarding group policy, this committee also prepares decisions of the Board of Directors of Belfius Insurance and Belfius Asset Management in this regard.

1.1. Composition

CHAIRWOMAN	Lutgart Van den Berghe
MEMBERS	Daniel Falque[1]
	Diane Rosen-Zygas[2]
	Chris Sunt Chairman of the Board of Directors of Belfius Bank

(1) From 27 April 2023 onwards.
(2) Until 26 April 2023.

1.1.1. General aspects

As at 31 December 2023, the Nomination Committee for Belfius Bank consists of the following members: Baroness Lutgart Van den Berghe, Chairwoman, Daniel Falque and Chris Sunt.

Diane Rosen-Zygas was a member of the Nomination Committee until 26 April 2023.

Daniel Falque was appointed as a member of the Nomination Committee on 27 April 2023.

Baroness Lutgart Van den Berghe and Daniel Falque, who are also Independent Directors of Belfius Insurance as well, represent Belfius Insurance at the Nomination Committee for matters concerning Belfius Insurance.

1.1.2. Independence and expertise

All the members of the Nomination Committee are non-executive directors.

Baroness Lutgart Van den Berghe, Doctor in Economics, is an emeritus extraordinary professor at the University of Ghent and emeritus part time professor at the Vlerick Business School. She is also member of the *Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten*.

Daniel Falque holds a Master in International & Public Affairs. He has over 30 years of experience in the banking and insurance industry, gaining in-depth knowledge and experience in banking, financial and insurance areas and management through the different senior management positions he endorsed during his career in Belgium and abroad.

Diane Rosen-Zygas, a commercial engineer, has a broad experience in the financial sector. She also has particular experience in human resources. In particular, she has worked as Head of Management Development, Recruitment, Compensation and Benefits at a financial institution as well as Chief Human Resources Officer at Group S, *secrétariat social agréé* ASBL.

Chris Sunt holds a masters of law degree. He was a member of the Brussels' Bar from 1980 until 2020, when he became "ere-advocaat/avocat honoraire". In his 40 years as a practicing lawyer specialised in corporate and banking law and in financial services regulation. He is the Chairman of the Board of Directors of Belfius Bank.

The majority of the members of the Nomination Committee of Belfius Bank are independent directors and have professional experience in the financial sector.

Different members have professional experience as executive directors and all the members have professional experience as non-executive directors in various sectors of activity. Consequently, the members of the Nomination Committee have the required skills, based on their education and diverse professional experience, to give a competent and independent judgement on the composition and operation of the Bank's management bodies, in particular on the individual and collective skills of their members and their integrity, reputation, independence of spirit and availability.

1.2. Remit

The Nomination Committee:

- identifies and recommends, for the approval of the General Meeting of Shareholders or of the Board of Directors, as the case may be, candidates suited to fill vacancies on the Board of Directors, evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected;
  The Nomination Committee also decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target;
- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;
- periodically, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors and advisory committees, both individually and collectively, and reports to the Board of Directors accordingly;
- periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, in order to make recommendations to the Board of Directors;
- prepares proposals for the appointment or mandate renewal, as the case may be, of directors, members of the Management Board, the Chairman of the Board of Directors and the Chairman of the Management Board;
- assesses the aptitude of a director or a candidate director to meet the criteria set forth for being considered as an independent director;
- examines questions relating to problems with the succession of directors and members of the Management Board;
- establishes a general and specific profile for directors and members of the Management Board;
- ensures the application of provisions with regard to corporate governance;
- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- assesses the governance memorandum and if necessary proposes amendments;

- at least annually discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and actions taken to remedy situations.

In performing its duties, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by one person or a small group of persons, in a way which might be prejudicial to the interests of the Bank as a whole.

The Nomination Committee may use any type of resources that it considers to be appropriate for the performance of its tasks, including external advice, and receives appropriate funding to that end.

In 2023, the Nomination Committee met sixteen times.

1.3. Recruitment policy

1.3.1. Requirements associated with the position of director/member of the Management Board

Each Director/Member of the Management Board must, on his or her appointment and for the entire term of his or her mandate, have the expertise and professional integrity required to perform his or her tasks. Within this framework, a position profile has been established by the Bank. Moreover, the Bank periodically makes an assessment of the aptitude of directors, members of the Management Board and members of the advisory committees.

In accordance with the applicable regulation, every Director must, without being prompted to do so, notify the Bank about elements that may have an impact on his or her required expertise, professional integrity and availability to exercise his or her function as a director.

1.3.2. Procedure for appointment/renewal of mandate

1.3.2.1. Directors

Directors are appointed by the General Meeting of Shareholders (or by the Board of Directors if a director is co-opted) on a proposal from the Board of Directors, after obtaining the opinion of the Nomination Committee. The appointment or renewal of the mandate of a Director must be approved in advance by the Regulator (ECB and NBB).

The Nomination Committee prepares proposals for appointments, co-opting or renewal of the mandates of directors.

On the renewal of a Director's mandate, the Nomination Committee, based on an internal evaluation performed by the entire Board of Directors under the direction of an external provider, will make an assessment of his or her participation within the Board of Directors and ensure that there are no new elements that could negatively impact the aptitude of the director to perform a new mandate. The Nomination Committee will also make sure, based on a competence matrix, that the Board of Directors has sufficient competencies to realize the strategy and to deal with future challenges. The Committee then provides advice to the Board of Directors.

On a first appointment or mandate renewal, the Chairman of the Board of Directors and the Nomination Committee will ensure that the Board of Directors and the General Meeting of Shareholders have sufficient information with regard to the candidate Director to be able to assess whether the latter has the expertise and professional integrity required to perform these tasks.

BOARD OF DIRECTORS	Number of members	18
	Ratio men/women	66.7% / 33.3%
	Independent directors	10
	Main degree qualifications (several people may have more than one degree)	Economics / Business Administration / Finance / Law / Engineering / Mathematics / Actuarial Sciences
MANAGEMENT BOARD	Number of members	6
	Ratio men/women	83.3% / 16.7%
	Main degree qualifications (several people may have more than one degree)	Engineering (commercial, civil, agricultural) / Economics / Business Administration / Finance / Mathematics / Actuarial Sciences / International and Public Affairs

1.3.2.2. Members of the Management Board

The Chairman and Members of the Management Board are appointed by the Board of Directors from among the Directors who have acquired professional experience in the banking and financial sector, on proposal of the Management Board, after obtaining the opinion of the Nomination Committee and the approval of the Regulator (ECB and NBB). As for the Chairman of the Management Board, his or her appointment will be decided by the Board of Directors on proposal of the Management Board, after consultation with the Chairman of the Board of Directors and positive opinion of the Nomination Committee.

1.4. Diversity policy

A diverse Board of Directors includes differences in background, language, gender, age and professional skills relevant for Belfius. These differences are to be considered in determining the optimum composition of the Board of Directors (competence matrix) and when possible, should be balanced appropriately.

The Nomination Committee reviews and assesses the composition of the Board of Directors on behalf of the Board of Directors and recommends the appointment of new Directors. In reviewing the Board of Directors' composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above.

In identifying suitable candidates for appointment to the Board of Directors, the Nomination Committee will consider candidates on their merit against objective criteria and with due regard for the benefits of diversity on the Board of Directors.

The Nomination Committee also conducts the annual review of the Board of Directors' effectiveness and performs a regular evaluation of the individual Directors. As part of these evaluations of the effectiveness of the Board of Directors, advisory committees and individual Directors, the Nomination Committee will consider the balance of skills, experience, independence and knowledge of Belfius Bank on the Board of Directors and the diversity of the Board of Directors.

Furthermore, on 25 August 2015, the Nomination Committee set a target to be achieved with regard to gender representation on the Board of Directors and established a policy aimed at increasing the number of members of the currently underrepresented gender in order to achieve that target.

In accordance with the provisions of Article 7:86 of the Companies and Associations Code, the Nomination Committee has set a target of achieving and maintaining a minimum of one-third representation of the other sex on the Board of Directors (Management Board included). For the application hereof, the required minimum number of members of the underrepresented sex will be rounded off to the nearest whole number.

Should the number of Directors of the underrepresented gender be less than one third, the next Ordinary General Meeting of Shareholders will compose a Board of Directors that will meet this requirement.

The Nomination Committee annually discusses the evolution towards the objective for achieving diversity on the Board of Directors and make recommendations to the Board of Directors for adoption.

As at 31 December 2023, the Board of Directors was composed in line with the principles stated above.

2. Remuneration Committee

The Remuneration Committee has an advisory role and prepares decisions of the Board of Directors of Belfius Bank regarding remuneration. With the objective of efficiency and consistency regarding group policy, this committee also prepares decisions of the Board of Directors of Belfius Insurance and Belfius Asset Management in this regard.

2.1. Composition

CHAIRWOMAN	Lutgart Van den Berghe
MEMBERS	Daniel Falque[1]
	Diane Rosen-Zygas[2]
	Chris Sunt Chairman of the Board of Directors of Belfius Bank

(1) From 27 April 2023 onwards.
(2) Until 26 April 2023.

2.1.1. General aspects

As at 31 December 2023, the Remuneration Committee for Belfius Bank consists of the following members: Baroness Lutgart Van den Berghe, Chairwoman, Daniel Falque and Chris Sunt.

Diane Rosen-Zygas was a member of the Remuneration Committee until 26 April 2023.

Daniel Falque was appointed as a member of the Remuneration Committee on 27 April 2023.

Baroness Lutgart Van den Berghe and Daniel Falque, who are also Independent Directors of Belfius Insurance, as well represent Belfius Insurance at the Remuneration Committee for matters concerning Belfius Insurance.

2.1.2. Independence and expertise

All the members of the Remuneration Committee are non-executive directors.

Baroness Lutgart Van den Berghe, Doctor in Economics, is an emeritus extraordinary professor at the University of Ghent and emeritus part time professor at the Vlerick Business School. She is also member of *the Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten*.

Daniel Falque holds a Master in International & Public Affairs. He has over 30 years of experience in the banking and insurance industry, gaining in-depth knowledge and experience in banking, financial and insurance areas and management through the different senior management positions he endorsed during his career in Belgium and abroad.

Diane Rosen-Zygas, a commercial engineer, has a broad experience in the financial sector. She also has particular experience in human resources. In particular, she has worked as Head of Management Development, Recruitment, Compensation and Benefits at a financial institution as well as Chief Human Resources Officer at Group S, *secrétariat social agréé* ASBL.

Chris Sunt holds a masters of law degree. He was a member of the Brussels' Bar from 1980 until 2020, when he became "ere-advocaat/avocat honoraire". In his 40 years as a practicing lawyer he specialised in corporate and banking law and in financial services regulation. He is the Chairman of the Board of Directors of Belfius Bank.

The majority of the members of the Remuneration Committee of Belfius Bank are independent directors and all the members have professional experience in the financial sector.

One of the members also sat on the Nomination and Remuneration Committee of a listed company.

Consequently, the members of the Remuneration Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgement on remuneration policies and practices and on the incentives created for managing risks, capital and liquidity of the Bank.

2.1.3. Collaboration and interaction with other advisory committees of the Board of Directors

In order to perform its tasks correctly (cf. also infra), in 2023 the Remuneration Committee interacted regularly with the Risk Committee and the Audit Committee.

The Risk Committee ensures that the Belfius Group's risk management, capital requirements and liquidity position, as well as the probability and the spread in time of profit is correctly taken into consideration in decisions relating to remuneration policy.

Within Belfius Bank, this is reflected by the formulation of an opinion on a global "Risk Gateway" (cf. § 2.3.1.3) and by the establishment and assessment of Key Risk Indicators on an annual basis. Their preparation is undertaken by the Risks divisions, in collaboration with the Human Resources division.

The Audit Committee contributes to the establishment of objectives for the Auditor General and the Audit and Risk committee for the objectives for the Compliance Officer.

The audit department at Belfius Bank will provide an independent and regular analysis of the remuneration policy and its practical implementation. The latest follow-up study was realised in 2022.

2.2. Remit

The Remuneration Committee prepares the decisions of the Board of Directors by inter alia:

- developing the remuneration policy, as well as making practical remuneration proposals for the Chairman, the non-executive members of the Board of Directors and the members of the advisory committees of the Board of Directors. The Board of Directors submits these remuneration proposals to the General Meeting of Shareholders for approval;
- developing the remuneration policy, as well as making practical proposals for the remuneration of the Chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board. The Board of Directors then determines the remuneration of the Chairman and the members of the Management Board;
- providing advice on the proposals made by the Chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the Remuneration Committee, the Board of Directors of Belfius Bank determines the severance remuneration of the Chairman and members of the Belfius Bank Management Board;
- advising the Board of Directors in relation to the remuneration policy for staff members whose activity has a material impact on the risk profile of Belfius Bank (known as "Identified Staff") and in relation to the compliance of the allocation of remuneration to Identified Staff with regard to the remuneration policy put in place for them;
- preparing the remuneration report approved by the Board of Directors and published in the annual report;
- periodically checking to ensure that the remuneration programmes are achieving their objective and are in line with applicable conditions;
- annually assessing the performance and objectives of the members of the Management Board;
- providing an opinion of the elaboration of a global "Risk Gateway", in consultation with the Risk Committee, containing various levers applied at various points in the performance management cycle, with an impact on determination of the variable remuneration.

The Remuneration Committee exercises direct supervision over the determination of objectives and remuneration of the individuals responsible for the independent control functions (Chief Risk Officer, General Auditor and Compliance Officer).

In 2023, the Remuneration Committee met nine times.

2.3. Remuneration

2.3.1. Introduction

2.3.1.1. Decision-taking powers

The Board of Directors decides on the remuneration of the members of the Management Board at Belfius Bank based on the advice of the Remuneration Committee and the Chairman of the Management Board.

The Management Board sets the remuneration of the senior managers who may have a material impact on the risk profile of Belfius Bank, subject to the nature or level of the positions in question and/or their remuneration, within the framework of the remuneration policy. The Remuneration Committee gives advice regarding this policy.

2.3.1.2. Remuneration policy

The remuneration policy of Belfius Bank and its subsidiaries was developed by Human Resources and the Legal Department and submitted for advice to the Remuneration Committee. The Risk Committee is also involved in developing the remuneration policy. The remuneration policy is approved by the Board of Directors.

The remuneration policy includes on the one hand general principles applicable to all Belfius Bank staff members. On the other hand, taking the principle of proportionality agreed in advance with the NBB into account, it includes specific provisions exclusively applicable to the members of the Management Board and to staff members whose activity has a material impact on the risk profile of Belfius Bank (i.e. "Identified Staff"), given the nature or level of the positions themselves and/or their remuneration.

When annually updating the list of Identified Staff, Belfius Bank takes account of the Belgian and European legislation. The Remuneration Committee and the Risk Committee are also informed of the result of such update.

2.3.1.3. Strategy guidelines approved by the Board of Directors in accordance with regulations

Fixed remuneration forms an appreciable part of total remuneration, taking into account the experience, the competences, education and qualifications of staff members, their duties, responsibility and the level of their position.

Limiting the portion of remuneration related to performance and results achieved, is intended to discourage excessive risk taking. The proportion between fixed and variable remuneration is 30% for members of the Management Board and less for senior management, when targets are reached. Exceptional performance can never result in that percentage being more than 50%.

The envelope for performance-related remuneration (performances in 2023) was determined in relation to the evolution of the net income of Belfius Group. When deciding the envelope for performance-related remuneration, one of the main drivers will always be a sound capital basis.

The policy also includes a risk gateway, which is a mechanism (ex-ante) involving the total budget for the variable remuneration of senior management (members of the Management Board included) being reduced in the case of a material deterioration of solvency ratios (Solvency II ratio, CET 1 ratio) or liquidity ratio (LCR) under the levels fixed in the risk framework.

The performance-related remuneration is paid individually depending on the available envelope, collective results and the achievement of individual objectives.

Key Risk Indicators (KRI) have been included in the objectives of members of the Management Board and staff members whose activity has a material impact on the risk profile of Belfius Bank. The aim is to take proper account of the different types of (current and future) risks at each point in the assessment cycle: an insufficient score on one or more of such risk indicators has a negative impact on the variable remuneration.

The establishment, monitoring and assessment of these risk indicators are coordinated by the Chief Risk Officer (CRO) and submitted to the Risk Committee and the Remuneration Committee. Where appropriate, the CRO will confer with the General Auditor and the Compliance Officer and will also consult regularly with the Human Resources division.

Belfius Bank may also reduce performance-related remuneration, or even take it to zero, in the event of poor (collective or individual) performances, taking account of the level of seniority of the staff member and/or the legal basis on which that performance-related remuneration is founded.

At the end of 2015, a policy in relation to deferred variable remuneration ("deferral") was established for staff members whose activity has a material impact on the risk profile of Belfius Bank. This proposal was formulated by the Human Resources division, in collaboration with the Capital & Liquidity Management, Legal and Risk divisions. This policy has been applied each year since 2015.

In practical terms, for staff members whose activities have a material impact on the risk profile of Belfius Bank, to the extent that their performance-related remuneration exceeds EUR 50,000, 50% of the remuneration will be deferred over a period of 5 years (60% if the performance-related remuneration is higher than EUR 200,000) for members of the Management Board and 'Senior Management', and 40% of the remuneration will be deferred over a period of 4 years (60% if the performance-related remuneration is higher than EUR 200,000) for the others. 50% of the total variable remuneration will be paid by way of a financial instrument which reflects the financial health of the business. The terms of this policy are integrated in the Belfius Group's remuneration policy.

The risk gateway (cf. above) will also be applied at the end of the first quarter of each year to determine whether the deferred variable remuneration payable in that year can also effectively be paid.

If appropriate, variable remuneration may be subject to an ex-post risk adjustment via a malus or clawback clause.

2.3.2. Remuneration of members of the Management Board

2.3.2.1. Fixed and performance-related remuneration

The remuneration of the members of the Bank's Management Board consists of a fixed part and a performance-related part.

The fixed and performance-related remuneration of members of the Management Board constitutes a whole from which are deducted any attendance fees or directors' fees paid to a member of the Management Board by a third-party company (for which the member performs a mandate on behalf of Belfius Bank).

The remuneration and the individual targets of the members of Management Board members are decided on by the Board of Directors. The members of the Management Board (except the chairman of the Management Board) do not take part in the deliberation, nor in the decision-making. The Chairman of the Management Board does not take part in the deliberation, nor in the decision-making with regard to his personal situation.

2.3.2.2. Remuneration for 2023

Remuneration of the Chairman of the Management Board

Fixed remuneration

The fixed remuneration of the Chairman of the Management Board amounts to EUR 782,456.

The granted premium for his group insurance, for other insurance policies (mainly insurance against death and disability) and the other benefits (mainly reimbursement of expenses and company car costs) amounted to EUR 282,361.

Performance-related remuneration

The Board of Directors decided to grant to the Chairman of the Management Board a performance-related (2023) remuneration of EUR 317,998. The acquisition of this amount is spread over 7 years, provided certain conditions are met. Half of the total (deferred) performance-related remuneration is awarded in cash and the other half in a financial instrument.

A first payment of EUR 63,600 of this variable remuneration for services in 2023 is scheduled to be made at the beginning of 2024.

The balance of the performance-related remuneration will be spread over the coming 6 years.

On the basis of the performance-related remuneration of 2018, 2019, 2020, 2021, 2022 and 2023, provided certain conditions are met in the coming 6 years, the Chairman of the Management Board may receive a deferred performance-related remuneration as follows: EUR 223,161 in 2025; EUR 149,635 in 2026; EUR 121,857 in 2027; EUR 91,536 in 2028; EUR 56,710 in 2029 and EUR 19,079 in 2030.

It is worth reiterating that every payment of (deferred) performance-related remuneration may be subject to an ex-post risk adjustment via a malus or clawback clause (cf. 2.3.1.3. supra). The part paid through a financial instrument is also dependent on the annual evaluation of this instrument.

In 2023 an amount of EUR 247,433 was paid to the Chairman of the Management Board as performance-related remuneration linked to the performance in 2016, 2017, 2018, 2019, 2020, 2021 and 2022.

Consequently, an amount of EUR 1,029,889 was paid to the Chairman of the Management Board (fixed salary and variable remuneration) in 2023.Taking into account the amounts granted for the group insurance and other insurances and benefits for the Chairman of the Management Board, the total amount related to the financial year 2023 is EUR 1,312,250 (fixed salary, variable salary, group insurance, other insurance and benefits).

Remuneration of the other members of the Management Board

Fixed remuneration

The fixed remuneration of the members of the Management Board (divided among 5 persons) amounts to EUR 2,236,555.

The (aggregated) granted premium for their group insurance, for other insurance policies (mainly insurance against death and disability) and the other benefits (mainly reimbursement of expenses and company car costs) amounted to EUR 762,855 (divided among the 5 members).

Performance-related remuneration

The Board of Directors decided to grant to the members of the Management Board (5 persons) a performance-related remuneration for 2023 totalling EUR 943,858. Half of the respective total (deferred) performance-related remuneration for each member of the Management Board is awarded in cash and the other half in a financial instrument. The acquisition of this amount is spread over 7 years, provided certain conditions are met.

A first payment of EUR 235,966 of this variable remuneration for services in 2023 is scheduled to be made at the beginning of 2024. The balance will be spread over the coming 6 years.

On the basis of the performance-related remuneration of, 2018, 2019, 2020, 2021, 2022 and 2023, provided certain conditions are met in the coming 6 years, the members of the Management Board may receive a deferred performance-related remuneration EUR 557,337 in 2025; EUR 318,383 in 2026; EUR 261,574 in 2027; EUR 199,636 in 2028; EUR 130,730 in 2029 and EUR 47,190 in 2030.

It is worth reiterating that every payment of (deferred) performance-related remuneration may be subject to an ex-post risk adjustment via a malus or clawback clause (cf. 2.3.1.3. supra). The part paid through a financial instrument is also dependent on the annual evaluation of this instrument.

In 2023 an amount of EUR 590,632 was paid to the five members of the members of the Management Board as performance-related remuneration linked to the performance in 2016, 2017, 2018, 2019, 2020, 2021 and 2022.

Consequently, an amount of EUR 2,827,187 was paid to the five members of members of the Management Board (fixed salary and variable remuneration) in 2023.

Taking into account the amounts granted for the group insurance and other insurances and benefits for the five members of the Management Board, the total amount related to the financial year 2023 is EUR 3,590,042 (fixed salary, variable salary, group insurance, other insurance and benefits).

Option plans

Belfius Bank has no option plan. During 2023, no option was granted to members of the Management Board or exercised by the latter.

In accordance with Article 450 of Regulation No. 575/2013, Belfius Bank declares that a remuneration of more than EUR 1 million was granted to one staff member of Belfius Bank in 2023.

In 2023, no exceptional bonus was granted within the context of a recruitment and no severance remuneration was paid to members of the Management Board.

2.3.3. Remuneration of staff members whose activity has a material impact on the risk profile of Belfius Bank (excluding the members of the Management Board and the members of the Board of Directors)

Fixed remuneration

The fixed remuneration paid in 2023 to the members of staff concerned (234 staff members at the end of 2023) was EUR 45,523,358.

Performance-related remuneration

A total amount of EUR 8,721,979 was granted to the members of staff concerned as performance-related remuneration for the year 2023.

This amount was granted for:

- EUR 6,545,210 in warrants[25] and for EUR 360,539 in cash;
- EUR 1,633,230 spread over 7 years, EUR 183,000 spread over 6 years, provided certain conditions are met and awarded half in cash/warrants and half in financial instruments.

Based on the performance-related remuneration granted for previous performances, the staff members may receive a delayed performance-related remuneration of EUR 566,987, provided certain conditions are met. In 2023, an amount of EUR 364,953 has been paid as performance-related remuneration for previous performances. Please note that each payment of a (delayed) variable remuneration may be subject to an ex-post risk adjustment via a malus or clawback clause (cf. supra 2.3.1.3.). The part paid via a financial instrument also depends on the annual evaluation of this instrument.

Remuneration by business area

In line with the directives from the European Banking Authority (EBA), the overall quantitative data relative to remuneration per business area is stated in the table below.

Option plans

Belfius Bank has no option plan. During 2023, no option was granted to staff members whose activity has a material impact on the risk profile of Belfius Bank or exercised by the latter.

Severance remuneration

In 2023, three severance remunerations were paid to three staff members whose activity has a material impact on the risk profile of Belfius Bank.

The total amount of these payments were EUR 446,247.15, the highest of both payments amounted to EUR 301,521.

Sign-on remuneration

For the year 2023, three individuals (referred to in point 2.3.3.) were exceptionally awarded a signing-on bonus.

[25] A capitalisation share (class C) of the Belfius Equities Europe Conviction, a subfund within the Belfius Equities sicav registered under Belgian law.

	Corporate functions	Independent Control functions	Private, Business & Retail	Wealth, Enterprises & Public [1]	Total
Fixed remuneration	13,283,640	8,182,141	8,047,059	16,010,518	45,523,358
Performance related remuneration	2,638,990	1,239,085	1,620,967	3,222,937	8,721,979

(1) Financial Markets included.

Number of meetings and remuneration for each non-executive director in 2023[2]

	Intra-group Committee (5 meetings)	Board of Directors (17 meetings)	Risk Committee (13 meetings)[2]	Audit Committee (16 meetings)	Nomination Committee (16 meetings)[2]	Remuneration Committee (9 meetings)	Technology Committee (6 meetings)	Total Remuneration (in EUR)
Doutrelepont Carine[3]	1	2						16,650
Hübner Georges		17	13	15[1]				110,250
Van den Berghe Lutgart		16			16[1]	9[1]		131,850
Sunt Chris	5[1]	17[1]			15	9		273,600
Bodart Paul		17		15			6[1]	96,750
Vander Vennet Rudi		16	12[1]					88,650
Rosen-Zygas Diane[3]		3		5	8	4		43,650
De Rouck Martine[3]	1	3	5	5				27,450
Neumann dit Orlicz-Jar Isabel		16						49,050
Brusselmans Bruno[3]		3					2	20,250
Hinssen Peter		15					4	55,350
Dierick Colette[4]	4	13		11				62,204
Goessaert Hélène[4]		14	8	10				61,754
Gillerot Olivier[5]	2	6					1	22,085
Cantillon Estelle[5]		6	3					21,185
Falque Daniel[4]		13			8	5	3	67,153
								1,147,880

(1) Chairman.
(2) Some meetings were not remunerated. Joint meetings of two committees were indeed only once remunerated, for example.
(3) End of mandate on 26 April 2023.
(4) Begin of mandate on 26 April 2023.
(5) Begin of mandate on 27 September 2023.

2.3.4. Remuneration of members of the Board of Directors (non-executive directors)

The total remuneration paid to members of the Board of Directors of Belfius Bank, except the members of the Management Board (non-executive directors) for 2023 was EUR 1,147,880 for 82 meetings (compared with EUR

1,145,700 in 2022 for 72 meetings). This amount includes the remuneration for their mandate as directors (a fixed amount, which is identical for all members of the Board of Directors,

except for the Chairman), as well as their fees for attending the Board meetings and the various advisory committees (a fixed amount for each meeting attended, varying for the members of the meeting, on the one hand, and for the Chairman, on the other).

The non-executive directors do not receive a performance-related remuneration or options.

The Chairman and the members of the Management Board do not receive any indemnity for attending the meetings of the Board of Directors or of the advisory committees.

3. Audit Committee

3.1. Composition

CHAIRMAN	Georges Hübner
MEMBERS	Paul Bodart
	Martine De Rouck[1]
	Colette Dierick[2]
	Hélène Goessaert[2]
	Diane Rosen-Zygas[1]

(1) Until 26 April 2023.
(2) From 27 April 2023 onwards.

3.1.1. General aspects

As at 31 December 2023, the Audit Committee for Belfius Bank consists of the following members: Georges Hübner, Chairman, Paul Bodart, Colette Dierick and Hélène Goessaert.

Martine De Rouck and Diane Rosen-Zygas were members of the Audit Committee until 26 April 2023.

Colette Dierick and Hélène Goessaert were appointed as members of the Audit Committee as from 27 April 2023.

3.1.2. Independence and expertise

The Audit Committee must have at least one independent director with the individual expertise required in accountancy and/or audit. The majority of the members of the Audit Committee must be independent directors. The Chairman of the Committee is appointed by its members. Furthermore, the members of the Audit Committee must have collective expertise in the fields of banking as well as accountancy and audit.

The Audit Committee of Belfius Bank consists of four non-executive directors, all four are independent directors, namely Georges Hübner, Paul Bodart, Colette Dierick and Hélène Goessaert.

Georges Hübner, who holds a degree in Business Administration and a PhD in Management, is Full Professor in Finance at the HEC Liège, University of Liège and former Associate Professor at the University of Maastricht. Inter alia he was a member of the college of experts appointed by the Parliament following the financial crisis. He has professional experience in accountancy and audit acquired in his activities in education, expertise and Chairmanship of qualifying examination boards for the Certified Auditors Institute (IRE/IBR).

Paul Bodart, holding the degree Civil Engineer in Applied Mathematics and holding the degree of Master of Business Administration, was Professor at the Solvay Business School until the beginning of 2020. He has professional experience in accounting and audit acquired in particular in the tasks he performed as a member of the Audit Committee of the Russian Stock Exchange (Moscow Exchange - MOEX) and in the tasks he performed as a member of the Audit Committee of the National Settlement Depository, Russia's central depository, as Chairman of the Audit Committee and a member of the Risk Committee of Dexia and of Dexia Crédit Local and as a member of the Audit Committee of Euroclear Bank. Moreover, he has considerable experience in the banking and finance sectors, in particular the executive functions (more specifically, he was CEO of the Belgian banking subsidiary of the Bank of New York Mellon Group, responsible for group operations in the euro zone).

Colette Dierick is civil engineer (construction). She has experience in the banking and financial sector, notably through her various functions, including at ING group from 1984 to 2022 in Belgium and Luxemburg.

Martine De Rouck has a degree in Mathematical Sciences and Actuarial Sciences. She has experience in the banking and financial sectors, in particular through her various functions, including with BNP Paribas Fortis Bank SA, from 1978 to 2016.

Hélène Goessaert is agricultural engineer. She has professional experience in the financial sector, and more particularly in the banking sector, notably through her various functions, including at KBC from 1990 to 2022.

Diane Rosen-Zygas holds a degree of Commercial Engineer, has professional experience in the financial sector and specifically in banking, in construction and in real estate sectors. She is currently Chief Financial Officer at Group S, *secrétariat social agréé* ASBL.

Consequently, the Audit Committee has at least one independent director with the individual expertise required in accountancy and/or audit as well as the required collective expertise in the field of banking, accountancy and auditing. A majority of the members of the Audit Committee are independent directors.

3.2. Tasks and remit

The Audit Committee assists the Board of Directors in its task of carrying out prudential controls and exercising general supervision in a broad sense.

3.2.1. Financial reporting

The Audit Committee examined the integrity of the financial information provided by the company, in particular by evaluating the accounting standards used, including the criteria governing the scope of the consolidation. The Audit Committee's supervision also extends to the follow-up of regular financial information before its submission to the Bank's Board of Directors.

The Audit Committee monitors the process of establishing financial information and makes recommendations or proposals to guarantee its integrity.

3.2.2. Internal audit and risk management

At least once a year the Audit Committee examines the efficiency of the internal audit and risk management systems set up by the Management Board to ensure that the main risks (including the risks linked to compliance with current laws and regulations) are properly identified and managed. To that end the Management Board submits a report to the Audit Committee regarding the assessment of internal control.

During 2023, the Audit Committee examined the activities of the Compliance department, the activities of Audit and Control, the activities of the Legal & Tax department, as well as the monitoring activities of the risks (e.g. credit, market, liquidity and operational risks and the risks with regard to the ICT- security).

3.2.3. Functioning of internal audit

The Audit Committee assesses the operational efficiency and independence of the Internal Audit division. The Audit Committee also verifies the extent to which the management responds to the findings of the Audit department and its recommendations. In 2023, the Audit Committee examined and approved the annual business report for 2022, the audit plan 2024, and the half-year business report (H1) for 2023, as well as the half-yearly follow-up reports on the recommendations. The latest version of the Internal Audit Charter was validated in 2023 by the Audit Committee.

3.2.4. Statutory audit

The Audit Committee provides the Board of Directors with information on the results of the legal audit of the statutory and consolidated financial statements as well as explanations as to the manner in which the legal audit of the statutory and consolidated financial statements contributed to the integrity of the financial information and as to the role played by the Audit Committee in that process.

The Audit Committee also monitors the legal audit of the statutory and consolidated financial statements, and this includes monitoring questions asked and recommendations made by the auditor.

In 2023, the Audit Committee reported to the Board of Directors on the statutory and consolidated financial statements of Belfius Bank as at 31 December 2022, 31 March 2023, 30 June 2023 and 30 September 2023. After considering the comments received from the management of the Bank and the external auditors, the Audit Committee delivered a favourable opinion to the Board of Directors on the financial statements.

3.2.5. External audit function and monitoring of auditor's independence

The Audit Committee satisfies itself that the external auditor(s) carries (carry) out his (their) audits properly.

The Audit Committee monitors the independence of the external auditor(s) and his (their) auditing programme.

The Audit Committee makes a recommendation to the Board of Directors with regard to the appointment or renewal of the mandate of the auditor.

3.3. Functioning

The Audit Committee may demand to see any useful information or supporting evidence and may carry out any inspection it feels is necessary. To that end it calls on the services of the Internal Audit department of Belfius Bank.

In 2023, the Audit Committee met sixteen times.

The Audit Committee of Belfius Bank operates independently from the Audit Committee implemented at Belfius Insurance. The Audit Committee of Belfius Bank held five joint meetings with the Audit Committee of Belfius Insurance, in particular when the insurance company's annual financial statements for 2022 and the half-yearly financial statements as at 30 June 2023 were presented.

The Audit Committee of Belfius Bank held nine meetings jointly with the Risk Committee, inter alia to examine, the effective management report on the assessment of the internal control report 2022, the report on the risks linked to the use of valuation models, the follow-up of the implementation of the IT- security strategy, as well as the quarterly risk monitoring report.

3.4. Internal Audit

The Internal Audit Charter states the fundamental principles which govern the Internal Audit function at Belfius by describing its mandate, its objectives, its role, its responsibilities, and its overall modes of operation and guarantees its independence. The Audit Charter was approved by the Board of Directors in 2023 and is reviewed at least every three years.

Belfius Bank has an internal audit function that meets the international standards on methodology and reporting.

The internal audit function is an independent and objective activity that provides the organisation with reasonable assurance regarding the extent to which its operations are controlled. As part of its work, the internal audit function provides recommendations for improvements and in doing so creates added value. The head of internal audit reports to the Chairman of the Audit Committee.

This means that the internal audit function helps the organisation to achieve its objectives. It does this by assessing the risk management, internal audit processes and governance processes in a systematic and disciplined manner and by making proposals designed to increase efficiency. This is done mainly by carrying out audit assignments and following up on audit recommendations.

The head of internal audit at Belfius Bank is responsible for internal audit at a Group level (Auditor-General). To this end, the head of internal audit at Belfius Insurance has a functional link to the Auditor-General. In this way, the independence of the head of internal audit at Belfius Insurance vis-à-vis his/her governing bodies is combined with the use of uniform audit practices of high quality (audit planning, audit methodology, following up on audit recommendations, and so on) within the Belfius Group.

4. Risk Committee

4.1. Composition

CHAIRMAN	Rudi Vander Vennet
MEMBERS	Estelle Cantillon(1)
	Martine De Rouck(2)
	Hélène Goessaert(3)
	Georges Hübner

(1) From 27 September 2023 onwards.
(2) Until 26 April 2023.
(3) From 27 April 2023 onwards.

4.1.1. General aspects

As at 31 December 2023, the Risk Committee for Belfius Bank consists of the following members: Rudi Vander Vennet, Chairman, Georges Hübner, Hélène Goessaert and Estelle Cantillon.

Martine De Rouck was member of the Risk Committee until 26 April 2023.

Hélène Goessaert and Estelle Cantillon were appointed as members of the Risk Committee as from 27 April 2023 and 27 September 2023 respectively.

4.1.2. Independence and remit

The Risk Committee of Belfius Bank consists of three independent directors, namely Georges Hübner, Hélène Goessaert and Estelle Cantillon.

The members of the Risk Committee must individually have the knowledge, skills, experience and aptitudes necessary to enable them to understand the Bank's risk strategy and appetite level.

Rudi Vander Vennet holds a degree in economics, an advanced master's degree in finance and a PhD in economics and is currently full professor of economics and banking at Ghent University and also teaches banking and insurance at Solvay Business School (ULB). He has experience as a board member at various financial institutions.

Hélène Goessaert is an agricultural engineer. She has professional experience in the financial sector, particularly in the banking sector, including various positions at KBC from 1990 to 2022.

Estelle Cantillon is a professor of economics at the Solvay Brussels School of Economics and Management at ULB, where she leads the Sustainable Development Initiative and teaches environmental economics and sustainability. She was a member of the Council of Regency of the National Bank of Belgium between 2020 and 2023. She has a degree in business engineering and an M.Phil in economics from the University of Cambridge and a Ph.D. in economics from Harvard.

Martine De Rouck has a degree in Mathematical Sciences and Actuarial Sciences. She has experience in the banking and financial sectors, in particular through her various functions, including with BNP Paribas Fortis Bank SA from 1978 to 2016.

Georges Hübner, who holds a degree in Business Administration and a PhD in Management, is Full Professor in Finance at the HEC Liège, University of Liège and former Associate Professor at the University of Maastricht. Inter alia he was a member of the college of experts appointed by Parliament following the financial crisis.

The members of the Risk Committee have the individual expertise and professional experience required to define strategy regarding risk and the level of risk appetite of an institution. They have acquired the specialization necessary in particular as directors with other institutions and/or in their university training. Consequently, the Risk Committee has the required individual knowledge and expertise.

4.2. Remit

The Risk Committee has advisory powers and responsibilities with regard to the Board of Directors in the following areas:

- appetite and strategy regarding the Bank's current and future risks (including ESG risks), more particularly the effectiveness of the risk management function and the governance structure to support them;
- monitoring the implementation of risk appetite and strategy by the Management Board;
- allocating the risk appetite to various categories of risks and defining the extent and limits of risk in order to manage and restrict major risks;
- considering the risks run by the Bank with its customer tariffs;
- assessing activities which expose the Bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and the Bank's liquidity situation;
- guaranteeing that risks are proportional to the Bank's capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on the Bank's risk appetite;

- obtaining information and analyzing management reports as to the extent and nature of the risks faced by the Bank and the conglomerate (e.g. Conglomerate Monitoring);
- monitoring the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan;
- overseeing the alignment between all material financial products and services offered to clients and the business model and risk strategy of the institution;
- reviewing a number of possible scenarios, including stressed scenarios, to assess how the institution's risk profile would react to external and internal events;
- assessing the recommendations of internal and external auditors and follows up on the appropriate implementation of measures taken.

To promote sound remuneration policy and practices, without prejudice to the tasks of the Nomination Committee and the Remuneration Committee, the Risk Committee examines whether incentives in the remuneration system take proper account of the institution's risk management, equity requirements and liquidity position, as well as the probability and distribution of profit over time. The Risk Committee and the Audit Committee periodically exchange information in particular concerning the quarterly risk report, the senior management report on the assessment of internal control and the risk analyses performed by the Legal, Compliance and Audit Departments. The aim of this exchange of information is to enable the two committees to perform their tasks properly and can take the form of a joint meeting.

4.3. Functioning

The Risk Committee meets at least once per quarter. It also meets on an ad-hoc basis in relation to specific matters.

In 2023, the Risk Committee met thirteen times of which nine joint meetings with the Audit Committee and one joint meeting with the Risk & Underwriting Committee of Belfius Insurance.

The Risk Committee operates independently of the Risk & Underwriting Committee of Belfius Insurance. On the request of the Chairman of the Bank's committee, a joint Risk Committee of Belfius Bank and Belfius Insurance may be held.

5. Intra-Group Committee

In 2014, the Board of Directors decided to establish a Mediation Committee within the Belfius group. As from April 2023, the Mediation committee evolved in scope and name to the Intra-Croup Committee. The remit of this committee has been adapted (see point 5.2.).

5.1. Composition

CHAIRMAN	Chris Sunt Chairman of the Board of Directors of Belfius Bank
MEMBERS	Martine De Rouck[1] Colette Dierick[2] Carine Doutrelepont[1] Olivier Gillerot[3] Independent Directors Belfius Bank
	Cécile Coune[4] Jean-Michel Kupper Stéphane Slits[5] Independent Directors Belfius Insurance

(1) Until 26 April 2023.
(2) From 27 April 2023 onwards.
(3) From 27 September 2023 onwards.
(4) Until 19 April 2023.
(5) From 19 December 2023 onwards.

The Intra-Group Committee is composed of five members:

- the Chairman of the Board of Directors of Belfius Bank, who acts as Chairman;

- two Independent Directors of Belfius Bank;
- two Independent Directors of Belfius Insurance.

As at 31 December 2023, the Intra-Group Committee consisted of the following members:

- Chris Sunt, Chairman of the Board of Directors of Belfius Bank;
- Colette Dierick and Olivier Gillerot, independent directors of Belfius Bank;
- Jean-Michel Kupper and Stephane Slits, independent directors of Belfius Insurance.

Carine Doutrelepont and Martine De Rouck were members of the Intra-Group Committee until 26 April 2023.

Colette Dierick was appointed as a member of the Intra-Group Committee on 27 April 2023.

Olivier Gillerot was appointed as a member of the Intra-Group Committee on 27 September 2023.

Cécile Coune was member of the Intra-Group Committee until 19 April 2023.

Stéphane Slits was appointed as a member of the Intra-Group Committee on 19 December 2023.

5.2. Remit

The Intra-group Committee's competences comprise the following:

- the monitoring and reporting on significant intra-group transactions;
- the monitoring and reporting on intra-group transactions with an important reputational impact; and
- advising on material conflicts of interest between companies belonging to Belfius Group in the context of which these companies fail to reach an agreement in a relatively short period of time. Such opinions are sent to the Board of Directors of the companies concerned, which will then take a final decision on the planned transaction or operation.

The Intra-group Committee meets each time it is expedient and useful and at least on a quarterly basis

In 2023, the Mediation / Intra-group Committee met five times.

6. Technology Committee

In March 2021, the Board of Directors decided to set up a Technology Committee within the Belfius Group.

6.1. Composition

CHAIRMAN	Paul Bodart
MEMBERS	Bruno Brusselmans[1]
	Carine Doutrelepont[1]
	Daniel Falque[2]
	Olivier Gillerot[3]
	Peter Hinssen
	Directors Belfius Bank
	Jean-Michel Kupper
	Director Belfius Insurance

(1) Until 26 April 2023.
(2) From 27 April 2023 onwards.
(3) From 27 September 2023 onwards.

As at 31 December 2023, the Technology Committee was composed of: Paul Bodart (Independent Director of Belfius Bank), Daniel Falque (Independent Director of Belfius Bank and Belfius Insurance), Olivier Gillerot (Independent Director of Belfius Bank), Peter Hinssen (Independent Director of Belfius Bank) and Jean-Michel Kupper (Independent Director of Belfius Insurance).

Bruno Brusselmans and Carine Doutrelepont were members of the Technology Committee until 26 April 2023.

Daniel Falque and Olivier Gillerot were appointed as members of the Technology Committee as from 27 April 2023 and 27 September 2023 respectively.

The Technology Committee met six times in 2023.

6.2. Remit

The Technology Committee, which is responsible for Belfius Bank and its subsidiaries, advises the Board of Directors on its technology strategy and important technology investment decisions. Technology includes inter alia IT, digital and artificial intelligence.

The Technology Committee is responsible for:

- advising the Board of Directors on, and preparing the decisions of the Board of Directors with respect to technology strategy and material technology investment choices;
- monitoring, evaluating and advising the Board of Directors on existing and future technology trends, regulation and competition / FinTech developments that may affect Belfius' strategic plans including the monitoring of overall industry trends and future trends concerning enterprise data management and the financial industry's use of data to maximize the customer experience value;
- assessing measures and advising the Board of Directors on Belfius' technological strategic milestones and transformational developments, such as customer experience, sales through digital channels and potential synergies with physical and other networks, potential partnerships;
- monitoring and reporting to the Board of Directors on progress made with respect to the implementation of the technology decisions taken by the Board of Directors, including but not limited to, technology performance and security. This includes inter alia. monitoring and challenging the status of the move for the cloud infrastructure (timing, pace, risk mitigation, hybrid models, talents), foundations and platforms;
- reviewing and discussing reports from management on technology related activities, strategies and metrics, including enterprise data project performance, and reporting to the Board of Directors on the same.

Responsibility for the oversight of risks associated with technology, including risk assessment and risk management, remains with the Risk Committee and Audit Committee.

7. Art Council

An Art Council has been established since 2015.

7.1. Composition

CHAIRMAN	Chris Sunt Chairman of the Board of Directors of Belfius Bank
MEMBERS	Marc Raisière Chairman of the Management Board of Belfius Bank
	Mieke Debeerst[1] Chief Customer Experience & Marketing Communications Officer
	Julie Uytterhaegen[2] Director People, Brand & Communications
	Truike Vercruysse[1] Head of Communications
	Bénédicte Bouton Head of Culture at Belfius and Curator of the Belfius Art Collection

(1) Until 19 October 2023.
(2) From 19 October 2023 onwards.

The Art Council is composed of at least four members including the Chairman of the Board of Directors of Belfius Bank, one member of the Management Board of Belfius Bank, the director People, Brand & Communications and the curator of the Belfius Art Collection. Additional member(s) may be appointed by the Board of Directors of Belfius Bank.

As at 31 December 2023, the Art Council was composed of:

- Chris Sunt, Chairman of the Board of Directors of Belfius Bank;
- Marc Raisière, CEO, Chairman of the Management Board of Belfius Bank;
- Julie Uytterhaegen, Head of People, Brand & Communications at Belfius Bank
- Bénédicte Bouton, Head of Culture at Belfius and Curator of the Belfius Art Collection.

On October 19, 2023, the Board of Directors of Belfius Bank appointed Julie Uytterhaegen as member of the Art Council, with immediate effect.

Mieke Debeerst, Chief Customer Experience & Marketing Communications Office (until 31 August 2023) and Special Brand Advisor (as from 1 September 2023), and Truike Vercruysse, Head of Sustainability (until 31 August 2023) and Head of Communications (as from 1 September 2023), were members of the Art Council until 19 October 2023.

The Art Council met five times in 2023.

7.2. Remit

The Art Council has been mandated by the Board of Directors of Belfius Bank to manage the Belfius Art Collection as defined in article 10 of the Articles of Association of Belfius Bank. Within the context of this mandate, the Art Council takes decisions with respect to the management, the conservation, the preservation, the use, the development and the evolution of the Belfius Art Collection.

Internal audit and risk management systems regarding financial statements

Belfius Bank applies various internal audit and risk management systems to its financial statements. These audits are carried out at different levels.

The inventory is reconciled with the balances in ACEC/ACSE via the reconciliation tool ACNR on a daily basis. Unreconciled amounts are reported via the monitoring and matching tool INTELLIMATCH. At the end of each month, the balance sheet and off-balance sheet inventory in the general ledger GEXL is reconciled with the balances in ACEC/ACSE. Unreconciled amounts are reported via an online tool in GEXL. The related accounting Competence Center (back office) is responsible for analysing the nature of the differences and for initiating corrective actions.

The accounts (Belgian GAAP and IFRS) are closed on a monthly basis. A first level of control is performed by the Accounting Competence Centers that take full responsibility for the general ledger (balance, off balance and statement of income) and the inventory. With regard to Financial Markets activities, FM Risk Management is responsible for the validation of the statement of income and the gains and losses not included in the statement of income. The procedures and control activities are documented by each department involved.

Corporate Accounting Control performs a second level of control and ensures a functional steering of the closing process, the centralisation and final validation of all relevant accounting data and disclosures for reporting purposes. A risk-based approach is adopted to determine the nature and extent of the control activities. The controls mainly relate to a variance analysis of balances and ratios, sample-based testing, review of supporting documentation and reasonability controls. The results of the analytical review are documented in a highlight report, which is subject to management review. The procedures and control activities are documented by each department.

The first and second levels of control provide reasonable assurance on the completeness, accuracy and appropriate presentation of the accounting data, in accordance with the financial and prudential framework.

The main subsidiaries of Belfius Bank apply similar internal audit and risk management systems to its financial statements. From October 2017 onwards, the preparation of the financial statements of Belfius Insurance and its subsidiaries have been outsourced to Belfius Bank in order to further align and optimize the processes. The continuity can be guaranteed as also the resources and competences of Belfius Insurance involved in the preparation and internal audit of the financial statements were transferred to Belfius Bank.

External activities of directors – Article 62, §2 of the law of 25 April 2014 on the status and supervision of credit institutions and stockbroking firms

As of 31 December 2023, Belfius Bank's directors held 30 directorships in other companies with industrial, commercial or financial activities.

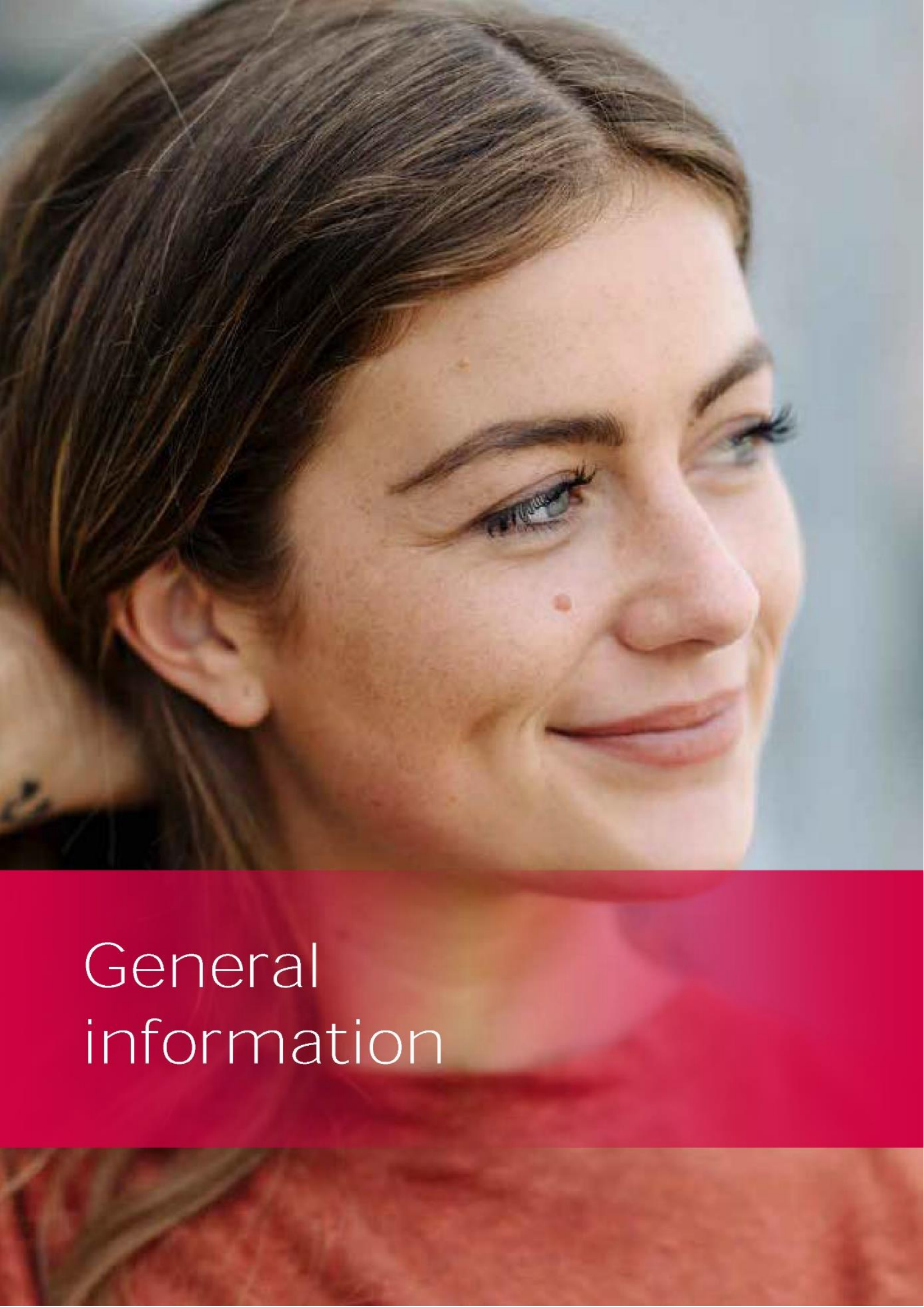
Under the Regulation by the National Bank of Belgium dated 6 December 2011 on the pursuit of external activities by the directors and executives of regulated companies, Belfius Bank is required to disclose any external appointment held by its directors and senior executives. Belfius Bank has chosen to publish such appointments in its annual report filed with the National Bank of Belgium.

Statutory auditor

The mandate of the statutory auditor, KPMG Bedrijfsrevisoren BV/SRL, represented by Olivier Macq, was renewed at the Ordinary General Meeting of Shareholders dated 26 April 2023 for a period of three years.. The statutory auditor's mandate will expire at the end of the Ordinary General Meeting of Shareholders of 2026.

The table below provides an overview of the fees paid to the current Statutory Auditor for services provided to Belfius Bank, to Belgian companies associated with Belfius Bank and to its foreign subsidiaries during the 2023 financial year.

KPMG	Services provided in 2023				
(in EUR)	Audit of financial statements	Other certifications	Tax advice	Other services	Total
KPMG BEDRIJFSREVISOREN / REVISEURS D'ENTREPRISES	2,150,200	583,260	0	34,400	2,767,860
Belfius Bank	1,064,100			30,900	1,095,000
Subsidiaries (bank perimeter)	228,800	4,000		3,500	236,300
Belfius Insurance and subsidiaries	857,300	579,260			1,436,560
OTHER KPMG ENTITIES	115,700	0	0	291,932	407,632
Belfius Bank				291,932	291,932
Subsidiaries (bank perimeter)	100,200				100,200
Belfius Insurance and subsidiaries	15,500				15,500
TOTAL	2,265,900	583,260	0	326,332	3,175,492



General information

Share capital and allocation of profit of Belfius Bank

1. Share capital and evolution of the capital during the financial year 2023

The share capital of Belfius Bank is three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty- seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616 registered shares are held by the public limited company of public interest Federal Holding and Investment Company (FHIC), in its own name, but on behalf of the Belgian State, and 5,000 registered shares are held by the public limited company Certi-Fed. Certi-Fed is a fully-owned subsidiary of FHIC.

It will be proposed to the Extraordinary General Meeting of Shareholders on 24 April 2024, in accordance with the provisions of the law, to authorise the Board of Directors to increase the share capital of the Bank in one or more stages with a maximum of three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41). That authorisation is valid for five years from publication of the resolution of the ordinary general meeting of shareholders in the Appendices to the Belgian Official Gazette.

No change was made to the share capital of the Bank in 2023.

2. Allocation of profit

The company results for the financial year 2023 recorded a profit of EUR 882,034,114.68. After deduction of the tax-free reserves for an amount of EUR 186,970.77, the profit to be appropriated for the financial year amounts to EUR 882,221,085.45.

From this profit, an amount of EUR 441,873,074.45 will be allocated to reserves.

3. Annual dividend

The Board of Directors of 19 March 2024, has proposed to the General Assembly of 24 April 2024 an ordinary dividend of EUR 440.3 million in respect of the accounting year 2023.

Amendment of the articles of association

It will be proposed to the Extraordinary General Meeting of Shareholders of 24 April 2024 to amend the articles of association of Belfius Bank in order, among other things, to authorise the Board of Directors to increase the share capital within the framework of the authorised capital procedure (see point 1).

The main changes to the scope of Belfius Bank at a non-consolidated level

In 2023, Belfius continued to develop in various areas in order to strengthen its positioning and strategy – and to do so specifically by adapting the scope of Belfius Bank on a non-consolidated level:

- in the field of mobility-related services, Belfius Bank took part in the capital increase of CenEnergy, a promising Belgian scale-up that provides comprehensive and sustainable charging solutions. Through

this strategic partnership, Belfius aims to continue its resolute commitment to sustainable mobility. And driven by its ESG ambitions to dramatically reduce CO_2 emissions in Belgium in particular and to equip its customers with a sustainable and complete charging infrastructure;
- in the management and provision of cash to its customers, Belfius Bank took part in the capital increase of Batopin. Batopin (Belgian ATM OPtimization INitiative) is a joint project by Belfius Bank, BNP Paribas Fortis, KBC and ING, which together aim to roll out a high-performance network of automated teller machines in Belgium. The initiative revolves around security and efficiency, as well as financial and social inclusion;
- in supporting the creation, growth and sustainability of companies in the Walloon region with the prospect of developing employment in the Walloon region, added value and sustainability, Belfius Bank took part in the capital increase of Wallonie Entreprendre and contributed its stake in the Regional investment Company of Wallonia (SRIW) to this company. Wallonie Entreprendre was created by the Walloon region, after which SRIW, Sowalfin and Sogepa were merged with this new company by absorption.

Belfius also conducted various transactions, including:

- the sale of its interests in Letsgocity (a company which had developed an app which brought together different local and regional initiatives moving towards the digitalization of the relationship between local governments and the citizen);
- the sale of its interest in Partners Through Innovation (a company dedicated to providing IT infrastructure and data centre services);
- the sale of its interests in Centre Hospitalier Universitaire et Psychiatrique de Mons-Borinage (a intermunicipal which contributes to the autonomy and overall health of all residents of Mons-Borinage);
- the sale of its interests in Gewestelijke maatschappij voor volkshuisvesting (a company with the aim of offering social rental housing);
- the sale of its interest in Payconiq International SA (a company developing a mobile payment and payment processing platform, active in the Netherlands, Luxembourg and Belgium).

Material Litigation

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a party in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and taxpayer.

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be,

- a present obligation has arisen as a result of past events;
- it is probable that Belfius will have to make a payment; and
- the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended, or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not[26]. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. For litigations for which no provision has been made, such impact remains unquantifiable at this stage.

1. Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in three separate procedures, i.e.:

[26] Please note that, where relevant, Article 92 of IAS37 may apply to this section.

- A procedure before the Dutch speaking Commercial Court of Brussels (Procedure C.C. Deminor)
- A procedure before the Court of First Instance of Brussels (Procedure C.F.I. ArcoClaim 2018)
- A procedure before the Court of First Instance of Brussels (Procedure C.F.I. Deminor 2022)

1.1 Procedure C.C. Deminor

On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the "Deminor Proceedings"). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. On 16 November 2020, a further "Deminor" procedure was initiated, in which all plaintiffs except one joined, to anticipate a possible nullity of the original summons. The content of the two proceedings is identical. As a result, they are treated together.

The plaintiffs have requested that the Brussels Court rules, among other things:

- in first order, that the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void as a consequence of an alleged defect in consent;
- that the defendants should therefore, in solidum, reimburse the plaintiffs for their financial contribution in these entities plus interest;
- in the alternative, a compensation is asked to Belfius Bank for an alleged violation of the information duty; and
- that the defendants are liable for certain additional damages to the plaintiffs.

The historical financial contribution of the 2,169 plaintiffs to the Arco Group entities, for which reimbursement is claimed, amounted to approximately EUR 6.5 million (principal amount). The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. In the meantime, the VZW Arcoclaim also intervened in this litigation procedure (on grounds of an alleged transfer of claim by one of the plaintiffs/Arco shareholders). The case has been pleaded during several pleading sessions in June 2021. In its decision announced on 3 November 2021, the Dutch-speaking Commercial Court of Brussels rejected all the claims of the Arco shareholders.

The Arco shareholders have launched appeal against this judgement. The case is now pending before the Court of Appeal in Brussels. A pleading calendar has been determined. A pleading hearing is currently expected at the earliest in the second half of 2028.

1.2. Procedure C.F.I. ArcoClaim 2018

On 7 February 2018, 2 Arco shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 8 February 2018 to intervene in this procedure and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure. The VZW Arcoclaim also intervenes in this litigation procedure.

In this procedure VZW Arcoclaim had requested the initiation of a mediation procedure before the court, but this request has been dropped in May 2023. In the meantime, to date, ArcoClaim has declared that 7.258 Arco shareholders have joined ArcoClaim, in addition to 5.334 Arco shareholders already being part of ArcoClaim.

No pleading calendar has been fixed yet.

1.3. Procedure C.F.I. Deminor 2022

On 14 December 2022, 10 Arco shareholders have launched a new judicial procedure with the assistance of Deminor against the Arco-companies, the Belgian State and Belfius before the Court of First Instance in Brussels, in which they ask the defending parties to be condemned to indemnification based on extra-contractual liability,

equal to claimant's financial contribution including interests, dividends, and possible bonus reserves, as well as a supplementary indemnification for moral damages. In the meanwhile, to date, a total of 13.678 Arco shareholders have joined this procedure. ArcoClaim vzw also joined the procedure for one of its members.

A hearing is scheduled to take place on 21 March 2024, with the purpose of determining a procedural calendar. The parties have agreed that the procedural calendar will first focus on the admissibility of the claims. Only after the admissibility evaluation should another procedural calendar be determined for the evaluation of the substantive merits of the claims (only and insofar as any claim would be deemed admissible).

2. Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque Internationale à Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above mentioned police search.

3. Investigation by public prosecutor into the activities of an independent bank agency

On 12 November 2020, public prosecution has been initiated, a.o. against Belfius Bank, for its alleged role in potential fraudulent activities that would have been conducted with the assistance of a director of an independent bank agency of Belfius Bank in violation of several (banking) regulations. After consultation of the criminal file, Belfius continues to believe that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit. No provision has been booked for this case.

Declaration of transparency

Transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Pursuant to Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (referred to below as the "Transparency Directive") and to Directive 2007/14/ EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of the Transparency Directive, Belfius Bank has chosen Luxembourg as its Home Member State.

The Transparency Directive has been transposed into Luxembourg law by:

- the Luxembourg law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market;
- the Grand Ducal Regulation of 3 July 2008 on the official appointment of mechanisms for the central storage of regulated information within the meaning of the law of 11 January 2008; and
- the CSSF Circular No. 08/337 from the Financial Sector Supervisory Commission.

The aforementioned regulation lays down certain requirements regarding information and the publication of data.

Pursuant to article 3.(2) of the Luxembourg law relative to transparency requirements incumbent upon the issuers of securities, the Management Board at Belfius Bank states that:

- Belfius Bank has chosen Luxembourg as its Home Member State;
- to the best of its knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and the profit or loss of the issuer and of all the undertakings included in the consolidation;

- to the best of its knowledge, the management report includes a fair review of the development and performance of the business and the position of the issuer and all the undertakings included in the consolidation, together with a description of the principal risks and uncertainties that they face.

Country-by-country reporting

Based on Article 6bis of the Royal Decree dated 23 September 1992, regarding the consolidated financial statements of financial institutions, Belfius discloses the following information on a consolidated basis, split country by country, in which Belfius has an establishment (Branch and or subsidiary).

Country	Activity	31/12/22			
		Turnover[1] (in thousands of EUR)	Average FTE[2]	Net Income before tax (in thousands of EUR)	Tax (expense) income (in thousands of EUR)
BELGIUM	BANK & INSURANCE	2,952,195	6,331	1,220,809	-280,087
MEMBER STATE					
Luxembourg	Other financial services and insurance activities	4,567	6	2,648	917
Ireland	Other financial services and insurance activities	20,344	6	30,728	-749
France	Other financial services and insurance activities	5,248	0	426	1,199
TOTAL		2,982,353	6,343	1,254,611	-278,719

Country	Activity	31/12/23			
		Turnover[1] (in thousands of EUR)	Average FTE[2]	Net Income before tax (in thousands of EUR)	Tax (expense) income (in thousands of EUR)
BELGIUM	BANK & INSURANCE	3,080,039	6,460	1,454,162	-373,571
MEMBER STATE					
Luxembourg	Other financial services and insurance activities	14,488	5	9,173	-2,607
Ireland	Other financial services and insurance activities	34,938	6	20,465	-282
France	Other financial services and insurance activities	11,423	0	8,856	594
TOTAL		3,140,888	6,471	1,492,656	-375,865

(1) Based on "Income" from the Consolidated statement of income in the Annual report.
(2) Disclosed in the Annual report in the note "7.10 Staff expense".

Consolidated financial statements
as at 31 December 2023

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Consolidated balance sheet

Assets

(in thousands of EUR)			Notes	31/12/22	31/12/23
I.	Cash and balances with central banks		5.2.	27,295,434	20,487,140
II.	Loans and advances due from credit institutions		5.3.	4,143,601	5,274,249
	A	Measured at amortised cost		4,143,601	5,274,249
	B	Measured at fair value through other comprehensive income		0	0
	C	Measured at fair value through profit or loss		0	0
III.	Loans and advances		5.4.	110,203,251	114,531,169
	A	Measured at amortised cost		109,236,114	109,761,695
	B	Measured at fair value through other comprehensive income		171,152	4,181,197
	C	Measured at fair value through profit or loss		795,986	588,277
IV.	Debt securities & equity instruments		5.5.	26,996,656	27,923,609
	A	Measured at amortised cost		17,494,927	13,521,835
	B	Measured at fair value through other comprehensive income		4,040,914	8,718,772
	C	Measured at fair value through profit or loss		1,490,882	1,506,789
	D	Measured at fair value through profit or loss - Unit linked		3,969,934	4,176,214
V.	Derivatives		5.6.	5,893,105	5,321,426
VI.	Gain/loss on the hedged item in portfolio hedge of interest rate risk		5.6.	1,134,326	1,608,587
VII.	Assets from insurance/reinsurance contracts		6.5.	116,103	97,806
	A	Insurance contracts assets		0	0
	B	Reinsurance contracts assets		116,103	97,806
VIII.	Investments in equity method companies		5.7.	94,019	161,533
IX.	Tangible fixed assets		5.8.	1,672,048	1,864,571
X.	Intangible assets		5.9.	236,639	326,957
XI.	Goodwill		5.10.	103,966	103,966
XII.	Tax assets		5.11.	397,324	494,585
	A	Current tax assets		27,115	43,356
	B	Deferred tax assets		370,209	451,229
XIII.	Other assets		5.12.	741,993	967,171
XIV.	Non current assets (disposal group) held for sale and discontinued operations		5.13.	39,684	16,582
TOTAL ASSETS				179,068,150	179,179,352

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.20. "First time adoption IFRS 17") for more information.

The notes on pages 177 to 344, including the specific identified sections of the Management report in these notes and as indicated in the Management report, are an integral part of the consolidated annual financial statements.

Liabilities

(in thousands of EUR)		Notes	31/12/22	31/12/23
I.	Cash and balances from central banks	6.1.	5,904,113	1,430,190
II.	Credit institutions borrowings and deposits	6.2.	1,869,641	3,912,390
	A Measured at amortised cost		1,869,641	3,912,390
	B Measured at fair value through profit or loss		0	0
III.	Borrowings and deposits	6.3.	108,447,486	104,000,435
	A Measured at amortised cost		108,427,536	103,980,476
	B Measured at fair value through profit or loss		19,951	19,959
IV.	Debt securities issued and other financial liabilities	6.4.	29,898,501	36,017,933
	A Measured at amortised cost		18,517,096	23,603,069
	B Measured at fair value through profit or loss		7,411,471	8,238,650
	C Measured at fair value through profit or loss - Unit linked		3,969,934	4,176,214
V.	Derivatives	5.6.	8,248,509	7,229,432
VI.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.6.	(1,606,023)	(1,029,463)
VII.	Liabilities from insurance/reinsurance contracts	6.5.	10,894,869	11,405,090
	A Insurance contract liabilities		10,894,869	11,405,090
	B Reinsurance contracts liabilities		0	0
VIII.	Provisions and contingent liabilities	6.6.	493,922	485,860
IX.	Subordinated debts	6.7.	1,547,204	1,777,995
	A Measured at amortised cost		1,547,204	1,777,995
	B Measured at fair value through profit or loss		0	0
X.	Tax liabilities	5.11.	72,251	52,521
	A Current tax liabilities		63,014	45,520
	B Deferred tax liabilities		9,237	7,001
XI.	Other liabilities	6.8.	1,387,731	1,677,607
XII.	Liabilities included in disposal group and discontinued operations		0	0
TOTAL LIABILITIES			167,158,206	166,959,989

Equity

(in thousands of EUR)		Notes	31/12/22	31/12/23
XIII.	Subscribed capital		3,458,066	3,458,066
XIV.	Additional paid-in capital		209,232	209,232
XV.	Treasury shares		0	0
XVI.	Reserves and retained earnings		6,176,745	6,709,420
XVII.	Net income for the period		931,771	1,114,538
CORE SHAREHOLDERS' EQUITY			10,775,814	11,491,257
XVIII.	Fair value changes of debt instruments measured at fair value through other comprehensive income		(221,928)	(353,149)
XIX.	Fair value changes of equity instruments measured at fair value through other comprehensive income		136,944	195,452
XX.	Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or loss to be presented in other comprehensive income		0	0
XXI.	Fair value changes of derivatives following cash flow hedging		(112,644)	(128,839)
XXII.	Remeasurement pension plans		119,933	125,752
XXIII.	Total insurance/reinsurance finance component recognised in other comprehensive income		679,972	353,669
XXIV.	Other reserves		208	208
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME			602,485	193,093
TOTAL SHAREHOLDERS' EQUITY			11,378,300	11,684,350
XXV.	Additional Tier-1 instruments included in equity		497,083	497,083
XXVI.	Non-controlling interests		34,561	37,929
TOTAL EQUITY			11,909,944	12,219,362
TOTAL LIABILITIES AND EQUITY			179,068,150	179,179,352

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.20. "First time adoption IFRS 17") for more information.

The notes on pages 177 to 344, including the specific identified sections of the Management report in these notes and as indicated in the Management report, are an integral part of the consolidated annual financial statements.

Consolidated statement of income

(in thousands of EUR)		Notes	31/12/22	31/12/23
I.	Interest income	7.1.	3,719,383	6,868,486
II.	Interest expense	7.1.	(1,640,573)	(4,442,285)
III.	Fee and commission income	7.2.	987,430	980,274
IV.	Fee and commission expenses	7.2.	(214,636)	(201,362)
V.	Insurance service result	7.3.	95,048	277,509
	A Insurance revenue		1,084,919	1,186,641
	B Insurance service expenses		(1,004,554)	(880,000)
	C Net expenses from reinsurance contracts		14,684	(29,132)
VI.	Insurance finance result	7.3.	(197,857)	(238,664)
	A Insurance finance result		(199,892)	(241,007)
	B Reinsurance finance result		2,035	2,343
VII.	Dividend income	7.4.	71,611	57,285
VIII.	Net income from equity method companies	7.5.	3,993	7,527
IX.	Net income from financial instruments at fair value through profit or loss	7.6.	24,822	53,527
X.	Net income on investments and liabilities	7.7.	56,401	(7,211)
XI.	Other income	7.8.	378,184	419,368
XII.	Other expenses	7.9.	(561,547)	(633,566)
INCOME			2,722,259	3,140,888
XIII.	Staff expenses	7.10.	(608,177)	(678,835)
XIV.	General and administrative expenses	7.11.	(478,875)	(517,426)
XV.	Network costs		(216,599)	(224,464)
XVI.	Depreciation and amortisation of fixed assets	7.12.	(113,791)	(117,440)
EXPENSES			(1,417,441)	(1,538,166)
NET INCOME BEFORE TAX AND IMPAIRMENTS			1,304,818	1,602,722
XVII.	Impairments on financial instruments and provisions for credit commitments	7.13.	(105,413)	(109,211)
XVIII.	Impairments on tangible and intangible assets	7.14.	(2,049)	(855)
XIX.	Impairments on goodwill	7.15.	0	0
NET INCOME BEFORE TAX			1,197,356	1,492,656
XX.	Current tax (expense) income		(266,896)	(304,968)
XXI.	Deferred tax (expense) income		2,492	(70,897)
TOTAL TAX (EXPENSE) INCOME		7.16.	(264,403)	(375,865)
NET INCOME AFTER TAX			932,952	1,116,791
XXII.	Discontinued operations (net of tax)		0	0
NET INCOME			932,952	1,116,791
Attributable to non-controlling interests			1,181	2,252
Attributable to equity holders of the parent			931,771	1,114,538

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.20. "First time adoption IFRS 17") for more information.

The notes on pages 177 to 344, including the specific identified sections of the Management report in these notes and as indicated in the Management report, are an integral part of the consolidated annual financial statements.

Consolidated statement of comprehensive income

	31/12/22			31/12/23		
	Before-tax amount	Tax (expense) income	Net-of-tax amount	Before-tax amount	Tax (expense) income	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	1,197,356	(264,403)	932,952	1,492,656	(375,865)	1,116,791
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS						
Fair value changes of equity instruments measured at fair value through other comprehensive income[1]	(221,837)	38,614	(183,223)	54,389	(652)	53,737
Remeasurement pension plans[2]	(16,476)	4,119	(12,357)	7,759	(1,940)	5,819
Other movements	0	0	0	0	0	0
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	(238,313)	42,733	(195,580)	62,148	(2,592)	59,556
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS						
Fair value changes of debt instruments measured at fair value through other comprehensive income[3]	(699,485)	175,506	(523,979)	443,676	(111,008)	332,668
Gains (losses) on cash flow hedges[4]	(18,518)	4,226	(14,292)	(21,488)	5,293	(16,195)
Total insurance/reinsurance finance component recognised in other comprehensive income[5]	2,343,711	(585,928)	1,757,783	(435,070)	108,768	(326,303)
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	1,625,708	(406,196)	1,219,512	(12,883)	3,053	(9,830)
OTHER COMPREHENSIVE INCOME	1,387,395	(363,463)	1,023,932	49,265	461	49,726
TOTAL COMPREHENSIVE INCOME	2,584,751	(627,866)	1,956,885	1,541,921	(375,404)	1,166,517
Attributable to equity holders of the parent	2,586,834	(627,994)	1,958,840	1,538,087	(375,381)	1,162,706
Attributable to non-controlling interests[6]	(2,083)	128	(1,956)	3,834	(24)	3,811

(1) The fair value of equity instruments measured at fair value through other comprehensive income increased by EUR 54 million due to increasing fair values, mainly on non-quoted shares, and disposals.
(2) The remeasurement of pension plans increased by EUR 6 million (after tax) due to the positive return on plan assets and experience adjustments partially offset by a decrease of the discount rate and an increase of the legally determined guaranteed rate by the employer (WAP rate) from 2% to 2,75%.
(3) The fair value of debt instruments measured at fair value through other comprehensive income increased with EUR 333 million, due to positive fair value adjustments in the course of 2023 resulting from tightened credit spreads and the realization of capital losses, partially offset by increased short term interest rates.
(4) Gains (losses) on cash flow hedges decreased by EUR -16 million to EUR -129 million (31 December 2022: EUR -113 million), due mainly to the evolution of basis spreads on derivative positions in GBP and USD.
(5) The total insurance/reinsurance finance component recognized in Other Comprehensive Income decreased by EUR -326 million, or -48.0%, to EUR 354 million (31 December 2022: EUR 680 million), resulting from the changes in discount rate and the recalibration of the mass lapse risk in the risk adjustment.
(6) The non-controlling interests increased by EUR 4 million mainly due to higher results at Capline, partially offset by the derecognition of minorities for Jaimy that has become a 100% subsidiary.

Gains and losses not recognised in the statement of income increased by EUR 50 million, the impact of the insurance finance component resulting from changes in discount rate (EUR -326 million) is compensated by the fair value changes of the debt securities (EUR +333 million).

Net income before tax increased by EUR 295.3 million, or 24.7%, to EUR 1,493 million (31 December 2022: EUR 1,197 million). Belfius Banking Group contributed EUR 1,175 million (31 December 2022: EUR 986 million) and Belfius Insurance Group contributed EUR 317 million (31 December 2022: EUR 211 million).

The 2023 result amounted to EUR 1,115 million, an increase of EUR 183 million (EUR 932 million in 2022) demonstrating Belfius' capacity to continue to transform strong commercial dynamics in resilient financials, in a transformed geopolitical, macroeconomic and inflationary context. Belfius exceeds for the first time the symbolic EUR 1 billion net profit threshold, mainly thanks to a strong year-on-year increase in net interest income and growing contribution from our insurance activities, despite costs pushed up by inflationary pressures. The Belfius Banking group contributed for EUR 876 million (compared with EUR 762 million in 2022), the Belfius Insurance Group contributed for EUR 239 million (compared with EUR 169 million in 2022).

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.20. "First time adoption IFRS 17") for more information.

The notes on pages 177 to 344 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

1. 2022

	Subscribed capital	Additional paid-in capital	Reserves and retained earnings [4]	Net income for the period	Core shareholders' equity	Total gains and losses not recognised in profit and loss - Group share	Additional Tier-1 instruments included in equity	Non-controlling interests	Total equity
AS AT 1 JANUARY 2022[1]	3,458,066	209,232	6,544,709	0	10,212,007	(400,268)	497,083	32,539	10,341,361
Movements of the period									
Result recognised in the statement of income	0	0	0	931,771	**931,771**	0	0	1,181	**932,952**
Other comprehensive income	0	0	0	0	**0**	1,022,588	0	1,344	1,023,932
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**931,771**	**931,771**	**1,022,588**	**0**	**2,526**	**1,956,885**
Issuance of subscribed capital	0	0	0	0	**0**	0	0	(56)	**(56)**
Dividends [2]	0	0	(368,518)	0	**(368,518)**	0	0	(652)	**(369,170)**
Dividends Additional Tier 1	0	0	(13,594)	0	**(13,594)**	0	0	0	**(13,594)**
Variation of scope of consolidation[3]	0	0	(5,686)	0	**(5,686)**	0	0	203	**(5,484)**
Other movements	0	0	(0)	0	**(0)**	0	0	1	**1**
Transfers from OCI due to sale of equity instruments	0	0	19,834	0	**19,834**	(19,834)	0	0	**(0)**
AS AT 31 DECEMBER 2022	3,458,066	209,232	6,176,745	931,771	10,775,814	602,485	497,083	34,561	11,909,944

(1) The equity as at 1 January 2022 includes the impact of the first time adoption of IFRS 17, we refer to the Accounting principles (note 3.20. "First time adoption IFRS 17") for more information.
(2) Belfius paid a total of EUR 368.5 million as dividend over the result of 2021 after the General Assembly of April 2022, based on a pay-out ratio of 40%.
(3) Variations in the scope of consolidation relate to variations in our shareholding as a result of capital increases, mainly in Jaimy.
(4) Reserves include, amongst others, statutory and available reserves.

The notes on pages 177 to 344 are an integral part of the consolidated annual financial statements.

Gains and losses not recognised in the statement of income

(in thousands of EUR)	Other comprehensive income that may be reclassified to profit or loss			Other comprehensive income that will not be reclassified to profit and loss			Total gains and losses not recognised in profit and loss – Group share	Total gains and losses not recognised in profit and loss – Non controlling interests
	Fair value changes of debt instruments measured at fair value through other comprehensive income[2]	Gains (losses) on cash flow hedges	Total insurance/ reinsurance finance component recognised in other comprehensive income	Unrealised result of property revaluation	Fair value changes of equity instruments measured at fair value through other comprehensive income[3]	Remeasurement pension plans		
AS AT 1 JANUARY 2022[1]	302,035	(98,352)	(1,077,812)	208	341,363	132,290	(400,268)	14,072
Movements of the period								
Net change in fair value through other comprehensive income - debt instruments	(526,611)	0	0	0	0	0	(526,611)	0
Transfer to income due to impairments - debt instruments	15,324	0	0	0	0	0	15,324	(0)
Transfer to income due to disposals - debt instruments[4]	(12,676)	0	0	0	0	0	(12,676)	0
Net change in fair value through other comprehensive income - equity instruments	0	0	0	0	(184,584)	0	(184,584)	1,344
Net change in fair value through equity – derivatives - hedging reserve[4]	0	(14,210)	0	0	0	0	(14,210)	0
Net change in cash flow hedge reserve due to transfers to income	0	(82)	0	0	0	0	(82)	0
Net changes related to insurance/reinsurance contracts	0	0	1,751,671	0	0	0	1,751,671	0
Remeasurement pension plans[5]	0	0	0	0	0	(12,357)	(12,357)	0
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	(19,834)	0	(19,834)	(4,481)
Other movements	0	0	6,113	0	0	0	6,113	0
AS AT 31 DECEMBER 2022	(221,928)	(112,644)	679,972	208	136,944	119,933	602,485	10,936

(1) The gains and losses not recognised in the statement of income as at 1 January 2022 include the impact of the first time adoption of IFRS 17, we refer to the Accounting principles (note 3.20. "First time adoption IFRS 17") for more information.
(2) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 524 million to EUR -222 million (1 January 2022: EUR 302 million) and stems from higher interest rates compared with last year.
(3) The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 204 million to EUR 137 million (1 January 2022: EUR 341 million), due to deteriorating stock markets.
(4) Gains (losses) on cash flow hedges decreased by EUR 15 million to EUR -113 million (1 January 2022: EUR -98 million), due mainly to the evolution of basis spreads on derivative positions in GBP and USD.

(5) The remeasurement of defined benefit plans decreased by EUR 12 million to EUR 120 million (1 January 2022: EUR 132 million), due mainly to the negative return on plan assets, a higher than expected actual inflation rate, and the upward adjustment of the (long term) inflation hypothesis, partially offset by an increase of the discount rate.

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.20. "First time adoption IFRS 17") for more information.

2. 2023

(in thousands of EUR)	Subscribed capital	Additional paid-in capital	Reserves and retained earnings [3]	Net income for the period	Core shareholders' equity	Total gains and losses not recognised in profit and loss - Group share	Additional Tier-1 instruments included in equity	Non-controlling interests	Total equity
AS AT 31 DECEMBER 2022	3,458,066	209,232	6,176,745	931,771	10,775,814	602,485	497,083	34,561	11,909,944
Movements of the period									
Result recognised in the statement of income	0	0	0	1,114,538	**1,114,538**	0	0	2,252	**1,116,791**
Other comprehensive income	0	0	0	0	**0**	(416,637)	0	2,500	**(414,138)**
TOTAL COMPREHENSIVE INCOME	0	0	**0**	**1,114,538**	**1,114,538**	**(416,637)**	**0**	**4,752**	**702,653**
Transfers to reserves	0	0	931,771	(931,771)	**0**	0	0	0	**0**
Dividends[1]	0	0	(384,417)	0	**(384,417)**	0	0	(996)	**(385,413)**
Dividends Additional Tier 1	0	0	(13,594)	0	**(13,594)**	0	0	0	**(13,594)**
Variation of scope of consolidation[2]	0	0	6,160	0	**6,160**	0	0	(388)	**5,772**
Other movements	0	0	(0)	0	**(0)**	0	0	0	**0**
Transfers from OCI due to sale of equity instruments	0	0	(7,244)	0	**(7,244)**	7,244	0	0	**0**
AS AT 31 DECEMBER 2023	3,458,066	209,232	6,709,420	1,114,538	11,491,257	193,093	497,083	37,929	12,219,362

(1) Belfius paid a total of EUR 384.4 million as dividend over the result of 2022 (based on a pay-out ratio of 40%) after approval of the General Assembly of April 2023.
(2) Variations in the scope of consolidation is mainly explained by the consolidation (via equity method) of Fixxer and also relate to variations in our shareholding as a result of capital increases in Vicinity.
(3) Reserves include, amongst other, statutory and available reserves.

The notes on pages 177 to 344 are an integral part of the consolidated annual financial statements.

Gains and losses not recognised in the statement of income

	Other comprehensive income that may be reclassified to profit or loss			Other comprehensive income that will not be reclassified to profit and loss			Total gains and losses not recognised in profit and loss – Group share	Total gains and losses not recognised in profit and loss – Non controlling interests
	Fair value changes of debt instruments measured at fair value through other comprehen-sive income[1]	Gains (losses) on cash flow hedges	Total (re)insurance finance component recognised in other comprehen-sive income	Unrealised result of property revaluation	Fair value changes of equity instruments measured at fair value through other comprehen-sive income[2]	Remeasur-e-ment pension plans		
AS AT 31 DECEMBER 2022	(221,928)	(112,644)	679,972	208	136,944	119,933	602,485	10,936
Movements of the period								
Net change in fair value through other comprehensive income - debt instruments	299,598	0	0	0	0	0	299,598	0
Transfer to income due to impairments - debt instruments	5,179	0	0	0	0	0	5,179	(0)
Transfer to income due to disposals - debt instruments	26,394	0	0	0	0	0	26,394	18
Net change in fair value through other comprehensive income - equity instruments	0	0	0	0	51,263	0	51,263	2,481
Net change in fair value through equity – derivatives - hedging reserve[3]	0	(16,277)	0	0	0	0	(16,277)	0
Net change in cash flow hedge reserve due to transfers to income	0	82	0	0	0	0	82	0
Net changes related to (re) insurance contracts[4]	0	0	(325,431)	0	0	0	(325,431)	0
Remeasurement pension plans[5]	0	0	0	0	0	5,819	5,819	0
Transfers	168	0	0	0	0	0	168	0
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	7,244	0	7,244	(942)
Other movements	(462,560)	0	(872)	0	0	0	(463,433)	0
AS AT 31 DECEMBER 2023	(353,149)	(128,839)	353,669	208	195,452	125,752	193,093	12,494

(1) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR -131 million, or 59.1%, to EUR -353 million (31 December 2022: EUR -222 million) mainly due to the IFRS 9 business model reassessment on 1 January 2023, resulting in an impact of EUR -464 million as loans and advances and debt instruments of the Belfius Insurance portfolio were reclassified from measured at amortised cost to measured at fair value through other comprehensive income. The decrease is partially compensated by positive fair value adjustments of EUR +0.3 billion in the course of 2023 resulting from tightened credit spreads and the realization of capital losses, partially offset by increased short term interest rates.
(2) The fair value of equity instruments measured at fair value through other comprehensive income increased by EUR 59 million, or 42.7%, to EUR 195 million (31 December 2022: EUR 137 million), resulting from increased fair values of essentially unquoted shares.
(3) Gains (losses) on cash flow hedges decreased by EUR -16 million to EUR -129 million (31 December 2022: EUR -113 million), due mainly to the evolution of basis spreads on derivative positions in GBP and USD.
(4) The total insurance/reinsurance finance component recognized in Other Comprehensive Income decreased by EUR -326 million, or -48.0%, to EUR 354 million (31 December 2022: EUR 680 million),), resulting from the changes in discount rate and the recalibration of the mass lapse risk in the risk adjustment.
(5) The remeasurement of defined benefit plans increased by EUR 6 million, to EUR 126 million (31 December 2022: EUR 120 million), due mainly to the positive return on plan assets and experience adjustments, partially offset by a decrease of the discount rate.

Taking into account the IFRS 9 business model reassessment per 1 January 2023, the gain and losses not recognised in the statement of income increased by EUR 54 million (evolution from 1st January 2023 to 31 December 2023), the impact of the insurance finance component resulting from changes in discount rate (EUR -326 million) are compensated by the fair value changes of the debt securities (EUR +333 million).

EQUITY	31/12/22	31/12/23
BY CATEGORY OF SHARE		
Number of shares authorised and not issued	0	0
Number of shares issued and fully paid	359,412,616	359,412,616
Number of shares issued and not fully paid	0	0
Earnings per share (EUR)		
Ordinary	2.59	3.10
Diluted	2.59	3.10
NOMINAL VALUE PER SHARE	no nominal value	no nominal value
Outstanding as at 1 January	359,412,616	359,412,616
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as at 31 December	359,412,616	359,412,616
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of share	0	0

Refer to the Capital Management chapter of the Management Report for further information on the changes of regulatory own funds and the solvency of Belfius.

Shared-based payments

There are no option plans with Belfius shares as underlying asset.

The notes on pages 177 to 344 are an integral part of the consolidated annual financial statements.

Consolidated cash flow statement

Belfius uses the indirect method for the cash flow statement. The presentation of this statement begins with net income, with subsequent additions to and deductions from that amount for non-cash items, resulting in net cash provided by operating activities.

(in thousands of EUR)	31/12/22	31/12/23
CASH FLOW FROM OPERATING ACTIVITIES		
Net income attributable to equity holders of the parent	931,771	1,114,538
Net income attributable to non-controlling interests	1,181	2,252
ADJUSTMENT FOR NON CASH ITEMS	146,895	276,595
Depreciation, amortisation and other impairment	230,814	246,116
Impairment on bonds, loans and other assets	28,187	26,617
Net (gains) or losses on investments	(48,296)	(14,377)
Net (gains) or losses on tangible & intangible assets	(35,376)	(12,240)
Net (gains) or losses on consolidated shares & equity method companies	(12,920)	(2,137)
Increase / (decrease) of provisions (mainly insurance provision)	(41,381)	(31,476)
Unrealised (gains) or losses[1]	(17,705)	(25,153)
Net unrealised gains from cash flow hedges and discontinuations	(93)	70
Income from equity method companies	(3,993)	(8,853)
Dividends from equity method companies	1,853	12,754
Deferred taxes	(2,492)	70,897
Deferred tax income	(333,096)	(1,046,787)
Deferred tax charges	330,604	1,117,684
CHANGES IN OPERATING ASSETS	(509,102)	(5,568,771)
Loans and advances due from credit institutions	5,940,831	(65,416)
Loans and advances	(7,967,396)	(4,372,533)
Debt securities and equity instruments	1,107,648	(1,044,749)
Assets from insurance companies	(43,258)	4,558
Tax asset	(31,705)	(15,690)
Accrued income from financial assets	531,083	106,374
Other assets	(42,144)	(181,493)
Assets held for sale-other assets	(4,161)	177
CHANGES IN OPERATING LIABILITIES	(7,461,611)	(239,100)
Balances from central banks[2]	(9,650,000)	(4,600,000)
Loans and advances due to credit institutions	(1,724,922)	2,024,677
Customer borrowings and deposits	4,013,201	(4,779,494)
Debt securities and other financial liabilities	2,789,138	5,818,514
Tax liabilities	22,662	15,925
Accrued expenses on financial instruments	(444,368)	513,290
Other liabilities specific to insurance companies	(2,583,159)	532,520
Other liabilities	115,838	235,467
OTHER OPERATING FLOWS[3]	5,358,627	(498,586)
DERIVATIVES	(2,163,153)	(628,025)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,695,392)	(5,541,097)

(1) This line item represents the fair value adjustments on financial instruments at fair value through profit or loss.
(2) In the course of 2022, Belfius redeemed an amount of EUR 9.7 billion from TLTRO III. In 2023 TLTRO III funding decreased further by EUR 4.6 billion as a result of maturities.
(3) Other operating flows include adjustments for non cash items and mainly consist of fair value adjustments on hedged items.

(in thousands of EUR)	31/12/22	31/12/23
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets[1]	(502,625)	(644,566)
Sales of fixed assets[1]	214,119	150,883
Acquisitions of unconsolidated equity shares[2]	(100,333)	(88,067)
Sale of unconsolidated equity shares[3]	252,376	110,557
Acquisitions of subsidiaries and of business units[4]	(17,760)	(833)
Sale of subsidiaries and of business units[5]	51,437	4,250
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(102,786)	(467,776)
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new shares	243	(0)
Reimbursement of capital	(56)	(15)
Issuance of subordinated debts[6]	0	495,965
Reimbursement of subordinated debts[6]	(92,219)	(266,452)
Dividends paid[7]	(382,763)	(399,007)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(474,794)	(169,509)
NET CASH PROVIDED	(4,272,972)	(6,178,381)
of which cash outflow for leases	(3,782)	(5,201)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	32,322,938	28,048,389
Cash flow from operating activities	(3,695,392)	(5,541,097)
Cash flow from investing activities	(102,786)	(467,776)
Cash flow from financing activities	(474,794)	(169,509)
Effect of exchange rate changes on cash and cash equivalents	(1,577)	707
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	28,048,389	21,870,715
ADDITIONAL INFORMATION		
Income tax paid (included in line net cash provided (used) by operating activities)	(245,594)	(338,704)
Dividends received (included in line net cash provided (used) by operating activities)	73,464	69,959
Interest received (included in line net cash provided (used) by operating activities)	4,269,253	6,957,470
Interest paid (included in line net cash provided (used) by operating activities)	(2,071,022)	(3,887,784)

(1) The purchase and sale of fixed assets mainly relates to leasing contracts of Belfius Auto Lease that are recognized as operating lease contracts.
(2) Includes the acquisition of a majority stake in CenEnergy by Belfius Bank in 2022. Refer to note 10.1. Significant changes in scope of consolidation.
(3) Belfius Insurance disposed equity instruments for risk and ALM purposes. Refer to note 5.5. Debt securities and equity instruments.
(4) Belfius Insurance acquired shareholdings in MC² in 2022. Refer to note 10.1. Significant changes in scope of consolidation.
(5) Belfius Insurance sold the subsidiary Alysea (a real estate company investing in a retirement home in Luxembourg) in June 2022. In 2023 Belfius Insurance realized a capital gain of EUR 4 million on Fixxer following the demerger of Jaimy. Refer to note 10.1. Significant changes in scope of consolidation.
(6) In January 2023 Belfius issued Tier 2 subordinated notes amounting to EUR 0.5 billion and called Tier 2 subordinated loans amounting to EUR 0.2 billion in March 2023 and EUR 50 million in July 2023.
(7) This line includes the dividend paid to the shareholder in 2023 (EUR 384.4 million) as well as interest paid on the Additional Tier 1 of EUR 14 million in 2023, which is considered as a dividend under IFRS.

The decrease in cash provided by operating activities mainly stems from the partial maturity of the TLTRO III participation for EUR 4.6 billion, which was deposited at the ECB facility as well as decreasing deposits from customers (sight and saving accounts). The decrease was partially compensated by increasing repurchase agreements, and the issuance of (subordinated) debt securities which were reinvested in loans and advances.

Refer to the Liquidity Risk chapter of the Management Report for a detailed description of the liquidity position.

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.20. “First time adoption IFRS 17”) for more information.

The notes on pages 177 to 344 are an integral part of the consolidated annual financial statements.

Notes to the consolidated annual financial statements

The comparative figures of 2022 are the restated IFRS 17 figures and exclude the impact of the IFRS 9 business model reassessment of financial assets which occurred on 1 January 2023, we refer to the Accounting principles (note 3.20. "First time adoption IFRS 17") for more information.

II. Post balance sheet events

Please find below an overview of non-adjusting events between the balance sheet date (31 December 2023) and the date of the board of directors.

1. Dividend

The Board of Directors of 21 March 2024, has proposed to the General Assembly of 24 April 2024 an ordinary dividend of EUR 440.3 million in respect of the accounting year 2023, based on a pay-out ratio of 40% on the consolidated 2023 net result.

2. Capital and liquidity management

To optimize its capital structure and to support its liquidity diversification, Belfius issued:

- EUR 500 million of Non Preferred Senior notes in January 2024 with a maturity in January 2029;
- EUR 500 million of Belgian Mortgage Pandbrieven with a 7-year maturity in February 2024; and
- EUR 500 million of Tier 2 notes in March 2024, with a maturity in 2035 and call date in 2030.

III. Accounting principles on a consolidated basis

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Notes to the financial statements

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The common used abbreviations below are:
- IASB: International Accounting Standards Board;
-IFRIC: Interpretation issued by the IFRS Interpretations Committee;
- IFRS: International Financial Reporting Standards.

In the following text, "Belfius", "Belfius Group" refers to "Belfius Bank & Insurance and its consolidated entities.

The financial statements have been approved by the Board of Directors of Belfius Bank on 21/03/2024.

Accounting policies

1. BASIS OF ACCOUNTING

1.1. General

The consolidated financial statements of Belfius have been prepared in accordance with IFRSs as issued by the IASB, including interpretations ("IFRICs") issued by the IFRS Interpretation Committee, as adopted by the European Union including the conditions applicable to interest-rate portfolio hedging ("carve-out").

The Royal Decree of 5 December 2004 requires Belfius to publish its consolidated financial statements in accordance with IFRSs adopted by the European Union as from 31 December 2006.

The consolidated financial statements are prepared on a going-concern basis. They are expressed in thousands of Euro (EUR) unless otherwise stated.

Belfius has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in this note.

1.2. Accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates, assumptions and judgements that affect the amounts reported. To make these assumptions and estimates, management uses information available at the date of preparation of the financial statements and exercises its judgement. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the financial statements.

Judgement is used principally in, but not limited to, the following areas:

- Assessment of the business model considering the way performance of the assets is evaluated, the risks that affect this performance and the compensation of managers (see section 6.2.1);
- Assessment whether or not the contractual terms of a financial asset are solely payments of principal and interest (cf. SPPI test) (see section 6.2.1);
- Determination whether or not there is an active market based on criteria such as volume, actual trade, market liquidity, bid offer spread for financial instruments measured at fair value (see section 6.7.);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques (see section 6.7.);
- Determination whether or not Belfius (jointly) controls an investee or has significant influence over an investee: this control assessment considers all facts and circumstances, such as voting rights, potential voting rights, rights of the investor, type of activity (see section 3.);
- Identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see section 14.);
- The appropriateness of designating derivatives as hedging instruments;
- Existence of a present obligation with probable outflows in the context of litigations (see section 18.);
- Measurement of expected credit loss allowances and choice of the appropriate models as well as the use of appropriate assumptions about future economic conditions and credit behaviour of the customer (see section 6.5, the Risk Report, and the relevant notes in the financial statements);
- Assessment of significant increase in credit risk for a financial asset since its initial recognition to determine whether 12-month or lifetime expected losses should be recognised. This assessment takes into account qualitative and quantitative reasonable and supportable forward-looking information, (see section 6.5, the Risk Report, and the relevant notes in the financial statements);
- Grouping of assets with similar credit risk characteristics and continuous monitoring of the appropriateness of the credit risk characteristics to assess whether they continue to be similar (see section 6.5.),
- Classification of a financial instrument or its component parts as a financial liability or equity based on the economic substance rather than the legal form of the instrument or its component (see section 6.1.);
- Contract definitions, separating of components, level of aggregation, applicable measurement approaches, estimates of futures cash flows, discount rates related to insurance contracts IFRS 17 (see section 8).

Estimates are principally made in the following areas:

- Determination of the fair value less costs to sell for non-current assets and disposal groups held for sale (see section 14.);
-Determination of expected credit losses by using the relative weighting of forward-looking scenario's on credit behaviour of customers, the Probability of Default (PD) and Loss Given Default (LGD), (see section 6.5, the Risk Report, and the relevant notes in the financial statements);
- Determination of the change in fair value for financial liabilities designated as at FVTPL attributable to a change in credit risk of the financial liability (see section 6.3.2.);
- Determination of the useful life and the residual value of property, equipment, investment property and intangible assets (see section 10. and 11.);
- Determination of the market value correction to adjust for market value and model uncertainty (see section 6.7.);
- Measurement of liabilities for insurance contracts (see section 8.);
- Measurement of hedge effectiveness in hedging relations (see section 6.6.2. and 6.6.3.);
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see section 17. and note 6.7.);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (see section 16.);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (see section 12.2.).

These judgements and estimates are discussed in the corresponding sections (as referenced above) of the accounting policies and/or the Risk Report and the relevant notes in the financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND APPLICABLE STANDARDS SINCE THE PREVIOUS ANNUAL PUBLICATION THAT MAY IMPACT BELFIUS

The overview of the texts below is made until the reporting date of 31 December 2023.

2.1. IASB / IFRS / IFRIC texts and amendments endorsed by the European Commission and effective as from 1 January 2023

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020);

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021);

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021).

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)

- Amendments to IFRS 17 Insurance contracts: initial application of IFRS 17 and IFRS 9 – Comparative information (issued on 9 December 2021)

- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023);

  International Tax Reform – Pillar 2 model rules: The International Accounting Standards Board (IASB) has issued amendments to IAS 12 Income Taxes

giving companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The OECD published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. More than 135 countries and jurisdictions representing more than 90% of global GDP have agreed to the Pillar Two model rules.

The amendments will introduce (a) a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and (b) targeted disclosure requirements to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

As required in the amendments to IAS 12, Belfius confirms it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The legislation implementing Pillar 2 is enacted or substantively enacted in the jurisdictions in which Belfius is present. The legislation is effective as from financial year 2024. Belfius Group is in scope of Pillar 2 legislation since its consolidated annual revenue is higher than EUR 750 million.

Belfius is currently making an assessment of Pillar 2 legislation and the scope on which pillar 2 applies, based on country-by-country reporting and the available financial statements of the constituent entities. Based on that assessment, it expects that in the jurisdictions where it is present, either a "Transitional Safe Harbour" will apply or the Effective Tax Rate computation will result in an Effective Tax Rate of at least 15 %.

At this stage and based on current assessment, Belfius Group does not expect a material exposure on Pillar 2 income taxes.

2.2. IASB / IFRS / IFRIC texts and amendments endorsed by the European Commission and applicable as from 1 January 2024

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2024. Belfius Group has not early adopted any of the forthcoming new or amended accounting standards in preparing these consolidated financial statements.

Belfius is not planning on early adopting the new or amended accounting standards and the impact of the initial application is not expected to be material.

Amendments to IAS 1 Presentation of Financial Statements:

- Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020);
- Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and
- Non-current Liabilities with Covenants (issued on 31 October 2022).

Amendments to IAS 1 Presentation of Financial statements: Classification of Liabilities as Current or Non-current, issued on 23 January 2020, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- clarify how lending conditions affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

On July 15, 2020, the IASB issued Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments with one year.

On October 31, 2022, the IASB issued Non-current liabilities with Covenants, which amends IAS 1 and specifies that covenants (i.e. conditions specified in a loan arrangement) to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

All of the amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted. The amendments have been endorsed by the EU.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback, issued on 22 September 2022, introduce a new accounting model which will impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction.

Under this new accounting model for variable payments, a seller-lessee will:
- include estimated variable lease payments when it initially measures a lease liability arising from a sale-and-leaseback transaction; and
- after initial recognition, apply the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2024 with early application permitted. These amendments have been endorsed by the EU.

2.3. IASB/IFRS/IFRIC texts and amendments issued but not yet endorsed by the European Commission

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements, issued on 25 May 2023, introduce additional disclosure requirements for companies that enter into supplier finance arrangements. The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available. These amendments have not yet been endorsed by the EU.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, issued on 15 august 2023, clarify when a currency is exchangeable into another currency (and when it is not). When a currency is not exchangeable, a company needs to estimate a spot rate. The company's objective when estimating a spot rate is that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2025 with early adoption permitted. These amendments have not yet been endorsed by the EU.

2.4. Changes in presentation

Together with the introduction of IFRS 17 and compared to 2022, some adjustments were made in the presentation lines on the balance sheet and statement of income and other comprehensive income.

Unit linked contracts are no longer presented in a separate balance sheet line but are included in the line "IV.D Debt securities and equity instruments" on the asset side and in the line "IV.C Debt securities issued and other financial liabilities" on the liability side.
In the statement of income and other comprehensive income new line items are created for Insurance service result, Insurance finance income and Total insurance/reinsurance finance component recognised in OCI. As a result of these new presentation lines, some existing lines were shifted.

3. CONSOLIDATION

3.1. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of

- the acquisition-date fair values of the assets transferred by Belfius;
- the liabilities incurred by Belfius to former owners of the acquiree; and
- the equity interests issued by Belfius in exchange for control of the acquiree.

Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.
Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When a business combination is achieved in stages, equity interests held previously by Belfius in the acquiree are remeasured to fair value at the acquisition date (i.e. the date on which Belfius obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3.2. Subsidiaries

Subsidiaries are those entities over which Belfius has, either directly or indirectly, control. Belfius controls an entity when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated as from the date on which effective control is transferred to Belfius and are no longer consolidated as from the date on which control is lost. Intercompany transactions and balances, and gains and losses on transactions between consolidated companies of Belfius are eliminated. Where necessary, the accounting policies of the subsidiaries are aligned to ensure consistency with the policies adopted by Belfius.

When Belfius loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

3.3. Jointly controlled entities and associates

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method.
Associates are investments in which Belfius has significant influence, but does not exercise control. This is usually the case when Belfius owns between 20% and 50% of the voting rights. Investments in associates are initially measured at cost and accounted for using the equity method.
Following the equity method, the ownership share of net income for the year is recognised as income of joint ventures and associates, whereas the share in other comprehensive income of joint ventures and associates is carried on a separate line of the statement of comprehensive income. The investment is recorded in the balance sheet at an amount that reflects Belfius' share of the net assets of joint ventures and associates increased with related goodwill.

Gains and losses on transactions between Belfius and its "equity method investments" are eliminated to the extent of the interest therein of Belfius. The recognition of losses from joint ventures and associates is discontinued when the carrying amount of the investment reaches zero, unless Belfius has incurred or guaranteed legal or constructive obligations on behalf of the associate or joint venture. If required, the accounting policies of the joint ventures and associates are aligned to ensure consistency with the policies adopted by Belfius.

3.4. Structured entities

A structured entity is an entity whose activities are not governed by way of voting rights. These entities generally finance the purchase of assets by issuing debt and equity securities that are collateralised by assets held by the structured entities. The debt and equity securities issued by the structured entities may include tranches with varying levels of subordination. In assessing whether Belfius has power over such investees in which it has an interest, Belfius considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee.

4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset (and, consequently, only the net amount is reported) when Belfius has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5. FOREIGN CURRENCY TRANSACTIONS

For individual Belfius entities, foreign currency transactions are accounted for using the approximate exchange rate at the date of the transaction. Outstanding balances of monetary and non-monetary items carried at fair value denominated in foreign currencies are translated at period- or year-end using the exchange rates applicable at period- or year-end. Historical rates are used for non-monetary items carried at cost and such items are not subsequently remeasured for changes in exchange rates. The exchange differences for non-monetary items carried at fair value are governed by the same accounting treatment as for fair value adjustments. Exchange differences for monetary items are recorded in the consolidated statement of income.

6. FINANCIAL INSTRUMENTS

6.1. Recognition and initial measurement

At initial recognition, judgement can be required in determining the appropriate classification of the financial instruments. Debt and equity instruments issued by a Belfius Group entity are classified as a financial liability or as an equity instrument in accordance with the substance of the contractual arrangement rather than the legal form of the instrument and the definitions of financial liability and equity instrument.

Regular way purchases of financial assets are recognised on settlement date, which is the date of delivery to Belfius. Financial assets (other than regular way purchases) and financial liabilities are recognised in the Belfius Group's balance sheet when the Belfius Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

Although the transaction price is the best evidence of fair value for all financial instruments, a day one profit or loss may be applicable.

The day one profit or loss is the difference between:
- the transaction price and the quoted price in an active market for a financial instrument; or
- the transaction price and the fair value determined by using a valuation technique (mark-to-model), if the instrument is not quoted.

If all the inputs of the model are observable, the day one profit or loss will be recognised immediately in the statement of income.
If all inputs of the model are not observable, the day one profit or loss will be amortised over the expected life of the instrument, where this is appropriate. However, if the data subsequently becomes observable, the remaining portion of day one profit or loss will be recognised in the statement of income.
In cases of early termination of the underlying instrument, the remaining portion of day one profit or loss will be recognised in the statement of income.

6.2. Classification and subsequent measurement of financial assets

6.2.1. General

According to IFRS 9, the classification and measurement of financial assets is based on both the

entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics (referred to as the Solely Payments of Principal and Interest test – SPPI test).

The following business models are available for managing financial assets:
- Hold to collect contractual cash flows;
- Hold to collect contractual cash flows and sell;
- Other, such as trading and management of assets on a fair value basis.

IFRS 9 introduces the following categories for the measurement of debt instruments. The methods for the measurements are:

- Fair value through other comprehensive income (FVTOCI) – financial assets will be classified into this category if the assets meet the SPPI test and the business model is to hold the assets to collect contractual cash flows and to sell the assets
- Amortised cost – financial assets will be classified into this category if the assets meet the SPPI test and the business model is to only hold the assets to collect contractual cash flows
- Fair value through profit or loss – financial assets that do not fall within the two categories mentioned above will be measured at fair value through profit or loss.

Debt instruments that meet the amortised cost or FVTOCI criteria can be irrevocably designated at fair value through profit or loss if it eliminates, or significantly reduces, an accounting mismatch in profit or loss.

Investments in equity instruments are classified at fair value through profit or loss because they do not meet the SPPI test. However, IFRS 9 allows an entity to make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this Standard that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Dividends from investments in equity instruments are always recognised in profit or loss unless the dividend clearly represents a recovery of the cost of the investment.

The cash flow characteristics test (or Solely Payment of Principal and Interest test)

The cash flow characteristics test assesses whether contractual cash flows are solely payments of principal and interest on the principal outstanding, consistent with a basic lending arrangement. For contractually linked instruments a "look-through" approach is applied to determine whether the SPPI criterion is met for the tranches of the instrument taking into consideration the contractual terms of the tranche and the characteristics of the underlying pool as well as the exposure to credit risk.

Principal is the fair value of the financial asset at initial recognition and may change over the life of the financial asset (in case of repayments of principal). Interest is the consideration for the time value of money, the credit risk and may also include consideration for other basic lending risks and costs (such as liquidity risk and administration costs) as well as a profit margin.

In making this assessment, Belfius takes into account:
- Contingent events that would change the amount or timing of the cash flows (by assessing the cash flows arising before and after the change in cash flows);
- Terms that may adjust the contractual coupon rate including variable rate features (whether or not variations can be regarded as compensation for credit risk);
- Prepayment and extension features (by assessing amount of prepayment and cash flows during the extension period); and
- Terms that limit the entity's claims to cash flows from specified assets (such as non-recourse features).

Business model

The business models are determined by the Board of Directors for homogenous portfolios and reflect how the financial assets are managed together to achieve a particular objective. The determination of the business model takes into account all relevant information in normal scenarios and also considers the following factors:

- Past experience regarding the frequency, volume and timing of sales, the reasons for such sales and expectations about future sales activity;
- How the asset's performance is evaluated and reported to key management personnel;
- How risks are assessed and managed; and
- How managers are compensated.

Belfius applies the following business models to manage its financial assets:
- Hold to collect contractual cash flows;
- Hold to collect contractual cash flows and sell;

Any other business models such as trading and management of assets on a fair value basis.

At initial recognition of a financial asset, Belfius determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model.
Once a year, Belfius reassesses its business models to determine whether the business models have changed since the preceding period.

Change in Business model

A future change in business models for existing financial assets and the related prospective reclassification of all affected financial assets will be very exceptional as it should be the consequence of an acquisition, sale or development of an activity or a business line that is significant for the operations of each of the entities of Belfius Group and is demonstrable to external parties. In view of its significance, the proposition to change should be discussed and decided by the appropriate governance bodies.

With the implementation of IFRS 17, the interaction between IFRS 9 and IFRS 17 might give rise to accounting mismatches in how insurance contracts and the assets held to back them are recognised and measured. For that reason, entities that had applied IFRS 9 to annual periods before the FTA of IFRS 17 are permitted to change their previously applied classification and designation of financial assets. Belfius has used this opportunity to reassess its

current business models and redesignate its financial assets for insurance activities. See chapter 8.8.chapter "First Time Adoption IFRS 17 " Financial assets business model reassessment (IFRS 9)" for more detailed information.

6.2.2. Financial assets measured at amortised cost

Debt instruments (including hybrid contracts) that are held within a business model "hold to collect contractual cash flows" and with contractual cash flows that are SPPI compliant and for which Belfius has not elected the fair value option, are subsequently measured at amortised cost.

This category includes debt instruments with the objective of holding these debt instruments until maturity and generating a stable interest margin. When loans are sold to a securitization vehicle that is consolidated, this does not preclude their classification as hold to collect.

Sales are not an integral part of the "hold to collect contractual cash flows" business model but may be consistent with this business model if sales are close to maturity, sales are due to an increase in credit risk or sales are not significant (even if frequent) or infrequent (even if significant). Judgement should be applied to determine whether the sales are consistent with a "hold to collect contractual cash flows" business model.

Amortised cost is the amount at which the debt instruments are measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount using the effective interest method (cf. section 6.9. Interest income and expense), and adjusted for any impairment for expected credit losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss when they arise. Any gain or loss on derecognition is recognised in profit or loss.

6.2.3. Financial assets measured at fair value through other comprehensive income

This category includes debt instruments and investments in equity instruments.

Debt instruments measured at fair value through other comprehensive income

Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt instruments and whose contractual cash flows are SPPI compliant, are subsequently measured at fair value through other comprehensive income on the condition that Belfius has not elected the conditional fair value option.
Debt instruments included in funds with dedicated assets (segregated funds) or for which flexibility is required to face potential surrenders of life insurance contracts, investment opportunities or kept to face potential liquidity needs are included in this category. Movements in the carrying amount representing unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income under the line item XVIII. "Gains and losses not recognised in the statement of income - Fair value changes of debt instruments measured at fair value through other comprehensive income".

When the debt instrument is disposed of Belfius recycles the cumulative gain or loss previously recognised in other comprehensive income to the line item VI. "Net income on investments and liabilities" in the statement of income.

Interest revenue and impairment are recognised in profit or loss. Foreign exchange gains and losses on debt instruments measured at FVTOCI that are part of an effective currency risk designated hedging relationship are recognised in other comprehensive income; otherwise they are recognised in profit or loss. Interest income is recognised using the effective interest method similar to financial assets measured at amortised cost.

Investments in equity instruments measured at fair value through other comprehensive income

Are included in this category, equity instruments that meet the IAS 32 definition and that are neither held for trading nor representing contingent consideration recognised by an acquirer in a business combination, and for which Belfius at initial recognition irrevocably on an instrument-by-instrument basis has elected to measure them at FVTOCI.

Subsequent changes in fair value, foreign exchange gains and losses and realised gains and losses are presented in other comprehensive income under the line item XIX. "Fair value changes of equity instruments measured at fair value through other comprehensive income". On derecognition, the cumulative gains or losses previously recognised in other comprehensive income as mentioned above, are not subsequently reclassified to the statement of income but are transferred within equity to the line item XVI. "Reserves and retained earnings".

Fair value measurement is required for all equity instruments, even if those instruments are not quoted in an active market. Acquisition cost as appropriate estimate of fair value is only admitted in limited circumstances (cf. section 6.7 Fair value of financial instruments).

Dividends are recognised in the statement of income when the right to receive payment of these dividends is established, it is probable that the economic benefits associated with the dividends will flow to Belfius and the amount of the dividends can be measured reliably. If a dividend represents a return of investments, it will be accounted as a reduction of the acquisition cost.

6.2.4. Financial assets measured at fair value through profit or loss

Financial assets subsequently measured at fair value through profit or loss consist of debt instruments, investments in equity instruments and Unit Linked (B23) products. Non hedging derivatives are treated in section 6.6.1.A Derivatives – Trading portfolio, including embedded derivatives.

Debt instruments held for trading

Debt instruments held for trading are intended to generate a profit from short-term fluctuations in price or dealer's margins or are included in a portfolio

in which a pattern of short-term profit taking exists. Belfius initially recognises these instruments at their fair value and subsequently remeasures them at fair value, with unrealised and realised gains and losses recorded in the statement of income under the line item IX. "Net income from financial instruments at fair value through profit or loss". Interest income and interest expense (negative yield) are accrued using the effective interest rate method and Belfius opted to record these under the line item I. "Interest income" and II. "Interest expense".

Debt instruments and Unit Linked (B23) designated at fair value through profit or loss (referred to as fair value option)

In some cases and if appropriately documented, Belfius can at initial recognition irrevocably designate debt instruments that meet the business model hold to collect and/or hold to collect and sell criteria and that give rise to cash flows that are SPPI compliant at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch.
The valuation rules as mentioned under paragraph "Debt instruments held for trading" apply to this category.

Debt instruments measured at fair value through profit or loss (non-basic instruments)

This category includes debt instruments with contractual cash flows that are not SPPI compliant such as some structured loans as well as financial assets with a legal form of equity but, based on the substance of the contract, meet the definition of a debt instrument (such as open-end funds, shares with legal end date, real estate certificates).
The valuation rules as mentioned under paragraph "Debt instruments held for trading" apply to this category.

Investments in equity instruments measured at fair value through profit or loss

This category includes investments in equity instruments held for trading as well as non-trading investments in equity instruments that at initial recognition were not irrevocably elected to be designated at fair value through other comprehensive income.

Gains and losses due to remeasurement to fair value (realised and unrealised) and foreign exchange gains and losses are recognised in the statement of income under the line item IX. "Net income from financial instruments at fair value through profit or loss".
Dividends are recognised in the statement of income under the line item VII "Dividend income" unless the dividend clearly represents a recovery of part of the cost of the investment.

6.3. Classification and subsequent measurement of financial liabilities

6.3.1. Financial liabilities measured at amortised cost

These liabilities are subsequently measured at amortised cost and any difference between their amount made available and the amount due at maturity is recognised in the statement of income as interest expense or interest income. The accretion or amortisation of this difference is recognised over the remaining duration of the liabilities using the effective interest rate method.

6.3.2. Financial liabilities measured at fair value through profit or loss

Financial liabilities are measured at FVTPL when, at initial recognition, the liability is either held for trading or at initial recognition irrevocably designated at FVTPL.

Financial liabilities held for trading

This section does not deal with trading derivatives that are described in section 6.6.1 below.

Financial liabilities held for trading includes short positions in securities. These instruments are intended to generate a profit from short-term fluctuations in price or dealer's margins or are included in a portfolio in which a pattern of short-term profit taking exists. Belfius initially recognises these instruments at their fair value and subsequently remeasures them at fair value, with unrealised and realised gains and losses recorded in the statement of income under the line item "Net income from financial instruments at fair value through profit or loss".

Financial liabilities and Unit Linked contracts (B23) designated at fair value through profit or loss

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may upon initial recognition be designated at fair value through profit or loss in the following circumstances:
- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a Belfius Group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- The financial liability contains one or more embedded derivatives and IFRS 9 permits the entire hybrid (combined) contract to be designated at FVTPL.

The valuation rules applicable for financial liabilities held for trading apply except for the recognition of own credit risk.

Changes in fair value attributable to own credit risk of a financial liability to which the fair value option is applied, are recognised in other comprehensive income under the line item XX. "Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or loss to be presented in other comprehensive income", unless this recognition would create or enlarge an accounting mismatch in profit or loss. These amounts are not subsequently reclassified to profit or loss. Instead, they are transferred to the line item XVI. "Reserves and retained earnings" upon derecognition of the financial liability. The remaining amount of the change in fair value is recognised in profit or loss.

6.4. Derecognition and modification of financial assets and liabilities

Financial assets are derecognised when the contractual rights to the asset's cash flows expire or when substantially all the risks and rewards of ownership of the asset are transferred to another entity.

Regular way sales that meet the above derecognition criteria of financial assets are derecognised on settlement date, which is the date of delivery by Belfius. Financial liabilities are derecognised when they are extinguished (i.e when the obligation specified in the contract is discharged, cancelled or expires).

If a substantial modification of a financial asset or a financial liability (including an exchange of debt instruments with substantially different terms) occurs and the contractual terms governing the cash flows are renegotiated, the financial asset or financial liability is derecognised. If a modification occurs and the existing contract is not derecognised, a modification gain or loss is recognised in the statement of income. This gain or loss is determined by recalculating the gross carrying amount of the existing financial instrument as the present value of the renegotiated or modified contractual cash flows, using the financial instrument's original effective interest rate.

For modified financial assets that are not derecognised, an assessment is made to determine whether there has been a significant increase in the credit risk of the financial asset, by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Depending on the outcome of the assessment, a change in loss allowance may be recorded (cf. section 6.5 on impairment of financial instruments).

6.5. Impairment of financial instruments

Impairment determination and calculation is governed by the Credit risk impairment guidelines of the Risk department and more details are available in the section "Risk management - IFRS 9 Impairment methodology" of the Management Report of the consolidated financial statements.

6.5.1. Determination of the impairment

Expected credit losses (ECL) associated with debt instruments carried at amortised cost and debt instruments measured at fair value through other comprehensive income are determined on a forward-looking basis. For lease receivables, Belfius has not opted to apply the simplified approach of recognising lifetime expected losses. Loan commitments and financial guarantees not measured at fair value through profit or loss are also subject to impairment and the loss allowance is recognised as a provision.

Loss allowances and provisions for 12-month expected credit losses are initially recognised on trade date for financial assets in scope of impairment (debt instruments, lease receivables and contract assets), loan commitments and financial guarantees not measured at fair value through profit or loss.
12-month expected credit losses relates to the portion of lifetime expected credit losses that represent the expected credit losses resulting from default events that are possible within the 12 months after the reporting date.

The default committee within the Risk department is competent to define the default status.
A transversal default definition is applied within the entire Belfius Group and on all market segments. However for a limited number of specific segments (for example sovereigns, banks, international corporates...) some deviation have been applied. The Belfius Default guideline provides in-depth description of indicators used to categorize an exposure in default.

The amount of expected credit losses is measured through a loss allowance at an amount equal to either a12-month ECL or a lifetime ECL. Lifetime ECL are the losses that result from all possible default events over the expected life of the financial asset.

Expected credit losses are a probability-weighted estimation of expected cash shortfalls discounted at the original effective interest rate of the financial asset. Expected cash shortfall is the difference between the cash flows due under the contract and the cash flows expected to be received, taking into consideration the value of collateral and other credit enhancements.

The estimation of cash flows considers all contractual terms of the financial asset (such as prepayment, extension, call and similar options) through its expected life.

Impairment calculation is based on a two-fold building block approach::
- Block 1: determination of the appropriate stage per exposure;
- Block 2: calculation of the expected credit losses per exposure for stages 1, 2 and 3.

The following credit exposures are distinguished and all exposures are individually assessed:
- Performing credit exposures i.e. exposures for which there has not been a significant increase in credit risk since origination (stage 1);
- Under-performing credit exposures i.e. exposures for which there has been a significant increase in credit risk between the moment Belfius originated or purchased the financial asset and the reporting date (stage 2);
- Non-performing credit exposures i.e. exposures that become credit impaired (stage 3).
A change of the classification into stages can go in both directions.

Performing credit exposures – Classification Stage 1

All exposures not classified in stage 2 (significant increase of credit risk since origination) or stage 3 (occurrence of impairment) are by definition classified in stage 1. For these exposures, Belfius recognises at initial measurement a 12-month expected credit loss, i.e. the expected credit loss that results from those default events on the financial instrument that are possible within 12 months after the reporting date.

Under-performing credit exposures – Classification Stage 2

Exposures for which there has been a significant increase in credit risk between origination or purchase of the financial asset and reporting date are classified in stage 2.

A significant increase in credit risk for an individual exposure of a counterpart is based on the following quantitative and qualitative factors:
- A significant deterioration of the lifetime probability of default (lifetime PD) of the counterpart; and
- The fact that the customer to whom the individual exposure belongs is put by Belfius on its Watchlist, the list that identifies counterparties where problems might arise (or have arisen). There is however one exception: a new contract may be classified in Stage 1 if, when originating the contract, the customer already figures on the Watchlist and that since then there is no new significant increase in credit risk for this contract.

In two situations, there will be a mandatory classification on the Watchlist:
- If one or more credit products of the counterpart was accorded a "Forbearance flag", forbearance being a new, additional concession or the prolongation of an existing concession; or
- If an exposure is overdue for more than 30 days, unless one can clearly prove that it concerns an operational past due or that the overdue is not a sign of a significant increase of credit risk since initial recognition.

In assessing whether a significant deterioration of the lifetime PD occurred since origination, a comparison is made between lifetime PDs at the date of origination with lifetime PDs at reporting date. Details are available in the section "Risk management - IFRS 9 Impairment methodology" of the Management report of the consolidated financial statements.

Non-performing credit exposure - Classification at Stage 3

At each reporting date, the Default Committee assesses whether there is an objective evidence that a financial asset or a Belfius group of financial assets is impaired/defaulted. If affirmative, these financial assets are considered as credit-impaired and are transferred to Stage 3 and a lifetime expected loss is recognised.

The expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

An impaired/defaulted status is attributed to debtors that satisfy either one or both of the following criteria:
- The debtor has material exposures which are more than 90 days past due; or
- The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless the existence of any past due amount or the number of days past due.

6.5.2. Accounting treatment of impairments

Debt instruments carried at amortised cost and lease receivables

At each reporting date, changes in the amount of impairment losses are recognised in the statement of income under the line item XVII. "Impairment on financial instruments and provisions for credit commitments". Impairment losses are reversed through the same line item of the statement of income. The impairment loss is recorded as a deduction of the gross carrying amount of the asset (allowance) in the balance sheet (statement of financial position).

Debt instruments measured at fair value through other comprehensive income

Debt instruments measured at fair value through other comprehensive income are governed by the same accounting principles in respect of impairment applicable to debt instruments measured at amortised cost.

However, the loss allowance shall be recognised in other comprehensive income as part of the revaluation amount in the line item XVIII. "Fair value changes of debt instruments measured at fair value through other comprehensive income" and shall not reduce the carrying amount (i.e. fair value) of the financial asset in the balance sheet (statement of financial position).

Calculation and recognition of interest income

The underlying basis for calculating the effective interest depends on the status of the financial instrument:
- The gross carrying amount (amortised cost before deducting any expected loss allowances) for non-credit impaired financial assets (stage 1 and 2); or
- The net carrying amount (gross carrying amount less expected loss allowances) for credit-impaired financial assets (stage 3).

Write-offs

Debt instruments are written off when there are no reasonable expectations of recovering the debt instrument. Belfius only applies full write-offs and exposures in stage 1 and 2 are always transferred to stage 3 before being written off.

A write-off constitutes a derecognition event and the stock of loss allowance is not reversed but used against the reduction of the gross carrying amount of the instrument written off. Any additional loss is reported in the statement of income in the line item XVII. "Impairment on financial instruments and provisions for credit commitments".

Loan commitments and financial guarantees not measured at fair value through profit or loss

Off-balance-sheet exposures such as credit substitutes (e.g. guarantees and standby letters of credit) and loan commitments are usually converted into on-balance-sheet items when called. However, these off-balance-sheet exposures are subject to 12-month or lifetime expected losses. The expected loss is recognised as a provision in the balance sheet and the date that Belfius becomes a party to the irrevocable commitment is considered as the date of initial recognition for applying the impairment requirements.

Loan commitments
At the end of each reporting period a provision based on 12-month expected losses calculated on the expected portion of the loan commitment to be drawn down within the next 12 months is recognised. In case of a significant increase in the risk of default of the underlying loan, lifetime expected credit losses are recognised on the expected portion to be drawn down over the remaining life of the loan commitment.
The expected credit loss is the present value of the difference between the contractual cash flows if the holder of the loan commitment draws down the loan and the cash flows that are expected to be received if the loan is drawn down. The remaining life of the loan commitment is the maximum contractual period during which there is an exposure to credit risk. In case of arrangements that include both a loan and an undrawn commitment component (such as credit cards), the period for estimating expected credit losses is beyond the contractual date on which repayment could be demanded but the period over which the lender is exposed to credit risk. In practice, the expected loss horizon is a minimum of 1 year and credit risk mitigations could be additional guarantees or reducing the loan commitment.

Financial guarantees
For financial guarantee contracts changes in the risk that the specified debtor will default on the contract are considered. At each reporting period, the amount of the loss allowance equals the 12-month expected credit loss unless there has been a significant increase in the risk of default, in which case the loss allowance is calculated for lifetime expected credit losses. Expected losses reflect the cash shortfalls equal to the difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that are expected to be received from the holder, the debtor or any other party.

6.6. Derivatives

6.6.1. Derivatives – Trading portfolio, including embedded derivatives

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading and Belfius initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash-flow models or pricing models, as appropriate. All changes in fair value are recognised in the statement of income.

The interest results of derivatives for which there is an economic hedge relationship are recognised in interest income/interest expense.
Derivatives are reported as assets when their fair value is positive and as liabilities when their fair value is negative.

When a hybrid contract contains a host that is a financial asset in the scope of IFRS 9, the entire hybrid contract, including all embedded features, is assessed for classification. However, if the host contract is a financial liability, a lease receivable, an insurance contract or another non-financial host contract an assessment is made to determine whether the embedded feature requires separation and should be presented as a separate derivative in trading.

This is the case when:
- Risks and characteristics of the embedded features are not closely related to those of the host contract;
- The hybrid contract is not carried at fair value with unrealised gains and losses reported in the statement of income and;
- A separate instrument with the same terms as the embedded feature would meet the definition of a derivative.

6.6.2. Derivatives – Hedging

As the development of the new macro hedge accounting model (cf. "Accounting for dynamic risk management activities") is still in progress, the IASB provided all entities including those that engage in portfolio hedge accounting of interest rate risk with the following accounting policy options until the IASB Research project "Dynamic Risk Management" is completed.
- Option 1: Apply the new hedge accounting requirements of IFRS 9 and continue to use the IAS 39 model for interest-rate portfolio fair value hedging.
- Option 2: Continue to apply the existing (micro) hedge accounting requirements in IAS 39, including the IAS 39 interest-rate portfolio fair value hedge model.
In both cases, the use of the IAS 39 interest-rate portfolio hedging model is subject to expanded disclosure requirements.
Belfius has opted to continue to apply the existing (micro) hedge accounting requirements of IAS 39 and the "Carve out" conditions applicable to interest-rate portfolio hedging as endorsed by the European Commission.

Hedging derivatives are categorised as either:
- A hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge) or a fair value hedge of the interest rate risk exposure of a portfolio (cf. section 6.6.3); or
- A hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash-flow hedge).
Derivatives are designated as hedging instruments if certain criteria are met:
- Formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
- The hedge is documented in such a way as to show that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged position throughout the reporting period; and
- The hedge is effective at inception and on an ongoing basis.
Belfius records changes in the fair value of derivatives that are designated and qualify as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or liabilities that is attributable to the specific hedged risk. If relevant, the interest accruals of the designated hedging instruments are recognised in line item I. "Interest income" or II. "Interest expense".
If the hedge no longer meets the criteria for a fair value hedge or if the hedge is voluntarily

discontinued, the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to the statement of income over the remaining life of the hedged position (or the hedging instrument if shorter) by an adjustment of the yield of the hedged item.

The effective part of the changes in the fair value of derivatives that are designated and qualify as cash-flow hedges, is recognised in "Other comprehensive income" under the item XXI. "Fair value changes of derivatives following cash flow hedging" (see "Consolidated statement of changes in shareholders' equity"). The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognised directly in the statement of income. The amount recognised in other comprehensive income should be the lower in absolute value of the cumulative gain or loss on the hedging instrument from the inception of the hedge, and the cumulative change in the fair value (present value) of the expected cash flows on the hedged item from the inception of the hedge.
Amounts deferred in equity are transferred to the statement of income in the periods during which the hedged item affects the statement of income.

6.6.3. Fair value hedge of the interest-rate risk exposure of a portfolio

As mentioned in section 1.1 General, Belfius makes use of the IAS 39 provisions for portfolio fair value hedges of interest rate risk as endorsed by the European Commission (cf. EU carve out) because it better reflects the way financial instruments are managed.
Awaiting the completion of the IASB Research project "Dynamic Risk Management", Belfius continues to apply the current carved out provisions.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. Belfius recognises the hedging items at fair value with any changes in fair value accounted for in the statement of income. The hedged items include financial assets and liabilities at amortised cost and debt instruments measured at FVTOCI.

The hedged interest-rate risk revaluation of elements carried at amortised cost is reported on the balance sheet under the line item VI. "Gain/loss on the hedged item in portfolio hedge of interest rate risk" whereas the hedged interest-rate risk revaluation of elements carried at FVTOCI is included in the line items II.B "Loans and advances due from credit institutions - Measured at fair value through other comprehensive income", III.B. "Loans and advances - Measured at fair value through other comprehensive income", and IV.B "Debt securities & equity instruments - Measured at fair value through other comprehensive income".

6.7. Fair value of financial instruments

6.7.1. General principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices in an organised market (such as a recognised stock exchange) are to be used as fair value, as they are the best evidence of the fair value of a financial instrument. Quoted market prices are not available for all financial assets and liabilities held or issued by Belfius.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. A valuation model reflects the transaction price on the measurement date in an arm's length exchange under normal business considerations, i.e. the price that would be received by the holder of the financial asset in an orderly transaction that is not a forced liquidation or forced sale or the price to transfer the liability.

The valuation model takes into account all factors that market participants consider when pricing the financial instrument. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they are incorporated into the model.

Only in very exceptional circumstances (i.e where no relevant information is available about the performance and operations of the investee) cost will be used for the fair value valuation of investments in unquoted equity instruments.

6.7.2. Specific rules

The specific rules and approaches used for the determination of fair value of financial instruments are summarised in note 9.1. "Fair value".

6.8. Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain on the balance sheet. The corresponding liability is recorded under the line items II.A "Credit institutions borrowings and deposits - Measured at amortised cost" or III.A "Borrowings and deposits - Measured at amortised cost", as appropriate. The asset is included as "pledged" in the supporting notes to the financial statements.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance-sheet items and the corresponding loans are recorded in line items II.A "Loans and advances due from credit institutions - Measured at amortised cost " or III.A "Loans and advances - Measured at amortised cost".
The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are not derecognised. Securities borrowed are not recognised in the balance sheet. Fees related to securities lending and borrowing are recorded within the line items VIII. "Fee and commission income" and IV. "Fee and commission expense".

6.9. Interest income and expense

Interest income and expense are recognised on an accrual basis in the statement of income for all interest bearing instruments using the effective interest rate method (transaction costs included). Transaction costs for financial assets and liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

Negative interests on these instruments are presented as a separate item within interest expense (interest expense on financial assets) or within interest income (interest income on financial liabilities). Accrued interest is reported in the balance sheet in the same line item as the related financial asset or liability.

The following fees are an integral part of the effective interest rate of a financial instrument with a defined duration:
- Origination fees received relating to the creation or acquisition of a financial asset;
- Commitment fees received to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is probable that Belfius will enter into a specific lending arrangement. If the commitment expires without granting the loan, the fee is recognised as revenue on expiry; and
- Origination fees paid on issuing financial liabilities measured at amortised cost.

The underlying basis for calculating the effective interest depends on the status of the financial instrument:
- The gross carrying amount (amortised cost before deducting any expected loss allowances) for non-credit impaired financial assets (stage 1 and 2) or the amortised cost for financial liabilities; or
- The net carrying amount (gross carrying amount less expected loss allowances) for credit-impaired financial assets (stage 3).

Interest results of trading derivatives are recognised in the line item IX. "Net income from financial instruments at fair value through profit or loss", whereas interest results on all other derivatives are recognised in the line items I. "Interest income" or II. "Interest expense". For interest bearing held for trading bonds, Belfius opted to record interest results under the line item I. "Interest income" and II. "Interest expense".

6.10. Financial guarantees

A financial guarantee contract is defined as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

At transaction date, financial guarantees are recorded in the off balance sheet accounts and the paid or received premium is recognised in the accrual accounts.

The paid or received premium is recognised respectively as commission charges or commission income in accordance with the principles of IFRS 15.

7. FEE AND COMMISSION INCOME AND EXPENSE

According to IFRS 15 "Revenue from Contracts with Customers" revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Belfius expects to be entitled in exchange for those goods or services. This is applied on an individual contract basis, but a portfolio approach is permitted if the impact on the financial statements will not be materially different from application on an individual contract basis.

Revenue recognition is governed by the following five step model:
- Identification of the contract;
- Identification of separate performance obligations;
- Determination of the transaction price;
- Allocation of the transaction price to performance obligations; and
- Recognition of revenue as of when each performance obligation is satisfied.

A performance obligation is satisfied when the bank transfers control of the services underlying the performance obligation to the customer. Revenue can be recognised either "over time" based upon performance completed to date, milestones reached, recurring services or "at a point in time" when the bank transfers control of the asset to the customer.
For contracts for which Belfius is acting as agent, revenue will be recognised as a net amount of consideration instead of gross amounts of relevant revenue and expenses.

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with IFRS 15. These include:
- Fees charged for servicing a loan;
- Commitment fees to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is unlikely that a specific lending arrangement will be entered into; and
- Loan syndication fees received by the bank for arranging a loan and retaining no part of the loan package for itself (or retaining a part at the same effective interest rate for comparable risk as other participants).

The commissions paid by Belfius Insurance to Belfius Bank for the sale of insurance products are, respectively, recorded in insurance servicel result and the fee in commission income. A separate presentation better reflects the profitability of the business .

8. INSURANCE AND REINSURANCE ACTIVITIES

8.1 Scope

The scope of IFRS 17 is similar to "IFRS 4 - insurance contracts" with some new requirements. However, the requirements for separating non-insurance components from insurance contracts are significantly different from IFRS 4.

Belfius applies IFRS 17 to contracts that meet the definition of an insurance contract, as follows:

- insurance or reinsurance contracts that it issues; and

- reinsurance contracts that it holds.

An insurance contract is a contract under which Belfius accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In order to qualify as an insurance contract, the associated insurance risk must be significant. Whether insurance risk is significant, is assessed at initial recognition of each individual contract on a present value basis

Investment contracts with discretionary participating features ("DPF") do not meet the definition of an insurance contract but are accounted for under IFRS 17 if the entity also issues insurance contracts.

At Belfius, the requirements of IFRS 17 are applied to the following type of contracts:

- Non-Life insurance contracts;

- Reinsurance contracts (accepted and ceded);

- Life insurance contracts; and

- Investment contracts with DPF.

Investment contracts without discretionary participating features and unit-linked contracts (without significant insurance risk) are accounted for according to IFRS 9.

Fixed fee service contracts (e.g. road assistance contracts), credit cards including certain covers issued by a Belfius entity and some credit-related financial guarantee contracts and credit insurance contracts that meet the definition of an insurance contract will not be accounted for under IFRS 17 but under IFRS 15 (policy choice).

8.2 Level of aggregation

IFRS 17 calculations are done on an aggregated level by grouping insurance contracts, taking into account:
- portfolios of insurance contracts;
- the year of issuance of the insurance contracts (cohorts); and
- the profitability of groups of contracts.

Portfolios

Groups of contracts are determined by first identifying portfolios of contracts, comprising contracts subject to similar risks and managed together.
Based upon these factors, Belfius defined the following portfolio's:
Life
- Managed together: Belfius Insurance, Belfius Direct Insurance and segregated accounts;
- Similar risk: insurance, investment short term, investment long term and endowment.
Non-Life
- Managed together: Belfius Insurance and Belfius Direct Insurance;
- Similar risk, based upon covered risk: Property, Mobility, Accidents, Workers' Compensation, Legal Expenses, Assistance, General Liability – Family, General Liability – Non-Family, Credit and Suretyship.
Health
- Managed together: Belfius Insurance and Belfius Direct Insurance;
- Similar risk: Individual/Hospitalisation, Individual/ Guaranteed income, Collective/Hospitalisation, Collective / Guaranteed income.
Reinsurance
- Managed together: Belfius Insurance and Belfius Direct Insurance;
- Similar risk: each group comprises a single contract. Multiline treaties will be grouped by underlying risk.

Annual cohorts

Belfius applies annual cohorts, i.e. time bucket of contracts issued in the same year, aligned with the start and end of the financial year. Belfius will not apply the European optional exemption from the annual cohort requirement.

Portfolio's by profitability

At initial recognition, contracts are identified as onerous contracts that have no significant possibility of becoming onerous subsequently and remaining contracts (possibility of becoming onerous). Belfius has reasonable and supportable information to conclude that sets of contracts are in the same group. Therefore sets of contracts are assessed to determine to which profitability group they belong.

8.3 Recognition and derecognition

A group of insurance contracts issued is recognised from the earliest of the following:
- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group is due; and
- for a group of onerous contracts, when the group becomes onerous.
If there is no contractual due date, the first payment from the policyholder is deemed to be due when it is received.
A group of reinsurance contracts held is recognised from the earlier of the following:
- the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the entity recognises an onerous group of underlying insurance contracts, if the entity entered into the related ceded reinsurance contract in the group of reinsurance contracts held at or before that date.
The recognition of a group of reinsurance contracts held that provide proportionate coverage is delayed until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.
An insurance contracts is derecognised from the balance sheet when:
- it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires; or
- the terms of the contract are modified and certain conditions for derecognition are fulfilled.

8.4 Measurement

IFRS 17 introduces different measurement models. The insurance liabilities represent all rights and obligations arising from insurance contracts issued in a group and consist of two components:
- a Liability for Remaining Coverage (LRC); and
- a Liability for Incurred Claims (LIC).

The general measurement model is applied to Life contracts, investment contracts with discretionary participation features as well as to Health/Individual contracts.
The premium allocation approach is applied to Non-Life contracts, Health/Collective contracts and reinsurance contracts held.

8.4.1 Variable Fee Approach (VFA), a specific measurement approach for insurance contracts with direct participation features, is not applied since Belfius does not sell this type of product.
Belfius opted for a year-to-date approach, i.e. recalculation of previously reported quarters, with the impact of the recalculation included in the current period.

8.4.2 General Measurement Model (GMM)

Liabilities for remaining coverage
IFRS 17 introduces a general model that recognises and measures the LRC for a group of contracts based on :
- the cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks;
- a risk adjustment for non-financial risk; and
- the contractual service margin ("CSM"), representing the unearned profit that is released from the balance sheet in profit or loss over the contract duration for services provided (unless onerous; see below)

To ensure consistency, the cash flow projections are based on Solvency II cash flows with the following adjustments:
- expenses are split into directly attributable costs and not directly attributable costs. Directly attributable costs are expenses directly related to insurance contracts. Only these directly attributable costs are included in the estimation of expected future cash flows; and
- cash flows are within the contract boundary if they arise from rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide services.
The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk.
The CSM represents the unearned profit Belfius will recognise as it provides insurance contract services under the insurance contracts in the group. The CSM is recognised on the balance sheet as part of the LRC at initial recognition and is released gradually over time, on the basis of services provided in the period, and should be zero at the end of the coverage period for a group of contracts. The CSM is adjusted subsequently only for changes in cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided.

The CSM of a group of contracts is recognised in profit or loss by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years. The coverage units will be discounted, reviewed and updated at each reporting date. The determination of the coverage units is based on the following parameters:
- Risk capital for products with insurance risk; and
- Mathematical reserves for saving products.

If the total cash flow is a net outflow, then the group is onerous and the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from insurance revenue.

Liability for incurred claims and expenses
The LIC is measured separately and is recognised at the amount of the cash flows relating to incurred claims, direct and indirect claim costs. As claims on Life insurance contracts are expected to be settled within one year, the LIC will not be discounted for the time value of money.
Expenses directly related to insurance contracts that are included in the estimation of expected future cash flows are presented as insurance service expenses when incurred.

8.4.3 Premium Allocation Approach (PAA)
The premium allocation approach is applied to groups of contracts that meet the eligibility criteria at inception of a group:
- where Belfius reasonably expects that the PAA will produce a measurement of the liability for remaining coverage for the group that would not differ materially from the LRC measurement in the GMM; or
- where the coverage period of each contract in the group is one year or less.

Liability for remaining coverage
The LRC reflects the premiums receipts and the deferred acquisition cash flows, corrected for amounts recognised in profit or loss on a pro rata temporis basis.

Belfius will not apply the accounting policy choice to recognise insurance acquisition cash flows as expenses when incurred and will defer these costs over the coverage period .
Belfius expects for Non-Life contracts that the time between providing the services and the related premium due date will be no more than a year. Accordingly, Belfius will not adjust the LRC to reflect the time value of money and the effect of financial risk.
If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, Belfius will recognise a loss component in profit or loss in the LRC.

Liability for incurred claims and expenses
The LIC is measured separately representing a best estimate of future cash outflows related to incurred claims, direct and indirect claim costs. The future cash flows will be discounted for the time value of money.
Expenses directly related to insurance contracts are presented as insurance service expenses when incurred.

8.5 Discount rates

To determine the appropriate discount rates for the measurement of insurance contracts the bottom-up approach will be applied. These discount rates are composed of a risk-free curve to which an illiquidity premium is added.

The risk-free curve is derived from available market information, based on Ester and swap rates, adjusted for durations beyond the last liquid point (set at 30 years) via extrapolation towards a long-term ultimate forward rate based on the Smith-Wilson algorithm.
The illiquidity premium is derived from spreads on illiquid assets and adjusted to remove credit risk, incorporating the underlying concepts of the Solvency II Volatility Adjustment that replicate the market evolution of asset spreads. The derived illiquidity premium takes into account the illiquidity characteristics of the insurance contracts and differs for short term and long term businesses.

For the initial recognition of new contracts that started during the reporting period Belfius applies a weighted average discount rate. Belfius performs an onerous test for each quarterly set of contracts which consists of the new contracts in a portfolio that started in the last quarter. Quarterly sets of contracts that have the same profitability level are grouped in the same IFRS 17 group, if they started in the same calendar year. The weighted average discount rate applied on such a group is based on the discount curves that were applicable for the onerous test of the different quarterly sets of contracts in the group.

8.6 Disaggregation

Belfius opted to disaggregate the insurance finance income or expenses between profit or loss and other comprehensive income (OCI).

8.7 Risk adjustment

The risk adjustment is the compensation required by Belfius Insurance for the uncertainty about the amount and timing of future cash flows arising from non-financial risks as the insurance contract is fulfilled. It will be determined separately for Life and Non-Life contracts and allocated to groups of contracts based on an analysis of the risk profiles of the groups. They reflect the effects of the diversification, which will be determined using a correlation matrix technique.
The risk adjustments for non-financial risk will be determined using Value-at-risk (confidence level) calculation technique.

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

Applying a confidence level technique, Belfius will estimate the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of future cash flows. The confidence level applied for Life is 75% (1 year horizon), the confidence level applied for Non-life is between 72.5% and 77.5% (ultimate horizon).

9. NETWORK COSTS

Network costs consist of commissions paid to Belfius Bank independent branches and are based on outstanding volumes and production figures. Commissions for the production of interest-bearing financial assets and financial liabilities are included in interest income and expense using the effective interest-rate method.

10. TANGIBLE FIXED ASSETS

Tangible fixed assets include property, equipment and investment properties.
All property and equipment are stated at cost less accumulated depreciation and impairments. Subsequent costs are included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to Belfius and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

The estimated useful lives are:
- buildings (including acquisition costs and non-deductible taxes): 20 to 50 years;
- computer equipment: 1 to 6 years;
- leasehold improvements, equipment and furniture: 2 to 12 years; and
- vehicles: 2 to 5 years.

An item of property and equipment can be composed of significant parts with individually varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined for the head offices used starting 2006:
- structure of the building: 50 years;
- roof and frontage: 30 years;
- technical installations: 10 to 20 years; and
- fixtures and fittings: 10 to 20 years.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and are capitalised.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Where the recoverable amount of an asset cannot be determined individually, Belfius determines the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs.

After the recognition of an impairment loss, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any) on a systematic basis over its remaining useful life.

Gains and losses on disposals of property and equipment are included under the item X. "Net income on investments and liabilities".

Investment properties are those properties held to earn rentals or for capital appreciation. Belfius may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property only if Belfius holds an insignificant portion for its own use.

Investment properties are recorded at cost less accumulated depreciation and impairments. The investment properties are depreciated over their useful lives on a straight-line basis. Depreciation on buildings and other assets given in operating lease are booked under in the line item XII. "Other expenses". Belfius shall transfer a property to or from investment property when there is evidence of a change in use.

11. INTANGIBLE ASSETS

An intangible asset is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to Belfius (by using reasonable and supportable assumptions) and the cost of the asset can be measured reliably.

Within Belfius intangible assets consist mainly of:
- internal development expenditures; and
- acquired software.

The costs associated with maintaining computer software programmes are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond one year is added to the original cost of the software. Internal development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the developed item is available for use.

An acquired customer portfolio is amortised using the straight-line method over the expected life of the portfolio taking into account the expected loss of customers in the acquired portfolio.
As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists. If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Where the recoverable amount of an asset cannot be determined individually, Belfius determines the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs.

After the recognition of an impairment loss, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any) on a systematic basis over its remaining useful life. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included in line item X. "Net income on investments and liabilities".

12. GOODWILL

12.1. Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.
It is measured as the difference between:
- The sum of the following elements:
- consideration transferred;
- amount of any non-controlling interests in the acquiree;
- fair value of the acquirer's previously held equity interest in the acquiree (if any).
- Minus the fair value determined at acquisition date of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative ("badwill"), it is recognised immediately in profit or loss as a bargain purchase gain.

12.2. Impairment of goodwill

The carrying amount of goodwill is reviewed at year-end. For the purpose of this impairment testing, Belfius allocates goodwill to cash-generating units (CGUs) or groups of such units.

When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of CGUs to which it has been allocated is lower than the carrying value.

The recoverable amount is the higher of the fair value less cost to sell or the value in use. The "value in use" is the sum of the future cash flows that are expected to be derived from a CGU. Expected cash flows used by Belfius are those of the financial budget approved by management.

The calculation of the "value in use" shall also reflect the time value of money (current risk-free rate of interest) corrected for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

13. NON-CURRENT ASSETS (DISPOSAL GROUP) HELD FOR SALE AND DISCONTINUED OPERATIONS

If the carrying amount of a non-current asset (or disposal group) is recovered principally through a sale transaction rather than through continuing use, it will be classified as "held for sale".

Belfius measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and its fair value less costs to sell. Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the statement of income.

14. LEASES

14.1 Belfius is the lessee

Belfius enters into leases principally for the rental of equipment or real estate.
Belfius as a lessee recognises leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Lease liabilities are not presented separately, but are included within the line item "IV.A Debt securities issued and other financial liabilities - Measured at amortised cost" in the balance sheet (statement of financial position).

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period on the remaining balance of the liability for each period.
Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.
The right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.
The right-of-use assets are included within the same line item "IX. Tangible fixed assets" as that within which the corresponding underlying assets would be presented if they were owned.
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

14.2 Belfius is the lessor

Belfius grants both operating and finance leases.
Revenue from operating leases is recognised in the statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.
For finance leases, Belfius recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.
The interest rate implicit in the lease contract is the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

15. INCOME TAXES

If Belfius concludes that it is not probable that the taxation authority will accept a tax uncertainty for current and deferred taxes, Belfius reflects the effect of the uncertainty in determining the related taxable profit (or loss) or tax base.

15.1 Current tax

Current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset. Income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profit were recognised.

15.2 Deferred tax

Deferred tax is recognised in full, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred taxes are measured at tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted.

Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

A deferred tax liability is recognised on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that Belfius is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to the fair value measurement of assets measured at fair value through other comprehensive income cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

16. EMPLOYEE BENEFITS

16.1 Short-term benefits

Short-term benefits are expected to be wholly settled within twelve months after the end of the annual reporting period in which the employee renders service. These are measured on an undiscounted basis and recognised as an expense.

16.2 Post-employment benefits

Post-employment benefits include retirement benefits (annuity or lump sum payments on retirement) and other post-employment benefits such as medical care granted after the completion of the employment.

16.2.1 Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows based on interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating to the terms of the related liability. When there is no deep market in such bonds, the market yields on government bonds shall be used. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate, salary increase.

The amount recognised in the balance sheet for the defined benefit plan is the difference between the present value of the defined benefit obligation (using the Projected Unit Credit Method) and the fair value of any plan assets. This amount may be presented as a liability or an asset.

In case of a net asset, the amount recognised is limited to the asset ceiling, which is the present value of any economic benefits available for Belfius in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability (asset) are recognised in other comprehensive income and are never reclassified to profit or loss. Remeasurements arise from the effect of changes in demographic and financial assumptions, from experience adjustments, the return on plan assets and any change in the effect of the asset ceiling.

16.2.2 Defined contribution plans

The contributions of Belfius related to defined contribution plans are charged to the statement of income in the year to which they relate.
Due to the legal minimum guaranteed rate of return imposed by the Belgian State, Belgian contribution plans are considered as defined benefit plans under IAS 19 and presented as such.

Given the change in legislation at the end of 2015 (i.e. the minimum guaranteed returns on employer and employee contributions decreased respectively from 3.25% and 3.75% to 1.75%), the valuation of the obligation of the Belgian defined contribution plans is based on the defined benefit methodology i.e. the Projected Unit Credit Method.

16.3 Other long-term benefits

A benefit is classified as other long-term employee benefits when the payment is not expected to be wholly settled before twelve months after the end of the annual closing period in which the employee renders service. These mainly include provisions for jubilee premiums and bonuses that employees receive after completion of specified periods of service.
Due to the smaller degree of uncertainty compared with post-employment benefits, a simplified method based on actuarial calculations is required to recognise and measure jubilees and other long-term benefits. A provision is set up for the estimated liability as a result of services rendered by employees up to the balance-sheet date and remeasurements are recognised in the statement of income.

16.4 Termination benefits

Termination benefits result either from a decision of Belfius to terminate the employment before the normal date of retirement or an employee's decision to accept redundancy payments from Belfius for termination of employment. Any benefit that requires future service is not a termination benefit.
A termination benefit provision is recognised at the earlier of when related restructuring costs are recognised and when Belfius can no longer withdraw the offer of those benefits.

17. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are mainly recognised for litigation claims, restructuring and loan commitments. Provisions are measured at the present value of the best estimate of expenditures required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money.

Provisions are recognised when:
- Belfius has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments and financial guarantees not measured at fair value are recognised when there is uncertainty about the creditworthiness of the counterparty. Please refer to impairment section 6.5.

Unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability is disclosed. A contingent liability is continually assessed to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

18. LEVIES

Levies are outflows of resources embodying economic benefits imposed by governments on entities as identified by the legislation (i.e laws and/or regulations) other than income taxes, fines or other penalties imposed for breaches of the legislation.
Belfius recognises a liability when the obligating event occurs. All levies are taken upfront in full (no accrual accounting permitted) in the line item XII. "Other expenses" and the related amounts due are booked in line item XI. "Other liabilities".

19. SHARE CAPITAL

Belfius recognises its dividends on its ordinary shares as a liability from the date on which they are declared. Any dividends for the year declared post-balance-sheet date are disclosed in the subsequent events note.

20. FIRST TIME ADOPTION IFRS 17

Introduction

In May 2017, the IASB issued IFRS 17 Insurance Contracts. IFRS 17 replaces IFRS 4 Insurance Contracts, which was an interim standard that relied on existing accounting practices with some specific requirements. In June 2020 the IASB issued amendments to the original standard without affecting the fundamental principles of the standard. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the General Measurement Model, supplemented by a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (the Premium Allocation Approach) mainly for short duration contracts. In November 2021, the EU published a Regulation endorsing IFRS 17 Insurance Contracts, including the amendments to the original IFRS 17 and an annual cohort exemption for certain types of insurance contracts. Belfius will not use the optional exemption proposed by the EU.

Main impacts of IFRS 17

Belfius has assessed the impact of the initial application of IFRS 17 on its consolidated financial statements. Based on the assessments undertaken, the impacts on the total equity of Belfius at 1 January 2022 amounts to:

Impact on equity - 1 January 2022[1] (in millions of EUR)	**Total**	**Retained earnings**	**OCI**
TOTAL EQUITY AS AT 31 DECEMBER 2021 (IFRS 4)	**11,493**		
Life contracts	(1,558)	(531)	(1,027)
Non-life contracts & reinsurance contracts held	132	183	(51)
Reclassifications	275	0	275
IMPACT OF ADOPTING IFRS 17	(1,152)	(348)	(803)
TOTAL EQUITY AS AT 1 JANUARY 2022 (IFRS 17)	**10,341**		
Proforma impact of IFRS 9 on 1 January 2022[2]	873	0	873
TOTAL IMPACT INCLUDING THE PROFORMA IFRS 9 IMPACT	(279)	(348)	70
TOTAL EQUITY AS AT 1 JANUARY 2022 (IFRS 17 and IFRS 9 PRO FORMA)	**10,062**		

(1) After deferred tax.
(2) Reassessment of IFRS 9 business models of underlying financial assets (almost all loans and bonds) has been performed per 1 January 2023 (redesignation from 'held to collect' to 'held to collect and sale') – proforma impacts on 1 January 2022 are presented in this table as the reclass has only been performed on 1 January 2023.

A decrease in the net asset value of Belfius Insurance of EUR 1,152 million can be noted mainly due to the best estimate valuation at rates end 2021 and the introduction of IFRS 17 specific elements such as risk adjustment (RA) and contractual service margin (CSM). This negative impact is partially compensated by the proforma reassessment of the IFRS 9 business models for financial assets, resulting in a total increase of EUR 873 million in OCI. Note that the reassessment of the business models has only been performed at 1 January 2023 (we refer to the section "Financial asset business model reassessment IFRS 9 (due to IFRS 17)" further in this chapter) and the table above shows the pro forma impact of the IFRS 9 business model reassessment on 1 January 2022.

As a result of the decrease in the net asset value of Belfius Insurance, an impact can be noted in the Belfius Group CET1 ratio as Belfius Insurance is consolidated at Equity Value under the Danish Compromise (we refer to the chapter Capital Management in the management report for more information).

The decrease in own funds of EUR 0.2 billion is partially offset by a decrease in the risk weighted assets of EUR 0.9 billion; resulting in an overall decrease of 12 bps in the CET1 ratio. This impact takes into account the proforma reassessment of the business models under IFRS 9.

There is no impact on the Solvency II ratio of Belfius Insurance.

Transition tables from IFRS 4 to IFRS 17

Revised balance sheet lay-out

As part of the IFRS 17 implementation, Belfius has decided to update the lay-out of the balance sheet to align with the requirements of IFRS 17. Therefore, as first step in the First Time Adoption (FTA) process a reclassification is done from the former balance sheet lay-out used under IFRS 4 to the new balance sheet lay-out adopted under IFRS 17. Certain line-items have been renamed to better reflect IFRS 17 terminology and other line-items have been shifted on the balance sheet.

Presentation of 31/12/2021 financial statements in adapted IFRS 17 lay-out:

IFRS 4 as published 31/12/2021 (in millions of EUR)		Movement	IFRS 17 lay-out 31/12/2021 (in millions of EUR)	
ASSETS				
I. Cash and balances with central banks	31,640		I. Cash and balances with central banks	31,640
II. Loans and advances due from credit institutions	10,411		II. Loans and advances due from credit institutions	10,411
A Measured at amortised cost	10,411		A Measured at amortised cost	10,411
III. Loans and advances	102,679		III. Loans and advances	102,679
A Measured at amortised cost	101,541		A Measured at amortised cost	101,541
B Measured at fair value through other comprehensive income	99		B Measured at fair value through other comprehensive income	99
C Measured at fair value through profit or loss	1,039		C Measured at fair value through profit or loss	1,039
IV. Debt securities & equity instruments	27,195		IV. Debt securities & equity instruments	31,441
A Measured at amortised cost	20,840		A Measured at amortised cost	20,840
B Measured at fair value through other comprehensive income	4,959		B Measured at fair value through other comprehensive income	4,959
C Measured at fair value through profit or loss	1,396		C Measured at fair value through profit or loss	1,396
V.Unit linked products insurance activities	4,246	0 [A]	D Measured at fair value through profit or loss - Unit linked	4,246
VI. Derivatives	8,909		V. Derivatives	8,909
VII. Gain/loss on of the hedged item in portfolio hedge of interest rate risk	3,652		VI. Gain/loss on of the hedged item in portfolio hedge of interest rate risk	3,652
			VII. Assets from insurance/ reinsurance contracts	131
			A Insurance contract assets	0
		131 [B]	B Reinsurance contract assets	131
VIII. Investments in equity method companies	96		VIII. Investments in equity method companies	96
IX. Tangible fixed assets	1,614		IX. Tangible fixed assets	1,614
A Tangible fixed assets own use	1,003		A Tangible fixed assets own use	1,003
B Tangible fixed assets investment property	611		B Tangible fixed assets investment property	611
X. Intangible assets	215		X. Intangible assets	215
XI. Goodwill	104		XI. Goodwill	104
XII. Tax assets	356		XII. Tax assets	356
A Current tax assets	27		A Current tax assets	27
B Deferred tax assets	329		B Deferred tax assets	329
XIII. Technical insurance provisions - part of the reinsurer	131	(131) [B]		
XIV. Other assets	876		XIII. Other assets	876
XV. Non current assets (disposal group) held for sale and discontinued operations	27		XIV. Non current assets (disposal group) held for sale and discontinued operations	27
TOTAL ASSETS	192,151		TOTAL ASSETS	192,151

IFRS 4 as published 31/12/2021 (in millions of EUR)		Movement	IFRS 17 lay-out 31/12/2021 (in millions of EUR)	
LIABILITIES				
I. Cash and balances from central banks	15,418		I. Cash and balances from central banks	15,418
II. Credit institutions borrowings and deposits	3,591		II. Credit institutions borrowings and deposits	3,591
A Measured at amortised cost	3,591		A Measured at amortised cost	3,591
III. Borrowings and deposits	104,404		III. Borrowings and deposits	104,404
A Measured at amortised cost	104,355		A Measured at amortised cost	104,355
B Measured at fair value through profit or loss	49		B Measured at fair value through profit or loss	49
IV. Debt securities issued and other financial liabilities	23,145		IV. Debt securities issued and other financial liabilities	27,391
A Measured at amortised cost	15,117		A Measured at amortised cost	15,117
B Measured at fair value through profit or loss	8,029		B Measured at fair value through profit or loss	8,029
V. Unit linked products insurance activities	4,246	0 [A]	C Measured at fair value through profit or loss - Unit linked	4,246
VI. Derivatives	14,019		V. Derivatives	14,019
VII. Gain/loss on of the hedged item in portfolio hedge of interest rate risk	46		VI. Gain/loss on of the hedged item in portfolio hedge of interest rate risk	46
VIII. Provisions for insurance activities	12,191	0 [C]	VII. Liabilities from insurance/ reinsurance contracts	12,191
			A Insurance contract liabilities	12,191
IX. Provisions and contingent liabilities	529		VIII. Provisions and contingent liabilities	529
X. Subordinated debts	1,643		IX. Subordinated debts	1,643
A Measured at amortised cost	1,643		A Measured at amortised cost	1,643
XI. Tax liabilities	49		X. Tax liabilities	49
A Current tax liabilities	42		A Current tax liabilities	42
B Deferred tax liabilities	8		B Deferred tax liabilities	8
XII. Other liabilities	1,377		XI. Other liabilities	1,377
XIII. Liabilities included in disposal group and discontinued operations	0		XII. Liabilities included in disposal group and discontinued operations	0
TOTAL LIABILITIES	180,658		TOTAL LIABILITIES	180,658

IFRS 4 as published 31/12/2021 (in millions of EUR)		Movement	IFRS 17 lay-out 31/12/2021 (in millions of EUR)	
EQUITY				
XIV. Subscribed capital	3,458		XIII. Subscribed capital	3,458
XV. Additional paid-in capital	209		XIV. Additional paid-in capital	209
XVII. Reserves and retained earnings & XVIII. Net income for the period	6,893		XVII. Reserves and retained earnings & XVIII. Net income for the period	6,893
XVII. Reserves and retained earnings	5,958		XVI. Reserves and retained earnings	5,958
XVIII. Net income for the period	935		XVII. Net income for the period	935
SHAREHOLDERS' CORE EQUITY	10,560		SHAREHOLDERS' CORE EQUITY	10,560
XIX. Fair value changes of debt instruments measured at fair value through other comprehensive income	109		XVIII. Fair value changes of debt instruments measured at fair value through other comprehensive income	109
XX. Fair value changes of equity instruments measured at fair value through other comprehensive income	179		XIX. Fair value changes of equity instruments measured at fair value through other comprehensive income	179
XXII. Gains (losses) on cash flow hedges	-98		XXI. Gains (losses) on cash flow hedges	-98
XXIII. Remeasurement pension plans	132		XXII. Remeasurement pension plans	132
XXIV. Discretionary participation features of insurance contracts	81	0 [D]	XXIII. Total insurance/ reinsurance finance component recognised in other comprehensive income	81
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	403		GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	403
TOTAL SHAREHOLDERS' EQUITY	10,963		TOTAL SHAREHOLDERS' EQUITY	10,963
XXVI. Additional Tier-1 instruments included in equity	497		XXV. Additional Tier-1 instruments included in equity	497
XXVII. Non-controlling interests	33		XXVI. Non-controlling interests	33
TOTAL EQUITY	11,493		TOTAL EQUITY	11,493
TOTAL LIABILITIES AND EQUITY	192,151		TOTAL LIABILITIES AND EQUITY	192,151

Belfius has performed the following reclassifications to present the new lay-out:

Reference in the transition table	
A	Unit linked products (assets & liabilities) not shown as a separate heading anymore, but becomes a sub-heading of the debt securities issued and other financial assets & liabilities FROM - Unit linked products insurance activities (asset and liability) TO - Debt securities issued and other financial assets/ liabilities measured at FVPL - Unit linked
B	Reclassification of the reinsurance provision FROM - Technical insurance provisions - part of the reinsurer TO - Reinsurance contract assets
C	Reclassification of the insurance provisions FROM - Provisions for insurance activities TO - Insurance contract liabilities
D	Discretionary participation features of insurance contracts moved into a newly created line-item total insurance/ reinsurance finance component recognised in other comprehensive income FROM - Discretionary participation features of insurance contracts TO - Total insurance/ reinsurance finance component recognised in other comprehensive income

Application of IFRS 17

The transition from IFRS 4 to IFRS 17 starts from the new lay-out balance sheet as described in the previous points.
From here the transition is done in 3 main steps:

1. Reclassification of certain balances based on the new requirements of IFRS 17;
2. Replacing IFRS 4 reserves relating to life, with the newly calculated insurance liabilities under IFRS 17;
3. Replacing IFRS 4 reserves relating to non-life and reinsurance, with the newly calculated reserves under IFRS 17.

At the transition date, Belfius identified, recognised and measured its in-force business as if IFRS 17 had always been applied. Belfius also derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. Any resulting net difference is recognised in equity.
IFRS 17 prescribes a retrospective application unless impracticable, in which case either a modified retrospective approach or a fair value approach must be applied. Belfius determined the transition approach at group of (re-)insurance contracts level.
A fourth step is also included showing the change of the business models under IFRS 9. This is not yet shown as part of the main transition table as the change in business models has only been done as of 1 January 2023, whereas the IFRS 17 FTA is done as of 1 January 2022. We refer to the table "Transition of the financial statements of 31/12/2022 to the financial statements of 01/01/2023 including the IFRS 9 business model reassessment of financial assets".

1. Reclassification of balances
Certain balances are shown separately under IFRS 4, but are treated differently under IFRS 17. This results in certain balances not being shown separately on the balance sheet anymore as IFRS 17 requires a different approach.

For instance policy loans are classified under loans and advances measured at AC under IFRS 4. However, under IFRS 17, policy loans are deemed part of the expected cash flows of insurance contracts and must therefore be classified as part of insurance contract liabilities.
As this step is purely a reclassification of balances, the total of the transfers will equal to zero.

The reclassifications are done at the IFRS 4 carrying amounts. Once reclassified, the values are part of the recalculations as explained in steps 2 and 3 below. Any differences are then treated as described in these steps.

2. Calculating life insurance liabilities under IFRS 17
In this step the life reserves are calculated using IFRS 17. The difference between the life reserves under IFRS 4 and the newly calculated life insurance liabilities under IFRS 17 is reflected in equity. The equity impact is either shown in retained earnings or in other comprehensive income.

For its life insurance contracts issued, Belfius applied the full retrospective approach for groups of insurance contracts related to underwriting years as from (and including) 2018. For groups of insurance contracts related to older underwriting years, the full retrospective approach was considered impracticable due to lack of historical data (e.g. due to system migrations) or undue cost or effort to obtain the data, and/or use of hindsight. As a result, Belfius chose to apply for these underwriting years the fair value approach.

In applying the fair value approach, the CSM or Loss Component (LC) for a group of insurance contracts is determined at transition date as the difference between the fair value, in accordance with IFRS 13, and the Fulfilment Cash Flows (FCF) at that date. The cash flows considered in the fair value measurement are consistent with those that are within the contract boundary. The PVFCF considered in measuring fair value will be broadly consistent with those determined in measuring the FCF. However, in measuring the fair value, Belfius used a Cost-of-Capital approach to include a risk premium in the measurement to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows. The various Cost-of-Capital parameters are hereby based on market observations (target Solvency II ratio of 175% and 8% cost of capital rate). Belfius also included certain costs in the fair value measurement that are not directly attributable to fulfilling the contracts (i.e. a full costing approach) and certain risks that were not reflected in the FCF (e.g. operational risk).

At transition date, Belfius determined retrospectively the cumulative amounts recognised in other comprehensive income for insurance finance income or expense for groups of insurance contracts related to underwriting years after 2001. For groups of insurance contracts related to older underwriting years, Belfius uses the discount rates as at the date of transition and the cumulative amount of insurance finance income or expense recognised in other comprehensive income is set at nil. For these groups, Belfius also makes use of the allowed relief under the fair value approach to aggregate insurance contracts issued more than one year apart into a single group for measurement purposes.

3. Calculating non-life and reinsurance liabilities under IFRS 17
In this step the non-life & reinsurance reserves are calculated using IFRS 17. The differences between the non-life & reinsurance reserves under IFRS 4 and the newly calculated reserves under IFRS 17 are reflected in equity. The equity impact is either shown in retained earnings or in other comprehensive income.
For both its non-life insurance business issued and all its reinsurance contracts held in force at transition date, Belfius applied the full retrospective approach, except for non-life LIC.

To determine the other comprehensive income impact for the non-life LIC the modified retrospective approach was used for all claim years until 1999. For accident years older than 1999 the impact on other comprehensive income was set to nil.

Transition of the financial statements of 31/12/2021 from IFRS 4 to financial statements of 01/01/2022 IFRS 17:

IFRS 17 lay-out 31/12/2021		Impacts of transition to IFRS 17			IFRS 17 01/01/2022
(in millions of EUR)		Reclassi-fications	Life	Non-Life & reinsurance	
ASSETS					
I. Cash and balances with central banks	31,640				31,640
II. Loans and advances due from credit institutions	10,411				10,411
A Measured at amortised cost	10,411				10,411
III. Loans and advances	102,679	(94)			102,585
A Measured at amortised cost	101,541	(94)[E]			101,447
B Measured at fair value through other comprehensive income	99				99
C Measured at fair value through profit or loss	1,039				1,039
IV. Debt securities & equity instruments	31,441				31,441
A Measured at amortised cost	20,840				20,840
B Measured at fair value through other comprehensive income	4,959				4,959
C Measured at fair value through profit or loss	1,396				1,396
D Measured at fair value through profit or loss - Unit linked	4,246				4,246
V. Derivatives	8,909				8,909
VI. Gain/loss on of the hedged item in portfolio hedge of interest rate risk	3,652				3,652
VII. Assets from insurance/ reinsurance contracts	131			(22)	109
B Reinsurance contract assets	131			(22)[Q]	109
VIII. Investments in equity method companies	96				96
IX. Tangible fixed assets	1,614				1,614
A Tangible fixed assets own use	1,003				1,003
B Tangible fixed assets investment property	611				611
X. Intangible assets	215				215
XI. Goodwill	104				104
XII. Tax assets	356	(75)	519	(44)	756
A Current tax assets	27				27
B Deferred tax assets	329	(75)[F]	519 [N]	(44)[R]	729
XIII. Other assets	876	(201)[G, H, I & J]	4 [U]		679
XIV. Non current assets (disposal group) held for sale and discontinued operations	27				27
TOTAL ASSETS	192,151	(370)	523	(66)	192,238

IFRS 17 lay-out 31/12/2021		Impacts of transition to IFRS 17			IFRS 17 01/01/2022
(in millions of EUR)		Reclassi-fications	Life	Non-Life & reinsurance	
LIABILITIES					
I. Cash and balances from central banks	15,418				15,418
II. Credit institutions borrowings and deposits	3,591				3,591
A Measured at amortised cost	3,591				3,591
III. Borrowings and deposits	104,404				104,404
A Measured at amortised cost	104,355				104,355
B Measured at fair value through profit or loss	49				49
IV. Debt securities issued and other financial liabilities	27,391				27,391
A Measured at amortised cost	15,117				15,117
B Measured at fair value through profit or loss	8,029				8,029
C Measured at fair value through profit or loss - Unit linked	4,246				4,246
V. Derivatives	14,019				14,019
VI. Gain/loss on of the hedged item in portfolio hedge of interest rate risk	46				46
VII. Liabilities from insurance/ reinsurance contracts	12,191	-559	2,084	-198	13,518
A Insurance contract liabilities	12,191	-559[E, G, J, K &]	2,084[O]	-198[S]	13,518
VIII. Provisions and contingent liabilities	529		-4		526
IX. Subordinated debts	1,643				1,643
A Measured at amortised cost	1,643				1,643
X. Tax liabilities	49	-1			48
A Current tax liabilities	42				42
B Deferred tax liabilities	8	-1[F]			6
XI. Other liabilities	1,377	-85[H, I & K]	1		1,293
XII. Liabilities included in disposal group and discontinued operations	0				0
TOTAL LIABILITIES	180,658	(645)	2,081	(198)	181,896
EQUITY					
XIII. Subscribed capital	3,458				3,458
XIV. Additional paid-in capital	209				209
XVII. Reserves and retained earnings & XVIII. Net income for the period	6,893		(531)[P]	183[T]	6,545
SHAREHOLDERS' CORE EQUITY	10,560		(531)	183	10,212
XVIII. Fair value changes of debt instruments measured at fair value through other comprehensive income	109	193[L & M]			302
XIX. Fair value changes of equity instruments measured at fair value through other comprehensive income	179	162[L & M]			341
XXI. Gains (losses) on cash flow hedges	(98)				(98)
XXII. Remeasurement pension plans	132				132
XXIII. Total insurance/ reinsurance finance component recognised in other comprehensive income	81	(81)[L]	(1,027)[P]	(51)[T]	(1,078)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	403	275	(1,027)	(51)	(400)
TOTAL SHAREHOLDERS' EQUITY	10,963	275	(1,558)	132	9,812
XXV. Additional Tier-1 instruments included in equity	497				497
XXVI. Non-controlling interests	33				33
TOTAL EQUITY	11,493	275	(1,558)	132	10,341
TOTAL LIABILITIES AND EQUITY	192,151	(370)	523	(66)	192,238

Reclassification of balances
The following reclassifications were done:

Reference in the transition table	
E	Policy loans reclassified from an asset line-item to life insurance liabilities FROM - Loans and advances measured at AC TO - Insurance contract liabilities Policy loans are considered as investment components and form part of the cash flows when determining the LRC. As such they are not classified as loans and advances anymore, but included as part of the LRC for life insurance
F	Deferred tax impact of the reclassifications This amount represents the deferred tax impact of the reclassifications.
G	3 different elements are reclassified from an asset line-item to life and non-life insurance liabilities 1. Claims recoverable (non-life) 2. Receivables from policyholders (non-life) 3. Receivables from policyholders (life) FROM - Other assets TO - Insurance contract liabilities 1. Claims recoverable are classified as a separate receivable under IFRS 4, but forms part of the non-life LIC under IFRS 17. 2. Non-life receivables are classified as a separate receivable under IFRS 4, but forms part of the non-life LRC under IFRS 17. 3. Life receivables are classified as a separate receivable under IFRS 4, but forms part of the life LRC under IFRS 17.
H	Removal of reinsurance securities collateral posted and received REMOVED FROM - Other assets - Other liabilities Reinsurance security collateral is shown under IFRS 4 as part of other assets and other liabilities. Such collateral is not considered as an IFRS 17 exposure, and is considered an off-balance sheet item. Therefore the collateral is removed from both these line-items.
I	Reclassifying amounts shown as a negative other assets to other liabilities FROM - Other assets TO - Other liabilities Several accounts are shown under IFRS 4 as other assets, even though they are accounts that generally have credit balances. These accounts were reclassified to other liabilities to reflect the impact of these accounts better.
J	Reclassifying specific tax accounts from technical reserves to other assets FROM - Insurance contract liabilities TO - Other assets As a result of the reclassification of several balances into and out of the insurance contract liabilities, the related tax accounts must be reclassified as well. This movement reflects the applicable tax accounts that are not part of the IFRS 17 scope and therefore reclassified to other assets.
K	Acquisition costs payable are reclassified from a liability line-item to life and non-life insurance liabilities FROM - Other liabilities TO - Insurance contract liabilities Acquisition costs form part of the cash flows when calculating the life LRC and should not be shown as a separate payable anymore. Similarly, acquisition costs for non-life contracts are included in the LRC and should not be shown as a separately payable as is done under IFRS 4.
L	IFRS 4 profit sharing reserve is reclassified back into the OCI reserves FROM - Total insurance/ reinsurance finance component recognised in other comprehensive income TO - Fair value changes of debt instruments measured at fair value through other comprehensive income - Fair value changes of equity instruments measured at fair value through other comprehensive income Future profit sharing is accounted for as a separate reserve under IFRS 4. This reserve is created by reclassifying unrealised capital gains on covering assets not recognised at fair value to the specially created DPF reserve. Under IFRS 17, future profit sharing is part of the expected cash flows of the LRC and is

	therefore not accounted for as a separate reserve anymore. This reserve is therefore cancelled with the effect that the unrealised capital gains are returned to the applicable OCI reserves.
M	Shadow losses and shadow accounting are reclassified back into the insurance liabilities FROM - Fair value changes of debt instruments measured at fair value through other comprehensive income - Fair value changes of equity instruments measured at fair value through other comprehensive income TO - Insurance contract liabilities Shadow losses and shadow accounting are principles specific to IFRS 4 and are not applicable anymore under IFRS 17. Therefore the shadow losses and shadow accounting balances are reversed.

FTA impact of life insurance contracts

N	Deferred tax impact of the FTA This amount represents the deferred tax impact of the IFRS 17 FTA for life insurance contracts.
O	Creation of the IFRS 17 insurance liabilities This amount represents the additional reserve determined when applying IFRS 17, and is wholly attributable to the LRC. The CSM and RA are new concepts under IFRS 17 and therefore did not exist under the IFRS 4 reserve. As a result, the reserve increases fully with the effect of these 2 newly introduced elements. IFRS 17 further requires the cash flows to be determined on a discounted best estimate basis. This further results in an increase of the reserve. There is no difference between the IFRS 4 claims reserve and the IFRS 17 LIC.
P	Equity impact of the FTA This amount represents the equity impact of the IFRS 17 FTA for life insurance contracts and is split between RE and OCI.

FTA impact of non-life insurance contracts & reinsurance contracts

Q	Creation of the IFRS 17 reinsurance liabilities This amount represents the additional reserve determined when applying IFRS 17, and is wholly attributable to the AIC. The difference mainly stems from the difference in determining cash flows. In IFRS 4 the cash flows were determined based on the reserving policy, whereas IFRS 17 requires a best estimate approach. A further impact is noted for the additional RA, though this is not as significant as the cash flow impact. There is no difference between the IFRS 4 premium reserve and the IFRS 17 Assets for Remaining Coverage (ARC).
R	Deferred tax impact of the FTA This amount represents the deferred tax impact of the IFRS 17 FTA for non-life insurance contracts and reinsurance contracts.
S	Creation of the IFRS 17 non-life insurance liabilities This amount represents the additional reserve determined when applying IFRS 17, and is mainly attributable to the LIC. As with reinsurance contracts, the difference mainly stems from the method to determine cash flows. In IFRS 4 the cash flows were determined based on the reserving policy, whereas IFRS 17 requires a best estimate approach. A further impact is noted for the additional RA, though this is not as significant as the cash flow impact. There is a small difference between the IFRS 4 premium reserve and the IFRS 17 LRC.
T	Equity impact of the FTA This amount represents the equity impact of the IFRS 17 FTA for non-life insurance contracts and reinsurance contracts and is split between RE and OCI.

Intercompany elimination at Belfius Group level

U	An intercompany elimination is done at Belfius Group level.

Financial assets business model reassessment IFRS 9 (due to IFRS 17)

IFRS 17 brings significant changes to how insurers account for the insurance contracts that they issue. In some cases, the interaction between IFRS 9 and IFRS 17 might give rise to accounting mismatches in how insurance contracts and the assets held to back them are recognised and measured.

For that reason, entities that had applied IFRS 9 to annual periods before the FTA of IFRS 17 are permitted to change their previously applied classification and designation of financial assets. Belfius has used this opportunity to reassess its current business models and redesignate its financial assets.

Based on that exercise, Belfius has reclassified the bond and loan portfolios of Belfius Insurance (excluding loans due from credit institutions) which are currently held in a hold to collect business model and measured at amortised cost into a hold to collect and sale business model as from 1 January 2023 and measure the portfolio at FVOCI.
Belfius will not restate prior periods to reflect such changes in designations or classifications.
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Transition of the financial statements of 31/12/2022 to financial statements of 01/01/2023 including the IFRS 9 business model reassessment of financial assets (as the IFRS 9 business model reassessment only impacts the assets and equity, the liabilities are not presented here):

(in millions of EUR)	IFRS 17 01/01/2022	IFRS 17 31/12/2022	Impacts of IFRS 9 reclass	01/01/2023
ASSETS				
I. Cash and balances with central banks	31,640	27,295		27,295
II. Loans and advances due from credit institutions	10,411	4,144		4,144
A Measured at amortised cost	10,411	4,144		4,144
III. Loans and advances	102,585	110,203	-325	109,878
A Measured at amortised cost	101,447	109,236	-4,451[V]	104,785
B Measured at fair value through other comprehensive income	99	171	4,127[V]	4,298
C Measured at fair value through profit or loss	1,039	796		796
IV. Debt securities & equity instruments	31,441	26,997	-293	26,704
A Measured at amortised cost	20,840	17,495	-4,436[W]	13,059
B Measured at fair value through other comprehensive income	4,959	4,041	4,142[W]	8,183
C Measured at fair value through profit or loss	1,396	1,491		1,491
D Measured at fair value through profit or loss - Unit linked	4,246	3,970		3,970
V. Derivatives	8,909	5,893		5,893
VI. Gain/loss on of the hedged item in portfolio hedge of interest rate risk	3,652	1,134		1,134
VII. Assets from insurance/ reinsurance contracts	109	116		116
B Reinsurance contract assets	109	116		116
VIII. Investments in equity method companies	96	94		94
IX. Tangible fixed assets	1,614	1,672		1,672
A Tangible fixed assets own use	1,003	1,069		1,069
B Tangible fixed assets investment property	611	603		603
X. Intangible assets	215	237		237
XI. Goodwill	104	104		104
XII. Tax assets	756	397	155	552
A Current tax assets	27	27		27
B Deferred tax assets	729	370	155[X]	525
XIII. Other assets	679	742		742
XIV. Non current assets (disposal group) held for sale and discontinued operations	27	40		40
TOTAL ASSETS	192,238	179,068	(464)	178,605
EQUITY				
XIII. Subscribed capital	3,458	3,458		3,458
XIV. Additional paid-in capital	209	209		209
XVI. Reserves and retained earnings	5,610	6,177		6,177
XVII. Net income for the period	935	932		932
SHAREHOLDERS' CORE EQUITY	10,212	10,776		10,776
XVIII. Fair value changes of debt instruments measured at fair value through other comprehensive income	302	(222)	(464)[Y]	(685)
XIX. Fair value changes of equity instruments measured at fair value through other comprehensive income	341	137		137
XXI. Gains (losses) on cash flow hedges	(98)	(113)		(113)
XXII. Remeasurement pension plans	132	120		120
XXIII. Total insurance/ reinsurance finance component recognised in other comprehensive income	(1,078)	680		680
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	(400)	602	(464)	139
TOTAL SHAREHOLDERS' EQUITY	9,812	11,378	(464)	10,915
XXV. Additional Tier-1 instruments included in equity	497	497		497
XXVI. Non-controlling interests	33	35		35
TOTAL EQUITY	10,341	11,910	(464)	11,446
TOTAL LIABILITIES AND EQUITY	192,238	179,068	(464)	178,605

Impact of the IFRS 9 business model reassessment per 1 January 2023:

V	Reassessment of the business model of loans from hold-to-collect to hold-to-collect and sell Revising the business model of loans changes the measurement from AC to FVOCI, which results in the loans being valued at their fair values.
W	Reassessment of the business model of bonds from hold-to-collect to hold-to-collect and sell Revising the business model of bonds changes the measurement from AC to FVOCI, which results in the bonds being valued at their fair values.
X	Deferred tax impact of the reassessed business models This amount represents the deferred tax impact of the reassessment of the IFRS 9 business models.
Y	Equity impact of the reassessed business models This amount represents the equity impact of the reassessment of the IFRS 9 business models.

IV. Operating segments reporting

(Some amounts may not add up due to roundings)

Belfius' financial and commercial results are reported around two commercial segments: individual customer ("Individuals") and the SME, corporate and institutional customers ("Entrepreneurs, Enterprises and Public entities"). Group center ("Group Center"), containing the residual results not allocated to the two commercial segments, completes the full scope picture.

→ Individuals (IND), managing the commercial relationships with individual customers both at bank and insurance level. Within the Individuals segment, we distinguish 4 subsegments: Savers, Investors, Private and Wealth.

→ Entrepreneurs, Enterprises & Public (E&E&P), managing the commercial relationships with public and social sector, business and corporate clients both at bank and insurance level.

→ Group Center (GC), containing the residual results not allocated to the two commercial segments. This mainly consists of results from Bond and Derivative portfolio management.

1. Balance sheet

The assets and liabilities allocated to Individuals (IND) and Entrepreneurs, Enterprises & Public (E&E&P) reflect the commercial activities of those business lines. Where IND shows an excess of funding, E&E&P is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 93% loan to deposit ratio at the end of December 2023.

The equity allocated to Individuals (IND) and Entrepreneurs, Enterprises & Public (E&E&P) is a normative regulatory equity, which is derived from the regulatory risk exposures of these business lines multiplied by 13.5% (Belfius' minimum operational CET 1 ratio).

Please note that the capital for the insurance activities is allocated to each business line in proportion to its contribution to Belfius Insurance Solvency II SCR requirements. Any non allocated capital is reported in Group Center.

Note that there are no internal sales or purchases between segments, the assets and liabilities within a segment are those generated and originated by the business lines.

	31/12/22		
(in thousands of EUR)	Assets	Liabilities	Equity
Individuals	56,689,635	82,844,210	1,514,073
Entrepreneurs, Enterprises & Public	63,830,145	43,895,654	5,488,120
Group Center	58,548,370	40,418,342	4,907,751
TOTAL	179,068,150	167,158,206	11,909,944
of which banking group[1]	162,986,120	151,881,249	11,104,871
of which insurance group[1]	16,082,030	15,276,958	805,072

	31/12/23		
(in thousands of EUR)	Assets	Liabilities	Equity
Individuals	57,278,546	81,011,930	1,653,594
Entrepreneurs, Enterprises & Public	67,833,839	49,665,972	6,066,737
Group Center	54,066,967	36,282,088	4,499,031
TOTAL	179,179,352	166,959,989	12,219,362
of which banking group[1]	162,653,193	150,914,811	11,738,383
of which insurance group[1]	16,526,158	16,045,179	480,979

(1) The assets, liabilities and equity represent the contributions of the Belfius Insurance and Belfius Bank groups to the consolidated balance sheet.

The total commercial assets from both activity lines Individuals (IND) and Entrepreneurs, Enterprises & Public (E&E&P) increased between 2022 and 2023 with EUR 4.6 billion. This growth is explained by the increase in loan production in the activity lines, in line with Belfius' strategy. The liabilities in the Individual segment stabilized in comparison to 2022 whereas the liabilities in the E&E&P segment increased with EUR 5.8 billion. (Refer to the chapter Segment reporting in the Management report).

Overall, the commercial balance shows a funding excess leading to an increase of the loan-to-deposit ratio from 87% end 2022 to 93% end 2023. The assets and liabilities of Group Center decreased as a result of the higher interest rates and the corresponding impact on the collateral and fair value of the derivatives.

2. Statement of income

A. Segmentation by business line

(in thousands of EUR)	31/12/22			
	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	2,194,002	1,309,366	208,761	3,712,129
Net interest income bank	665,671	919,990	166,402	1,752,063
Net Fee and commissions bank	635,940	131,232	(9,880)	757,292
Life insurance income	385,145	96,894	0	482,039
Non-life & Health income	618,679	190,344	11	809,034
Other income	(111,432)	(29,094)	52,229	(88,298)
INSURANCE SERVICE EXPENSES ADJUSTED[1]	(605,149)	(182,158)	0	(787,307)
EXPENSES	(1,039,200)	(506,954)	(73,851)	(1,620,005)
of which directly attributable costs from insurance	(153,003)	(49,560)	0	(202,564)
NET INCOME BEFORE TAX AND IMPAIRMENTS	549,653	620,255	134,910	1,304,818
Impairments on financial instruments and provisions for credit commitments	(38,580)	(77,314)	10,481	(105,413)
Impairments on tangible and intangible assets	(2,149)	(117)	218	(2,049)
NET INCOME BEFORE TAX	508,924	542,823	145,608	1,197,355
Total tax (expense) income	(114,777)	(121,935)	(27,690)	(264,403)
NET INCOME	394,147	420,888	117,918	932,952
Attributable to non-controlling interests	(210)	15	1,377	1,181
Attributable to equity holders of the parent	394,357	420,873	116,541	931,771

(1) Insurance Services Expenses Adjusted = Insurance Services Expenses + Net Reinsurance Result - directly attributable cost from insurance.

(in thousands of EUR)	31/12/23			
	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	2,359,201	1,566,097	124,722	4,050,020
Net interest income bank	821,737	1,113,902	171,993	2,107,632
Net Fee and commissions bank	632,045	140,415	(12,837)	759,623
Life insurance income	339,213	117,275	(0)	456,488
Non-life & Health income	689,264	176,776	431	866,471
Other income	(123,057)	17,728	(34,865)	(140,194)
INSURANCE SERVICE EXPENSES ADJUSTED[1]	(535,453)	(172,084)	4	(707,534)
EXPENSES	(1,102,797)	(559,730)	(77,237)	(1,739,764)
of which directly attributable costs from insurance	(152,717)	(48,881)	0	(201,598)
NET INCOME BEFORE TAX AND IMPAIRMENTS	720,951	834,282	47,489	1,602,722
Impairments on financial instruments and provisions for credit commitments	(12,175)	(71,971)	(25,066)	(109,211)
Impairments on tangible and intangible assets	(802)	(54)	0	(855)
NET INCOME BEFORE TAX	707,974	762,258	22,423	1,492,655
Total tax (expense) income	(183,690)	(185,565)	(6,610)	(375,865)
NET INCOME	524,285	576,693	15,813	1,116,791
Attributable to non-controlling interests	1,402	35	815	2,252
Attributable to equity holders of the parent	522,883	576,658	14,997	1,114,538

(1) Insurance Services Expenses Adjusted = Insurance Services Expenses + Net Reinsurance Result - directly attributable cost from insurance.

Individuals' net income increased from EUR 394 million in 2022 to EUR 524 million in 2023. The Net interest income of banking activities increased by EUR 156 million mainly due to the non maturing deposits that benefited from higher interest rates, despite the shift towards maturing funding and the decreased margin on the loans portfolio. The Net Fee and commissions income of banking activities decreased from EUR 636 million in 2022 to EUR 632 million in 2023 mainly resulting from lower entry fees due to lower production in Asset Management Services and despite increased revenues from payment services and Private Memberships.

Non-life insurance income increased with EUR 71 million as a result of an increase in insurance revenue due to the portfolio growth and premium indexation to compensate for inflation pressure on claims and costs.

Life insurance income decreased with EUR 46 million mainly due to lower recurring financial income and lower insurance finance result, only partially compensated by the refinement of actuarial models recognized in 2023 accounts.

The other income decreased by EUR 12 million in 2023 compared to end 2022, mainly stemming from higher bank levies in 2023 (in particular DGS and to a lesser extent NTK).

The Insurance services expenses decreased by EUR 70 million compared to 2022, mainly explained by the absence of Natural Catastrophe claims in 2023, and the recalibration of the Non-Life risk adjustment confidence interval from 85% to 77.5%.

The total expenses increased with EUR 64 million explained by the workforce reinforcement and wage-drift effect. Note that the operating expenses exclude directly attributable expenses related to insurance contracts as they are included in the present value of the insurance liabilities.

Entrepreneurs, Enterprises & Public's net income increased from EUR 421 million in 2022 to EUR 577 million in 2023. The net interest income increased with EUR 194 million mainly due to the strict pricing of the payment accounts in an increasing interest rate environment. Net fees and commissions increased with EUR 9 million mainly due to the increase in payment fees.

Life insurance income increased with EUR 20 million due to higher recurring financial revenues and includes the impact of the refinement of actuarial models recognized in 2023 accounts. This increase was partially offset by capital losses and lower Insurance finance result.

Non-life insurance income decreased with 14 million and includes the impact of the refinement of actuarial models recognized in 2023 accounts.

The total expenses increased with EUR 53 million mainly due to the workforce reinforcement and wage-drift effect.

Group Center net income stands at EUR 15.8 million in 2023, compared to EUR 117.9 million in 2022. The decrease of EUR 102 million is mainly due to lower other income compared to 2022 that was positively impacted by a reversal of the provisions for potential settlements of ongoing disputes with third parties. The costs only slightly increased with EUR 3.4 million mainly due to inflation. Furthermore the impairments on financial instruments and provisions for credit commitments decreased with EUR -36 million, as 2023 was negatively impacted by the sale of bonds measured at amortised cost (EUR -20 million).

Refer to the chapter Segment reporting of the Management Report for a detailed description of the segment results.

B. Segmentation by contribution scope

The statement of income represents the contributions of the Belfius Bank group (i.e. Belfius Bank with all its subsidiaries apart from the Belfius Insurance group) as well as the Belfius Insurance group (i.e. Belfius Insurance with its subsidiaries).

(in thousands of EUR) 31/12/22	Contribution Bank into group	Contribution Insurance into group	Total
INCOME	2,415,524	306,735	2,722,259
Net interest income	1,752,063	326,747	2,078,809
Net fee and commission income	757,292	15,503	772,794
Net Insurance result	0	(102,809)	(102,809)
Dividend income	28,845	42,766	71,611
Net income from equity method companies	1,916	2,076	3,993
Net income from financial instruments at fair value through profit or loss	52,353	(27,530)	24,822
Net income on investments and liabilities	16,427	39,974	56,401
Other income & expense	(193,372)	10,009	(183,363)
OPERATING EXPENSES (excl. directly attributable from insurance)	(1,337,161)	(80,280)	(1,417,441)
NET INCOME BEFORE TAX AND IMPAIRMENTS	1,078,363	226,455	1,304,818
Impairments on financial instruments and provisions for credit commitments	(91,184)	(14,230)	(105,413)
Impairments on tangible and intangible assets	(714)	(1,335)	(2,049)
NET INCOME BEFORE TAX	986,465	210,891	1,197,356
Total tax (expense) income	(223,784)	(40,619)	(264,403)
NET INCOME AFTER TAX	762,680	170,272	932,952
Attributable to non-controlling interests	(362)	(819)	(1,181)
Attributable to equity holders of the parent	762,318	169,453	931,771

(in thousands of EUR) 31/12/23	Contribution Bank into group	Contribution Insurance into group	Total
INCOME	2,717,993	422,895	3,140,888
Net interest income	2,107,641	318,560	2,426,201
Net fee and commission income	759,623	19,289	778,912
Net Insurance result	0	38,845	38,845
Dividend income	23,831	33,454	57,285
Net income from equity method companies	7,851	(324)	7,527
Net income from financial instruments at fair value through profit or loss	52,107	1,420	53,527
Net income on investments and liabilities	14,322	(21,533)	(7,211)
Other income & expense	(247,381)	33,183	(214,198)
OPERATING EXPENSES (excl. directly attributable from insurance)	(1,434,478)	(103,688)	(1,538,166)
NET INCOME BEFORE TAX AND IMPAIRMENTS	1,283,515	319,207	1,602,722
Impairments on financial instruments and provisions for credit commitments	(107,802)	(1,409)	(109,211)
Impairments on tangible and intangible assets	(347)	(508)	(855)
NET INCOME BEFORE TAX	1,175,366	317,290	1,492,656
Total tax (expense) income	(298,528)	(77,337)	(375,865)
NET INCOME AFTER TAX	876,839	239,952	1,116,791
Attributable to non-controlling interests	(831)	(1,422)	(2,252)
Attributable to equity holders of the parent	876,008	238,530	1,114,538

The contribution of Belfius Bank increased with EUR 114.2 million from EUR 763 million at 31 December 2022 to EUR 877 million at 31 December 2023 mainly thanks to a continuous growth of the Net Interest Income in a higher interest rate environment. The Net fee and commission income bank remained stable versus last year. Other income bank is more negative than in 2022 (EUR -54 million) mainly due to a reversal of the provisions for potential settlements of ongoing disputes with third parties in 2022 and more negative bank levies in 2023 compared to last year. Total costs bank increased by 7% versus last year due to growth in human capital resources to sustainably manage the commercial growth and due to higher human capital cost resulting from salary indexation. Impairments on financial instruments and provisions for credit commitments and impairments on intangible assets amount to EUR -108 million in 2023, more negative than last year due to new allowances of stage 3 provisions, partially offset by reversals of stage 1 and 2 compared to 2022.

The contribution of Belfius Insurance increased with EUR 69.7 million from EUR 170 million at 31 December 2022 to EUR 240 million at 31 December 2023. The net insurance result Non-Life and Health collective improved, resulting from an increase in insurance revenue due to the premium indexation to compensate for inflation pressure on claims and costs, but also due to the growth in the Non-Life portfolio. Furthermore, the reassessment of the risk adjustment, the downward revision of the inflation parameter, and the absence of material natural catastrophes in 2023 resulted in a positive impact on the 2023 result. The net insurance result Life and Health individual increased and was impacted by the refinement of actuarial models. Costs increased compared to 2022 mainly due to higher total workforce cost, inflation driven wage drift, higher consultancy and higher IT costs.

V. Notes on the assets of the consolidated balance sheet

(some amounts may not add up due to rounding)

5.1. Cash and cash equivalents

Cash and cash equivalents include financial instruments with an original maturity less than or equal to 90 days.

Analysis by nature

(in thousands of EUR)	31/12/22	31/12/23
Cash and balances with central banks other than mandatory reserves	26,162,090	19,392,981
Mandatory reserves with central banks[1]	1,128,041	1,088,175
Loans and advances due from credit institutions	262,898	1,320,959
Debt securities	495,360	68,599
TOTAL	28,048,389	21,870,715

(1) The "Mandatory reserves" include the minimum reserve deposits that Belfius has with the European Central Bank (ECB) or with other central banks. Note that Belfius complies with the requirement of holding an average balance on the reserve account over the reference period.

The decrease in Cash and balances with central banks other than mandatory reserves is mainly explained by the maturity of part of Belfius' participation in the TLTRO III for EUR -4.6 billion.

5.2. Cash and balances with central banks

Analysis by nature

(in thousands of EUR)	31/12/22	31/12/23
Cash in hand	272,224	258,628
Balances with central banks other than mandatory reserve deposits	25,892,742	19,140,719
Mandatory reserves deposits [1]	1,130,977	1,088,175
Impairment stage 1	(509)	(382)
TOTAL	27,295,434	20,487,140
Of which included in cash and cash equivalents	27,290,131	20,481,156
Cash and balances with central banks other than mandatory reserves	26,162,090	19,392,981
Mandatory reserves with central banks	1,128,041	1,088,175

(1) The "Mandatory reserves deposits" includes the minimum reserve deposits that Belfius has with European Central Bank or with other central banks. Note that Belfius complies with the requirement of holding an average balance on the reserve account over the reference period.

Cash and balances with central banks decreased by EUR -6.8 billion, or -24.9%, to EUR 20.5 billion (31 December 2022: EUR 27.3 billion). The decrease is mainly linked to the maturity of part of Belfius' participation in the TLTRO III for EUR -4.6 billion, resulting in a decrease of Belfius' deposit facility at the ECB. Belfius deposits part of its cash at the NBB/ECB within the framework of its liquidity management.

5.3. Loans and advances due from credit institutions

1. Summary Totals

(in thousands of EUR)	31/12/22	31/12/23
Measured at amortised cost	4,143,601	5,274,249
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit and loss	0	0
TOTAL	4,143,601	5,274,249

2. Analysis by nature

A. Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehensive income	31/12/23 Amortised Cost	31/12/23 Measured at fair value through other comprehensive income
Cash collateral	3,437,886	0	3,522,504	0
Sight accounts	121,477	0	106,058	0
Reverse repurchase agreements	508,018	0	1,290,900	0
Financial lease	6,343	0	8,141	0
Term loans	69,995	0	346,853	0
Impaired loans (stage 3)	0	0	0	0
Less:				
impairment (stages 1,2 and 3)	(118)	0	(206)	0
TOTAL	4,143,601	0	5,274,249	0
Of which included in cash and cash equivalents	262,898	0	1,320,959	0

Loans and advances due from credit institutions increased with EUR 1.1 billion, or 27.3%, to EUR 5.3 billion (31 December 2022: EUR 4.1 billion). The increase stems from an increase in reverse repos of EUR 0.8 billion and an increase of EUR 0.3 billion term loans.

Not measured at fair value through profit or loss - breakdown

(in thousands of EUR)	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehensive income	31/12/23 Amortised Cost	31/12/23 Measured at fair value through other comprehensive income
Gross amount (stage 1)	4,138,925	0	5,268,374	0
less impairment allowance (stage 1)	(75)	0	(114)	0
Gross amount (stage 2)	4,794	0	6,082	0
less impairment allowance (stage 2)	(43)	0	(92)	0
Gross amount credit - Impaired (stage 3)	0	0	0	0
Impairment on credit - impaired (stage 3)	0	0	0	0
TOTAL	4,143,601	0	5,274,249	0

B. Measured at fair value through profit and loss

Nil

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.4. Loans and advances

1. Summary Totals

(in thousands of EUR)	31/12/22	31/12/23
Measured at amortised cost	109,236,114	109,761,695
Measured at fair value through other comprehensive income	171,152	4,181,197
Measured at fair value through profit and loss	795,986	588,277
TOTAL	110,203,251	114,531,169

Loans and advances increased by EUR 4.3 billion, or 3.9%, to EUR 114.5 billion (31 December 2022: EUR 110.2 billion).

As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, a reclassification of EUR 4.5 billion has taken place from the Belfius Insurance portfolio of loans measured at amortised cost to loans measured at fair value through other comprehensive income.
This reclassification resulted in negative fair value adjustments of EUR 325 million.

An increase in loans and advances measured at amortised cost of EUR 5 billion can be noted from 1 January 2023 to 31 December 2023 stemming from the continuous development of the commercial franchise of Belfius Bank.

Loans and advances measured at fair value through other comprehensive income decreased by EUR 0.1 billion from 1 January 2023 to 31 December 2023 as a result of a decrease in the outstanding mortgage portfolio of Belfius Insurance.

Impact of the IFRS 9 business model reassessment per 1 January 2023

(in thousands of EUR)	31/12/22	Impacts of IFRS9 reclass	01/01/23	31/12/23
III. Loans and advances	110,203,251	-324,855	109,878,396	114,531,169
A. Measured at amortised cost	109,236,114	-4,451,363	104,784,751	109,761,695
B. Measured at fair value through other comprehensive income	171,152	4,126,508	4,297,660	4,181,197
C. Measured at fair value through profit and loss	795,986	0	795,986	588,277

2. Analysis by counterparty

A. Not measured at fair value through profit or loss

	31/12/22		31/12/23	
(in thousands of EUR)	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Public entities	18,452,652	0	17,966,691	358,944
Corporate & Small and Medium Enterprises	43,308,057	179,572	46,207,999	320,797
Households	47,251,450	0	45,182,556	3,482,303
Impaired loans (stage 3)	2,026,297	0	2,216,722	42,043
Less:				
impairment (stages 1,2 and 3)	(1,802,342)	(8,420)	(1,812,272)	(22,890)
TOTAL	109,236,114	171,152	109,761,695	4,181,197

Not measured at fair value through profit or loss - breakdown

(in thousands of EUR)	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehensive income	31/12/23 Amortised Cost	31/12/23 Measured at fair value through other comprehensive income
Gross amount (stage 1)	92,184,817	177,507	94,901,724	3,911,504
less impairment allowance (stage 1)	(169,546)	(8,206)	(178,573)	(11,584)
Gross amount (stage 2)	16,827,342	2,065	14,455,522	250,540
less impairment allowance (stage 2)	(425,251)	(214)	(369,787)	(9,473)
Gross amount credit - Impaired (stage 3)	2,026,297	0	2,216,722	42,043
Impairment on credit - impaired (stage 3)	(1,207,544)	0	(1,263,913)	(1,833)
TOTAL	109,236,114	171,152	109,761,695	4,181,197

The gross amount and the impairment allowances in stage 1 increased in line with the new production of loans and advances. Furthermore, stage 1 and 2 impairment allowances decreased (EUR -36 million) as a result of the update of the macroeconomic factors to reflect the resilience of the Belgian economy. The nature of the overlays for vulnerable exposures is shifted completely in 2023 from "Covid-driven" to "Energy & Inflation linked", which has led to a reassessment of these overlays and a partial reversal thereof (EUR -5 million).

Next to that, a higher level of default inflows is noted during 2023, resulting in an increase in stage 3 impairments (EUR +119 million).

Refer to table 9.2.8. movements in allowances for credit losses for further information.

B. Measured at fair value through profit and loss

(in thousands of EUR)	31/12/22 Financial assets held for trading	31/12/22 Financial assets designated at fair value through profit or loss	31/12/22 Non-trading financial assets mandatorily measured at fair value through profit or loss	31/12/22 Total
Public entities	0	0	757,917	757,917
Corporate & Small and Medium Enterprises	0	0	34,934	34,934
Households	1,474	0	1,660	3,135
TOTAL	1,474	0	794,511	795,986

(in thousands of EUR)	31/12/23 Financial assets held for trading[1]	31/12/23 Financial assets designated at fair value through profit or loss	31/12/23 Non-trading financial assets mandatorily measured at fair value through profit or loss[2]	31/12/23 Total
Public entities	0	0	553,473	553,473
Corporate & Small and Medium Enterprises	0	0	34,110	34,110
Households	694	0	0	694
TOTAL	694	0	587,583	588,277

(1) Belfius warehouses mortgage loans, for a limited period of time, before transferring these mortgage loans to an external party.
(2) It mainly concerns loans to the public and social sector with specifically structured interest rate features that do not pass the SPPI-test and are therefore measured at fair value through profit and loss.

Loans and advances measured at fair value through profit and loss decreased mainly due to repayments and negative fair value adjustments.

3. Analysis by nature

A. Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/22 Amortised Cost	31/12/22 Measured at fair value through other comprehensive income	31/12/23 Amortised Cost	31/12/23 Measured at fair value through other comprehensive income
Cash collateral	615,958	0	628,769	0
Reverse repurchase agreements	305,470	0	278,644	0
Financial lease	3,429,544	0	3,878,596	0
Other Loans and advances[1]	104,661,187	179,572	104,571,236	4,162,044
Of which bills and own acceptances	128,759	0	101,119	0
Of which consumer loans	1,703,580	0	1,790,678	0
Of which mortgage loans[2]	44,001,541	0	41,776,340	3,549,409
Of which term loans[3][4]	55,216,269	0	57,360,211	388,224
Of which current accounts	1,766,662	0	1,599,517	0
Of which other loans and advances[5]	1,844,377	179,572	1,943,371	224,410
Impaired loans (stage 3)	2,026,297	0	2,216,722	42,043
Less				
impairment (stages 1,2 and 3)	(1,802,342)	(8,420)	(1,812,272)	(22,890)
TOTAL	109,236,114	171,152	109,761,695	4,181,197

(1) The underlying pool of loans of the covered bonds (Pandbrieven) amounts to EUR 19.3 billion (31 December 2022: EUR 14.1 billion). This covered pool guarantees the outstanding covered bonds, of which EUR 5.6 billion mortgage covered bonds (31 December 2022: EUR 5.3 billion) and EUR 1.2 billion public covered bonds (31 December 2022: EUR 1.2 billion). We also refer to note 9.3.4. on Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet.
(2) End December 2023, no "mortgage loans" were under the format of securitization as all related securitization vehicles were called in 2022.
(3) End 2023, EUR 0.5 billion "term loans" were under the format of securitization (31 December 2022: EUR 0.6 billion). We also refer to note 12. "Securitisations" and to note 9.3.4. on Transfer of financial assets which do not qualify for derecognition in the consolidated balance sheet.
(4) The term loans include a loan towards the regional authorities related to the floods of July 2021. In accordance with the protocol, insurers can reclaim the amounts paid to victims of the floods above a certain threshold. The amount in excess of the limit that has already been paid out by Belfius Insurance, and thus recorded as a loan, amounts to EUR 77 million per 31 December 2023 (compared with EUR 72 million end 2022).
(5) Other loans and advances at amortised cost concern mainly factoring activities.

Loans and advances increased by EUR 4.3 billion, or 3.9%, to EUR 114.5 billion (31 December 2022: EUR 110.2 billion).

As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, a reclassification of EUR 4.5 billion has taken place from the Belfius Insurance portfolio of loans measured at amortised cost to loans measured at fair value through other comprehensive income.
This reclassification resulted in negative fair value adjustments of EUR 325 million.

An increase in loans and advances measured at amortised cost of EUR 5 billion can be noted from 1 January 2023 to 31 December 2023 stemming from the continuous development of the commercial franchise of Belfius Bank.

Loans and advances measured at fair value through other comprehensive income decreased by EUR 0.1 billion from 1 January 2023 to 31 December 2023 as a result of a decrease in the outstanding mortgage portfolio of Belfius Insurance.

B. Measured at fair value through profit and loss

(in thousands of EUR)	31/12/22 Financial assets held for trading[1]	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss[2]	Total
Mortgage loans	1,474	0	0	1,474
Public sector loans	0	0	794,511	794,511
TOTAL	1,474	0	794,511	795,986

(in thousands of EUR)	31/12/23 Financial assets held for trading[1]	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss[2]	Total
Mortgage loans	694	0	0	694
Public sector loans	0	0	587,583	587,583
TOTAL	694	0	587,583	588,277

(1) Belfius warehouses mortgage loans, for a limited period of time, before transferring these mortgage loans to an external party.
(2) It mainly concerns loans to the public and social sector with specifically structured interest rate features that do not pass the SPPI-test and are therefore measured at fair value through profit and loss.

Loans and advances measured at fair value through profit and loss decreased mainly due to repayments (EUR -178 million) and negative fair value adjustments (EUR -27 million).

4. Analysis of quality

See note 9.2.

5. Analysis of the fair value

See note 9.1.

5.5. Debt securities & Equity instruments

1. Summary Totals

(in thousands of EUR)	31/12/22	31/12/23
Measured at amortised cost	17,494,927	13,521,835
Measured at fair value through other comprehensive income	4,040,914	8,718,772
Measured at fair value through profit or loss	1,490,882	1,506,789
Measured at fair value through profit or loss - Unit linked	3,969,934	4,176,214
TOTAL	26,996,656	27,923,609

The Belfius Banking Group contributed EUR 14.3 billion (31 December 2022: EUR 13.9 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 13.6 billion (31 December 2022: EUR 13.1 billion).

Two types of business models can be distinguished within Belfius group. The bond portfolios within the banking group are managed within a business model whose objective is to "hold to collect" contractual cash flows until maturity apart from certain positions that were classified as "hold to collect and sell". The bond portfolio of the insurance group are managed within a business model whose objective is to "hold to collect and sell".

Note that the business models of Belfius Insurance have been reassessed as a result of the implementation of IFRS 17. Belfius Insurance has reclassified its bond portfolio which was classified as a hold to collect business model and measured at amortised cost towards a hold to collect and sell business model as from 1 January 2023 and measured the portfolio at fair value through other comprehensive income.

In this context, EUR 4.4 billion debt instruments of the Belfius Insurance portfolio measured at amortised cost have been reclassified to measured at fair value through other comprehensive income. This reclassification resulted in negative fair value adjustments of EUR 293 million.

Seeing that certain bond positions did not comply with the solely payment of principal and interest on the principal amount outstanding, a classification at fair value through profit and loss was required. It mainly concerns money market funds within Belfius Insurance.

Impact of the IFRS 9 business model reassessment per 1 January 2023

(in thousands of EUR)	31/12/22	Impacts of IFRS9 reclass	01/01/23	31/12/23
IV. Debt securities & equity instruments	26,996,656	-293,419	26,703,237	27,923,609
A. Measured at amortised cost	17,494,927	-4,435,610	13,059,317	13,521,835
B. Measured at fair value through other comprehensive income	4,040,914	4,142,191	8,183,105	8,718,772
C. Measured at fair value through profit and loss	1,490,882		1,490,882	1,506,789
D. Measured at fair value through profit or loss - unit linked products	3,969,934		3,969,934	4,176,214

2. Analysis by nature

A. Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/22		31/12/23	
	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Debt securities issued by public sector	9,125,121	1,914,504	5,547,716	5,343,177
Other debt securities	8,520,391	1,097,979	8,136,056	2,388,485
Equity instruments	0	1,043,302	0	1,006,935
Impaired debt securities (stage 3)	4,267	10,010	2,485	0
impairment (stages 1,2 and 3)	(154,852)	(24,881)	(164,423)	(19,825)
TOTAL	17,494,927	4,040,914	13,521,835	8,718,772
Of which included in cash and cash equivalents	471,639	23,721	64,615	3,985

The debt securities measured at amortised cost decreased by EUR -4.0 billion, or -22.7%, to EUR 13.5 billion (31 December 2022: EUR 17.5 billion) due to the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of EUR 4.4 billion debt securities of the Belfius Insurance portfolio formerly measured at amortised cost to measured at fair value through other comprehensive income.

The impact of the reclassification is partially offset by investments (EUR 1.8 billion) both in government and corporate bonds, partially compensated by maturities (EUR -0.9 billion) mainly in government bonds.

Furthermore, Belfius sold EUR 0.3 billion short term corporate bonds out of the hold to collect portfolio. These sales are considered as infrequent sales and are therefore consistent with the hold to collect business model. The resulting capital losses amounting to EUR 20 million are included in the impairments on financial instruments and provision for credit commitments.

The financial assets measured at fair value through other comprehensive income increased by EUR 4.7 billion, or 115.8%, to EUR 8.7 billion (31 December 2022: EUR 4.0 billion), mainly as a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of EUR 4.4 billion debt securities of the Belfius Insurance portfolio measured at amortised cost to measured at fair value through other comprehensive income. Furthermore, an increase of EUR 0.3 billion can be observed stemming from new acquisitions of mainly corporate bonds within the Belfius Insurance portfolio, partially compensated by disposals. Fair value adjustments on debt securities remained globally stable compared to 31 December 2022, as negative fair value adjustments of EUR -0.3 billion related to the reclassification were almost entirely offset by positive fair value adjustments of EUR +0.3 billion in the course of 2023 resulting from tightened credit spreads and the realisation of capital losses, despite increased short term interest rates.

Debt securities not measured at fair value through profit or loss – breakdown

(in thousands of EUR)	31/12/22		31/12/23	
	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Gross amount (stage 1)	12,460,286	2,485,281	8,448,274	7,182,878
less impairment allowance (stage 1)	(1,877)	(2,627)	(1,039)	(3,520)
Gross amount (stage 2)	5,185,225	527,202	5,235,498	548,784
less impairment allowance (stage 2)	(149,649)	(14,254)	(160,898)	(16,304)
Gross amount credit - Impaired (stage 3)	4,267	10,010	2,485	0
Impairment on credit - impaired (stage 3)	(3,325)	(8,000)	(2,485)	0
TOTAL	17,494,927	2,997,611	13,521,835	7,711,837

B. Measured at fair value through profit and loss

(in thousands of EUR)	31/12/22			
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss	TOTAL
Debt securities issued by public sector	121,126	0	7,502	128,628
Other debt securities	9,387	(0)	900,965	910,351
Equity instruments	451,899	0	3	451,902
Unit linked products insurance activities	0	3,969,934	0	3,969,934
TOTAL	582,412	3,969,934	908,470	5,460,815

(in thousands of EUR)	31/12/23			
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily measured at fair value through profit or loss	TOTAL
Debt securities issued by public sector	49,553	0	7,403	56,956
Other debt securities	18,593	0	986,707	1,005,300
Equity instruments	441,916	0	2,618	444,533
Unit linked products insurance activities	0	4,176,214	0	4,176,214
TOTAL	510,061	4,176,214	996,728	5,683,003

Debt and equity instruments measured at fair value through profit or loss remained stable at EUR 1.5 billion (31 December 2022: EUR 1.5 billion) mainly due to acquisitions in the fund portfolio at Belfius Insurance, almost fully offset by a decreasing temporary warehousing volume from the Financial Markets' "client flow management" activity.

Debt securities measured at fair value through profit or loss – unit linked (Branch 23) increased by EUR 0.2 billion, or 5.2%, to EUR 4.2 billion (31 December 2022: EUR 4.0 billion) mainly resulting from positive fair value adjustments (EUR 0.3 billion), partially offset by net cash outflows (EUR -0.1 billion).

C. Measured at fair value through other comprehensive income - Equity

The table below presents the reason why the equity instruments were designated at fair value through other comprehensive income.

(in thousands of EUR)	31/12/22		
	Reason for designation	Fair Value	Dividend income recognised
Strategic portfolio insurance - real estate	Risk and ALM purposes	221,894	20,081
Strategic portfolio insurance - various underlying	Risk and ALM purposes	602,267	22,685
Strategic portfolio bank	Risk and ALM purposes	219,141	8,337
TOTAL		1,043,302	51,103

(in thousands of EUR)	31/12/23		
	Reason for designation	Fair Value	Dividend income recognised
Strategic portfolio insurance - real estate	Risk and ALM purposes	211,322	15,178
Strategic portfolio insurance - various underlying	Risk and ALM purposes	568,370	18,276
Strategic portfolio bank	Risk and ALM purposes	227,243	6,614
TOTAL		1,006,935	40,068

The table below presents the reason why the equity instruments designated at fair value through other comprehensive income were sold.

(in thousands of EUR)	31/12/22			
	Reason for disposal	Fair Value at derecognition date	Transfer of cumulative gain or loss within equity	Dividend income recognised
Strategic portfolio insurance - real estate	Risk and ALM purposes	114,091	(5,288)	8,307
Strategic portfolio insurance - various underlying	Risk and ALM purposes	150,769	24,593	4,445
Strategic portfolio bank	Risk and ALM purposes	5,107	529	0
TOTAL		269,967	19,834	12,752

(in thousands of EUR)	31/12/23			
	Reason for disposal	Fair Value at derecognition date	Transfer of cumulative gain or loss within equity	Dividend income recognised
Strategic portfolio insurance - real estate	Risk and ALM purposes	29,996	(1,124)	2,494
Strategic portfolio insurance - various underlying	Risk and ALM purposes	72,076	(4,037)	2,687
Strategic portfolio bank	Risk and ALM purposes	2,015	(2,083)	397
TOTAL		104,087	(7,244)	5,578

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.6. Derivatives

1. Analysis by nature

(in thousands of EUR)	31/12/22		31/12/23	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	4,688,246	3,548,426	4,565,883	2,804,241
Derivatives designated as fair value hedges	249,095	1,246,100	154,302	1,323,169
Derivatives designated as cash flow hedges	48,598	186,753	31,902	202,903
Derivatives designated as portfolio hedge	907,167	3,267,230	569,339	2,899,119
TOTAL	5,893,105	8,248,509	5,321,426	7,229,432

A decrease in the fair value of derivatives can be noted, linked to the evolution of the interest rates. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 7.1 billion at the end of 2023, compared with EUR 8.0 billion at the end of 2022. Refer to note 9.3.6. Offsetting.

2. Detail of derivatives held for trading

(in thousands of EUR)	31/12/22				31/12/23			
	Notional amount[1]		Assets	Liabilities	Notional amount[1]		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	25,003,379	24,754,926	904,726	692,052	26,950,709	26,756,426	758,653	572,450
Interest rate derivatives	174,461,180	178,646,225	3,379,857	2,386,810	164,356,818	170,459,613	3,383,666	1,826,590
Credit derivatives	804,572	136,568	35,213	71,026	772,898	141,322	22,277	60,927
Equity derivatives	7,557,741	6,607,014	368,449	398,538	8,652,632	7,661,767	401,287	344,274
TOTAL	207,826,872	210,144,733	4,688,246	3,548,426	200,733,057	205,019,128	4,565,883	2,804,241

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

The derivatives position of Belfius originated partially from the fact that Belfius was the competence center for derivatives within the former Dexia Group. These derivatives were hedged externally for market risk. The derivatives between Belfius Bank and Dexia Group entities remained in the scope of Belfius after the sale of Belfius to the Belgian State in 2011. The credit risk thereon is mitigated through the use of collateral (Credit Support Annex).

Seeing the restrictions under IFRS for hedge accounting, certain economic hedges cannot be classified as hedge derivatives under IFRS. As a result, several economic hedges are considered as trading derivatives for accounting purposes while hedging non-basic bonds and loans, FVO positions or basis risk stemming from hedge inefficiency (f.e. basis swaps and cross currency).

For additional information on related market risk, refer to note 9.5. "Market Risk" as well as note 7.4. "Net income from financial instruments at fair value through profit or loss" for more information regarding the economic hedges.

3. Fair Value Hedges

A. Detail of derivatives designated as fair value hedges

(in thousands of EUR)	31/12/22				31/12/23			
	Notional amount[1]		Assets	Liabilities	Notional amount[1]		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	6,076,715	5,880,889	231,812	1,246,030	5,177,909	4,990,856	149,889	1,322,558
of which interest rate swaps	5,312,780	5,312,780	163,597	1,054,430	4,434,453	4,434,453	87,095	1,118,710
of which cross currency interest rate swaps	763,934	568,109	68,215	191,601	743,456	556,403	62,794	203,848
Credit derivatives[2]	1,322,285	0	17,282	69	1,235,285	0	4,413	611
TOTAL	7,399,000	5,880,889	249,095	1,246,100	6,413,195	4,990,856	154,302	1,323,169

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated. Note that a forward sale contract mentions only one notional amount.

(2) Belfius Insurance has concluded "spreadlock" derivatives in order to hedge the asset swap spread on certain bond positions. The purpose of these transactions is to protect the Solvency II ratio. More in particular, the spreadlock transaction locks in a forward assets swap spread at the moment of the conclusion of the transaction. Seeing that the spreadlock is defined to hedge the asset swap spread (i.e. all risks except changes in fair value due to benchmark interest rate) of specific bond positions, the derivative is presented as a credit derivative for which fair value hedge accounting has been set up.

B. Detail of hedged exposure

The following table contains details of the hedged exposures covered by the Belfius' hedging strategies.

(in thousands of EUR)	31/12/22			
	Carrying amount of hedged item	Assets or liabilities included in hedge of a net position (before netting)	Accumulated amount of fair value adjustments on the hedged item	Accumulated amount of fair value hedged adjustments in the statement of financial positions in case of rupture
Financial assets measured at fair value through other comprehensive income	109,914	0	(1,171)	2,986
Credit[1]	109,914	0		
Financial assets measured at amortised cost	8,271,760	0	(608,384)	2,277,131
Interest rate	6,926,987	0		
Credit[1]	1,344,774	0		

(in thousands of EUR)	31/12/23			
	Carrying amount of hedged item	Assets or liabilities included in hedge of a net position (before netting)	Accumulated amount of fair value adjustments on the hedged item	Accumulated amount of fair value hedged adjustments in the statement of financial positions in case of rupture
Financial assets measured at fair value through other comprehensive income	1,472,568	0	0	0
Credit[1]	1,472,568	0		
Financial assets measured at amortised cost	6,909,570	0	(384,345)	2,210,841
Interest rate	6,909,570	0		
Credit	0	0		

(1) Belfius Insurance has concluded "spreadlock" derivatives in order to hedge the asset swap spread on certain bond positions. The purpose of these transactions is to protect the Solvency II ratio. More in particular, the spreadlock transaction locks in a forward assets swap spread at the moment of the conclusion of the transaction. Seeing that the spreadlock is defined to hedge the asset swap spread (i.e. all risks except changes in fair value due to benchmark interest rate) of specific bond positions, the derivative is presented as a credit derivative for which fair value hedge accounting has been set up.

In the table, the carrying amount of hedged items in a fair value hedge is broken down by accounting portfolio. The accumulated amount of fair value adjustments on the hedged item includes the gains and losses on the hedged items that, as a consequence of hedge accounting, have adjusted the carrying amount of those items. Accumulated amount of fair value hedged adjustments in the statement of financial positions in case of rupture includes those hedge adjustments which, following the discontinuation of the hedge relationship and the end of the adjustment of hedged items for hedging gains and losses, remain to be amortised to the profit or loss via a recalculated effective interest rate for hedged items measured at amortised cost, or to the amount that represents the previously recognised cumulative hedging gain or loss for hedged assets measured at fair value through other comprehensive income.

C. Detail of the hedge documentation

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

Belfius applies fair value hedging to interest rate and foreign exchange risks on certain bonds (micro hedge). Belfius mainly uses plain vanilla interest rate swaps, while for non-EUR bonds plain vanilla interest rate & currency swaps are used.

The fair value used for the measurement of hedge effectiveness is based on the fair value movements of the derivatives in the balance sheet and the fair value movement of the hedged risk of the hedged item (generally through a hypothetical derivative).

For fair value hedging, the prospective test is based on a critical terms comparison between the hedging instrument and the hedged item. Retrospective testing is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits.

End 2023 all hedge effectiveness tests were respected. The reassessment of the business models

of the Belfius Insurance portfolio had no impact on the hedge accounting continuation.

Refer to note 7.6. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

4. Cash flow hedges

A. Detail of derivatives designated as cash flow hedges

(in thousands of EUR)	31/12/22				31/12/23			
	Notional amount[1]		Assets	Liabilities	Notional amount[1]		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	5,347,751	5,327,207	48,598	186,753	5,149,574	5,141,659	28,615	202,903
of which cross currency swaps	5,347,751	5,327,207	48,598	186,753	5,149,574	5,141,659	28,615	202,903
Interest rate derivatives	0	0	0	0	1,289,000	1,289,000	3,286	0
of which interest rate swaps	0	0	0	0	1,289,000	1,289,000	3,286	0
TOTAL	5,347,751	5,327,207	48,598	186,753	6,438,574	6,430,659	31,902	202,903

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

Estimated cashflows from cashflow hedging derivatives per time bucket

(in thousands of EUR)	Inflow	Outflow
Not more than three months	3,173,235	(4,748,485)
More than three but not more than six months	3,173,235	(4,671,335)
More than six months but not more than one year	3,173,235	(4,701,859)
More than one but not more than two years	2,943,099	(4,747,930)
More than two but not more than five years	2,482,826	(4,844,757)
More than five years	2,150,946	(4,098,692)

B. Detail of hedged exposure

Cash flow hedges are performed on highly probable future cash flows.

Belfius has a structural GBP funding gap stemming essentially from long term bonds (mainly inflation linked) and collateral posted and is therefore vulnerable to movements in the currency spread between the EUR and GBP. To manage that risk, currency interest rate swaps (CIRS) have been contracted and have been defined in a portfolio cash flow hedge relationship for the currency risk on a "highly probable forecasted transaction".

Belfius decided to cover the risk of variability of cash flows and foreign currency changes stemming from funding of GBP assets and collateral paid in GBP. In order to hedge this risk, Belfius concluded Cross Currency Swaps which are recorded in a cash flow hedge relationship for the currency risk on a "highly probable forecasted transaction". Belfius demonstrates that the forecasted cashflows from the GBP collateral funding and funding of GBP assets are higher than the amounts received through the Cross Currency Swaps.

C. Detail of the hedge documentation

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

Belfius decided to cover the risk of variability of cash flows and foreign currency changes stemming from the collateral payable in foreign currencies. In order to hedge this risk, Belfius concluded Cross Currency Swaps which are recorded in a cash flow hedge relationship for the currency risk on a "highly probable forecasted transaction". Belfius demonstrates that the forecasted cashflows from the GBP collateral funding and funding of GBP assets are higher than the amounts received through the Cross-Currency Swaps. Note that for a forecasted transaction, an analysis is performed to assure that the expected cash flows are still highly likely and a hedge effectiveness test is performed to demonstrate that the forecasted transaction (hedged item) is higher than the derivative (hedging instrument).

End 2023 all hedge effectiveness tests were respected.

Refer to note 7.6. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

D. Reconciliation of equity in relation to hedge accounting

For more information on the reconciliation of each component of equity and an analysis of other

comprehensive income in relation to hedge accounting, refer to notes 1.3. "Consolidated statement of comprehensive income" and 1.4. "Consolidated statement of change in equity".

5. Portfolio hedge

A. Detail of derivatives of portfolio hedge

(in thousands of EUR)	31/12/22				31/12/23			
	Notional amount[1]		Assets	Liabilities	Notional amount[1]		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	43,459,645	43,451,520	907,167	3,267,230	48,263,631	48,255,586	569,339	2,899,119
TOTAL	43,459,645	43,451,520	907,167	3,267,230	48,263,631	48,255,586	569,339	2,899,119

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

B. Detail of the hedge documentation

To ensure the hedge relationship qualifies for hedge accounting, a formal documentation is prepared and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

The accumulated gain/loss on the hedged item in portfolio hedge of interest rate risk on the balance sheet in line items VII. "Gain/loss on the hedged item in portfolio hedge of interest rate risk" amounts to EUR 1.6 billion assets and EUR -1.0 billion liabilities at year-end 2023 compared to EUR 1.1 billion assets and EUR -1.6 billion liabilities at year-end 2022.

For macro hedging, the prospective test is based on a volume test in which we demonstrate that (by entity, currency and time bucket) the amount of hedged items remains larger than the amount of hedging instruments (in term of notional as well as in term of interest cash flows). Retrospective testing, performed on a quarterly basis, is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits.

The hedged items are interest-bearing assets (f.e. loans and debt instruments) and interest-bearing liabilities (f.e. deposits).

End 2023 all hedge effectiveness tests were respected.

Refer to note 7.6. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

5.7. Investments in equity method companies

1. Carrying value

(in thousands of EUR)	2022	2023
CARRYING VALUE AS AT 1 JANUARY	96,107	94,019
Acquisitions[1]	0	5,000
Changes in scope of consolidation (in) [2]	1,550	67,741
Changes in scope of consolidation (out) [3]	(5,777)	0
Share of result before tax	4,568	9,024
Share of tax	(575)	(171)
Dividend paid	(1,853)	(12,754)
Impairment: booked[4]	0	(1,326)
CARRYING VALUE AS AT 31 DECEMBER	94,019	161,533

(1) The acquisitions in 2023 are related to a capital increase of Batopin.
(2) As from 2023, Belfius applies a simplified consolidation method for participations that are considered immaterial. This resulted in a transfer of EUR 59 million from "equity instruments at fair value through other comprehensive income" to "investments in equity method companies". Furthermore, since 2023 Belfius consolidates Fixxer through the equity method (EUR +2 million) and our shareholders' interest in Vicinity increased from 28.5% to 31.3%. Since 2022 Belfius has consolidated the investment in Land Investment Vehicle (25%) through the equity method. Refer to note 10.1. Significant changes in scope of consolidation.
(3) In 2022 our shareholders' interest in Vicinity diluted from 45.8% to 28.5%. Refer to note 10.1. Significant changes in scope of consolidation.
(4) Impairments amounting to EUR 1.3 million have been recognised as a result of a prolonged decline in fair value.

2. List of equity method companies

(in thousands of EUR)	Book value 2022	Book value 2023	Website
Isabel SA	12,064	15,265	www.isabel.eu
Erasmus Garden SA	5,498	2,560	
L'Economie populaire de Ciney CVBA (EPC)[1]	23,539	23,382	www.groupe-epc.be
Payconiq Belgium NV	9,124	9,971	www.payconiq.be
De Haan Vakantiehuizen NV	10,113	9,707	
Cyclis Bike Lease NV	7,129	8,195	www.cyclis.be
Skipr NV	4,101	3,821	nl.skipr.co
Fairville NV	100	1	www.fairville.be
Vicinity Affordable Housing Fund CV	14,187	20,418	www.vicinity.be
Immovlan BV	5,721	4,660	immo.vlan.be
Batopin NV	893	2,865	www.batopin.be
Land Investment Vehicle NV	1,550	1,559	
Fixxer NV	0	944	
Participations for which a simplified consolidation method is applied[2]	0	58,185	
TOTAL	94,019	161,533	

(1) Although Belfius owns the majority of the shares in EPC, it does not have substantiated control over the investment as (a) there is a limitation of the voting rights and (b) no shareholder/control agreements exist.
(2) We refer to note 10.3.1 and 10.3.3 for the participations in scope of the simplified consolidation method.

3. Financial information of the joint arrangements and associates evaluated through the equity method

(in thousands of EUR)	Assets	Liabilities	Equity	Net income	Net asset value	%	Annual report, as at
ASSOCIATES							
Isabel SA	72,169	22,082	50,087	4,939	50,087	24.00%	31/12/2022
L'Economie populaire de Ciney CVBA (EPC)	92,820	57,775	35,045	1,980	35,045	61.37%	31/12/2022
Payconiq Belgium NV	53,779	22,621	31,158	4,695	31,158	22.50%	31/12/2022
De Haan Vakantiehuizen	88,660	36,563	52,097	8,096	52,097	25.00%	31/12/2022
Cyclis Bike Lease NV	19,722	14,739	4,984	912	4,984	47.45%	31/12/2022
Skipr NV	7,612	1,596	6,016	(2,759)	6,016	27.20%	31/12/2022
Fairville NV	1,387	990	397	(585)	397	33.33%	31/12/2022
Vicinity Affordable Housing Fund CV	49,918	177	49,741	341	49,741	28.44%	31/12/2022
Batopin NV	70,626	67,053	3,573	(10,646)	3,573	25.00%	31/12/2022
Immovlan BV	18,281	1,210	17,071	(3,674)	17,071	30.00%	31/12/2022
Land Investment Vehicle NV[1]						25.00%	
JOINT VENTURES							
Erasmus Garden SA	25,308	20,313	4,995	6,236	4,995	50.00%	31/12/2022
Fixxer[1]						50.16%	

(1) Financial information of recently created associates is not available at this stage.

There are no significant or material commitments towards the joint ventures. There are no significant restrictions on the equity method companies, on their ability to access or use assets, and settle liabilities, of the group.

5.8. Tangible fixed assets

1. Net book value

(in thousands of EUR)	Land and buildings		Office furniture and other equipment		Investment property	Total
	Own use owner	Own use Right-of-use asset	Own use owner	Given in operational lease		
ACQUISITION COST AS AT 1 JANUARY 2022	1,227,178	58,756	394,305	479,490	887,486	3,047,214
Acquisitions[1]	50,540	4,875	9,634	268,578	25,063	358,690
Subsequent expenditures	7,621	0	0	0	8,486	16,108
Post-acquisition adjustments	0	0	0	0	0	0
Disposals[2]	(55,825)	(3,293)	(1,250)	(200,270)	(98,457)	(359,095)
Change in scope of consolidation (in)[3]	0	1,433	4	0	39,671	41,108
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations	21,925	(3,392)	(10,476)	92,269	(8,867)	91,460
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	0	0	10,191	0	10,191
ACQUISITION COST AS AT 31 DECEMBER 2022 (A)	1,251,440	58,379	392,217	650,257	853,383	3,205,675
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2022	(743,988)	(16,349)	(345,433)	(51,146)	(276,230)	(1,433,146)
Accumulated depreciation	(705,207)	(16,349)	(345,433)	(51,146)	(274,589)	(1,392,724)
Accumulated impairment	(38,781)	0	0	0	(1,641)	(40,422)
Post-acquisition adjustments	0	0	0	0	0	0
Depreciation: booked	(23,094)	(4,440)	(8,984)	(74,650)	(23,028)	(134,196)
Impairment: booked[4]	(714)	0	0	0	(12)	(725)
Disposals	43,338	0	891	49,876	40,873	134,978
Change in scope of consolidation (in)	0	0	0	0	(71)	(71)
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations	(29,837)	3,392	10,476	(92,269)	7,761	(100,478)
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	(1)	0	12	0	0	11
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2022 (B)	(754,296)	(17,397)	(343,038)	(168,190)	(250,707)	(1,533,627)
Accumulated depreciation	(715,562)	(17,397)	(343,038)	(168,190)	(249,054)	(1,493,241)
Accumulated impairment	(38,734)	0	0	0	(1,653)	(40,386)
NET BOOK VALUE AS AT 31 DECEMBER 2022 (A)+(B)	497,143	40,982	49,179	482,068	602,676	1,672,048

(1) Acquisitions mainly include vehicles given in operational lease by Belfius Auto Lease and leasing contracts for the construction of property. Disposals include the delivery of the leasing contracts for the construction of property and the assets are at that moment reclassed to loans and advances.
(2) Disposals include the delivery of the leasing contracts for the construction of property, the partial sale of the Pacheco building (EUR 10 million), the sale of Alysea (EUR 45 million) and the sale of bank agencies (EUR 12.5 million).
(3) Change in scope of consolidation (in) concerns mainly the acquisition of MC^2.
(4) Impairments are included in the line XVIII. Impairments on tangible and intangible assets of the income statement.

(in thousands of EUR)	Land and buildings		Office furniture and other equipment		Investment property	Total
	Own use owner	Own use Right-of-use asset	Own use owner	Given in operational lease		
ACQUISITION COST AS AT 1 JANUARY 2023	1,251,440	58,379	392,217	650,257	853,383	3,205,675
Acquisitions[1]	21,463	14,190	39,678	312,754	41,900	429,986
Subsequent expenditures	9,146	0	0	0	8,949	18,095
Post-acquisition adjustments	0	0	0	0	0	0
Disposals[2]	(35,202)	(8,008)	(5,394)	(151,044)	(20,228)	(219,875)
Change in scope of consolidation (out)	0	0	(5)	0	0	(5)
Transfers and cancellations[3]	41,717	(1,801)	(7,953)	0	(26,158)	5,804
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	0	0	4,250	71	4,321
ACQUISITION COST AS AT 31 DECEMBER 2023 (A)	1,288,564	62,760	418,544	816,217	857,918	3,444,003
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JANUARY 2023	(754,296)	(17,397)	(343,038)	(168,190)	(250,707)	(1,533,627)
Accumulated depreciation	(715,562)	(17,397)	(343,038)	(168,190)	(249,054)	(1,493,241)
Accumulated impairment	(38,734)	0	0	0	(1,653)	(40,386)
Post-acquisition adjustments	0	0	0	0	0	0
Depreciation: booked	(20,186)	(4,218)	(10,422)	(88,590)	(23,679)	(147,095)
Impairment: booked[4]	(347)	0	0	0	0	(347)
Write-back	0	0	0	0	0	0
Disposals [2]	27,224	0	3,282	66,349	5,715	102,570
Change in scope of consolidation (in)	0	0	0	0	0	0
Change in scope of consolidation (out)	0	0	0	0	0	0
Transfers and cancellations[3]	(20,886)	1,801	7,953	0	10,196	(935)
Foreign exchange adjustments	0	0	0	0	0	0
Other movements	0	(0)	(0)	0	4	4
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DECEMBER 2023 (B)	(768,490)	(19,814)	(342,225)	(190,431)	(258,472)	(1,579,432)
Accumulated depreciation	(729,906)	(19,814)	(342,225)	(190,431)	(258,426)	(1,540,801)
Accumulated impairment	(38,585)	0	0	0	(46)	(38,631)
NET BOOK VALUE AS AT 31 DECEMBER 2023 (A)+(B)	520,073	42,947	76,318	625,787	599,446	1,864,571

(1) Acquisitions mainly include vehicles given in operational lease by Belfius Auto Lease and leasing contracts for the construction of property. Furthermore, Belfius invested in private and wealth houses during 2023.
(2)Disposals include the delivery of the leasing contracts for the construction of property and the assets are at that moment reclassed to loans and advances. Furthermore disposals include the sale of bank agencies (EUR 7 million).
(3) Transfers and cancellations include a reclassification of EUR 14 million from "investment property" to "land and buildings own use owner", resulting from rent agreements within the Belfius group.
(4) Impairments are included in the line XVIII. Impairments on tangible and intangible assets of the income statement.

2. Fair value of investment property

(in thousands of EUR)	2022	2023
TOTAL	828,325	802,085
Fair value subject to an independent valuation[1]	730,390	656,419
Fair value not subject to an independent valuation	97,935	145,666

(1) The line "Fair value subject to an independent valuation" includes investment property for which an external valuation or a recent transaction price is available.

5.9. Intangible assets

(in thousands of EUR)	Internally developed software	Other intangible assets	Total
ACQUISITION COST AS AT 1 JANUARY 2022	558,040	195,836	753,875
Acquisitions[1]	110,793	6,855	117,648
Disposals	0	(21)	(21)
Change in scope of consolidation (in)	0	0	0
Change in scope of consolidation (out)	0	0	0
Transfers and cancellations[2]	(19,138)	(582)	(19,720)
Foreign exchange adjustments	0	0	0
Post-acquisition adjustments	0	0	0
Other movements	0	(12)	(12)
ACQUISITION COST AS AT 31 DECEMBER 2022 (A)	649,695	202,075	851,770
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2022	(379,457)	(159,490)	(538,947)
Accumulated amortisation	(375,575)	(149,873)	(525,448)
Accumulated impairment	(3,882)	(9,617)	(13,499)
Amortisation and impairment: booked[3]	(81,419)	(17,296)	(98,715)
Change in scope of consolidation (in)	0	0	0
Change in scope of consolidation (out)	0	0	0
Write-back	0	2,809	2,809
Disposals	0	0	0
Transfers and cancellations[2]	19,138	582	19,720
Foreign exchange adjustments	0	0	0
Post-acquisition adjustments	0	0	0
Other movements	2	0	2
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2022 (B)	(441,736)	(173,395)	(615,131)
Accumulated amortisation	(436,973)	(165,519)	(602,492)
Accumulated impairment	(4,763)	(7,876)	(12,639)
NET BOOK VALUE AS AT 31 DECEMBER 2022 (A)+(B)	207,959	28,681	236,639

(1) During the year internally developed software costs were capitalised. The internally developed software relates to several ongoing strategic IT projects at Belfius. These projects relate to the further digitalisation and innovation of Belfius IT platforms and applications.
(2) Transfers and cancellations mainly include cancellations of own developed software.
(3) Belfius recognised accelerated depreciations in 2022 due to the revised useful life of internally developed software given the rapid changes in technology and the accelerated uptake of digital services for EUR 19 million. Belfius reassessed its intangible assets, whereby an impairment of EUR 1.9 million was enacted on the intangible assets of Jane and an impairment reversal of EUR 0.6 million was recognized on the intangibles of Jaimy.

(in thousands of EUR)	Internally developed software	Other intangible assets	Total
ACQUISITION COST AS AT 1 JANUARY 2023	649,695	202,075	851,770
Acquisitions[1]	122,665	69,498	192,162
Disposals	(1,614)	(101)	(1,715)
Change in scope of consolidation (in)	0	0	0
Change in scope of consolidation (out)	114	0	114
Transfers and cancellations[2]	(22,983)	(16,893)	(39,876)
Foreign exchange adjustments	0	0	0
Post-acquisition adjustments	0	0	0
Other movements	0	0	0
ACQUISITION COST AS AT 31 DECEMBER 2023 (A)	747,877	254,579	1,002,456
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY 2023	(441,736)	(173,395)	(615,131)
Accumulated amortisation	(436,973)	(165,519)	(602,492)
Accumulated impairment	(4,763)	(7,876)	(12,639)
Amortisation and impairment: booked[3]	(80,297)	(18,380)	(98,677)
Change in scope of consolidation (in)	0	0	0
Change in scope of consolidation (out)	0	0	0
Write-back	0	0	0
Disposals	0	(1,567)	(1,567)
Transfers and cancellations[2]	22,983	16,893	39,876
Foreign exchange adjustments	0	0	0
Post-acquisition adjustments	0	0	0
Other movements	0	(1)	(1)
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER 2023 (B)	(499,050)	(176,449)	(675,499)
Accumulated amortisation	(495,168)	(176,449)	(671,617)
Accumulated impairment	(3,882)	0	(3,882)
NET BOOK VALUE AS AT 31 DECEMBER 2023 (A)+(B)	248,827	78,130	326,957

(1) During the year internally developed software costs were capitalised. The internally developed software relates to several ongoing strategic IT projects at Belfius. These projects relate to the further digitalisation and innovation of Belfius IT platforms and applications. Furthermore, other intangible assets increased a result of a new operating model for IT infrastructure services as from 2023.
(2) Transfers and cancellations mainly include cancellations of own developed software and other intangible assets resulting from the demerger of Jaimy and the liquidation of Jane.
(3) Belfius recognised accelerated depreciations in 2023 due to the revised useful life of internally developed software given the rapid changes in technology and the accelerated uptake of digital services for EUR 13 million. In 2023 an impairment of EUR 0.5 million was enacted on the intangible assets of Jane prior to its liquidation.

5.10. Goodwill

(in thousands of EUR)	Positive goodwill	
	2022	2023
ACQUISITION COST AS AT 1 JANUARY	129,886	129,886
ACQUISITION COST AS AT 31 DECEMBER (A)	129,886	129,886
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JANUARY	(25,920)	(25,920)
Accumulated amortisation	(25,920)	(25,920)
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DECEMBER (B)	(25,920)	(25,920)
Accumulated amortisation	(25,920)	(25,920)
Accumulated impairment	0	0
NET BOOK VALUE AS AT 31 DECEMBER (A)+(B)	103,966	103,966

Positive goodwill relates to goodwill on Belfius Insurance.

The annual impairment test did not require an impairment on goodwill. The impairment test was performed by comparing the equity value of Belfius Insurance with the "value in use". This value in use was determined based on a discounted cash flow model with the following inputs:

→ financial plan for 5 years;

→ discount rate: a cost of equity of 10.7%; and
→ a long term growth rate for Belgium of 1.4%.

Note that the financial plan has only a limited impact on the impairment test. The main drivers are the discount curve and long term growth rate. Based on that scenario, a surplus could be identified.

For 2023, all scenarii (ranging from a growth rate from -1.1% to +2.9% and a discount rate of 9.2% to 12.2%) showed that no impairment was required. The assumptions for these scenarios are aligned with the expected evolution of the results in the financial plan and with the market conditions for capital costs.

5.11. Deferred tax assets and liabilities

1. Analysis

(in thousands of EUR)	31/12/22	31/12/23
Deferred income tax liabilities	(9,237)	(7,001)
Deferred income tax assets	454,952	526,098
DEFERRED TAXES	445,715	519,096
Not recognised deferred tax assets[1]	(84,742)	(74,869)
NET DEFERRED TAX ASSETS	360,972	444,227

(1) The decrease of not recognised deferred tax assets is amongst others due to the decrease in the not recognized deferred tax assets on tax losses carried forward of Belfius Ireland and Jaimy and due to the liquidation of Jane during 2023.

2. Movements

(in thousands of EUR)	31/12/22	31/12/23
AS AT 1 JANUARY	722,778	360,972
Movements of the year	(361,806)	83,255
Statement of income (expense)	(14,639)	(52,213)
Items related to "Other Comprehensive Income"[1]	(345,884)	(20,283)
Variation of scope of consolidation	(2,355)	0
Foreign exchange adjustments	0	0
Other movements	1,073	155,751
AS AT 31 DECEMBER	360,972	444,227

(1) Evolution due to changes in deferred taxes on fair value revaluation through OCI and deferred tax on remeasurement of pension plans.

A. Deferred tax coming from assets of the balance sheet

(in thousands of EUR)	31/12/22 Total	31/12/22 Of which impact in result	31/12/23 Total	31/12/23 Of which impact in result
Cash and balances with central banks	127	(20)	96	(32)
Loans and advances	124,883	93,247	133,503	(28,551)
Debt securities	41,291	13,256	53,038	(6,298)
Equity	0	0	0	0
Derivatives	37,394	(35,697)	158,200	131,548
Gain/loss on the hedged item in portfolio hedge of interest rate risk	(230,048)	482,407	(341,293)	(111,245)
Assets from insurance/reinsurance contracts	(32,430)	(29,324)	(31,539)	35,750
Investments in equity method companies	0	0	0	0
Other	63,597	3,924	50,945	(6,552)
Tangible fixed assets	(24,726)	(7,944)	(22,621)	2,737
Intangible assets	11,218	(1,903)	5,844	(4,779)
Goodwill	0	0	0	0
Other assets	77,763	13,452	68,107	(4,782)
Non current assets (disposal group) held for sale and discontinued operations	(658)	319	(385)	273
TOTAL	4,815	527,793	22,948	14,620

B. Deferred tax coming from liabilities of the balance sheet

	31/12/22 Total	31/12/22 Of which impact in result	31/12/23 Total	31/12/23 Of which impact in result
Cash and balances from central banks	0	0	0	0
Customer borrowings and deposits	(174)	(808)	38	(433)
Debt securities issued	(139,711)	(197,361)	(55,649)	84,062
Liabilities from insurance/reinsurance contracts	(97,280)	(6,841)	(40,226)	359,325
Derivatives	826,390	76,941	599,756	(226,634)
Gain/loss on the hedged item in portfolio hedge of interest rate risk	(401,506)	(412,947)	(257,366)	144,140
Other	141,692	3,648	151,183	6,126
Provisions and contingent liabilities	130,277	2,158	131,154	708
Subordinated debts	(776)	(60)	(734)	43
Other liabilities	12,191	1,551	20,762	5,375
Liabilities included in disposal group and discontinued operations	0	0	0	0
TOTAL	329,411	(537,369)	397,736	366,586

(in thousands of EUR)	31/12/22 Total	31/12/22 Of which impact in result	31/12/23 Total	31/12/23 Of which impact in result
Deferred tax coming from the balance sheet	334,226	(8,335)	420,684	(766,592)
Not recognised deferred tax assets – temporary differences	5,958		5,494	
DEFERRED TAX – TEMPORARY DIFFERENCES	340,184		426,178	

C. Deferred tax coming from other elements

(in thousands of EUR)	31/12/22 Total	31/12/22 Of which impact in result	31/12/23 Total	31/12/23 Of which impact in result
Tax losses carried forward	111,488	(3,592)	98,413	(6,823)
Tax credit carried forward	0	0	0	0
Entities with special tax status	0	0	0	0
TOTAL	111,488	(3,592)	98,413	(6,823)
Not recognised deferred tax assets – tax losses carried forward	(90,700)		(80,364)	
DEFERRED TAX COMING FROM OTHER ELEMENTS AFTER NOT RECOGNISED DEFERRED TAX ASSETS – TAX LOSSES CARRIED	20,788		18,049	

(in thousands of EUR)	31/12/22	31/12/23
DEFERRED TAX BEFORE NOT RECOGNISED DEFERRED TAX	445,715	519,096
DEFERRED TAX AFTER NOT RECOGNISED DEFERRED TAX	360,972	444,227

Certain entities have deferred tax liabilities and deferred tax assets resulting from accounting differences (IFRS vs local GAAP) and tax differences. The tax differences are amongst others related to tax losses, which can be carried forward indefinitely.

The corresponding deferred tax liability ('DTL') and deferred tax assets ('DTA'), before consolidation adjustments, are as follows per 31 December 2023:

(in thousands of EUR)	Deferred tax liabilities	DTA resulting from accounting differences (IFRS vs local GAAP)	DTA resulting from tax differences	Not recognised deferred tax assets[2]
Ireland[1]	921	0	79,730	78,809
Luxemburg	0	4,245	15,399	0
Belgium	6,758	419,841	3,839	9,277

(1) Related to tax losses carried forward. The tax losses are fully attributable to GloBE (Global Anti-base Erosion Rules) losses within the meaning of Pillar 2.
(2) Not recognized due to uncertainty regarding sufficient future taxable income.

3. Expiry date of not recognised deferred tax assets

Nature (in thousands of EUR)	31/12/22 Less than 1 year	> 1 year and ≤ 5 years	> 5 years	Unlimited maturity	Total
Tax losses carried forward	0	0	0	(90,700)	(90,700)
TOTAL	0	0	0	(90,700)	(90,700)

Nature (in thousands of EUR)	31/12/23 Less than 1 year	> 1 year and ≤ 5 years	> 5 years	Unlimited maturity	Total
Tax losses carried forward	0	0	0	(80,364)	(80,364)
TOTAL	0	0	0	(80,364)	(80,364)

5.12. Other assets

(in thousands of EUR)	31/12/22	31/12/23
OTHER ASSETS	709,656	922,731
Accrued income	115,767	129,811
Deferred expenses	30,409	36,477
Payments in transit from clients	457,376	619,713
Plan assets	8,195	39,611
Inventories[1]	22,251	14,767
Operational taxes	75,659	75,108
OTHER ASSETS SPECIFIC TO INSURANCE COMPANIES	32,337	44,440
Receivables resulting from direct insurance transactions	16,830	32,553
Other insurance assets	15,507	11,887
Impaired insurance assets	208	116
Less:		
Impairment	(208)	(116)
TOTAL	741,993	967,171

(1) A construction site was recognised as inventory in other assets, as it better reflects the nature and intent with the site. The decrease with EUR 7.5 million compared to end 2022 results from sales.

Other assets mainly include accrued income (other than interest prorata), prepayments, operational taxes and other accounts receivable. They also include assets from insurance contracts (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories and plan assets relating to employee benefit obligations.

The other assets increased mainly due to an increase of pending payments from clients.

5.13. Non current assets (disposal group) held for sale and discontinued operations

(in thousands of EUR)	31/12/22	31/12/23
Assets of subsidiaries held for sale	0	0
Tangible and intangible assets held for sale	33,287	10,362
Discontinued operations	0	0
Other assets	6,397	6,220
TOTAL	39,684	16,582

Belfius classifies assets as held for sale if the carrying amount of a non-current asset is recovered principally through a sale transaction rather than through continuing use, it mainly concerns land and buildings.

5.14. Leasing

1. Belfius as a lessor

A. Finance lease

(in thousands of EUR)	31/12/22	31/12/23
Gross investment in finance leases		
Not later than 1 year	882,127	1,032,657
> 1 year and ≤ 5 years	2,031,932	2,397,174
> 5 years	904,389	948,494
SUBTOTAL (A)	3,818,449	4,378,325
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	350,875	484,571
NET INVESTMENT IN FINANCE LEASES (A)-(B)	3,467,574	3,893,754

(in thousands of EUR)	31/12/22	31/12/23
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	793,993	902,869
> 1 year and ≤ 5 years	1,852,854	2,151,140
> 5 years	820,727	839,745
TOTAL	3,467,574	3,893,754

(in thousands of EUR)	31/12/22	31/12/23
Amounts of variable lease payments not included in the net investment in the lease	0	0
Amount of uncollectible finance lease payments included in the provision for loan losses at the end of the period	81,463	71,656
Residual values unguaranteed by lessees	509,466	422,846
Estimated fair value of finance lease	3,167,427	2,710,376
Accumulated allowance for uncollectible minimum lease payments	35,075	18,744
Selling profit or loss in case of assets built by Belfius and then leased out as a finance lease	3,357	3,748

The main underlying assets in finance lease relate to:

- real estate such as office buildings, commercial real estate, industrial real estate
- production equipment
- cars and trucks, locomotives and vessels
- alternative energy equipment (f.i. solar systems)
- IT equipment

B. Operating lease

(in thousands of EUR)	31/12/22	31/12/23
Future net minimum lease receivables under non-cancellable operating leases are as follows		
Not later than 1 year	157,717	373,429
> 1 year and ≤ 5 years	542,516	317,113
> 5 years	505,691	581,916
TOTAL	1,205,924	1,272,458
Amount of variable lease payments that do not depend on an index or rate	0	0

The main underlying assets in operating lease relate to:

- real estate
- cars and trucks
- IT equipment

2. Belfius as a lessee

Leases on tangible fixed assets

(in thousands of EUR)	31/12/22	31/12/23
Minimum lease payments		
Not later than 1 year	4,842	4,990
> 1 year and ≤ 5 years	15,667	17,311
> 5 years	27,488	27,973
TOTAL	47,997	50,273

(in thousands of EUR)	31/12/22	31/12/23
Present value of lease liabilities		
Not later than 1 year	4,682	4,949
> 1 year and ≤ 5 years	15,020	16,416
> 5 years	22,960	23,032
TOTAL	42,662	44,397

(in thousands of EUR)	31/12/22	31/12/23
Contractual future minimum lease payments (A)	47,997	50,268
Correction due to discount rate (B)	42,662	44,397
Present value of the future minimum lease payments (A-B)	5,335	5,871
Amount of expense relating to variable lease payments not included in the lease liabilities	0	0
Expense relating to short-term leases	2,068	1,831
Expense relating to leases of low-value items	666	1,495

IFRS 16 provides a possibility to exempt an entity from its application if the impact is immaterial. As a result of a detailed analysis Belfius Bank implemented IFRS 16 for the lease agreements related to buildings. Cars are in scope of IFRS 16 but are exempted of application based on the “undue cost or effort” principle.

Parking lots are also in scope but are exempted due to the short term of each lease contract. Contracts related to IT material are out of scope as it concerns service contracts. For all these contracts the periodical rental costs will be charged in the profit and loss statement.

VI. Notes on the liabilities of the consolidated balance sheet

(some amounts may not add up due to rounding)

6.1. Cash and balances from central banks

1. Analysis by nature

Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/22	31/12/23
Deposits	5,904,113	1,430,190
TOTAL	5,904,113	1,430,190

Cash and balances from central banks decreased by EUR -4.5 billion to EUR 1.4 billion (31 December 2022: EUR 5.9 billion), resulting from a decrease in TLTRO funding due to maturities. The remaining total TLTRO III participation amounts to EUR 1.4 billion as at 31 December 2023.

Belfius takes part in the third targeted longer-term refinancing operation (TLTRO III) program of the European Central Bank. The TLTROs are targeted operations, as the amount that can be borrowed is linked to the loans to non-financial corporations and households (excluding mortgage loans). The interest rate to be applied is linked to the realisation of certain lending performance thresholds. Borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, and as low as the average interest rate on the deposit facility during the rest of the life of the respective TLTRO III. Note that with the ECB decision of 27th October 2022, the TLTRO III terms have changed as from November 2022 onwards and the interest rate on TLTRO III operations is indexed to the average applicable key ECB interest rates over this period.

Belfius has analysed the terms of this programme and concluded that TLTRO III does not contain a significant benefit relative to market pricing and accounts for the financial liabilities relating to the TLTRO III programme under IFRS 9.

The conditions of the TLTRO programme over the period from 24 June 2021 to 23 June 2022 have been met and therefore the effective interest rate includes the additional reduction of 50 basis points over that period. After 23 June 2022, an estimate of the interest rate (linked to the average deposit facility rate) is used for the determination of the effective interest rate.

As from November 2022 the interest rate (linked to the average deposit facility rate) on TLTRO III is positive, resulting in accrued interest expenses amounting to EUR -126 million in 2023 (compared with EUR +72 million in 2022). Refer to note 7.1. Interest income – interest expense.

2. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

3. Analysis of the fair value

See note 9.1.

6.2. Credit institutions borrowings and deposits

1. Summary Totals

(in thousands of EUR)	31/12/22	31/12/23
Measured at amortised cost	1,869,641	3,912,390
Measured at fair value through profit and loss	0	0
TOTAL	1,869,641	3,912,390

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/22	31/12/23
Demand deposits	78,388	75,383
Term deposits	200,016	686,700
Repurchase agreements	735	1,433,902
Cash collateral received	1,012,655	1,043,540
Other borrowings	577,847	672,864
TOTAL	1,869,641	3,912,390

Credit Institutions borrowings and deposits increased by EUR 2.0 billion, or 109.3%, to EUR 3.9 billion (31 December 2022: EUR 1.9 billion), mainly as a result of an increase in repurchase agreements (EUR 1.4 billion) and term deposits (EUR 0.5 billion) within Belfius' short-term liquidity management.

B. Measured at fair value through profit or loss

Nil.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.3. Borrowings and deposits

1. Summary Totals

(in thousands of EUR)	31/12/22	31/12/23
Measured at amortised cost	108,427,536	103,980,476
Measured at fair value through profit and loss	19,951	19,959
TOTAL	108,447,486	104,000,435

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/22	31/12/23
Demand deposits	42,847,514	37,819,228
Saving deposits	47,874,360	42,820,816
Term deposits	10,253,023	16,773,028
Cash collateral	23,527	46,742
Non-regulated savings accounts	7,407,300	6,504,847
TOTAL DEPOSITS	108,405,724	103,964,661
Other borrowings	21,812	15,815
TOTAL BORROWINGS	21,812	15,815
TOTAL	108,427,536	103,980,476

Borrowings and deposits decreased by EUR -4.4 billion, or -4.1%, to EUR 104.0 billion (31 December 2022: EUR 108.4 billion), mainly due to the decrease in payment and savings accounts (EUR -10,1 billion), partially offset by an increase in term deposits (EUR +6.5 billion) resulting from the higher interest rate environment and the issuance of the Belgian Government bond in September 2023 for which an outflow of EUR -3,5 billion in payment and savings accounts could be noted.

B. Measured at fair value through profit or loss

	Financial liabilities designated at fair value through profit and loss	
(in thousands of EUR)	31/12/22	31/12/23
Deposits	19,951	19,959
TOTAL	19,951	19,959

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.4. Debt securities issued and other financial liabilities

1. Summary Totals

(in thousands of EUR)	31/12/22	31/12/23
Measured at amortised cost	18,517,096	23,603,069
Measured at fair value through profit and loss	7,411,471	8,238,650
Measured at fair value through profit or loss - Unit linked	3,969,934	4,176,214
TOTAL	29,898,501	36,017,933

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/22	31/12/23
Certificates of deposit	3,825,839	5,327,732
Customer saving certificates	494,053	768,987
Non-convertible debts	7,614,370	10,619,261
Covered bonds[1]	6,538,619	6,841,206
Lease liabilities	44,216	45,882
TOTAL	18,517,096	23,603,069

(1) Belfius has two covered bonds programmes.

The debt securities measured at amortised cost increased by EUR 5.1 billion, or 27.5%, to EUR 23.6 billion (31 December 2022: EUR 18.5 billion), primarily as a result of issuances of non-convertible debt

securities (EUR +3 billion), including the issuance of a Green Senior Preferred bond (EUR 0.8 billion) in 1H 2023 and a Senior Preferred bond (EUR 1 billion) in 2H 2023. Furthermore, covered bonds were issued for EUR +1.5 billion in the form of two mortgage pandbrieven benchmark issues, partially compensated by maturities of covered bonds (EUR -1.2 billion). Furthermore, certificates of deposit increased by EUR +1.5 billion.

Belfius's covered bonds programmes

Belfius has two covered bond programmes:

→ Mortgage Pandbrieven programme; and
→ Public Pandbrieven programme.

The covering assets of the Mortgage Pandbrieven are mainly Belgian mortgage loans granted in accordance with the law on mortgage loans (law of 4 August 1992), through the branch network of Belfius. The covering assets of the Public Pandbrieven are mainly loans granted to Belgian public sector entities (municipalities, provinces, etc.).

The Belgian pandbrieven investors have a direct recourse to:

→ the general estate of the issuing credit institution (i.e. repayment of the Belgian pandbrieven is an obligation of the issuing bank as a whole); and

→ the segregated estate, that comprises the cover pool that is exclusively reserved for the Belgian pandbrieven investors under the specific program to which the segregated estate is joined and for the claims of other parties that are or can be identified in the issue conditions. Assets become part of the cover pool upon registration in a register held by the issuer for such purpose.

A detailed description of the covering assets (including the outstanding amount and the characteristics of the loans in the cover pool) can be consulted in the management report "Risk management" and in section 9.3. "Information on asset encumbrance and collateral received" as well as:

→ for the Mortgage Pandbrieven Programme on https://www.belfius.be/about-us/en/investors/debt-issuance/pandbrieven/belgian-mortgage

→ for the Public Pandbrieven Programme on https://www.belfius.be/about-us/en/investors/debt-issuance/pandbrieven/belgian-public

The carrying value of the cover pool amounts to EUR 19.3 billion in December 2023 (compared to EUR 14.1 billion in December 2022). The carrying value of the cover pool is accounted for in loans and advances. We also refer to note 5.4.

B. Measured at fair value through profit or loss

	31/12/22			31/12/23		
(in thousands of EUR)	Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss	TOTAL	Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss	TOTAL
Debt securities		7,250,016	7,250,016		8,181,771	8,181,771
Debt securities issued by public sector (trading positions)	161,339		161,339	52,733		52,733
Other debt securities (trading positions)	4		4	5		5
Unit linked products insurance activities		3,969,934	3,969,934		4,176,214	4,176,214
Equity instruments (trading positions)	112		112	4,142		4,142
TOTAL	161,455	11,219,950	11,381,405	56,879	12,357,985	12,414,864

Debt securities measured at fair value through profit or loss – unit linked (Branch 23) increased by EUR 0.2 billion, or 5.2%, to EUR 4.2 billion (31 December 2022: EUR 4.0 billion), stemming from positive fair value adjustments (EUR 0.3 billion), partially offset by net cash outflows (EUR -0.1 billion).

Debt securities measured at fair value through profit or loss increased by EUR 0.9 billion, or 12.9%, to EUR 8.2 billion (31 December 2022: EUR 7.3 billion), mainly resulting from the issuance of debt securities by Belfius Financing Company (EUR 0.8 billion) and positive fair value evolutions (EUR 0.3 billion).

The trading positions in equity instruments and other debt securities are used for banking activities to eliminate or significantly reduce a measurement or recognition inconsistency between debt instruments and their hedges. The methodology used to determine the fair value of "financial liabilities designated at fair value" is detailed in note 9.1.

Belfius does not recognise own credit risk in the fair value of financial liabilities as there has been no material change in own credit risk since issuance.

3. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

4. Analysis of the fair value

See note 9.1.

6.5. Liabilities from insurance/reinsurance contracts

1. Summary totals

(in thousands of EUR)	31/12/22			
	PAA	GMM	VFA	TOTAL
Assets from insurance contracts	0	0	0	0
Insurance contract liabilities	1,077,836	9,817,033	0	10,894,869
TOTAL INSURANCE CONTRACTS	1,077,836	9,817,033	0	10,894,869
Assets from reinsurance contracts	116,103	0	0	116,103
Reinsurance contract liabilities	0	0	0	0
TOTAL REINSURANCE CONTRACTS	116,103	0	0	116,103

(in thousands of EUR)	31/12/23			
	PAA	GMM	VFA	TOTAL
Assets from insurance contracts	0	0	0	0
Insurance contract liabilities	1,131,152	10,273,937	0	11,405,090
TOTAL INSURANCE CONTRACTS	1,131,152	10,273,937	0	11,405,090
Assets from reinsurance contracts	97,806	0	0	97,806
Reinsurance contract liabilities	0	0	0	0
TOTAL REINSURANCE CONTRACTS	97,806	0	0	97,806

2. Movements in insurance and reinsurance contract balances - PAA

The premium allocation approach is applied to Non-Life contracts, Health/Collective contracts and reinsurance contracts held.

A. Insurance contracts issued - Reconciliation of the liability for remaining coverage and the liability for incurred claims

	31/12/22				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
(in thousands of EUR)	Excluding loss component	Loss component	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	TOTAL LIABILITIES
OPENING ASSETS	0	0	0	0	0
OPENING LIABILITIES	97,417	6,646	1,008,921	59,812	1,172,796
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	97,417	6,646	1,008,921	59,812	1,172,796
Insurance revenue (a)	(800,384)	0	0	0	(800,384)
Insurance service expense (b)	171,132	(2,574)	602,111	3,543	774,212
Incurred claims and other incurred insurance service expenses	0	0	299,525	10,898	310,423
Amortisation of insurance acquisition cash flows	171,132	0	0	0	171,132
Adjustments to the liabilities for incurred claims	0	0	302,586	(7,355)	295,230
Losses and reversal of losses on onerous contracts	0	(2,574)	0	0	(2,574)
Insurance service result (a)+(b)	(629,252)	(2,574)	602,111	3,543	(26,172)
Insurance finance result	0	0	(119,106)	(7,022)	(126,128)
Finance expenses from insurance contracts	0	0	(119,106)	(7,022)	(126,128)
Effects of movements in exchange rates	0	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(629,252)	(2,574)	483,004	(3,479)	(152,300)
Investment component	0	0	0	0	0
Cash flows	600,954	0	(543,614)	0	57,340
Premiums received	658,045	0	0	0	658,045
Insurance acquisition cash flows paid	(57,091)	0	0	0	(57,091)
Claims and other insurance service expenses paid	0	0	(543,614)	0	(543,614)
OTHER CHANGES IN THE NET CARRYING AMOUNT	600,954	0	(543,614)	0	57,340
CLOSING ASSETS	0	0	0	0	0
CLOSING LIABILITIES	69,120	4,072	948,311	56,333	1,077,836
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	69,120	4,072	948,311	56,333	1,077,836

(in thousands of EUR)	31/12/23				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
	Excluding loss component	Loss component	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	TOTAL LIABILITIES
OPENING ASSETS	0	0	0	0	0
OPENING LIABILITIES	69,120	4,072	948,311	56,333	1,077,836
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	69,120	4,072	948,311	56,333	1,077,836
Insurance revenue (a)	(826,857)	0	0	0	(826,857)
Insurance service expense (b)	161,694	(1,490)	522,040	(21,189)	661,055
Incurred claims and other incurred insurance service expenses	0	0	522,084	8,340	530,424
Amortisation of insurance acquisition cash flows	161,694	0	0	0	161,694
Adjustments to the liabilities for incurred claims	0	0	(44)	(29,529)	(29,573)
Losses and reversal of losses on onerous contracts	0	(1,490)	0	0	(1,490)
Insurance service result (a)+(b)	(665,163)	(1,490)	522,040	(21,189)	(165,802)
Insurance finance result	0	0	52,044	3,521	55,566
Finance expenses from insurance contracts	0	0	52,044	3,521	55,566
Effects of movements in exchange rates	0	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(665,163)	(1,490)	574,085	(17,668)	(110,236)
Investment component	0	0	0	0	0
Cash flows	698,206	0	(534,654)	0	163,552
Premiums received	815,554	0	0	0	815,554
Insurance acquisition cash flows paid	(117,348)	0	0	0	(117,348)
Claims and other insurance service expenses paid	0	0	(534,654)	0	(534,654)
OTHER CHANGES IN THE NET CARRYING AMOUNT	698,206	0	(534,654)	0	163,552
CLOSING ASSETS	0	0	0	0	0
CLOSING LIABILITIES	102,163	2,582	987,742	38,665	1,131,152
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	102,163	2,582	987,742	38,665	1,131,152

The insurance contract liabilities for remaining coverage (excluding loss component) increased from EUR 69 million to EUR 102 million. This increase is mainly explained by the increase in the Non-Life portfolio. The loss component decreased from EUR 4.1 million to EUR 2.6 million mainly due to the change in the confidence level to determine the risk adjustment which resulted in certain insurance contracts no longer being onerous.

During 2023, the risk adjustment on the liabilities for incurred claims decreased from EUR 56.3 million to EUR 38.7 million. This decrease is explained by the change in the confidence level to determine the risk adjustment. Per 31 December 2022 a confidence level of 85% was used, while as from 2023 a confidence level between 72.5% and 77.5% is applied (per 31 December 2023 a confidence level of 77.5% was used).

B. Reinsurance contracts held - Reconciliation of the liability for remaining coverage and the liability for incurred claims

(in thousands of EUR)	31/12/22				
	ASSETS FOR REMAINING COVERAGE		ASSETS FOR INCURRED CLAIMS RECOVERIES		
	Excluding loss component	Loss component	Estimation of the present value of future cash flows	Risk adjustment for non-financial risk	TOTAL ASSETS
OPENING REINSURANCE ASSETS	6,253	0	96,264	6,675	109,192
OPENING REINSURANCE LIABILITIES	0	0	0	0	0
NET REINSURANCE CONTRACT ASSETS (LIABILITIES) AT OPENING	6,253	0	96,264	6,675	109,192
Allocation of reinsurance premiums	(53,365)	0	0	0	(53,365)
Amounts recoverable from reinsurance companies for incurred claims	0	0	67,157	891	68,048
Amounts recoverable from incurred claims and other expenses	*0*	*0*	*11,294*	*891*	*12,185*
Adjustments to the asset for incurred claims recoveries	*0*	*0*	*55,863*	*0*	*55,863*
Effect of changes in non-performance risk reinsurance companies	0	0	0	0	0
Loss recovery on underlying contracts and adjustments	0	0	0	0	0
Reinsurance investment component	0	0	0	0	0
Net income or expenses of reinsurance contracts	(53,365)	0	67,157	891	14,684
Reinsurance finance result	0	0	(11,494)	(789)	(12,283)
Finance expenses from reinsurance contracts	0	0	(11,494)	(789)	(12,283)
Effects of movements in exchange rates	0	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(53,365)	0	55,663	103	2,401
Cash flows	57,681	0	(53,171)	0	4,510
Premiums paid	57,681	0	0	0	57,681
Amounts received from reinsurance companies	0	0	(53,171)	0	(53,171)
OTHER CHANGES IN THE NET CARRYING AMOUNT	57,681	0	(53,171)	0	4,510
CLOSING REINSURANCE ASSETS	10,569	0	98,756	6,778	116,103
CLOSING REINSURANCE LIABILITIES	0	0	0	0	0
NET REINSURANCE CONTRACT ASSETS (LIABILITIES) AT CLOSING	10,569	0	98,756	6,778	116,103

(in thousands of EUR)	31/12/23				
	ASSETS FOR REMAINING COVERAGE		ASSETS FOR INCURRED CLAIMS RECOVERIES		
	Excluding loss component	Loss component	Estimation of the present value of future cash flows	Risk adjustment for non-financial risk	TOTAL ASSETS
OPENING REINSURANCE ASSETS	10,569	0	98,756	6,778	116,103
OPENING REINSURANCE LIABILITIES	0	0	0	0	0
NET REINSURANCE CONTRACT ASSETS (LIABILITIES) AT OPENING	10,569	0	98,756	6,778	116,103
Allocation of reinsurance premiums	(54,952)	0	0	0	(54,952)
Amounts recoverable from reinsurance companies for incurred claims	0	0	28,380	(2,560)	25,820
Amounts recoverable from incurred claims and other expenses	*0*	*0*	*12,122*	*(2,560)*	*9,562*
Adjustments to the asset for incurred claims recoveries	*0*	*0*	*16,258*	*0*	*16,258*
Effect of changes in non-performance risk reinsurance companies	0	0	0	0	0
Loss recovery on underlying contracts and adjustments	0	0	0	0	0
Reinsurance investment component	0	0	0	0	0
Net income or expenses of reinsurance contracts	(54,952)	0	28,380	(2,560)	(29,132)
Reinsurance finance result	0	0	(5,615)	250	(5,866)
Finance expenses from reinsurance contracts	0	0	(5,615)	250	(5,866)
Effects of movements in exchange rates	0	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(54,952)	0	22,765	(2,310)	(34,998)
Cash flows	56,233	0	(40,033)	0	16,200
Premiums paid	56,233	0	0	0	56,233
Amounts received from reinsurance companies	0	0	(40,033)	0	(40,033)
OTHER CHANGES IN THE NET CARRYING AMOUNT	56,233	0	(40,033)	0	16,200
CLOSING REINSURANCE ASSETS	11,850	0	81,488	4,468	97,806
CLOSING REINSURANCE LIABILITIES	0	0	0	0	0
NET REINSURANCE CONTRACT ASSETS (LIABILITIES) AT CLOSING	11,850	0	81,488	4,468	97,806

The reinsurance contract assets for incurred claims recoveries decreased from EUR 98.8 million to EUR 81.5 million, this decrease is mainly explained by the absence of important natural catastrophes in 2023.

3. Movements in insurance and reinsurance contract balances – GMM

The general measurement model is applied to Life contracts, investment contracts with discretionary participation features as well as to Health/Individual contracts.

A. Insurance contracts issued - Reconciliation of the liability for remaining coverage and the liability for incurred claims

(in thousands of EUR)	31/12/22			
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS	TOTAL LIABILITIES
	Excluding loss component	Loss component		
OPENING ASSETS	0	0	0	0
OPENING LIABILITIES	12,218,326	19,608	107,558	12,345,492
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	12,218,326	19,608	107,558	12,345,492
Insurance revenue (a)	(284,534)	0	0	(284,534)
Insurance service expense (b)	22,388	22,422	185,532	230,342
Incurred claims and other incurred insurance service expenses	0	0	181,673	181,673
Amortisation of insurance acquisition cash flows	22,388	0	0	22,388
Adjustments to the liabilities for incurred claims	0	0	3,858	3,858
Losses and reversal of losses on onerous contracts	0	22,422	0	22,422
Insurance service result (a)+(b)	(262,146)	22,422	185,532	(54,192)
Insurance finance result	(2,029,742)	251	(2,518)	(2,032,008)
Finance expenses from insurance contracts	(2,029,742)	251	(2,518)	(2,032,008)
Effects of movements in exchange rates	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(2,291,888)	22,674	183,014	(2,086,200)
Investment component	(1,457,366)	0	1,457,366	(1)
Cash flows	1,171,760	0	(1,614,017)	(442,257)
Premiums received	1,214,481	0	0	1,214,481
Insurance acquisition cash flows paid	(42,721)	0	0	(42,721)
Claims and other insurance service expenses paid	0	0	(1,614,017)	(1,614,017)
OTHER CHANGES IN THE NET CARRYING AMOUNT	(285,607)	0	(156,651)	(442,258)
CLOSING ASSETS	0	0	0	0
CLOSING LIABILITIES	9,640,832	42,281	133,921	9,817,033
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	9,640,832	42,281	133,921	9,817,033

(in thousands of EUR)	31/12/23			
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS	TOTAL LIABILITIES
	Excluding loss component	Loss component		
OPENING ASSETS	0	0	0	0
OPENING LIABILITIES	9,640,832	42,281	133,921	9,817,033
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	9,640,832	42,281	133,921	9,817,033
Insurance revenue (a)	(359,784)	0	0	(359,784)
Insurance service expense (b)	18,650	10,064	190,230	218,944
Incurred claims and other incurred insurance service expenses	0	0	191,215	191,215
Amortisation of insurance acquisition cash flows	18,650	0	0	18,650
Adjustments to the liabilities for incurred claims	0	0	(985)	(985)
Losses and reversal of losses on onerous contracts	0	10,064	0	10,064
Insurance service result (a)+(b)	(341,133)	10,064	190,230	(140,840)
Insurance finance result	622,078	461	994	623,533
Finance expenses from insurance contracts	622,078	461	994	623,533
Effects of movements in exchange rates	0	0	0	0
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	280,945	10,525	191,224	482,694
Investment component	(1,060,772)	0	1,060,772	0
Cash flows	1,232,468	0	(1,258,258)	(25,790)
Premiums received	1,294,485	0	0	1,294,485
Insurance acquisition cash flows paid	(62,018)	0	0	(62,018)
Claims and other insurance service expenses paid	0	0	(1,258,258)	(1,258,258)
OTHER CHANGES IN THE NET CARRYING AMOUNT	171,696	0	(197,485)	(25,790)
CLOSING ASSETS	0	0	0	0
CLOSING LIABILITIES	10,093,473	52,806	127,659	10,273,937
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	10,093,473	52,806	127,659	10,273,937

The liabilities for remaining coverage (excluding loss component) increased from EUR 9,641 million to EUR 10,093 million. This increase is mainly explained by an increase in the present value of future cash flows mainly resulting from the impact of the decrease in discount rate. The CSM decreased (EUR -8 million) and was negatively impacted by amongst others contract renegotiations beyond the modeled lapse risk and the refinement of actuarial models. Furthermore, the CSM release for services provided amounts to EUR -95 million, and the value of the new business 2023 amounts to EUR +150 million. The update of the risk adjustment methodology whereby the mass lapse shock has been recalibrated resulted in a decrease of the risk adjustment (EUR -200 million).

B. Insurance contracts issued - Reconciliation of the measurement components of insurance contract balances

	31/12/22					
	FULFILMENT CASH FLOWS		CSM			
(in thousands of EUR)	Estimation of the present value of the future cash flows	Risk adjustment for non-financial risk	Contracts under the modified retrospec-tive approach	Contracts under the fair value approach	Other contracts	TOTAL LIABILITIES
OPENING ASSETS	0	0	0	0	0	0
OPENING LIABILITIES	11,360,730	166,695	0	662,820	155,246	12,345,492
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	11,360,730	166,695	0	662,820	155,246	12,345,492
Changes that relate to current services	28,836	(10,824)	0	(71,279)	(27,482)	(80,748)
CSM recognised for services provided	0	0	0	(71,279)	(27,482)	(98,760)
Change in risk adjustment for non-financial risk for risk expired	0	(10,824)	0	0	0	(10,824)
Experience adjustments	28,836	0	0	0	0	28,836
Changes that relate to future services	(35,936)	19,640	0	(84,749)	123,467	22,422
Contracts initially recognised in the year	(156,363)	21,884	0	0	137,503	3,025
Changes in estimates that adjust the CSM	97,312	1,473	0	(84,749)	(14,036)	0
Changes in estimates that result in losses and reversal of losses on onerous contracts	23,114	(3,717)	0	0	0	19,398
Changes that relate to past services	3,999	136	0	0	0	4,134
Changes in liabilities for incurred claims	3,999	136	0	0	0	4,134
Total insurance service result	(3,101)	8,952	0	(156,028)	95,985	(54,192)
Insurance finance result	(2,201,506)	148,074	0	19,729	1,695	(2,032,009)
Finance expenses from insurance contracts	(2,201,506)	148,074	0	19,729	1,695	(2,032,009)
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	(2,204,607)	157,025	0	(136,299)	97,679	(2,086,201)
Cash flows	(442,257)	0	0	0	0	(442,257)
OTHER CHANGES IN THE NET CARRYING AMOUNT	(442,257)	0	0	0	0	(442,257)
CLOSING ASSETS	0	0	0	0	0	0
CLOSING LIABILITIES	8,713,867	323,720	0	526,521	252,925	9,817,033
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	8,713,867	323,720	0	526,521	252,925	9,817,033

(in thousands of EUR)	31/12/23					
	FULFILMENT CASH FLOWS		CSM			
	Estimation of the present value of the future cash flows	Risk adjustment for non-financial risk	Contracts under the modified retrospec-tive approach	Contracts under the fair value approach	Other contracts	TOTAL LIABILITIES
OPENING ASSETS	0	0	0	0	0	0
OPENING LIABILITIES	8,713,867	323,720	0	526,521	252,925	9,817,033
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT OPENING	8,713,867	323,720	0	526,521	252,925	9,817,033
Changes that relate to current services	(47,586)	(7,034)	0	(65,210)	(30,088)	(149,919)
CSM recognised for services provided	0	0	0	(65,210)	(30,088)	(95,298)
Change in risk adjustment for non-financial risk for risk expired	0	(7,034)	0	0	0	(7,034)
Experience adjustments	(47,586)	0	0	0	0	(47,586)
Changes that relate to future services	10,979	(55,549)	0	(36,946)	91,580	10,064
Contracts initially recognised in the year	(157,508)	9,140	0	0	150,347	1,979
Changes in estimates that adjust the CSM	159,183	(63,470)	0	(36,946)	(58,767)	0
Changes in estimates that result in losses and reversal of losses on onerous contracts	9,304	(1,220)	0	0	0	8,085
Changes that relate to past services	(453)	(532)	0	0	0	(985)
Changes in liabilities for incurred claims	(453)	(532)	0	0	0	(985)
Total insurance service result	(37,059)	(63,116)	0	(102,156)	61,492	(140,840)
Insurance finance result	717,135	(126,084)	0	22,651	9,830	623,533
Finance expenses from insurance contracts	717,135	(126,084)	0	22,651	9,830	623,533
TOTAL CHANGE IN STATEMENT OF PROFIT OR LOSS AND OCI	680,076	(189,199)	0	(79,505)	71,322	482,694
Cash flows	(25,790)	0	0	0	0	(25,790)
OTHER CHANGES IN THE NET CARRYING AMOUNT	(25,790)	0	0	0	0	(25,790)
CLOSING ASSETS	0	0	0	0	0	0
CLOSING LIABILITIES	9,368,153	134,521	0	447,016	324,247	10,273,937
NET INSURANCE CONTRACT LIABILITIES (ASSETS) AT CLOSING	9,368,153	134,521	0	447,016	324,247	10,273,937

For its life insurance contracts issued, Belfius applied the full retrospective approach for groups of insurance contracts related to underwriting years as from (and including) 2018. For groups of insurance contracts related to older underwriting years, the full retrospective approach was considered impracticable due to lack of historical data (e.g. due to system migrations) or undue cost or effort to obtain the data, and/or use of hindsight. As a result, Belfius chose to apply for these underwriting years the fair value approach.

4. Effect of contracts initially recognised in the year

A. GMM

(in thousands of EUR)	31/12/22		31/12/23	
	Profitable contracts issued	Onerous contracts issued	Profitable contracts issued	Onerous contracts issued
Total present value estimate of cash outflows	793,032	97,705	720,751	304,646
Insurance acquisition cash flows	39,053	1,018	35,683	1,296
Expected claims and other insurance service expenses payable	753,979	96,687	685,068	303,350
Estimates of present value of cash inflows	(916,060)	(97,085)	(830,807)	(303,627)
Risk adjustment for non-financial risk	19,479	2,405	8,180	960
CSM	103,548	0	101,876	0
Losses recognised on initial recognition	0	3,025	0	1,979

The CSM includes the discretionary cash flows allocated to the contracts initially recognised during the year. During 2022 a loss component of EUR 3 million was recognised. This relates to new affiliates in defined benefit contracts during the first quarter of 2022. During 2023 contracts initially recognised with a loss component are limited to EUR 2 million.

5. Contractual service margin

The table below sets out when Belfius expects to recognise the remaining CSM in profit or loss after the reporting date for contracts measured under the GMM.

(in thousands of EUR)	31/12/22							
	1 year or less	1-2 year	2-3 years	3-4 years	4-5 years	5-10 years	more than 10 years	TOTAL
Remaining CSM from insurance contracts estimated to be recognised as revenue	88,530	79,241	70,995	63,239	56,547	199,382	221,512	779,446

(in thousands of EUR)	31/12/23							
	1 year or less	1-2 year	2-3 years	3-4 years	4-5 years	5-10 years	more than 10 years	TOTAL
Remaining CSM from insurance contracts estimated to be recognised as revenue	89,446	80,539	72,124	64,823	58,205	201,214	204,912	771,263

6.6. Provisions and contingent liabilities

1. Analysis of movements

(in thousands of EUR)	Pensions and other employment defined benefit obligations[1]	Other long term employee benefits	Restructuring [2][3]	Provisions for litigations [4]	Onerous contracts	impairment on financial guarantees and commitments given[5]	Other provisions	Total
AS AT 1 JANUARY 2022	190,896	26,365	41,129	47,120	3,500	162,263	54,331	525,604
Additional provisions[2]	64,425	1,436	14,117	8,845	0	192,017	31,098	311,937
Amount used [3]	(83,041)	(4,376)	(10,554)	(493)	(331)	0	(12,033)	(110,827)
Unused amounts reversed	0	(133)	(15,710)	(34,651)	(1,390)	(131,204)	(8,245)	(191,334)
Transfers	(7,081)	0	0	0	0	(51,157)	0	(58,237)
Remeasurement pension plans[1]	16,476	0	0	0	0	0	0	16,476
Foreign exchange adjustments	0	0	0	0	0	304	0	304
AS AT 31 DECEMBER 2022	181,675	23,292	28,983	20,820	1,779	172,222	65,151	493,922

(1)The revaluation of the pension liabilities results from the negative return on plan assets, a higher than expected actual inflation rate, and the upward adjustment of the (long term) inflation hypothesis, partially offset by the positive impact of an increase of the discount rate.
(2) Additional provisions are mainly composed of a restructuring provision for the transformation plan in line with Belfius development program.
(3) The restructuring provision, consisting of staff expenses and network costs, is used in line with agreed plans and is reviewed annually and adjusted, where necessary.
(4) Provisions for litigations concerns mainly provisions for potential settlements of ongoing disputes with third parties, the unused amounts reversed are explained by interest rate movements. Belfius Insurance accounted for an additional provision of EUR 8.5 million related to the termination of a collaboration agreement.
(5) Refer to table 9.2.8. Movements in allowances for credit losses for further information.

(in thousands of EUR)	Pensions and other employment defined benefit obligations[1]	Other long term employee benefits	Restructuring [2]	Provisions for litigations [3]	Onerous contracts	impairment on financial guarantees and commitments given[4]	Other provisions	Total
AS AT 1 JANUARY 2023	181,675	23,292	28,983	20,820	1,779	172,222	65,151	493,922
Additional provisions[2]	75,087	4,468	19,630	6,125	0	159,144	11,592	276,045
Amount used [3]	(97,984)	(4,692)	(10,813)	(14,117)	(204)	0	(15,835)	(143,646)
Unused amounts reversed	0	(118)	(5,406)	(1,363)	0	(119,993)	(242)	(127,123)
Change in scope of consolidation (out)	0	0	(0)	0	0	0	(2)	(2)
Transfers	31,416	0	0	0	0	(36,753)	0	(5,337)
Remeasurement pension plans[1]	(7,759)	0	0	0	0	0	0	(7,759)
Foreign exchange adjustments	0	0	0	0	0	(241)	0	(241)
Other movements	0	(0)	0	0	0	(0)	0	(0)
AS AT 31 DECEMBER 2023	182,435	22,950	32,393	11,465	1,575	174,379	60,664	485,860

(1)The revaluation of the pension liabilities results from the positive return on plan assets and from experience gains, partially offset by the negative impact of a decrease of the discount rate and of the effect of asset ceiling.
(2) The restructuring provision, consisting of staff expenses and network costs, is used in line with agreed plans and is reviewed annually and adjusted, where necessary. Additional provisions are mainly composed of a restructuring provision for the transformation plan in line with Belfius development program.
(3) Provisions for litigations concerns mainly provisions for potential settlements of ongoing disputes with third parties. Belfius Insurance accounted for a provision of EUR 8.5 million in 2022 related to the termination of a collaboration agreement that has been settled in the course of 2023.
(4) Refer to table 9.2.8. Movements in allowances for credit losses for further information.

2. Post-employment benefits

In Belgium, each employee is eligible for a state pension. In addition, Belfius provides pension plan benefits for its employees and in some cases reimburses certain medical costs for retired employees.

The liability for those benefits is calculated and booked into our accounts according to the IAS 19-methodology.

Considering that Belfius has benefit plans for employees mainly located in Belgium, the post-employment benefits are subject to the Belgian market practice and regulations (the plans abroad are not substantial).

Pension plan benefits are mainly settled through the payment of a lump sum even though the option exists to receive a payment as an annuity.

Additional pension plans

A collective labor agreement was concluded by Belfius Bank on 10 June 2019 within the framework of the "Drive 2020" project. In the Reward 2.0 section a new methodology was agreed for the salary evolution of employees and executives. In accordance with this new methodology, the hypotheses for future wage evolution have also been adjusted. Additionally, the collective agreement stipulated that as from 1 July 2019 each new employee of Belfius Bank will be affiliated to a new defined contribution plan. This plan is financed by employer contributions that are similar to those of the Belfius Insurance defined contribution plan.

Defined Benefit plans (= DB)

Under defined benefit plans, the benefit upon retirement is defined based on various factors such as the employee's length of service and his salary.

Before 2007 all pension plans of Belfius were defined benefit plans. Belfius employees built up rights in these defined benefit plans, which could vary according to the date of entry into service and according the entity in which the employees were employed.

As from 1 January 2007 new employees in Belfius Bank were no longer granted access to a defined benefit plan. Instead, a defined contribution plan was introduced.

Moreover, since 1 October 2013 the existing defined benefit plans of Belfius Bank have been fully closed. In other words, each employee became affiliated to the existing defined contribution plan. From that date, no additional benefits are obtained based on years of service in the defined benefit plans of Belfius Bank and these plans are managed dynamically. This means that although they are fully closed, the final benefit continues to be impacted by salary increases.

Belfius Insurance had a similar evolution as Belfius Bank as from 1 January 2007 new employees joined a defined contribution plan. However, the employees who entered before that date kept their defined benefit plan as active plan and continue to build up rights into this defined benefit plan. Most pension plans of Belfius Insurance are internally insured and consequently, the non qualifying assets of these pension plans are not included in the reporting of the net pension liabilities.

Defined Contribution plans (= DC)

Under defined contribution plans, the benefit upon retirement depends on both employer and employee contributions to the plan, the return allocated on these contributions, and the return guarantees determined by law. Belgian defined contribution pension plans are by Belgian law subject to minimum guaranteed rates of return, borne by the employer, on employer contributions and on employee contributions.

This minimum guaranteed return implies that Belgian defined contribution plans are defined benefit plans according to IAS 19.

There are several defined contribution plans within Belfius Bank. The main defined contribution plan is funded by employer and employee contributions. Employer contributions made to the plan are based on seniority and salary. Employee contributions are a fixed percentage of salary.

Belfius Bank's new "fixed contribution" plan that applies to employees recruited as from 1 July 2019 is funded by employer contributions. Different contribution percentages apply on the part of the salary below or above the maximum limit for calculating the statutory pension. The defined contribution plans of Belfius Bank are all managed in an OFP (Organism for Financing of Pensions).

Belfius Insurance also has defined contribution pension plans (branch 21) for their employees (internal insured plans).

For Belfius Insurance the guaranteed return on contributions is since 2018 based on the Belgian legal interest rates.

Belgian Law stipulates that for the defined contribution plans that are managed through a branch 21 group insurance contract, the so-called horizontal method is applicable. The contributions retain their initial employers guarantee until the final payout. This means that the accrued reserves as at 31 December 2015 are still subject to their guaranteed return of 3.75% on employee contributions and 3.25% on the employer contributions until departure. For contributions from 1 January 2016 onwards, the guarantee has become variable. This guarantee can change in the future in function of the OLO 10 years interest rate. Currently this guarantee is 1.75%.

For the defined contribution plans that are managed in an OFP the so-called vertical method is applicable. This means that the guarantee of 3.25% on employers contributions and 3.75% on employee contributions only applies until 31 December 2015. From 2016, a minimum return guarantee of 1.75% applies to the accrued reserves as well as to the new contributions.

The horizontal method applies to the defined contribution plans of Belfius Insurance, whereas the vertical method applies to Belfius Bank. Moreover, as soon as employees leave Belfius Bank, the minimum return guarantee changes to 0%.

The Belgian defined contribution plans are treated as defined benefit plans for the consolidated financial statements. This implies that the Projected Unit Credit method (with or without future contributions) has to be applied in order to determine the present value of the liability (i.e. the Defined Benefit Obligation of DBO).

Since the contribution rates of the main DC-plan for employees recruited before 1 July 2019 increase with seniority, the determination of liabilities are calculated upon the "Projected Unit Credit" method with future contributions.

This means that the projected benefit at the end of the career is calculated taking into account the future contributions and the salary increases until payout.

The Defined Benefit Obligation (DBO) is obtained by using the ratio of past service time to the projected service time and by performing an actualisation using the applicable discount rate.

For the other DC-plans of Belfius, the calculation of the benefits for past service is only based on past contributions. In other words, the projected benefits already refers to the existing service time and the already paid contributions. The Defined Benefit Obligation is obtained by discounting these benefits using the appropriate discount rate.

For DC-plans, the calculated DBO is compared to the individual participants fair value of assets and the highest value is taken into account as Belfius' obligation.

A. Movement in the defined benefit liability (asset)

(in thousands of EUR)	Present value of obligation	Plan assets at fair value	Deficit/ (surplus)	Asset ceiling	Net liability/ (asset)
AS AT 1 JANUARY 2022	1,967,333	(1,824,035)	143,299	32,342	175,640
Service cost					
Current service cost	60,347	0	60,347	0	60,347
Past service cost and (gain)/loss on settlements	0	0	0	0	0
Administrative expenses	0	2,394	2,394	0	2,394
Interest income – Interest expense	20,527	(19,138)	1,389	338	1,727
(A) EXPENSE AND INCOME RECOGNISED IN P&L	80,874	(16,744)	64,130	338	64,468
Remeasurements (gain)/loss					
Effect of changes in demographic assumptions	(13)	0	(13)	0	(13)
Effect of changes in financial assumptions	(392,596)	0	(392,596)	0	(392,596)
Effect of experience adjustments	119,273	0	119,273	0	119,273
Return on plan assets (excl. interest income)	0	313,453	313,453	0	313,453
Changes in the effect of asset ceiling (excluding interest income/ expense)	0	0	0	(22,397)	(22,397)
(B) REMEASUREMENTS (GAIN)/LOSS RECOGNISED IN OCI[1]	(273,336)	313,453	40,117	(22,397)	17,720
DEFINED BENEFIT COST INCLUDED (A)+(B)	(192,463)	296,710	104,247	(22,059)	82,188
Contributions					
Employer	0	(77,235)	(77,235)	0	(77,235)
Plan participants	3,007	(3,007)	0	0	0
Benefit payments	(109,508)	103,817	(5,691)	0	(5,691)
Settlement payments	0	0	0	0	0
Effect of business combinations and disposals	(4,954)	3,548	(1,406)	0	(1,406)
Foreign exchange adjustments	(1,771)	2,059	288	(303)	(16)
AS AT 31 DECEMBER 2022[2][3]	1,661,644	(1,498,143)	163,501	9,980	173,481

(1) The remeasurement of defined benefit plans is mainly due to the negative return on plan assets, a higher than expected inflation rate, and the adjustment of the inflation hypothesis, partially offset by an increase of the discount rate.
(2) By the end of 2022,
→ 90.4% of the total pension liabilities are related to funded pension plans,
→ 7.9% are related to non-qualifying assets, and
→ 1.7% are related to unfunded pension liabilities.
(3) The net liability represents the total position of pension plans. EUR 181,675 thousand concerns "pension and other employment defined benefit obligations" and EUR 8,195 thousand concerns "other assets - plans assets" for the plans ending with a net asset balance as at end 2022.

(in thousands of EUR)	Present value of obligation	Plan assets at fair value	Deficit/ (surplus)	Asset ceiling	Net liability/ (asset)
AS AT 1 JANUARY 2023	1,661,644	(1,498,143)	163,501	9,980	173,481
Service cost					
Current service cost	66,495	0	66,495	0	66,495
Past service cost and (gain)/loss on settlements	0	0	0	0	0
Administrative expenses	0	2,607	2,607	0	2,607
Interest income – Interest expense	65,563	(60,051)	5,512	469	5,981
(A) EXPENSE AND INCOME RECOGNISED IN P&L	132,058	(57,444)	74,614	469	75,083
Remeasurements (gain)/loss					
Effect of changes in demographic assumptions	(105)	0	(105)	0	(105)
Effect of changes in financial assumptions	69,901	0	69,901	0	69,901
Effect of experience adjustments	(15,420)	0	(15,420)	0	(15,420)
Return on plan assets (excl. interest income)	0	(63,761)	(63,761)	0	(63,761)
Changes in the effect of asset ceiling (excluding interest income/ expense)	0	0	0	1,627	1,627
(B) REMEASUREMENTS (GAIN)/LOSS RECOGNIZED IN OCI[1]	54,376	(63,761)	(9,385)	1,627	(7,758)
DEFINED BENEFIT COST INCLUDED (A)+(B)	186,434	(121,205)	65,229	2,096	67,325
Contributions					
Employer	0	(92,021)	(92,021)	0	(92,021)
Plan participants	3,060	(3,060)	0	0	0
Payments					
Benefit payments	(108,437)	102,474	(5,963)	0	(5,963)
Settlement payments	0	0	0	0	0
Other					
Effect of business combinations and disposals	17,427	(17,427)	0	0	0
Foreign exchange adjustments	830	(1,024)	(194)	197	3
AS AT 31 DECEMBER 2023[2][3]	1,760,957	(1,630,405)	130,552	12,272	142,825

(1) The revaluation of the pension liabilities results from the positive return on plan assets and from experience gains, partially offset by the negative impact of a decrease of the discount rate and of the effect of asset ceiling.
(2) By the end of 2023,
→ 91.1% of the total pension liabilities are related to funded pension plans,
→ 7.5% are related to non-qualifying assets, and
→ 1.4 % are related to unfunded pension liabilities.
(3) The net liability represents the total position of pension plans. EUR 182,435 thousand concerns "pension and other employment defined benefit obligations" and EUR 39,611 thousand concerns "other assets - plans assets" for the plans ending with a net asset balance as at end 2023.

B. Fair value of plan assets

(in thousands of EUR)	31/12/22	31/12/23
Plan assets at fair value		
Cash and cash equivalents	38,901	9,167
Equity instruments	214,311	209,241
Debt securities	1,174,526	1,316,024
Real estate	5,383	3,618
Insurance contracts	65,021	92,355
TOTAL	1,498,143	1,630,405

C. Assumptions for Belgian plans

	31/12/22	31/12/23
Discount rate	4.15%	3.25% - 3.55%
Inflation rate	2.2%	2.20%
Salary growth (age related)	0.35% - 3.75 %	0.35% - 3.75 %

The discount rate is based on the Mercer Yield Curve (which reflects the AA corporate bond yield curve).

The inflation parameter is based on an internally developed inflation model in which internal metrics and an external metric (i.e. the European Central Bank's inflation target) are taken into account.

Belfius uses the Belgian mortality tables that through age corrections are adapted to the current longevity.

D. Sensitivity[1] of the present value of the Defined Benefit Obligation at end of year to changes of assumptions

	-50 bps	+50 bps
Discount rate	3.18%	-2.69%
Inflation rate	-1.97%	1.90%
Real salary increase	-3.81 %	-0.98%

(1) If all other assumptions are held constant.

E. Weighted average duration of the benefit obligation

(in years)	31/12/22	31/12/23
Belgium	9.10	8.58

F. Risks and ALM

The key risks to which pension plans managed by the Belfius pension fund (OFP) are exposed, relate to interest rate, inflation, longevity and age of retirement. The management of the pension plans is monitored by an "Investment Committee" and falls under the supervision of the OFP's Board of Directors and is mainly liability driven in its investment policy. A formalised investment framework ("Statement of Investment Principles") ensures a well-diversified and dedicated investment portfolio. The pension liabilities are evaluated at least once a year. On a regular basis, an ALM study (with cash flow analysis and stress tests) is performed to determine and analyse the sensitivities of the plans to i.e. interest rate and inflation shocks. These form an important factor in the investment committee's advice to the Board of Directors for its deliberations on the strategic asset allocation of the investment portfolio. Day-to-day management of this portfolio and the plans' liquidity aspects have been entrusted to an external asset manager who, on a regular basis, delivers a report of its activities to the investment committee as well as to the OFP Board of Directors on an annual basis.

The pension plans managed as group insurance branch 21 have the same risks, but the risks of interest rate and longevity are partly covered by the insurer.

3. Contingent liabilities and legal litigations

A. Commitments to Single Resolution Fund

Belfius has opted in the past to pay part of its contribution of the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment is fully covered by cash collateral. See also note 8.5. "Commitments to Single Resolution Fund".

B. Commitments to Belfius Bank Branches

As a result of the amended company legislation, the legal form of the Belfius branches has been converted from Cooperative Society (CVBA) to Limited Liability Company (Commanditaire Vennootschap (CommV)) as from 2020. In this context, as from 1 January 2020, Belfius Bank grants a guarantee to the managing partners of these limited partnerships for their unlimited liability.

C. Legal litigations

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a party in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and taxpayer.

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be,

- a present obligation has arisen as a result of past events;

- it is probable that Belfius will have to make a payment; and

- the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended, or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. For litigations for which no provision has been made, such impact remains unquantifiable at this stage.

1. Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in three separate procedures, i.e:

1. A procedure before the Dutch speaking Commercial Court of Brussels (Procedure C.C. Deminor);
2. A procedure before the Court of First Instance of Brussels (Procedure C.F.I. ArcoClaim 2018);
3. A procedure before the Court of First Instance of Brussels (Procedure C.F.I. Deminor 2022)

1.1. Procedure C.C. Deminor

On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the "Deminor Proceedings"). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. On 16 November 2020, a further "Deminor" procedure was initiated, in which all plaintiffs except one joined, to anticipate a possible nullity of the original summons. The content of the two proceedings is identical. As a result, they are treated together.

The plaintiffs have requested that the Brussels Court rules, among other things:

- in first order, that the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void as a consequence of an alleged defect in consent;
- that the defendants should therefore, in solidum, reimburse the plaintiffs for their financial contribution in these entities plus interest;
- in the alternative, a compensation is asked to Belfius Bank for an alleged violation of the information duty; and
- that the defendants are liable for certain additional damages to the plaintiffs.

The historical financial contribution of the 2,169 plaintiffs to the Arco Group entities, for which reimbursement is claimed, amounted to approximately EUR 6.5 million (principal amount). The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. In the meantime, the VZW Arcoclaim also intervened in this litigation procedure (on grounds of an alleged transfer of claim by one of the plaintiffs/Arco shareholders). The case has been pleaded during several pleading sessions in June 2021. In its decision announced on 3 November 2021, the Dutch-speaking Commercial Court of Brussels rejected all the claims of the Arco shareholders.

The Arco shareholders have launched appeal against this judgement. The case is now pending before the Court of Appeal in Brussels. A pleading calendar has been determined. A pleading hearing is currently expected at the earliest in the second half of 2028.

1.2. Procedure C.F.I. ArcoClaim 2018

On 7 February 2018, 2 Arco shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 8 February 2018 to intervene in this procedure and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure. The VZW Arcoclaim also intervenes in this litigation procedure.

In this procedure VZW Arcoclaim had requested the initiation of a mediation procedure before the court, but this request has been dropped in May 2023. In the meantime, to date, ArcoClaim has declared that 7.258 Arco shareholders have joined ArcoClaim, in addition to 5.334 Arco shareholders already being part of ArcoClaim.

No pleading calendar has been fixed yet.

1.3. Procedure C.F.I. Deminor 2022

On 14 December 2022, 10 Arco shareholders have launched a new judicial procedure with the assistance of Deminor against the Arco-companies, the Belgian State and Belfius before the Court of First Instance in Brussels, in which they ask the defending parties to be condemned to indemnification based on extra-contractual liability, equal to claimant's financial contribution including interests, dividends, and possible bonus reserves, as well as a supplementary indemnification for moral damages. In the meanwhile, to date, a total of 13.678 Arco shareholders have joined this procedure. ArcoClaim vzw also joined the procedure for one of its members.

A hearing is scheduled to take place on 21 March 2024, with the purpose of determining a procedural calendar. The parties have agreed that the procedural calendar will first focus on the admissibility of the claims. Only after the admissibility evaluation should another procedural calendar be determined for the evaluation of the substantive merits of the claims (only and insofar as any claim would be deemed admissible).

2. Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the

Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque Internationale à Luxembourg (i.e. former entities of the Dexia group)..

To date, Belfius Bank did not receive any further information since the above mentioned police search..

3. Investigation by public prosecutor into the activities of an independent bank agency

On 12 November 2020, public prosecution has been initiated, a.o. against Belfius Bank, for its alleged role in potential fraudulent activities that would have been conducted with the assistance of a director of an independent bank agency of Belfius Bank in violation of several (banking) regulations. After consultation of the criminal file, Belfius continues to believe that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit. No provision has been booked for this case.

6.7. Subordinated debts

1. Not measured at fair value through profit or loss

(in thousands of EUR)	Amortised Cost 31/12/22	31/12/23
CONVERTIBLE SUBORDINATED DEBT	0	0
NON-CONVERTIBLE SUBORDINATED DEBT	1,547,204	1,777,995
Loan capital perpetual subordinated notes	141,877	73,125
Loan capital non-perpetual subordinated notes	1,405,327	1,704,870
TOTAL	1,547,204	1,777,995
HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES	0	0

Subordinated debts increased by EUR 231 million, or 14.9%, to EUR 1.8 billion (31 December 2022: EUR 1.5 billion) as a result of the issuance of EUR 500 million Tier 2 notes in January 2023, partially offset by the call of Tier 2 notes in March 2023 (EUR -200 million), in July 2023 (EUR -50 million) and in December 2023 (EUR -17.5 million).

2. Measured at fair value through profit or loss

Nil.

3. Analysis cash flows and non-cash changes

(in thousands of EUR)	31/12/22	31/12/23
OPENING BALANCE	1,642,749	1,547,204
CASH FLOWS		
Issuance of subordinated debts	0	495,965
Repayments of subordinated debts	(92,219)	(266,452)
NON-CASH CHANGES		
Foreign exchange adjustments	(11,101)	(13,904)
Effective Interest rate	7,775	15,182
CLOSING BALANCE	1,547,204	1,777,995

In January 2023 Belfius issued Tier 2 subordinated notes amounting to EUR 500 million. Furthermore, Belfius called Tier 2 subordinated loans amounting to EUR 200 million in March 2023, EUR 50 million in July 2023 and EUR 17.5 million in December 2023.

In 2022, Belfius reimbursed two subordinated loans amounting to EUR 75 million that came at maturity in 1H 2022 and called a Tier 2 subordinated loan amounting to EUR 18 million in 2H 2022.

4. Analysis by maturity and interest rate

See notes 9.4., 9.5. and 9.6.

5. Analysis of the fair value

See note 9.1.

6. Data for each subordinated debt

Ref.no.	Currency	Amount in thousands of currency units	Maturity date or method for determining the duration	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Conditions of compensations	Value in regulatory capital in thousands EUR
1.(1)	JPY	10,000,000	11/09/25	a) not applicable b) no specific conditions c) none	6,1%, multicurrency	21,719
2.(1)	JPY	10,000,000	11/09/25	a) not applicable b) no specific conditions c) none	6,05%, multicurrency	21,719
3.	EUR	72,000	Undetermined Call date: 1/01/25	a) possible with the agreement of the ECB, from the date of the call, then at the end of each year b) no specific conditions c) none	6,25% till 01/01/25, then Euribor 3m + 417 bp	72,000
4.	EUR	548,772	11/05/26	a) not applicable b) no specific conditions c) none	3.125%	259,059
5.(2)	EUR	497,083	Undetermined Call date: 16/04/25	a) possible with the agreement of the ECB, from the date of the call, then semi-annually b) no specific conditions c) none	3,625% till 16/04/25, then EUR Midswap 5y + 2938bp	497,083
6.	EUR	497,668	6/04/34 Call date: from 06/01/29 to 06/04/29	a) possible with the agreement of the ECB, at the date of the call b) no specific conditions c) none	1,25% till call date, then EUR Midswap 5y + 130bp	497,668
7.	EUR	496,339	19/04/2033 Call date : from 19/01/28 to 19/04/28	a) possible with the agreement of the ECB, at the date of the call b) no specific conditions c) none	5,25% till call date, then EUR Midswap 5y + 245bp	496,339

(1) As the interest structure embedded in the contract is considered as not closely related to the host contract; it has been bifurcated and is presented as a separate derivative on the balance sheet.
(2) Issue of EUR 500 million (nominal value) Additional Tier-1 instruments (AT1), that qualify as additional equity under CRR/CRD IV. The AT1 security has been analysed in respect with IAS 32 and is considered as an equity instrument and is not included in the total of the disclosure 6.7. (subordinated debts).

6.8. Other liabilities

(in thousands of EUR)	31/12/22	31/12/23
OTHER LIABILITIES (NOT RELATING TO INSURANCE ACTIVITIES)	1,328,642	1,596,218
Accrued costs	64,355	90,720
Deferred income	49,165	55,170
Subsidies	0	0
Other granted amounts received	11	11
Salaries and social charges (payable)	169,341	179,655
Shareholder dividends payable	0	0
Operational taxes	71,334	104,754
Long-term construction contracts	0	0
Pending payments to clients and debts to service providers	553,966	652,004
Pending payments from lease contracts	95,007	168,443
Pending payments from factoring activities	325,463	345,461
Deferred DOP	0	0
OTHER LIABILITIES SPECIFIC TO INSURANCE ACTIVITIES	59,090	81,389
Debts for deposits from assignees	11,966	12,588
Debts resulting from direct insurance transactions	43,378	56,108
Debts resulting from reinsurance transactions	2,107	12,341
Other insurance liabilities	1,638	352
TOTAL	1,387,731	1,677,607

Other liabilities increased compared to 2022 mainly due to an increase in pending payments to clients and debts to service providers, operational taxes, accrued costs and pending payments from factoring activities.

VII. Notes on the consolidated statement of income

(some amounts may not add up due to rounding)

Significant items included in the statement of income

We refer to the chapter "Financial results" in the management report.

7.1. Interest income – interest expense

(in thousands of EUR)	31/12/22	31/12/23
INTEREST INCOME	3,719,383	6,868,486
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	2,796,491	4,852,282
Cash and balances with central banks	153,029	1,137,477
Loans and advances due from credit institutions	45,627	164,215
Loans and advances	2,123,285	3,140,642
Debt securities issued by public sector	280,061	168,153
Other debt securities	193,228	240,582
Other	1,261	1,214
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI	88,210	339,161
Loans and advances	6,339	112,635
Debt securities issued by public sector	56,203	162,197
Other debt securities	25,669	64,330
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	670,340	1,675,597
Financial assets held for trading	860	3,297
Non-trading financial assets mandatorily measured at fair value	56,798	62,611
Loans and advances	34,908	29,883
Debt securities issued by public sector	189	182
Other debt securities	21,701	32,546
Derivatives held for trading	139,392	225,343
Derivatives as hedging instruments	473,290	1,384,345
INTEREST INCOME ON FINANCIAL LIABILITIES (NEGATIVE YIELD)	164,341	1,446
INTEREST EXPENSE	(1,640,573)	(4,442,285)
INTEREST EXPENSE OF FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(445,825)	(2,074,917)
Cash and balances with central banks	0	(126,095)
Credit institutions borrowings and deposits	(37,452)	(341,315)
Customers borrowings and deposits	(161,949)	(1,042,375)
Debt securities issued	(201,987)	(502,470)
Lease liabilities	(674)	(799)
Subordinated debts	(42,306)	(57,122)
Other	(1,457)	(4,741)
INTEREST EXPENSE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(1,067,686)	(2,366,948)
Financial liabilities held for trading	(5,887)	(2,212)
Financial liabilities designated at fair value	(72,797)	(97,571)
Derivatives held for trading	(137,153)	(436,687)
Derivatives as hedging instruments	(851,848)	(1,830,477)
INTEREST EXPENSE ON FINANCIAL ASSETS (NEGATIVE YIELD)	(127,063)	(420)
NET INTEREST INCOME[1]	2,078,809	2,426,201

(1) Interest income and expense are recognised on an accrual basis in the statement of income for all interest bearing instruments using the effective interest rate method. We refer to chapter Accounting principles.

Net interest income increased by EUR 347.4 million, or 16.7%, to EUR 2,426 million (31 December 2022: EUR 2,079 million), resulting from increasing interest margin on the commercial balance sheet and solid ALM management, despite pressure on new loan margins from general market delay between loan pricings and sharp increases of market interest rates, as well as continued competition in the Belgian loan market.

The interest expense on TLTRO III funding from ECB/NBB central bank and accounted for in 2023 amounts to EUR -126 million (versus interest income amounting to EUR 72 million in 2022).

7.2. Fee and commission income – expense

(in thousands of EUR)	31/12/22			31/12/23		
	Income	Expense	Net	Income	Expense	Net
Commissions on unit trusts and mutual funds managed by third parties	391,465	(67,992)	323,472	393,109	(65,901)	327,209
Insurance activity	148,803	(26,685)	122,117	127,825	(5,369)	122,456
Credit activity	51,229	(6,826)	44,403	52,826	(8,151)	44,675
Purchase and sale of securities	17,489	(1,265)	16,224	14,179	(1,204)	12,975
Purchase and sale of unit trusts and mutual funds	43,212	(3)	43,209	32,402	0	32,402
Payment services (PF)	220,506	(72,891)	147,615	243,064	(87,583)	155,481
Commissions to not exclusive brokers	1,400	(13,287)	(11,887)	1,261	(11,686)	(10,426)
Services on securities other than safekeeping	5,641	(1,587)	4,054	5,525	(1,908)	3,618
Custody	31,694	(4,601)	27,093	26,251	(5,200)	21,052
Issues and placements of securities	7,471	(5,255)	2,216	19,515	(2,654)	16,860
Servicing fees of securitisation	160	0	160	146	0	146
Advisory services and discretionary management	42,417	(3,589)	38,828	45,864	(981)	44,883
Private membership fees (PF)	6,782	0	6,782	9,732	0	9,732
Clearing and settlement	10,946	(6,164)	4,782	2,788	(6,251)	(3,463)
Securities lending	2,791	(7)	2,783	832	(23)	809
Financial guarantees	3,589	(3,250)	339	3,303	(2,938)	365
Beyond banking and insurance	1,835	(1,234)	601	1,650	(1,512)	138
TOTAL	987,430	(214,636)	772,794	980,274	(201,362)	778,912

(PF) Belfius presented pro forma figures for the refinement of the presentation of Private Membership fees.

Net fee and commission income increased by EUR 6.1 million, or 0.8%, to EUR 779 million (31 December 2022: EUR 773 million). The increase is mainly attributable to an improvement of commission income on issues and placements of securities (EUR +14.6 million), mainly explained by the upfront fee of EUR +7,6 million in relation to the "Government bond", corresponding to 30bp on EUR 2,5 billion subscribed via Belfius. Furthermore an increase can be observed in payment services (EUR +8 million) as a result of increasing transaction volumes, as well as an increase in commission income from private membership fees (EUR +3 million). Fee income on asset management services decreased (EUR -11 million) stemming from a decrease in investment transactions on mutual funds compared to 2022.

7.3. Insurance results

1. Insurance revenue

(in thousands of EUR)	31/12/22	31/12/23
CONTRACTS NOT MEASURED UNDER THE PAA	284,534	359,784
Amounts related to changes in liabilities for remaining coverage	262,146	341,133
Premium variance for past and current service	(14,860)	78,482
CSM recognised for services provided	98,761	95,298
Change in risk adjustment for non-financial risk for risk expired	10,824	7,034
Incurred claims expected and other insurance service expenses	167,421	160,319
RECOVERY OF INSURANCE ACQUISITION CASH FLOWS	22,388	18,650
CONTRACTS MEASURED UNDER THE PAA	800,384	826,857
TOTAL INSURANCE REVENUE	1,084,919	1,186,641

2. Insurance service expenses

See note 6.5.

3. Net expenses from reinsurance contracts

See note 6.5.

4. Insurance finance result

See note 6.5.

7.4. Dividend income

(in thousands of EUR)	31/12/22	31/12/23
Financial assets held for trading	20,508	17,217
Financial assets measured at fair value through other comprehensive income	51,103	40,068
Non-trading financial assets mandatorily measured at fair value through profit or loss	0	0
TOTAL	71,611	57,285

7.5. Net income from equity method companies

(in thousands of EUR)	31/12/22	31/12/23
Income from equity method companies before tax	4,568	9,024
Share of tax	(575)	(171)
Impairments	0	(1,326)
TOTAL	3,993	7,527

As from 2023, Belfius applies a simplified consolidation method for participations that are considered immaterial. The dividends received from these participations are presented and accounted for in the income statement line "Net income from equity method companies" as from 2023 instead of in the income statement line "Dividend income", and amount to EUR 8 million in 2023.

7.6. Net income from financial instruments at fair value through profit or loss

(in thousands of EUR)	31/12/22	31/12/23
Net trading income	(2,379)	118,550
Net result of financial assets designated at fair value through profit or loss and result from the related derivatives	0	0
Result of financial assets non-trading mandatorily measured at fair value through profit or loss	(90,022)	(26,454)
Loans and advances	(62,118)	(28,665)
Debt securities issued by public sector	(3,144)	322
Other Debt securities	(25,139)	2,026
Equity instruments	379	(137)
Net result of financial liabilities designated at fair value through profit or loss and result from the related derivatives (except own credit risk)	(1,093)	540
Net result of hedge accounting	118,317	(39,109)
TOTAL	24,822	53,527

Net income from financial instruments measured at fair value through profit or loss increased by EUR 28.7 million to EUR 53.5 million (31 December 2022: EUR 24.8 million).

Net trading income increased by EUR +121 million to EUR 119 million end 2023. Note that this line includes the fair value changes of "economic hedges" (financial instruments that cannot be defined as accounting hedges under IFRS) for EUR +25 million (31 December 2022: EUR -92 million), including EUR -3 million results on swaps economically hedging the accounting hedge inefficiencies.

The net income from (non-trading) financial instruments mandatorily measured at fair value through profit or loss increased by EUR 64 million to EUR -26 million end 2023 driven by the evolution in interest rates.

The net income of hedge accounting decreased by EUR -157 million to EUR -39 million end 2023 and was negatively impacted, among other factors, by evolutions on certain basis spreads and basis risks. The net result of hedge accounting of 2022 is related to the evolution of the real rates in 2022 of the inflation linked bonds hedged by inflation linked swaps which stabilised in 2023.

The net result on economic hedges of the "result from (non-trading) financial assets mandatorily measured at fair value through profit or loss", and the "net result of hedge accounting", are both classified in the line "net trading income".

Net trading income

Net trading income increased by EUR 121 million to EUR 119 million end December 2023. This line includes the fair value changes of economic hedges on the "result of financial assets non-trading mandatorily measured at fair value through profit or loss" for EUR +28 million, the "results on swaps economically hedging the accounting hedge inefficiencies" for EUR -3 million and the result of the swaps, hedging the foreign exchange risk, for EUR +32 million for which the expense is included in the "net interest income".

The total amount recorded on the balance sheet as credit value adjustments stands at EUR -39 million end 2023 (compared to EUR -52 million end 2022), whereas total amount on the balance sheet of the debit value adjustment amounts to EUR 8 million end 2023 (compared to EUR 11 million end 2022). The total amount on the balance sheet related to funding value adjustments amounts to EUR -38 million end 2023 (compared to EUR -35 million end 2022).

The total P&L impact in the line net trading income for credit value adjustments amounted to EUR 12 million in 2023 (compared to EUR -0.3 million in 2022), for debit value adjustments to EUR -4 million in 2023 (compared to EUR 9 million in 2022) and for funding value adjustments to EUR -3 million in 2023 (compared to EUR 26 million in 2022). The main drivers of the XVA changes are the increases in interest rates and lower credit spreads.

Result of financial assets non-trading mandatorily measured at fair value through profit or loss

The net result from financial instruments increased by EUR 64 million. The non-SPPI compliant structured loans as presented in the line "Loans and advances" were negatively impacted by higher interest rates resulting in negative fair value changes. The "Other Debt securities" increased mainly due to positive fair value changes on funds at Belfius Insurance (considered as non-SPPI compliant bonds) as a result of improved equity markets. Note that hedges of these instruments are classified in net trading income.

Net result of hedge accounting

The net result of hedge accounting amounts to EUR -39 million (2022: EUR 118 million) and was negatively impacted, among other factors, by evolutions on certain basis spreads and basis risks.

Belfius is managing risks through additional derivatives (economic hedges) for which no hedge accounting is set up, the result of these hedges were recorded in the net trading income line for an amount of EUR -3 million (2022: EUR -151 million). It mainly relates to swaps hedging the hedge inefficiency.

All effectiveness tests were respected at all times.

Result of hedge accounting

(in thousands of EUR)	31/12/22	31/12/23
FAIR VALUE HEDGES	94,411	(29,919)
Fair value changes of the hedged item attributable to the hedged risk	(2,724,172)	130,676
Fair value changes of the hedging derivatives	2,818,582	(160,595)
CASH FLOW HEDGES	0	0
PORTFOLIO HEDGE	23,906	(9,191)
Fair value changes of the hedged item	(707,783)	30,003
Fair value changes of the hedging derivatives	731,689	(39,193)
TOTAL	118,317	(39,109)

(in thousands of EUR)	31/12/22	31/12/23
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) – AMOUNTS RECORDED IN INTEREST MARGIN	93	(70)

For more details we refer to note 5.6. derivatives

7.7. Net income on investments and liabilities

(in thousands of EUR)	31/12/22	31/12/23
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)	1,476	2,586
Realised gains on other debt securities	1,475	2,586
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	9,647	7,609
Realised gains on loans and advances	165	730
Realised gains on debt securities issued by public sector	9,133	6,855
Realised gains on other debt securities	349	24
ASSETS HELD FOR SALE	12,920	2,137
Realised gains on assets held for sale	12,920	2,137
OTHER	36,194	14,161
Realised gains on tangible fixed assets	35,439	12,536
Other realised gains	755	1,625
FINANCIAL LIABILITIES AT AMORTISED COST	4	1
Realised gains on financial liabilities	4	1
TOTAL GAINS	60,240	26,495
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)	(962)	(1,151)
Realised losses on other debt securities	(962)	(1,151)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	(2,552)	(32,227)
Realised losses on loans and advances	(1,097)	(3,306)
Realised losses on debt securities issued by public sector	(1,221)	(27,606)
Realised losses on other debt securities	(233)	(1,315)
ASSETS HELD FOR SALE	(13)	(29)
Realised losses on assets held for sale	(13)	(29)
OTHER	(306)	(297)
Realised losses on tangible fixed assets	(63)	(297)
Other realised losses	(243)	0
FINANCIAL LIABILITIES AT AMORTISED COST	(6)	(3)
Realised losses on financial liabilities	(6)	(3)
TOTAL LOSSES	(3,838)	(33,706)
TOTAL NET INCOME ON INVESTMENTS AND LIABILITIES	56,401	(7,211)

Net income on investments and liabilities decreased by EUR -63.6 million, or -112.8%, to EUR -7 million (31 December 2022: EUR 56 million).

In 2023, Belfius realised capital gains on the sale of tangible fixed assets (EUR 12.5 million), mainly on the sale of a building in Namen (EUR 1.5 million), Ghent (EUR 1.4 million) and on the sale of several buildings where bank agencies were located (EUR 7.8 million).
In 2022, Belfius realised capital gains on the sale of tangible fixed assets (EUR 35.4 million), mainly on the partial sale of the Pacheco building (EUR 22.2 million) and on the sale of several buildings where bank agencies were located (EUR 12.3 million). In 2022, capital gains of EUR 12.9 million were also realised on the sale of Alysea, a subsidiary that invested in a retirement home building in Luxembourg.

Furthermore, Belfius Insurance realised capital losses on the sale of bonds for ALM purposes in 2023 amounting to EUR -24 million, partially compensated by EUR 8 million capital gains (compared to EUR 10 million capital gains and -1 million capital losses from the sale of bonds in 2022).

The table below provides a summary of the realised gains and losses from derecognition on not impaired and impaired financial instruments. These realised gains and losses can be accounted for in the line-item "Net income on investments and liabilities" (note 7.7.) for not impaired debt instruments and loans and advances measured at fair value through OCI or in the line-item "Impairments on financial instruments and provisions for credit commitments" (note 7.13.) for debt instruments and loans and advances measured at amortised cost, and impaired debt instruments and loans and advances measured at fair value through OCI.

1. Realised gains or losses arising from derecognition of debt instruments measured at amortised cost (impaired and not impaired)

(in thousands of EUR)	31/12/22	31/12/23
REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	2,380	2,978
Realised gains on loans and advances	499	154
Realised gains on debt securities issued by public sector	345	238
Realised gains on other debt securities	1,536	2,586
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	12,477	18,152
Realised gains on impaired loans and advances	12,477	18,152
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	(5,742)	(22,815)
Realised losses on Loans and advances	(1,393)	(582)
Realised losses on debt securities issued by public sector	(3,062)	(227)
Realised losses on other debt securities	(1,287)	(22,006)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	(12,757)	(17,261)
Realised losses on impaired Loans and advances	(12,757)	(17,261)

2. Realised gains or losses arising from derecognition of debt instruments measured at fair value through other comprehensive income (impaired and not impaired)

(in thousands of EUR)	31/12/22	31/12/23
REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	9,647	7,609
Realised gains on Loans and advances	165	730
Realised gains on debt securities issued by public sector	9,133	6,855
Realised gains on other debt securities	349	24
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	0	715
Realised gains on impaired other debt securities	0	715
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(2,552)	(32,227)
Realised losses on Loans and advances	(1,097)	(3,306)
Realised losses on debt securities issued by public sector	(1,221)	(27,606)
Realised losses on other debt securities	(233)	(1,315)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	0	0

7.8. Other income

(in thousands of EUR)	31/12/22	31/12/23
Operational taxes	0	149
Rental income from investment property	48,047	48,322
Other rental income	5,741	6,157
Other banking and insurance income	5,018	18,017
Write-back of provisions for litigations[1]	41,644	15,480
Real estate projects	4,951	1,784
Asset Finance activities[2]	190,346	231,454
Other income on other activities	82,436	98,006
OTHER INCOME	378,184	419,368

(1) We refer to note 6.6. "Provisions and contingent liabilities" for a detailed description. Please note that the additional provisions for litigations are recorded in other expense (we refer to note 7.9.).
(2) The increase in other income from asset finance activities is stemming from leasing contracts of Belfius Auto Lease.

Other income increased by EUR 41 million compared to 2022 mainly as a result of an increase of the other income from asset finance activities (EUR +41 million), explained by the increase of the leasing contracts of Belfius Auto Lease.

7.9. Other expense

(in thousands of EUR)	31/12/22	31/12/23
Impairment on inventory	0	(471)
Sector levies[1]	(265,374)	(279,078)
Other levies[2]	(6,263)	(6,126)
Expenses related to investment properties that generated income during the current financial year	(33,509)	(30,002)
Other banking expenses	(998)	(4,372)
Provisions for litigations	(8,845)	(5,942)
Real estate projects	(4,269)	(884)
Asset Finance activities[3]	(150,776)	(194,195)
Other expense on other activities[4]	(91,512)	(112,496)
OTHER EXPENSE	(561,547)	(633,566)

(1) Sector levies are specific taxes for financial institutions or insurers, it includes
→ the Deposit Guarantee Scheme contributions,
→ Subscription tax,
→ Financial Stability Contribution and
→ the contributions to the Single Resolution Fund.
Belfius has opted in the past to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral. Belfius has recorded EUR 30.5 million in its off-balance sheet accounts (stable compared to end 2022).
Sector levies on insurance contracts for which IFRS 17 is applicable are recorded in insurance service expense
(2) Other levies include the tax on securities accounts, mainly on Branch 23 funds of Belfius Insurance for EUR 6 million.
(3) Other expense from asset finance activities is mainly stemming from leasing contracts of Belfius Auto Lease.
(4) Other expenses on other activities" includes other operational expenses and other operational taxes.

Other expense increased by EUR 72 million compared to 2022 mainly as a result of an increase of the other expense from asset finance activities (EUR +43 million) explained by the increase of the leasing contracts of Belfius Auto Lease.

Belfius recognised an expense of EUR -285 million in 2023 as levies (including the contribution to the Single Resolution Board), an increase of EUR -14 million compared to 2022 due to increased sector levies and the option taken in 2022 to book part (EUR -13 million) of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment, while Belfius did not opt for an Irrevocable Payment Commitment in 2023. Belfius has recorded an amount of EUR 30.5 million related to Irrevocable Payment Commitments in its off-balance sheet accounts as Belfius deems that no present obligation exists.

7.10. Staff expense

(in thousands of EUR)	31/12/22	31/12/23
Wages and salaries	(492,487)	(531,519)
Social security and insurance costs	(136,342)	(150,656)
Pension costs-defined benefit plans[1]	(59,608)	(71,054)
Pension costs-defined contribution plans [1]	(385)	(412)
Other postretirement obligations (reversal / use)	(9)	(452)
Share-based payments	0	0
Other long-term employee benefits	3,073	342
Restructuring expenses (reversal / use)[1]	6,887	(4,486)
Other expense	(20,988)	(13,654)
Transfer to insurance service expense[2]	91,683	93,056
TOTAL	(608,177)	(678,835)

(1) We refer to note 6.6. "Provisions and contingent liabilities" for a detailed description.
(2) Under IFRS 17, costs directly attributable to insurance contracts are not recognised within the income statement line "Staff expense", but are included in the present value of the insurance liabilities and as such included in the income statement line "Insurance service result".

Staff expense increased by EUR -70.7 million, or 11.6%, to EUR -679 million (31 December 2022: EUR -608 million) due to an increase in the number of FTE and the wagedrift resulting from salary indexations.

Average FTE as at 31 December 2022	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	180	1	1	182
Employees	6,151	5	5	6,161
TOTAL	6,331	6	6	6,343
of which banking group	5,037	4	6	5,047
of which Belins group	1,294	2	0	1,296

Average FTE as at 31 December 2023	Belgium	Luxembourg	Ireland	Fully consolidated
Senior Executives	190	1	1	192
Employees	6,270	4	5	6,279
TOTAL	6,460	5	6	6,471
of which banking group	5,186	3	6	5,195
of which Belins group	1,274	2	0	1,276

7.11. General and administrative expense

(in thousands of EUR)	31/12/22	31/12/23
Occupancy	(30,377)	(30,316)
Leases (except technology and system costs)	(3,680)	(3,824)
Professional fees	(129,673)	(145,381)
Marketing advertising and public relations	(48,088)	(47,920)
Technology and system costs	(208,288)	(204,640)
Software costs and research and development costs	(35,201)	(39,824)
Repair and maintenance expenses	(368)	(441)
Restructuring costs other than staff	0	206
Insurance (except related to pension)	(4,201)	(6,847)
Transportation of mail and valuable	(6,158)	(14,048)
Operational taxes	(14,014)	(16,226)
Other general and administrative expense	(92,399)	(101,152)
Transfer to insurance service expense	93,572	92,987
TOTAL	(478,875)	(517,426)

(1) Under IFRS 17, costs directly attributable to insurance contracts are not recognised within the income statement line "General and administrative expense", but are included in the present value of the insurance liabilities and as such included in the income statement line "Insurance service result".

General and administrative expense increased by EUR -38.6 million, or 8.1%, to EUR -517 million (31 December 2022: EUR -479 million), impacted by the inflation environment and in line with our continuous commercial growth requiring continued investments in additional external workforce, digital and automation.

7.12. Depreciation and amortisation of fixed assets

(in thousands of EUR)	31/12/22	31/12/23
Depreciation of buildings	(23,094)	(20,186)
Depreciation of other tangible assets	(8,984)	(10,422)
Amortisation of intangible assets	(94,582)	(98,169)
Depreciation of right-of-use assets	(4,440)	(4,218)
Transfer to insurance service expense	17,309	15,555
TOTAL	(113,791)	(117,440)

(1) Under IFRS 17, costs directly attributable to insurance contracts are not recognised within the income statement line "Depreciation and amortisation of fixed assets", but are included in the present value of the insurance liabilities and as such included in the income statement line "Insurance service result".

Depreciation and amortisation of fixed assets increased by EUR -3.6 million, or 3.2%, to EUR -117 million (31 December 2022: EUR -114 million), driven by the increase in IT assets resulting from more insourced IT infrastructure services. As part of the yearly review, Belfius recognized accelerated depreciations in line with the revised useful life of internally developed software given the rapid changes in technology and the accelerated uptake of digital services.

7.13. Impairments on financial instruments and provisions for credit commitments

1. Summary Totals

(in thousands of EUR)	31/12/22	31/12/23
Impairment on financial instruments and off balance commitments - Stage 1	(64,156)	(12,754)
Impairment on financial instruments and off balance commitments - Stage 2	18,604	21,430
Impairment on financial instruments, other assets and off balance commitments - Stage 3	(59,862)	(117,887)
TOTAL	(105,413)	(109,211)

Impairments on financial instruments and provision for credit commitments increased by EUR -3.8 million to EUR -109 million (31 December 2022: EUR -105 million).

In 2022 Belfius updated the underlying macro-economic scenarios to take into account the increased macro-economic uncertainties (due amongst others to the second-round effects of the Covid-19 crisis, the inflationary environment and the geopolitical situation) resulting in an increase of the stage 1 and 2 impairments. The overlays for specific risk pockets and individual counterparts were also reassessed, resulting in partial reversals of the stage 2 impairments accounted for back in 2020. Impairments were also recognised on a limited number of defaulted exposures (stage 3) during 2022. Overall, this resulted in a Cost of Risk of EUR -105 million in 2022.

In 2023, with the Belgian economy showing strong resilience, the macroeconomic factors were adjusted positively, resulting in a reversal of provisions in stage 1 and 2. Furthermore, the underlying nature of the vulnerable exposures has shifted completely from "Covid-driven" to "Energy & Inflation linked", which has led to a reassessment of these overlays and a partial reversal thereof. Next to that, a higher level of default inflows were noted during 2023, resulting in an increase in stage 3 impairments. Furthermore, Belfius realised EUR 20 million capital losses on the sale of bonds (measured at amortised cost) in the ALM portfolio for risk adjustment purposes.

Overall, this resulted in a net negative Cost of Risk of EUR -109 million in 2023.

More detailed information is provided in the Credit Risk section of the management report.

2. Impairment on financial instruments and off balance commitments – Stage 1

	31/12/22				
(in thousands of EUR)	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(547)	770	0	0	223
Loans and advances	(137,479)	90,877	0	0	(46,602)
Debt securities	(1,721)	729	0	0	(992)
Off balance commitments	(42,449)	25,664	0	0	(16,785)
TOTAL	(182,196)	118,040	0	0	(64,156)

	31/12/23				
(in thousands of EUR)	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(464)	550	0	0	86
Loans and advances	(138,048)	125,546	0	0	(12,502)
Debt securities	(1,445)	1,388	0	0	(57)
Off balance commitments	(37,315)	37,034	0	0	(281)
TOTAL	(177,271)	164,518	0	0	(12,754)

Stage 1 impairments amount to EUR 13 million in 2023 mainly resulting from new production of loans and advances. The increase due to portfolio evolutions was partially offset by an upward adjustment of the macroeconomic factors to reflect the resilience of the Belgian economy. Furthermore, the nature of the overlays for vulnerable exposures is shifted completely in 2023 from "Covid-driven" to "Energy & Inflation linked", which has led to a reassessment of these overlays and a slight reversal thereof.

3. Impairment on financial instruments and off balance commitments - Stage 2

(in thousands of EUR)	31/12/22				
	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(22)	89	0	0	67
Loans and advances	(319,168)	317,170	499	(1,393)	(2,893)
Debt securities	(48,625)	65,863	406	(3,387)	14,256
Off balance commitments	(69,737)	76,910	0	0	7,173
TOTAL	(437,552)	460,032	905	(4,780)	18,604

(in thousands of EUR)	31/12/23				
	Allowances	Write-backs	Capital gains	Capital losses	Total
Loans and advances due from credit institutions	(89)	36	0	0	(53)
Loans and advances	(267,947)	313,968	154	(582)	45,594
Debt securities	(22,471)	11,753	238	(21,082)	(31,562)
Off balance commitments	(63,148)	70,598	0	0	7,450
TOTAL	(353,655)	396,356	393	(21,664)	21,430

Stage 2 impairment amounts EUR 21 million in 2023 as a result of the update of the macroeconomic factors and the reassessment of the overlays. The macroeconomic factors were updated to reflect the resilience of the Belgian economy, while the nature of the overlays for vulnerable exposures has shifted completely in 2023 from "Covid-driven" to "Energy & Inflation linked", which has led to a reassessment of these overlays and a slight reversal thereof.

4. Impairment on financial instruments, other assets and off balance commitments - Stage 3

(in thousands of EUR)	31/12/22						
	Allowances	Write-backs	Write-offs	Capital gains	Capital losses	Recoveries	Total
Loans and advances due from credit institutions	0	0	0	0	0	0	0
Loans and advances	(219,850)	171,181	(9,608)	8,712	(12,757)	12,177	(50,144)
Debt securities	(8,000)	0	0	0	0	0	(8,000)
Off balance commitments	(4,644)	4,599	0	0	0	0	(44)
Other assets[1]	(1,757)	84	0	0	0	0	(1,673)
TOTAL	(234,251)	175,865	(9,608)	8,712	(12,757)	12,177	(59,862)

(in thousands of EUR)	31/12/23						
	Allowances	Write-backs	Write-offs	Capital gains	Capital losses	Recoveries	Total
Loans and advances due from credit institutions	0	0	0	0	0	0	0
Debt securities	0	840	0	715	0	0	1,555
Off balance commitments	(11,023)	4,657	0	0	0	0	(6,366)
Other assets[1]	(1,564)	1,641	0	0	0	0	77
TOTAL	(12,587)	7,138	0	715	0	0	(4,734)

(1) This concerns impairments on mainly other insurance assets (i.e. reinsurance receivables), subject to impairment and reported under other assets on the balance sheet.

A higher level of default inflows was noted during 2023 resulting in an increase in stage 3 impairments of EUR 118 million.

7.14. Impairments on tangible and intangible assets

(in thousands of EUR)	31/12/22	31/12/23
Impairment on investment property	(12)	0
Impairment on land and buildings	(714)	(347)
Impairment on intangible assets	(1,323)	(508)
TOTAL	(2,049)	(855)

Impairments on tangible and intangible assets decreased by EUR 1.2 million to EUR -0.9 million (31 December 2022: EUR -2.0 million).

In 2022, Belfius reassessed its intangible and tangible assets, whereby an impairment of EUR 1.9 million was enacted on the intangible assets of Jane and an impairment reversal of EUR 0.6 million was recognized on the intangibles of Jaimy.

In 2023, an impairment of EUR -0.5 million was enacted on intangible assets of Jane prior to its liquidation.

7.15. Impairments on goodwill

The annual impairment test did not require an impairment on goodwill. The impairment test was performed by comparing the equity value of Belfius Insurance with the "value in use". This value in use was determined based on a discounted cash flow model with the following inputs:

- financial plan for 5 years;
- discount rate: a cost of equity of 10.7%; and
- a long term growth rate for Belgium of 1.4%.

Note that the financial plan has only a limited impact on the impairment test. The main drivers are the discount curve and long term growth rate. Based on that scenario, a surplus could be identified.

For 2023, all scenarii (ranging from a growth rate from -1.1% to +2.9% and a discount rate of 9.2% to 12.2%) showed that no impairment was required. The assumptions for these scenarii are aligned with the expected evolution of the results in the financial plan and with the market conditions for capital costs.

7.16. Tax (expense) income

(in thousands of EUR)	31/12/22 Tax on current year result	31/12/22 Other Tax Expense	31/12/22 Total	31/12/23 Tax on current year result	31/12/23 Other Tax Expense	31/12/23 Total
Current tax expense / income: Income tax on current year	(281,766)		(281,766)	(315,347)		(315,347)
Current tax expense / income: Income tax on previous year		14,870	14,870		10,379	10,379
Current tax expense / income: Provision for tax litigations		0	0		0	0
TOTAL CURRENT TAXES			(266,896)			(304,968)
Deferred taxes on current year	(2,077)		(2,077)	(72,384)		(72,384)
Deferred taxes on previous year		4,569	4,569		1,487	1,487
TOTAL DEFERRED TAXES			2,492			(70,897)
GRAND TOTAL	(283,842)	19,439	(264,403)	(387,731)	11,866	(375,865)
TAX ON CURRENT YEAR RESULT			(283,842)			(387,731)
OTHER TAX EXPENSE			19,439			11,866
TOTAL			(264,403)			(375,865)
EFFECTIVE TAX RATE			22.08%			25.18%

Tax on current year result

(in thousands of EUR)	31/12/22	31/12/23
NET INCOME BEFORE TAX	1,197,356	1,492,656
Income and losses from companies accounted for by the equity method	3,993	7,527
TAX BASE	1,193,363	1,485,129
Statutory tax rate	25%	25%
TAX EXPENSE USING STATUTORY RATE	298,341	371,282
Tax effect of rates in other jurisdictions	(1,733)	(403)
Tax effect of non-taxable revenues[1]	(17,994)	(7,413)
Tax effect of non-tax deductible expenses	19,575	44,492
Tax effect of utilisation of previously unrecognised tax losses	(155)	0
Tax effect on tax benefit not previously recognised in profit or loss	0	(61)
Tax effect from reassessment of unrecognised deferred tax assets	(475)	(1,357)
Tax effect of change in tax rates	0	0
Items taxed at a reduced rate	0	(439)
Other increase (decrease) in statutory tax charge	(13,715)	(18,370)
TAX ON CURRENT YEAR RESULT	(283,842)	(387,731)

(1) Mainly definitively tax-exempted income (dividends and capital gains on shares).

The tax expense, including deferred taxes, increased by EUR -111.5 million, or 42.2%, to EUR -376 million (31 December 2022: EUR -264 million) as a result of the higher consolidated result before tax and the limitation of tax deductibility of the new tax on credit institutions (NTK) since 1st January 2023.

As a result of legislative changes, the tax deductibility of the new tax on credit institutions (NTK) is limited to 20% as from 2023 (whereas it used to be 80%), resulting in an increase in current taxes of EUR 29 million in 2023.

As such, an increase in the effective tax rate to 25.2% can be observed for 2023, compared with 22.1% for 2022.

Net deferred tax expense increase by EUR -73.4 million to EUR -71 million (31 December 2022: deferred tax expense of EUR 2 million), due mainly to temporary differences for impairments, valuation of insurance liabilities and fair value adjustments.

Other notes to the consolidated annual financial statements

VIII. Notes on the consolidated off-balance sheet items

(some amounts may not add up due to roundings)

8.1. Regular way trade

(in thousands of EUR)	31/12/22	31/12/23
Loans to be delivered and purchases of assets	1,035,827	1,169,384
Borrowings to be received and sales of assets	8,014,006	10,040,127

8.2. Guarantees

(in thousands of EUR)	31/12/22	31/12/23
Guarantees given to credit institutions	700,579	665,774
Guarantees given to customers	5,330,847	5,360,579
Guarantees received from credit institutions(1)	495,630	432,920
Guarantees received from customers	27,841,080	27,719,254
Guarantees received from the Belgian State(2)	9,193,719	9,180,514

(1) This amount includes the personal guarantees and similar rights of recourse obtained for derivatives.
(2) This amount concerns the allocation to Belfius of the Belgian State guarantee scheme for loans to SME in the framework of the Covid-19 crisis. The allocation of EUR 9.2 billion is based on our market share.

8.3. Loan commitments

(in thousands of EUR)	31/12/22	31/12/23
Unused lines granted to credit institutions	8,153	17,956
Unused lines granted to customers	31,388,211	31,438,857
Unused lines obtained from credit institutions	1,324	237
Unused lines obtained from customers	0	0

8.4. Other commitments to financing activities

(in thousands of EUR)	31/12/22	31/12/23
Insurance activity – Commitments given	0	0
Insurance activity – Commitments received	76,214	79,525
Banking activity – Commitments given[1]	36,158,553	28,396,974
Banking activity – Commitments received	95,604,884	101,462,882

(1) Mainly related to repurchase agreements and collateralisation of loans with the European Central Bank and other central banks. Belfius' total TLTRO III participation amounts to EUR 1.4 billion as of end 2023 compared to EUR 6 billion as of end 2022.

The section "Banking activity- commitments given" also includes the underlying assets of the covered bond programs. The special estate of the covered bond program contains mainly residential mortgage loans and public loans for a total amount of EUR 19.3 billion (nominal) at the end of 2023 (compared to EUR 14.1 billion in 2022). See also note 6.4. "Debt securities issued and other financial liabilities".

8.5. Commitments – contingent liabilities

(in thousands of EUR)	31/12/22	31/12/23
Single Resolution Fund – Commitments given	30,500	30,500

Belfius has opted to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral. Belfius has recorded EUR 30.5 million in its off-balance sheet accounts (stable compared to 2022) as Belfius deems that no present obligation exists.

8.6. Bond lending and bond borrowing transactions

(in thousands of EUR)	31/12/22	31/12/23
Securities lending	772,357	555
Securities borrowing	5,532	9

In the context of its liquidity management, Belfius enters from time to time into bond lending transactions against fees.

IX. Notes on risk exposure

(some amounts may not add up due to rounding)

9.1. Fair value

1. Fair value of financial instruments

A. Breakdown of fair value of assets

(in thousands of EUR)	31/12/22		
	Carrying amount	Fair value	Difference
Cash and balances with central banks	27,295,434	27,295,434	0
Loans and advances due from credit institutions	4,143,601	4,143,731	129
Measured at amortised cost	4,143,601	4,143,731	129
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	0	0	0
Loans and advances	110,203,251	102,923,489	(7,279,762)
Measured at amortised cost	109,236,114	101,956,352	(7,279,762)
Measured at fair value through other comprehensive income	171,152	171,152	0
Measured at fair value through profit or loss	795,986	795,986	0
Debt securities	21,531,518	19,823,960	(1,707,558)
Measured at amortised cost	17,494,927	15,787,369	(1,707,558)
Measured at fair value through other comprehensive income	2,997,611	2,997,611	0
Measured at fair value through profit or loss	1,038,979	1,038,979	0
Equity instruments	1,495,205	1,495,205	0
Measured at fair value through other comprehensive income	1,043,302	1,043,302	0
Measured at fair value through profit or loss	451,902	451,902	0
Unit linked products	3,969,934	3,969,934	0
Derivatives	5,893,105	5,893,105	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk(1)	1,134,326	0	(1,134,326)
Non current assets (disposal group) held for sale and discontinued operations	39,684	51,078	11,394
TOTAL	175,706,058	165,595,935	(10,110,123)

(1) The fair value of the line "Gain/loss on the hedged item in portfolio hedge of interest rate risk" is taken into account in the fair value of the underlying assets who are part of this portfolio hedge relation (and thus included in the lines "Loans and advances" and "Debt securities").

(in thousands of EUR)	31/12/23		
	Carrying amount	Fair value	Difference
Cash and balances with central banks	20,487,140	20,487,140	0
Loans and advances due from credit institutions	5,274,249	5,274,371	122
Measured at amortised cost	5,274,249	5,274,371	122
Measured at fair value through other comprehensive income	0	0	0
Measured at fair value through profit or loss	0	0	0
Loans and advances	114,531,169	110,789,122	(3,742,047)
Measured at amortised cost	109,761,695	106,019,648	(3,742,047)
Measured at fair value through other comprehensive income	4,181,197	4,181,197	0
Measured at fair value through profit or loss	588,277	588,277	0
Debt securities	22,295,927	21,207,636	(1,088,291)
Measured at amortised cost	13,521,835	12,433,544	(1,088,291)
Measured at fair value through other comprehensive income	7,711,837	7,711,837	0
Measured at fair value through profit or loss	1,062,256	1,062,256	0
Equity instruments	1,451,468	1,451,468	0
Measured at fair value through other comprehensive income	1,006,935	1,006,935	0
Measured at fair value through profit or loss	444,533	444,533	0
Unit linked products	4,176,214	4,176,214	0
Derivatives	5,321,426	5,321,426	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk[1]	1,608,587	0	(1,608,587)
Non current assets (disposal group) held for sale and discontinued operations	16,582	24,460	7,879
TOTAL	175,162,763	168,731,838	(6,430,925)

(1) The fair value of the line "Gain/loss on the hedged item in portfolio hedge of interest rate risk" is taken into account in the fair value of the underlying assets who are part of this portfolio hedge relation (and thus included in the lines "Loans and advances" and "Debt securities").

As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, a reclassification has taken place from the Belfius Insurance portfolio of loans (EUR 4.5 billion) and debt securities (EUR 4.4 billion) measured at amortised cost to measured at fair value through other comprehensive income.

Due to the reclassification, the financial assets are measured at fair value, and thus the difference between carrying amount and fair value decreases.

Furthermore an increase in the fair value of loans and advances and debt securities can be noted resulting from the decrease of the long term interest rates and a decrease in credit spreads.

Belfius considers an internal estimate of the future potential prepayment rate in the determination of the fair value of the loan portfolio.

For some assets and liabilities, Belfius estimates that the fair value approximates the carrying value. Belfius estimates that the own credit risk has not changed significantly and has thus not taken into account a revaluation of the own credit risk.

B. Breakdown of fair value of liabilities

(in thousands of EUR)	31/12/22		
	Carrying amount	Fair value	Difference
Cash and balances from central banks	5,904,113	5,808,793	(95,321)
Borrowings and deposits	110,317,127	110,300,005	(17,123)
Measured at amortised cost	110,297,177	110,280,054	(17,123)
Measured at fair value through profit or loss	19,951	19,951	0
Debt securities issued and other financial liabilities	25,928,567	24,830,068	(1,098,499)
Measured at amortised cost(PF)	18,517,096	17,418,597	(1,098,499)
Measured at fair value through profit or loss	7,411,471	7,411,471	0
Unit linked products	3,969,934	3,969,934	0
Derivatives	8,248,509	8,248,509	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk(1)	(1,606,023)	0	1,606,023
Subordinated debts	1,547,204	1,420,786	(126,418)
Measured at amortised cost	1,547,204	1,420,786	(126,418)
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	154,309,432	154,578,095	268,663

(in thousands of EUR)	31/12/23		
	Carrying amount	Fair value	Difference
Cash and balances from central banks	1,430,190	1,459,719	29,529
Borrowings and deposits	107,912,825	107,931,292	18,467
Measured at amortised cost	107,892,866	107,911,333	18,467
Measured at fair value through profit or loss	19,959	19,959	0
Debt securities issued and other financial liabilities	31,841,718	31,388,601	(453,118)
Measured at amortised cost	23,603,069	23,149,951	(453,118)
Measured at fair value through profit or loss	8,238,650	8,238,650	0
Unit linked products	4,176,214	4,176,214	0
Derivatives	7,229,432	7,229,432	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk(1)	(1,029,463)	0	1,029,463
Subordinated debts	1,777,995	1,728,815	(49,181)
Measured at amortised cost	1,777,995	1,728,815	(49,181)
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	153,338,912	153,914,073	575,161

(1) The fair value of the line "Gain/loss on the hedged item in portfolio hedge of interest rate risk" is taken into account in the fair value of the underlying liabilities who are part of this portfolio hedge relation (and thus included in the lines "Borrowings and deposits" and "Debt securities issued and other financial liabilities").

For some liabilities, Belfius estimates that the fair value approximates the carrying value. Amongst others, for payment and savings accounts the market value equals the carrying amount. Belfius estimates that the own credit risk has not changed significantly and has thus not taken into account a revaluation of the own credit risk.

2. Analysis of fair value of financial instruments

A. Assets

(in thousands of EUR)	31/12/22			
	Level 1	Level 2	Level 3	Total
Loans and advances	0	22,258,778	84,808,442	107,067,220
Measured at amortised cost	0	22,086,152	84,013,931	106,100,082
Measured at fair value through other comprehensive income	0	171,152	0	171,152
Measured at fair value through profit or loss	0	1,474	794,511	795,986
Debt securities	14,205,155	2,893,074	2,725,731	19,823,960
Measured at amortised cost	11,368,608	2,724,468	1,694,293	15,787,369
Measured at fair value through other comprehensive income	2,397,509	157,850	442,253	2,997,611
Measured at fair value through profit or loss	439,038	10,756	589,185	1,038,979
Equity instruments	1,052,162	0	443,043	1,495,205
Measured at fair value through other comprehensive income	600,264	0	443,038	1,043,302
Measured at fair value through profit or loss	451,898	0	4	451,902
Unit linked products	3,969,934	0	0	3,969,934
Derivatives	2,903	5,693,712	196,490	5,893,105
Non current assets (disposal group) held for sale and discontinued operations	0	26,624	24,453	51,078
TOTAL	19,230,153	30,872,189	88,198,159	138,300,501

(in thousands of EUR)	31/12/23			
	Level 1	Level 2	Level 3	Total
Loans and advances	0	25,326,448	90,737,045	116,063,493
Measured at amortised cost	0	25,100,158	86,193,862	111,294,019
Measured at fair value through other comprehensive income	0	225,596	3,955,601	4,181,197
Measured at fair value through profit or loss	0	694	587,583	588,277
Debt securities	16,417,931	2,469,219	2,320,486	21,207,636
Measured at amortised cost	9,295,535	2,068,765	1,069,244	12,433,544
Measured at fair value through other comprehensive income	6,576,407	386,292	749,139	7,711,837
Measured at fair value through profit or loss	545,990	14,163	502,103	1,062,256
Equity instruments	972,877	0	478,591	1,451,468
Measured at fair value through other comprehensive income	530,963	0	475,972	1,006,935
Measured at fair value through profit or loss	441,915	0	2,619	444,533
Unit linked products	4,176,214	0	0	4,176,214
Derivatives	1,429	5,101,405	218,592	5,321,426
Non current assets (disposal group) held for sale and discontinued operations	0	18,240	6,220	24,460
TOTAL	21,568,452	32,915,311	93,760,934	148,244,698

As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, a reclassification has taken place from the Belfius Insurance portfolio of loans (EUR 4.5 billion) and debt securities (EUR 4.4 billion) measured at amortised cost to measured at fair value through other comprehensive income.

The fair value of level 1 debt securities increased as a result of new investments in ALM Liquidity portfolio.

Level 2 and level 3 loans and advances increased as a result of the increase in outstanding volume of loans and positive fair value evolutions resulting from lower long term interest rates.

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B. Liabilities

(in thousands of EUR)	31/12/22			
	Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	108,165,528	2,134,477	110,300,005
Measured at amortised cost	0	108,145,577	2,134,477	110,280,054
Measured at fair value through profit or loss	0	19,951	0	19,951
Debt securities issued and other financial liabilities	9,735,369	5,069,436	10,025,263	24,830,068
Measured at amortised cost(PF)	9,573,919	491,236	7,353,443	17,418,597
Measured at fair value through profit or loss	161,451	4,578,200	2,671,821	7,411,471
Unit linked products	3,969,934	0	0	3,969,934
Derivatives	4,151	7,716,625	527,732	8,248,509
Subordinated debts	1,201,795	77,173	141,818	1,420,786
Measured at amortised cost	1,201,795	77,173	141,818	1,420,786
TOTAL	14,911,250	121,028,761	12,829,291	148,769,302

(in thousands of EUR)	31/12/23			
	Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	98,291,966	9,639,326	107,931,292
Measured at amortised cost	0	98,272,007	9,639,326	107,911,333
Measured at fair value through profit or loss	0	19,959	0	19,959
Debt securities issued and other financial liabilities	10,329,150	7,079,720	13,979,730	31,388,601
Measured at amortised cost	10,272,276	2,085,866	10,791,809	23,149,951
Measured at fair value through profit or loss	56,874	4,993,854	3,187,921	8,238,650
Unit linked products	4,176,214	0	0	4,176,214
Derivatives	1,667	6,812,746	415,018	7,229,432
Subordinated debts	1,513,198	74,907	140,710	1,728,815
Measured at amortised cost	1,513,198	74,907	140,710	1,728,815
TOTAL	16,020,229	112,259,340	24,174,784	152,454,354

The decrease in Level 2 borrowings and deposits is mainly related to the decrease in TLTRO funding for EUR 4.6 billion due to maturities and the decrease of EUR 10.1 billion in demand deposits and saving accounts, only partially compensated by the increase in term deposits (EUR +6.5 billion). Note that seeing the very short term character of these deposits, no fair value is determined.

Level 3 debt securities issued increased mainly resulting from new issuances of debt securities and the increase of certificates of deposits.

3. Transfer between Level 1 and Level 2 fair value for assets and liabilities at fair value in the balance sheet

A. Assets at fair value in the balance sheet

(in thousands of EUR)	31/12/22		31/12/23	
	From level 1 to 2	From level 2 to 1	From level 1 to 2	From level 2 to 1
Debt securities	43,259	10,162	6,343	22,369
Measured at fair value through other comprehensive income	43,259	10,162	6,343	22,369
TOTAL	43,259	10,162	6,343	22,369

B. Liabilities at fair value in the balance sheet

Nil.

4. Reconciliation Level 3

A. Assets

(in thousands of EUR)	31/12/22										
	Opening balance	Total of realised gains and losses in P&L	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Sales	Settlements	Transfer in Level 3	Transfer out of Level 3	Foreign exchange adjustments	Closing balance
Loans and advances	**1,037,737**	**0**	**(204,817)**	**0**	**17,739**	**(54,638)**	**(1,509)**	**0**	**0**	**0**	**794,511**
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	1,037,737	0	(204,817)		17,739	(54,638)	(1,509)	0	0	0	794,511
Debt securities	**904,694**	**0**	**(10,907)**	**(31,720)**	**809,990**	**(338,036)**	**(271,138)**	**97**	**(31,542)**	**0**	**1,031,438**
Measured at fair value through other comprehensive income	337,420	0	106	(31,720)	431,511	(7,000)	(256,735)	0	(31,329)	0	442,253
Measured at fair value through profit or loss	567,274	0	(11,013)		378,479	(331,036)	(14,402)	97	(214)	0	589,185
Equity instruments	**374,966**	**0**	**21**	**47,672**	**40,904**	**(5,361)**	**(863)**	**1,968**	**0**	**0**	**443,043**
Measured at fair value through other comprehensive income	361,007	0	21	47,672	40,904	(5,357)	(863)	1,968	(2,314)	0	443,038
Measured at fair value through profit or loss	13,959	0	(0)		0	(5)	0	0	(13,950)	0	4
Derivatives	**509,164**	**0**	**(380,257)**		**124,112**	**0**	**(63,762)**	**9,807**	**(741)**	**(1,831)**	**196,490**
TOTAL	2,826,561	0	(595,960)	15,952	992,744	(398,036)	(337,273)	11,872	(48,547)	(1,831)	2,465,482

(in thousands of EUR)	31/12/23										
	Opening balance	Total of realised gains and losses in P&L	Total of unreali-sed gains and losses in P&L	Total gains/ losses in other compre-hensive income	Purcha-ses	Sales	Settle-ments	Transfer in Level 3	Transfer out of Level 3	Foreign exchange adjust-ments	Closing balance
Loans and advances	794,511	247	(99,336)	160,787	21,352	(181,529)	(28,619)	3,875,770	0	0	4,543,184
Measured at fair value through other comprehens ive income	0	247	3,961	160,787	10,441	(67,478)	(28,127)	3,875,770	0	0	3,955,601
Measured at fair value through profit or loss	794,511	0	(103,297)		10,911	(114,051)	(492)	0	0	0	587,583
Debt securities	1,031,438	0	(2,363)	17,663	955,420	(362,550)	(281,050)	0	(107,315)	(0)	1,251,242
Measured at fair value through other comprehens ive income	442,253	0	7,808	17,663	896,768	(260,695)	(247,343)	0	(107,315)	(0)	749,139
Measured at fair value through profit or loss	589,185	0	(10,171)		58,652	(101,855)	(33,707)	0	(0)	(0)	502,103
Equity instruments	443,043	0	(131)	56,446	(144,913)	183,335	(894)	2,752	(61,047)	0	478,591
Measured at fair value through other comprehens ive income	443,038	0	7	56,446	(144,913)	183,335	(894)	0	(61,047)	0	475,972
Measured at fair value through profit or loss	4	0	(137)		0	0	0	2,752	0	0	2,619
Derivatives	196,490	0	32,912		86,591	0	(104,864)	200,032	(193,017)	448	218,592
TOTAL	2,465,482	247	(68,917)	234,896	918,449	(360,745)	(415,427)	4,078,555	(361,379)	448	6,491,609

The transfer in level 3 loans and advances measured at fair value through other comprehensive income is explained by the IFRS 9 business model reassessment that took place on 1 January 2023, in accordance with the implementation of IFRS 17, resulting in a reclassification of Belfius Insurance's loan portfolio measured at amortised cost to measured at fair value through other comprehensive income.

B. Liabilities

(in thousands of EUR)	31/12/22									
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Sales	Direct origination	Settlements	Transfer in Level 3	Transfer out of Level 3	Closing balance
Debt securities issued and other financial liabilities	2,271,616	(234,661)		0	0	891,382	(239,491)	0	(17,026)	2,671,821
Measured at fair value through profit or loss	2,271,616	(234,661)		0	0	891,382	(239,491)	0	(17,026)	2,671,821
Derivatives	521,029	(202,396)		361,752	0	0	(164,036)	12,048	(665)	527,732
TOTAL	2,792,646	(437,056)		361,752	0	891,382	(403,527)	12,048	(17,691)	3,199,553

(in thousands of EUR)	31/12/23									
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/losses in other comprehensive income	Purchases	Sales	Direct origination	Settlements	Transfer in Level 3	Transfer out of Level 3	Closing balance
Debt securities issued and other financial liabilities	2,671,821	47,185		0	0	523,411	(238,884)	1,871,921	(1,687,533)	3,187,921
Measured at fair value through profit or loss	2,671,821	47,185		0	0	523,411	(238,884)	1,871,921	(1,687,533)	3,187,921
Derivatives	527,732	(60,852)		88,834	0	0	(115,824)	250,581	(275,453)	415,018
TOTAL	3,199,553	(13,667)		88,834	0	523,411	(354,708)	2,122,502	(1,962,987)	3,602,940

During 2023 the change in level determination methodology to determine the level of liabilities has been refined. Transfers from L2 to L3 were mainly linked to equity structured bonds as certain parameters became unobservable. Transfers from L3 to L2 were linked to interest rate structured bonds resulting from additional liquidity as well as some covered bonds that moved to L1. See note 9.1.5. for more information.

The column "total of unrealized gains and losses in P&L" cannot be analysed on a stand alone basis, as some assets or liabilities classified at amortised cost or some assets and liabilities classified in level 1 or 2 may be hedged by derivatives classified in level 3. The column direct origination refers to the issuance of Belfius bonds.

5. Valuation techniques and data (level 1, 2 and 3)

Financial instruments measured at fair value (trading, designated at fair value through profit or loss, debt instruments and investments in equity instruments measured at fair value through other comprehensive income, non-trading financial assets mandatorily measured at fair value through profit or loss, derivatives).

The financial instruments accounted for at fair value are measured by maximizing the usage of observable inputs, resulting in three possible levels reflecting the degree of observability and reliability of the inputs.

Financial instruments measured at fair value for which reliable quoted market prices are available (level 1).

Level 1 represents the highest level of observability. When Fair Value can be derived directly from quoted prices in an active market for identical instruments with no adjustments they classify as Level 1 within IFRS 13 fair value hierarchy. These prices are readily available and require minimal judgement. Hence, the quotes provide for reliable evidence of fair value and are therefore used for fair value measurement (for example interest rate futures, liquid bonds, etc).

The determination whether or not there is an active market is based on criteria such as volume, bid- offer spread and the number of price/spread contributions.

Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques (level 2 and 3)

Financial instruments for which no quoted market prices in active markets are available, are valued by means of valuation techniques. This is done by using a model based on observable or unobservable inputs. The models that Belfius uses range from standard models available in the market to in-house developed valuation models. Availability of some observable market prices and model inputs reduces the need for management judgement and estimation and the uncertainty associated with the determination of fair values. These availabilities vary depending on the products and markets and are subject to changes based on specific events and

general conditions in the financial markets. The use of observable inputs must be maximised.

Once a financial instrument is not classified as level 1, Belfius will identify each input of the Valuation model (including Unearned Credit Spread and Funding Spread components of the valuation) and classify the input as observable or unobservable.

Observable or Level 2 inputs are those that are implied or extracted using market data (e.g. bootstrapping of an IR Curve), such as publicly available broker data or information about transactions which reflect the assumptions that market participants would use when pricing the asset or liability. Examples of observable inputs are the risk-free rates, exchange rates, stock prices and volatility implied from active listed options.

Unobservable inputs or Level 3 inputs are inputs which do not meet the requirements of demonstrating observability, either directly or indirectly per similarity, market corroboration. They reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the instrument (e.g. proxies or correlation factors are usually not observable).

Once we classified each input of the model used to value the instrument as observable or unobservable, we test the materiality of the unobservable inputs in the pricing of the instrument. If the combined effect of non-observable inputs is significant, then the instrument is considered as Level 3 instrument. Otherwise, if only observable inputs materially affect the valuation, the instrument will be considered as Level 2.

For that reason, structured loans measured at fair value through profit and loss are classified as level 3. These financial assets are illiquid and not traded on an active market. The fair value is determined by a valuation model essentially based on non-observable data including additional value adjustments as described below.

Bonds traded in inactive markets are valued using valuation techniques. To price its portfolio of illiquid bonds, Belfius calculates spreads based on a cross section method using a large universe of bonds and CDS spreads. The calculated spreads are challenged every quarter by means of comparisons with observable market spreads.

Unquoted equity instruments are systematically classified as level 3. In accordance with the principles set out in IFRS 13, different fair value measurement models for unquoted equity instruments are possible (discounted cash flow, net asset value, recent transaction price, etc).

Derivatives are valued at mid-market prices for which the former described cascade (level 1, 2, 3) is applied. For level 2 fair values, Belfius uses observable market parameters and valuation models that are in line with market practice. Models used may include discounted cashflow analysis based on discount and estimation curves, option pricing models, convexity adjustments, proxy methods or non-arbitrage relationships. The discount interest rate curves take account of any collateral agreements and value adjustments may apply.

Following value adjustments and so-called XVA's are applied within Belfius:

- Unearned credit spread: this value adjustment takes account of the possibility that a counterparty might default and part of the fair value cannot be recovered (Credit Value Adjustment) and of the creditworthiness of Belfius (Debit Value Adjustment). The Unearned credit spread is calculated both on collateralized and non-collateralized derivatives. For collateralized derivatives with standard ISDA/CSA agreements, the unearned credit spread is calculated taking into account the Margin Period of Risk and the collateral exchanged. An estimation is made of the expected exposures, by forecasting the future fair value of the derivative in line with market practice. These expected exposures are then multiplied by an expected loss indication. Seeing that the majority of these expected losses are not directly observable in the market, Belfius uses market-derived spreads which are determined by means of a method based on cross-sections on a large universe of CDS spreads.

- Bid/ask spread adjustment: because the mid-market prices do not take account of the direction in which the deal was closed, the bid/ask adjustment does take account of this information in the total fair value.

- Funding spread: this value adjustment takes into account the funding cost for uncollateralized transactions. For all uncollateralized transactions, a correction is made for the funding value adjustment based on the average funding cost of Belfius Bank. This funding cost is determined by ALM taking into account the different funding sources. For collateralized transactions where not only a variation margin but also an initial margin is posted, a correction is made for the funding of this margin.

- Market price uncertainty: value adjustment for uncertainty of market parameters.

- Model risk: this value adjustment is made if the assumptions used in a valuation model cannot be verified with sufficient accuracy.

Financial instruments measured at amortised cost (having valuations at fair value in IFRS disclosures)

The fair value of debt instruments held within the business model "hold to collect contractual cash flows", is determined using the following valuation principles.

General principles

- the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;
- for bonds the valuation is done in the same way as bonds measured at fair value through other comprehensive income;

Interest-rate part

- the fair value of fixed-rate loans and mortgage loans reflects interest-rate movements since inception;
- loans with an adjustable rate are priced using the corresponding forward rates increased with the contractual margin;
- market or model values for caps, floors and prepayment options are included in the fair value of loans and receivables;
- the fair value of variable-rate loans (e.g. 3M-euribor) is assumed to be approximated by their carrying amounts;
- target net commercial margins of loans are also included in the fair value;
- the future potential prepayment rate has been approximated by taking into account an internal estimate.
- As general method, the Fair Value of loans is calculated by discounting the future cash flows. The discount curve includes the risk free rate (Interest Rate Swap curve), a liquidity premium (derived from Belfius' internal transfer price methodology) and a commercial margin.

A. Quantitative information on significant unobservable data (level 3)

If the fair value of a financial instrument is determined based on valuation techniques using inputs that are not based on observable market data, alternative assumptions may impact the equity and the result.

Financial instrument	Non-observable items	Difference with alternative assumptions	Impact in P&L of alternative assumptions (in millions of EUR)	Impact in equity of alternative assumptions (in millions of EUR)
OTC swaps on Belgian inflation	Expectations in Belgian inflation	+50bps	-2.20	
OTC derivatives on CMS spread	Correlation between CMS interest rates	10%	-0.95	
CMS instruments	Linear swap rate	10%	-0.53	
Collateralised Debt Obligation	Credit spread	-10 bps	-3.43	
Credit Default Swap	Credit spread	-10 bps	-1.62	
Illiquid bonds	Credit spread	-10 bps	0.06	4.38
Equity derivatives	Repo margins	-60bps	-8.14	
Equity derivatives	Volatility surface	0.04	-5.58	
IR derivatives	Volatility surface (SABR)		-4.00	
XVA on derivatives	Credit spread	60bps	-4.00	
Inflation derivatives	Seasonality	15bps	-0.97	

B. Valuation process

The valuation process follows a strict governance. First of all, the Risk department operates a strong Independent Price Verification process by performing independent controls on the parameters used for the valuation process before injection into the systems. Most parameters are updated daily. Secondly, the models used are validated by the Validation department which reports directly to the CRO. Validation reports and model change proposals are presented to the Financial Markets Fair Value committee for decision. This committee reports directly to the Financial Markets Committee which is led by three members of the Management Board (CRO, CFO, Head of WEP). For unquoted equities and participations, the fair values are challenged by the Participation Forum which presents the main fair value changes to the Financial Markets Fair Value committee for approval.

C. Transfers between valuation levels

For derivative products, the level was previously based on market data observability criteria and validation status of the model. Hierarchy rules are now based on reviewed observability rules, on significance of the unobservable inputs and they include the inputs related to credit and funding value adjustments.

Besides new, matured or ended transactions, and changes in fair values due to market evolutions, these adaptations of levelling rules have caused some changes in level of different instruments.
Related transfers from L2 to L3 mainly concern equity structured products with unobservable volatility or derivatives for which unobservable credit or funding spread are considered significant. Transfers from L3 to L2 concern mainly liquid CDS Index swaps or CMS products for which unobservable inputs are not significant (anymore). In the future, additional changes may be expected due to changes in observability or significance of unobservable parameters.

Levels for bonds are depending on an internal liquidity score. The liquidity score is distributed between very liquid (high score) and illiquid (low score). Therefore, a small change in the liquidity on the market does not immediately influence the distribution of level 1, 2 or 3. Some bonds are nevertheless close to the border of illiquidity and may change from level. For structured bonds on the liability side, levels are determined following the methodology of the hedging derivatives.

During 2023, the change in level determination methodology had an impact on the liability side. Transfers from L2 to L3 were mainly linked to equity structured bonds. Transfers from L3 to L2 were linked to interest rate structured bonds. There were also some covered bonds that moved to L1.
On asset side, the biggest impact is due to the application of IFRS17 for Belfius Insurance. Other transfers are related to changes of liquidity.

6. Disclosure of difference between transaction prices and model values (deferred day one profit)

During 2023, around EUR 0.8 million has been recognized as deferred Day One Profit (DOP). This amount comes from a limited number of transactions.

As Belfius principally treats plain vanilla products (like interest rate swaps), and some more complex products (like structured transactions) which are hedged in the market in line with market risk limits and framework, the resulting day one profit is recognized up-front.

9.2. Credit risk exposure

1. The credit risk management practices - general principles

Maximum Credit Risk Exposure is expressed as Full Exposure At Default (FEAD), and is determined as follows:

→ for balance sheet assets (except for derivatives): the gross carrying amounts (before impairment);

→ for derivatives: the fair value of derivatives after netting, increased with the potential future exposure calculated under the current exposure method (add-on);

→ for Securities Financing Transactions:
- for reverse repo's: the amount of collateral up to the amount lent
- for repo's: the collateral value in excess of the amount borrowed;

→ for off-balance sheet commitments: either the undrawn part of liquidity facilities or the maximum commitment of Belfius for guarantees granted to third parties;

Note that the definition of the Maximum Credit Risk Exposure as used internally and for the risk tables presented below, presenting the carrying amount of its assets gross of any impairment losses differs slightly from IFRS 7 with a presentation of assets net of impairment.

2. Inputs, assumptions and techniques used for estimating impairment

We refer to the chapter "Risk management" of the management report for further information, section Credit Risk.

3. Analysis of total credit risk exposure

A. Exposure by geographical region

	31/12/22								
(in thousands of EUR)	Belgium PF[1]	France	Luxem-bourg	Germany	Portugal	Ireland	Italy	Greece	Spain
Cash and balances with central banks	27,284,027	0	0	0	0	0	0	0	0
Loans and advances	108,032,832	517,262	838,526	674,191	6,464	8,679	39,736	156	456,957
Measured at amortised cost	107,242,945	517,262	838,526	674,191	6,464	8,679	39,736	156	456,957
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	789,887	0	0	0	0	0	0	0	0
Debt securities	6,415,717	3,980,734	193,701	347,527	276,440	270,997	1,219,732	0	1,169,173
Measured at amortised cost	5,400,212	3,373,499	87,277	236,238	71,401	156,911	895,784	0	801,942
Measured at fair value through other comprehensive income	880,829	596,865	106,267	111,226	205,039	114,086	323,948	0	367,118
Measured at fair value through profit or loss	134,676	10,370	157	63	0	0	0	0	113
Derivatives	418,717	190,014	19,003	135,097	0	13,343	10,037	0	67,321
Loan commitments and financial guarantees given	33,523,704	712,285	700,924	23,857	11,525	1,966	8,037	239	5,607
Other (of which mainly securities lending and margin calls)	5,635,126	2,003,192	331,957	432,483	4,863	9,385	45,347	2,268	34,332
TOTAL	181,310,123	7,403,487	2,084,111	1,613,155	299,292	304,370	1,322,889	2,663	1,733,390

(1) Pro forma due to refinement in presentation for ECB deposit facility.

(in thousands of EUR)	31/12/22									
	Other EU countries PF[1]	Rest of Europe	United States and Canada	United Kingdom	South-east Asia	South and Central America	Turkey	Japan	Other	TOTAL
Cash and balances with central banks	0	1,918	7,301	1,310	283	163	34	258	648	27,295,942
Loans and advances	737,364	63,513	13,798	97,725	15,719	4,465	1,857	2,359	30,972	111,542,575
Measured at amortised cost	737,364	63,513	13,798	97,725	15,719	4,465	1,857	2,359	30,972	110,752,688
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	0
Measured at fair value through profit or loss	0	0	0	0	0	0	0	0	0	789,887
Debt securities	1,321,921	269,043	1,336,077	2,860,535	23,652	92,169	0	399,438	646,419	20,823,275
Measured at amortised cost	1,134,546	265,324	1,177,992	2,766,297	23,652	70,585	0	382,021	645,728	17,489,409
Measured at fair value through other comprehensive income	160,760	3,675	157,602	83,487	0	21,584	0	17,381	678	3,150,545
Measured at fair value through profit or loss	26,615	44	483	10,751	0	0	0	36	13	183,321
Derivatives	76,022	10,181	153,515	927,388	3,268	0	0	22,169	6,623	2,052,698
Loan commitments and financial guarantees given	262,056	114,400	919,653	346,846	270,716	242,000	49,451	98	102,099	37,295,463
Other (of which mainly securities lending and margin calls)	72,019	558,155	38,355	797,318	0	1	0	1,312	102,328	10,068,441
TOTAL	2,469,382	1,017,210	2,468,699	5,031,122	313,638	338,798	51,342	425,634	889,089	209,078,394

(1) Pro forma due to refinement in presentation for ECB deposit facility.

(in thousands of EUR)	31/12/23								
	Belgium[1]	France	Luxem-bourg	Germany	Portugal	Ireland	Italy	Greece	Spain
Cash and balances with central banks	20,228,895	0	0	0	0	0	0	0	0
Loans and advances	112,003,576	663,439	972,533	359,138	4,392	10,678	51,327	145	513,788
Measured at amortised cost	107,150,789	663,403	967,533	359,138	4,392	10,643	51,327	145	513,646
Measured at fair value through other comprehensive income	4,278,131	36	5,000	0	0	35	0	0	143
Measured at fair value through profit or loss	574,656	0	0	0	0	0	0	0	0
Debt securities	6,319,834	4,213,058	124,578	356,332	238,624	258,343	1,204,480	0	1,270,610
Measured at amortised cost	2,744,533	3,044,423	22,066	156,513	31,099	0	904,208	0	606,055
Measured at fair value through other comprehensive income	3,514,647	1,157,239	102,384	198,992	207,525	258,106	300,097	0	664,437
Measured at fair value through profit or loss	60,654	11,396	128	827	0	237	175	0	118
Derivatives	522,548	173,798	24,821	188,502	0	18,314	2,348	0	66,126
Loan commitments and financial guarantees given	33,345,546	675,513	970,717	10,772	5,058	1,000	4,570	5,059	5,389
Other (of which mainly securities lending and margin calls)	6,520,063	1,408,582	300,848	447,926	0	7,811	41,821	6,210	24,361
TOTAL	178,940,462	7,134,390	2,393,497	1,362,670	248,074	296,146	1,304,546	11,414	1,880,274

(1) Cash and balances with central banks decreased compared to 2022 due to a decrease of Belfius' deposit facility at the NBB/ECB. Belfius deposits part of its cash at the NBB/ECB within the framework of its liquidity management.

(in thousands of EUR)	31/12/23									
	Other EU countries	Rest of Europe	United States and Canada	United Kingdom	South-east Asia	South and Central America	Turkey	Japan	Other	TOTAL
Cash and balances with central banks	247,725	1 729	6 975	981	254	167	36	234	526	20,487,522
Loans and advances	879,173	421,651	18,872	45,933	9,804	4 927	1 492	705	26,124	115,987,697
Measured at amortised cost	879,173	421,651	18,836	45,933	9,804	4 927	1 492	705	26,124	111,129,661
Measured at fair value through other comprehensive income	0	0	36	0	0	0	0	0	0	4283 380
Measured at fair value through profit or loss	0	0	0	0	0	0	0	0	0	574,656
Debt securities	1,872,665	371,386	1,503,483	2,789,490	22,833	36,088	0	400,188	746,247	21,728,238
Measured at amortised cost	1,022,747	303,730	1,063,871	2,595,469	22,833	0	0	375,388	744,579	13,637,514
Measured at fair value through other comprehensive income	832,338	47,815	436,717	193,707	0	36,088	0	23 636	1 655	7,975,383
Measured at fair value through profit or loss	17,580	19 841	2,895	314	0	0	0	1 164	13	115,342
Derivatives	67,119	5 960	162,626	1,087,145	393	0	0	22 374	3 123	2,345,197
Loan commitments and financial guarantees given	304,072	99,792	869,386	367,770	172,243	215,711	48,430	156	157,701	37,258,885
Other (of which mainly securities lending and margin calls)	61,513	61,204	104,377	863,527	3	1	0	5 877	54,847	9,908,971
TOTAL	3,432,267	961,722	2,665,719	5,154,846	205,530	256,894	49,958	429,534	988,568	207,716,511

B. Exposure by category of counterpart

(in thousands of EUR)	31/12/22						
	Central governments	Public sector entities	Corporate	Project finance	Individuals, SME, self-employed	Financial institutions	TOTAL
Cash and balances with central banks	27,295,943	0	0	0	0	0	27,295,943
Loans and advances	646,956	24,481,604	29,604,658	1,232,919	54,810,880	765,558	111,542,606
Measured at amortised cost	646,956	23,699,280	29,597,096	1,232,919	54,810,880	765,558	110,752,689
Measured at fair value through other comprehensive income	0	0	0	0	0	0	0
Measured at fair value through profit or loss	0	782,325	7,592	0	0	0	789,917
Debt securities	8,395,451	3,250,693	3,249,150	734,311	0	5,193,669	20,823,274
Measured at amortised cost	6,821,827	2,728,538	2,192,247	734,311	0	5,012,485	17,489,408
Measured at fair value through other comprehensive income	1,549,854	406,189	1,035,760	0	0	158,740	3,150,543
Measured at fair value through profit or loss	23,770	115,966	21,143	0	0	22,444	183,323
Derivatives	44,109	133,581	792,745	141,709	573	939,979	2,052,696
Loan commitments and financial guarantees given	229,771	12,989,571	16,039,240	231,177	6,889,571	916,132	37,295,462
Other (of which mainly securities lending and margin calls)	624,022	228,943	5,171,443	912	2,107	4,041,015	10,068,442
TOTAL	37,236,252	41,084,392	54,857,236	2,341,028	61,703,131	11,856,353	209,078,392

(in thousands of EUR)	31/12/23						
	Central governments	Public sector entities	Corporate	Project finance	Individuals, SME, self-employed	Financial institutions	TOTAL
Cash and balances with central banks	20,487,522	0	0	0	0	0	20,487,522
Loans and advances	621,105	24,726,728	31,797,314	1,332,531	56,624,800	885,218	115,987,696
Measured at amortised cost	621,105	24,159,875	31,770,553	1,332,531	52,716,129	870,484	111,470,676
Measured at fair value through other comprehensive income	0	0	18,960	0	3,908,671	14,734	3,942,365
Measured at fair value through profit or loss	0	566,853	7,802	0	0	0	574,655
Debt securities	8,703,620	2,963,967	3,173,083	728,961	0	6,158,610	21,728,241
Measured at amortised cost	3,947,441	1,933,337	1,676,508	728,961	0	5,351,266	13,637,513
Measured at fair value through other comprehensive income	4,692,713	1,020,391	1,491,589	0	0	770,692	7,975,385
Measured at fair value through profit or loss	63,466	10,239	4,986	0	0	36,652	115,343
Derivatives	42,612	163,926	853,048	170,395	2,428	1,112,787	2,345,196
Loan commitments and financial guarantees given	227,735	12,468,191	17,112,083	209,664	6,416,441	824,770	37,258,884
Other (of which mainly securities lending and margin calls)	773,781	290,039	5,755,170	2,798	2,340	3,084,843	9,908,971
TOTAL	30,856,375	40,612,851	58,690,698	2,444,349	63,046,009	12,066,228	207,716,510

Cash and balances with central banks decreased compared to 2022 due to the TLTRO III partial redemptions. Belfius deposits these TLTRO III drawings partly at the NBB, within the framework of its liquidity management. On the other hand the exposure on corporate counterparts and individuals, SME and self employed increased thanks to the increased loan production in these segments, in line with Belfius' strategy.

C. Detail of most important countries per counterparty

(in thousands of EUR)	31/12/22					
	Central government bonds	Financial institutions	Public sector entities	Corporate - Project finance	Other PF[1]	TOTAL
Belgium PF[1]	3,592,035	416,899	39,736,822	43,652,098	93,912,268	181,310,122
France	1,133,328	3,120,616	225,674	1,292,755	1,631,113	7,403,486
United Kingdom	0	1,152,828	0	2,922,831	955,463	5,031,122
Spain	883,852	458,923	49,548	105,374	235,693	1,733,390
Italy	1,204,132	40,822	0	69,065	8,870	1,322,889
United States and Canada	0	751,938	337,644	1,294,326	84,789	2,468,697
TOTAL	6,813,348	5,942,026	40,349,689	49,336,450	96,828,196	199,269,709

(1) Pro forma due to refinement in presentation for ECB deposit facility.

(in thousands of EUR)	31/12/23					
	Central government bonds	Financial institutions	Public sector entities	Corporate - Project finance	Other	TOTAL
Belgium	3,731,134	627,058	39,244,089	46,574,095	88,764,085	178,940,461
France	1,039,797	2,575,996	306,590	1,365,000	1,847,007	7,134,390
United Kingdom	0	1,383,887	0	2,854,936	916,023	5,154,846
Spain	969,134	520,390	52,534	85,573	252,642	1,880,273
Italy	1,166,445	37,656	0	72,903	27,542	1,304,546
United States and Canada	0	1,013,522	333,264	1,279,580	39,353	2,665,719
TOTAL	6,906,510	6,158,509	39,936,477	52,232,087	91,846,652	197,080,235

4. Maximum Credit Risk exposure by categories of Financial Instruments subject to impairment

A. Financial Assets

(in thousands of EUR)	31/12/22			
	Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	TOTAL
CREDIT RATING GRADES				
Cash and balances with central banks	27,295,943	0	0	27,295,943
LOANS AND ADVANCES				
Measured at amortised cost	95,963,654	12,837,364	1,951,670	110,752,688
AAA to AA-	31,983,961	2,123,592	84,579	34,192,132
A+ to BBB-	42,190,267	3,515,132	18	45,705,417
Non investment grade	19,853,160	6,960,480	825	26,814,465
Default	0	0	1,863,343	1,863,343
Unrated	1,936,265	238,161	2,905	2,177,331
Measured at fair value through other comprehensive income	0	0	0	0
AAA to AA-	0	0	0	0
A+ to BBB-	0	0	0	0
Non investment grade	0	0	0	0
Default	0	0	0	0
Unrated	0	0	0	0
DEBT SECURITIES				
Measured at amortised cost	12,521,120	4,963,881	4,407	17,489,408
AAA to AA-	6,358,962	0	0	6,358,962
A+ to BBB-	5,983,020	4,634,962	1,784	10,619,766
Non investment grade	128,574	328,919	0	457,493
Default	0	0	2,623	2,623
Unrated	50,564	0	0	50,564
Measured at fair value through other comprehensive income	2,705,752	434,783	10,010	3,150,545
AAA to AA-	700,888	0	0	700,888
A+ to BBB-	1,643,756	316,953	0	1,960,709
Non investment grade	148,274	72,461	0	220,735
Default	0	0	10,010	10,010
Unrated	212,834	45,369	0	258,203

(in thousands of EUR)	31/12/23			
	Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	TOTAL
CREDIT RATING GRADES				
Cash and balances with central banks	20,487,522	0	0	20,487,522
LOANS AND ADVANCES				
Measured at amortised cost	98,311	10,656	2,163	111,130
AAA to AA-	33,972	1,169	89	35,230
A+ to BBB-	42,583	2,242	6	44,831
Non investment grade	21,454	7,052	9	28,516
Default	0	0	2,043	2,043
Unrated	301	192	16	510
Measured at fair value through other comprehensive income	4,080,720	178,089	24,571	4,283,380
AAA to AA-	77,219	0	0	77,219
A+ to BBB-	1,878,827	2,765	0	1,881,592
Non investment grade	2,102,771	175,324	672	2,278,768
Default	0	0	23,899	23,899
Unrated	21,902	0	0	21,902
DEBT SECURITIES				
Measured at amortised cost	8,572,997	5,064,516	0	13,637,513
AAA to AA-	3,436,619	0	0	3,436,619
A+ to BBB-	5,117,182	4,539,433	0	9,656,615
Non investment grade	19,196	525,083	0	544,279
Default	0	0	0	0
Unrated	0	0	0	0
Measured at fair value through other comprehensive income	7,820,909	154,476	0	7,975,385
AAA to AA-	3,636,714	6,831	0	3,643,545
A+ to BBB-	3,675,500	52,181	0	3,727,681
Non investment grade	179,448	62,067	0	241,515
Default	0	0	0	0
Unrated	329,247	33,397	0	362,644

B. Off-Balance sheet exposure

(in thousands of EUR)	31/12/22 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	TOTAL
CREDIT RATING GRADES				
Loan commitments and financial guarantees given	33,734,221	3,464,104	97,136	37,295,462
AAA to AA-	4,721,639	528,362	51,434	5,301,434
A+ to BBB-	21,937,740	805,526	2	22,743,268
Non investment grade	6,796,011	2,088,307	118	8,884,436
Default	0	0	45,546	45,546
Unrated	278,831	41,910	37	320,778

(in thousands of EUR)	31/12/23 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	TOTAL
CREDIT RATING GRADES				
Loan commitments and financial guarantees given	34,241,056	2,883,992	133,837	37,258,885
AAA to AA-	5,144,460	87,297	40,788	5,272,545
A+ to BBB-	22,427,750	490,161	2,139	22,920,050
Non investment grade	6,476,090	2,254,977	12,806	8,743,873
Default	0	0	78,064	78,064
Unrated	192,756	51,557	40	244,353

The indicated ratings are either internal or external based. In fact, Belfius applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar 1 of Basel III. Except for Asset Backed Securities (ABS) positions for which the credit risk is based on external ratings only (Fitch, Standard & Poors and/or Moody's).

C. Purchased at credit impaired

Nil.

5. Maximum credit risk exposure by class of financial instruments and impact of collateral

Belfius receives the following types of collateral:

→ Cash, debt securities, equities, gold...;
→ immovable property collateral (for example in the form of mortgages or mortgage mandates on physical assets such as homes, commercial property or vessels);
→ receivables;
→ leasing;
→ other physical collateral;
→ guarantees;
→ credit derivatives.

The main principle for valuing collateral is to determine and make use of the expected realisation value at the time of a possible future default when the Bank might have to realise the collateral. The valuation of collateral used in the credit origination and life-cycle is performed periodically during the credit life cycle in a risk-based and proportional manner (depending on the type of collateral, remaining level of credit exposure and evolution of the credit quality of the obligor).

The table below shows the impact of physical collateral:

	31/12/22		31/12/23	
(in thousands of EUR)	Maximum credit risk exposure	Effect of physical collateral	Maximum credit risk exposure	Effect of physical collateral
Cash and balances with central banks	27,295,942	0	20,487,522	0
Loans and advances	111,542,373	6,589,203	115,987,697	7,311,014
Measured at amortised cost	110,752,486	6,587,657	111,470,676	7,308,722
Measured at fair value through other comprehensive income	0	0	3,942,365	0
Measured at fair value through profit or loss	789,887	1,546	574,656	2,293
Debt securities	20,823,274	0	21,728,240	0
Measured at amortised cost	17,489,408	0	13,637,513	0
Measured at fair value through other comprehensive income	3,150,544	0	7,975,384	0
Measured at fair value through profit or loss	183,322	0	115,343	0
Derivatives	2,052,695	0	2,345,196	0
Loan commitments and financial guarantees given	37,295,463	460,213	37,258,884	474,273
Other (of which mainly securities lending and margin calls)	10,068,442	0	9,908,971	0
TOTAL	209,078,189	7,049,416	207,716,510	7,785,287

6. Financial assets subject to impairment that are past due

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered on a contract by contract basis. For example, if a counterpart fails to pay the required interests at due date, the entire loan is considered as past due.

31/12/22	Financial instruments without significant increase in credit risk since initial recognition (stage 1)			Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)			Carrying amount Credit impaired financial assets (stage 3)		
(in thousands of EUR)	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans and advances due from credit institutions	0	0	0	1,432	0	8	0	0	0
Loans and advances	177,280	40,310	16,594	117,255	46,774	26,214	255,488	40,872	522,392
Debt securities	0	0	0	0	0	0	942	0	0
TOTAL	177,280	40,310	16,594	118,686	46,774	26,222	256,431	40,872	522,392

31/12/23	Financial instruments without significant increase in credit risk since initial recognition (stage 1)			Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)			Carrying amount Credit impaired financial assets (stage 3)		
(in thousands of EUR)	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans and advances due from credit institutions	186	0	0	219	3	8	0	0	0
Loans and advances	181,758	41,625	12,448	127,604	69,814	39,861	348,604	49,193	595,223
Debt securities	0	0	0	0	0	0	0	0	0
TOTAL	181,944	41,625	12,448	127,823	69,817	39,869	348,604	49,193	595,223

A default status is assigned to the debtors who satisfy either one or both of the following criteria:

→ The debtor has material exposures which are more than 90 days past due;

→ The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless the existence of any past due amount or the number of days past due.

Refer to the section “The risk management process concerning Forbearance, Watchlist, Default and Impairments” in the Credit Risk chapter of the Management Report for further information.

7. Forbearance

(in thousands of EUR)	31/12/22			
	Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received	
			Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Loans and advances due from credit institutions	0	0	0	0
Loans and advances	1,781,569	(249,044)	1,246,337	49,853
Debt securities	0	0	0	0
Off-Balance sheet exposure	43,958	0	23,441	377

(in thousands of EUR)	31/12/23			
	Gross carrying amount of exposures with forbearance measures	Impairment	Collateral received and financial guarantees received	
			Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Loans and advances due from credit institutions	0	0	0	0
Loans and advances	1,566,836	(233,795)	1,051,942	39,038
Debt securities	0	0	0	0
Off-Balance sheet exposure	30,984	0	15,308	681

Faced with the Covid-19 pandemic and its potential consequences on the financial situation of borrowers, Belfius has reviewed its forbearance policy in 2020-2021 in line with the EBA guidance: there is no automatic change in the forbearance classification for borrowers only based on the fact of a new loan granted under the state guarantee scheme or EBA compliant requested moratoria. In this context, the most vulnerable clients associated with high PD's and, with potentially longer-term use of moratoria were recognized as forborne.

Contracts which have reached their probation period of 2 years are assessed to determine if they are eligible for deflagging and should no longer be considered as forbearance measures.

Forbearance outflow linked to Covid-19 started mid 2022 and continued in 2023.

At the end of 2023, an amount of EUR 1,598 million of loans at Belfius complied with the forbearance definition, of which EUR 60 million related to Belfius Insurance compared to, respectively, EUR 1,826 million and EUR 97 million at the end of 2022. Customers in the Corporate (EUR 686 million) and Business segment (EUR 443 million) represent the highest volumes with a forbearance status.

In 2023, the forbearance volumes decreased with EUR 228 million but the volumes still remain above pre-Covid levels. This is mainly explained by the outflow of forborne exposures related to Covid measures, and by the increase in Corporate Banking forborne exposures since the end 2022, concentrated in the commercial real estate portfolio.

Refer to the section "The risk management process concerning Forbearance, Watchlist, Default and Impairments" in the Credit Risk chapter of the Management Report for further information.

8. Movements in allowances for credit losses

(in thousands of EUR)	31/12/22 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(213)	(110)	0	(323)
Changes due to origination, acquisition and derecognition	126	5	0	132
Changes due to credit risk[1]	28	50	0	78
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(12)	12	0	0
Foreign exchange and other movements	(4)	(0)	0	(4)
BALANCE AT 31 DECEMBER	(75)	(43)	0	(118)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(128,120)	(422,498)	(1,214,893)	(1,765,512)
Changes due to origination, acquisition and derecognition	(145,301)	47,303	17,909	(80,087)
Changes due to credit risk[1]	218,533	(147,924)	(73,893)	(3,284)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	32,268	(31,382)	(885)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(145,833)	175,974	(30,142)	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	(1,014)	(45,947)	46,961	0
Decrease in allowance due to write off	0	0	50,310	50,310
Foreign exchange and other movements	(79)	(778)	(2,911)	(3,769)
BALANCE AT 31 DECEMBER	(169,546)	(425,251)	(1,207,544)	(1,802,342)
LOANS AND ADVANCES				
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(2,951)	(190)	0	(3,141)
Changes due to origination, acquisition and derecognition	(2,344)	43	0	(2,301)
Changes due to credit risk[1]	(1,825)	(1,153)	0	(2,978)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	24	(24)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(1,110)	1,110	0	0
BALANCE AT 31 DECEMBER	(8,206)	(214)	0	(8,420)

(1) Includes movements in expected credit losses (ECL) as a result of transfers from higher or lower stages.

(in thousands of EUR)	31/12/22			
	Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
DEBT SECURITIES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(1,568)	(169,362)	(3,325)	(174,255)
Changes due to origination, acquisition and derecognition	(100)	1,225	0	1,125
Changes due to credit risk[1]	(119)	13,031	0	12,912
Transfer from stage 1 (12-month ECL) to stages 2 & 3	218	(218)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(329)	329	0	0
Foreign exchange and other movements	20	5,346	0	5,367
BALANCE AT 31 DECEMBER	(1,877)	(149,649)	(3,325)	(154,852)
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(1,964)	(17,126)	0	(19,090)
Changes due to origination, acquisition and derecognition	(848)	3,934	0	3,086
Changes due to credit risk[1]	350	(6,232)	(2,995)	(8,877)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	218	(218)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(383)	5,388	(5,005)	0
BALANCE AT 31 DECEMBER	(2,627)	(14,254)	(8,000)	(24,881)
OFF-BALANCE SHEET EXPOSURE				
BALANCE AT 1 JANUARY	36,562	113,652	12,049	162,263
Changes due to origination, acquisition and derecognition	104,870	(48,933)	(7,544)	48,393
Changes due to credit risk[1]	(119,756)	69,326	11,693	(38,737)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	(6,245)	6,146	99	(0)
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	37,661	(39,185)	1,523	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	255	5,472	(5,727)	0
Foreign exchange and other movements	38	233	32	304
BALANCE AT 31 DECEMBER	53,385	106,712	12,126	172,222

(1) Includes movements in expected credit losses (ECL) as a result of transfers from higher or lower stages.

An increase in stage 1 and 2 impairment allowances can be noted following the increased macro-economic uncertainties. In particular, Belfius has updated the underlying macroeconomic scenarios as well as reassessed the overlays for specific risk pockets and individual counterparts. As customary, impairments were also recognised on a limited number of defaulted (stage 3) exposures during 2022 and as a result of portfolio evolutions.

The impact on the statement of income (impairments on financial instruments and provisions for credit commitments) is EUR -106 million in 2022, compared to EUR +1 million in 2021. The ex-ante provisioning of EUR 216 million per end 2021 increased to EUR 235 million per end 2022, and is explained by the update of the macroeconomic factors (increase of EUR 68 million) and the reassessment of the overlays for specific risk pockets and individual counterparts (decrease of EUR 49 million).

(in thousands of EUR)	31/12/23 Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(75)	(43)	0	(118)
Changes due to origination, acquisition and derecognition	(87)	17	0	(70)
Changes due to credit risk[1]	31	(55)	0	(24)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	15	(15)	0	0
Foreign exchange and other movements	2	3	0	5
BALANCE AT 31 DECEMBER	(114)	(92)	0	(206)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(169,546)	(425,251)	(1,207,544)	(1,802,342)
Changes due to origination, acquisition and derecognition	(129,414)	53,318	7,242	(68,854)
Changes due to credit risk[1]	225,629	(126,439)	(104,282)	(5,092)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	24,902	(23,725)	(1,177)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(131,583)	169,466	(37,882)	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	(1,965)	(26,011)	27,976	0
Decrease in allowance due to write off	0	0	48,385	48,385
Foreign exchange and other movements	3,406	8,856	3,370	15,632
BALANCE AT 31 DECEMBER	(178,573)	(369,787)	(1,263,913)	(1,812,272)
LOANS AND ADVANCES				
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(8,206)	(214)	0	(8,420)
Changes due to origination, acquisition and derecognition	(964)	1,235	0	271
Changes due to credit risk[1]	4,475	(6,718)	1,409	(834)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	1,135	(1,096)	(39)	(0)
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(4,715)	6,031	(1,316)	0
Foreign exchange and other movements	(3,308)	(8,712)	(1,886)	(13,907)
BALANCE AT 31 DECEMBER	(11,584)	(9,473)	(1,833)	(22,890)

(1) Includes movements in expected credit losses (ECL) as a result of transfers from higher or lower stages.

(in thousands of EUR)	31/12/23			
	Financial instruments without significant increase in credit risk since initial recognition (stage 1)	Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)	Credit impaired financial assets (stage 3)	Total
DEBT SECURITIES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(1,877)	(149,649)	(3,325)	(154,852)
Changes due to origination, acquisition and derecognition	(734)	284	0	(450)
Changes due to credit risk[1]	1,960	(10,505)	840	(7,705)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	223	(223)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(1,062)	1,062	0	0
Foreign exchange and other movements	451	(1,867)	0	(1,416)
BALANCE AT 31 DECEMBER	(1,039)	(160,898)	(2,485)	(164,423)
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(2,627)	(14,254)	(8,000)	(24,881)
Changes due to origination, acquisition and derecognition	(1,634)	1,203	8,000	7,568
Changes due to credit risk[1]	2,956	(4,304)	0	(1,348)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	371	(371)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(2,136)	2,136	0	0
Foreign exchange and other movements	(450)	(714)	0	(1,164)
BALANCE AT 31 DECEMBER	(3,520)	(16,304)	0	(19,825)
Off-Balance sheet exposure				
BALANCE AT 1 JANUARY	53,385	106,712	12,126	172,222
Changes due to origination, acquisition and derecognition	73,922	(27,427)	(126)	46,369
Changes due to credit risk[1]	(88,411)	35,287	5,952	(47,172)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	(5,281)	4,810	472	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	18,988	(25,264)	6,277	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	1,064	5,144	(6,208)	0
Foreign exchange and other movements	(104)	(101)	(36)	(241)
BALANCE AT 31 DECEMBER	53,562	99,161	18,456	171,179

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

An increase in stage 1 impairment allowances can be noted in line with the new production of loans and advances.

On the contrary, stage 1 and 2 impairment allowances decreased as a result of the update of the macroeconomic factors to reflect the resilience of the Belgian economy. The nature of the overlays for vulnerable exposures is shifted completely in 2023 from "Covid-driven" to "Energy & Inflation linked", which has led to a reassessment of these overlays and a partial reversal thereof.

Next to that, a higher level of default inflows is noted during 2023, resulting in an increase in stage 3 impairments.

The impact on the statement of income (impairments on financial instruments and provisions for credit commitments) is EUR -109 million in 2023, compared to EUR -105 million in 2022. The ex-ante provisioning of EUR 235 million per end 2022 decreased to EUR 194 million per end 2023, and is explained by the update of the macroeconomic factors (decrease of EUR 36 million) and the reassessment of the overlays for specific risk pockets and individual counterparts (decrease of EUR 5 million).

We refer to the section "Fundamentals of credit risk in 2023" in the Credit Risk chapter of the Management Report for further information.

9. Credit risk information about financial liabilities designated at fair value through profit or loss

31/12/22 (in thousands of EUR)	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount of the financial liability and contractual amount required to be paid at maturity (1)
		Change of the period	Cumulative amount	
	7,269,967	0	0	(657,355)

31/12/23 (in thousands of EUR)	Book value	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount of the financial liability and contractual amount required to be paid at maturity (1)
		Change of the period	Cumulative amount	
	8,201,730	0	0	(322,941)

(1) This amount includes the premium/discount and the change in market value.

Belfius estimates that the own credit risk is nil and that there has been no significant change in own credit risk since issuance.

10. Writte-offs

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is nihil.

9.3. Information on asset encumbrance and collateral received

1.1. Assets

(in thousands of EUR)	31/12/22			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,495,205	1,495,205
Debt securities	2,284,388	2,156,056	19,247,130	17,691,910
Loans and advances	21,920,234		88,390,558	
of which cash collateral given	4,046,273			

(in thousands of EUR)	31/12/23			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	0	0	1,451,468	1,451,468
Debt securities	1,719,055	1,553,476	20,576,872	19,667,348
Loans and advances	17,472,069		97,059,100	
of which cash collateral given	4,135,272			

1.2. Collateral received

(in thousands of EUR)	31/12/22		31/12/23	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	7,876	1,362,100	252,596	1,567,630
Debt securities	7,876	1,362,100	252,596	1,567,630
Other collateral received	0	0	0	0
Own debt securities issued other than own covered bonds or ABSs	0	430,829	0	436,822

2. Summary encumbrance by source

(in thousands of EUR)	31/12/22						TOTAL
	Encumbered assets						
	Loans and advances		Debt securities				
Source of encumbrance	Measured at amortised cost	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Fair value of encumbered collateral received or own debt securities issued	
Derivatives - collateral	3,978,095	0	760,430	0	0	3,414	4,741,939
Repurchase agreements	88,247	0	96,775	0	48	67	185,137
Collateralised deposits other than repurchase agreements	428,571	0	230,183	0	0	0	658,755
Central bank funding	8,203,470	0	310,649	0	0	4,395	8,518,514
Covered bonds issued	7,674,959	0	181,729	0	0	0	7,856,688
Fair value of securities borrowed with non cash-collateral	0	0	429,829	0	0	0	429,829
Securities lending	0	0	274,443	0	0	0	274,443
Other	1,546,891	0	302	0	0	0	1,547,194
TOTAL	21,920,234	0	2,284,340	0	48	7,876	24,212,498

(in thousands of EUR)	31/12/23						TOTAL
	Encumbered assets						
	Loans and advances		Debt securities				
Source of encumbrance	Measured at amortised cost	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss	Fair value of encumbered collateral received or own debt securities issued	
Derivatives - collateral	4,084,697	0	816,598	0	0	22,422	4,923,717
Repurchase agreements	1,861,126	0	141,466	0	0	664	2,003,257
Collateralised deposits other than repurchase agreements	25,300	0	346,260	0	0	229,510	601,070
Central bank funding	1,924,283	0	26,928	0	0	0	1,951,210
Covered bonds issued	8,024,464	0	366,444	0	0	0	8,390,908
Fair value of securities borrowed with non cash-collateral	0	0	0	0	0	0	0
Securities lending	0	0	0	0	0	0	0
Other	1,552,199	0	0	0	0	0	1,552,199
TOTAL	17,472,069	0	1,697,695	0	0	252,596	19,422,360

This information on asset encumbrance was determined on a consolidated basis of Belfius Bank and Belfius Insurance, according to the current Belfius interpretation of the EBA definition and scope.

Following the EBA definition, an asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. This definition covers more than the IFRS requirements that focuses more on pledged assets. Among the encumbered assets the securities lending should not be considered as pledged. As a consequence, assets pledged according to IFRS 7 amount to EUR 19.4 billion. This represents a decrease of EUR 4.5 billion compared to 2022.

The definition of encumbered assets includes assets that were pledged as a result of repurchase agreements, loans granted by the central banks, guarantees for the issuance of covered bonds and securitisations, the assets given under bond lending

transactions and collateral posted under the "Credit Support Annex" (CSA) or "Credit Support Deed" (CSD).

EBA disclosure requirements fit with IFRS 7 accounting standards disclosure requirements as it requests to report encumbered (and unencumbered) amounts of "own" assets both in carrying amount and in fair value, and encumbered (and unencumbered) amounts of received collateral in fair value.

Total collateral received amounts to EUR 1.8 billion end 2023. The Bank has the right to re-pledge this collateral that is fully available for encumbrance.

End 2023, an amount of EUR 4.9 billion of collateral is pledged for derivatives (cash + securities).

Belfius is active in the covered bond market since 2012. End 2023, the total notional amount issued was EUR 6.8 billion which represents an increase with EUR 0.3 billion compared to 2022. End 2023, the assets encumbered for this funding source consist of commercial loans (public sector and mortgage loans) and amount to EUR 8.0 billion (increase of EUR 0.1 billion compared to end 2022). Assets segregated in cover pools cannot be re-used by investors.

EUR 2.0 billion of the pledged collateral to the ECB is encumbered for TLTRO funding of EUR 1.4 billion. The assets pledged to collateralize the TLTRO funding are composed public, SME and mortgage loans (Credit claims pledged for ECB funding cannot be re-used by the ECB.

3. Encumbered assets/collateral received and associated liabilities

	31/12/22		31/12/23	
(in thousands of EUR)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	16,556,585	21,968,650	13,866,296	19,422,360

4. Transfer of financial assets that do not qualify for derecognition in the consolidated balance sheet

31/12/22			For those liabilities that recourse only to the transferred asset		
(in thousands of EUR)	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net position
Loans and advances due from credit institutions	0	0	0	0	0
Loans and advances	0	0	0	0	0
Debt securities	249	246	0	0	0
Equity instruments	0	0	0	0	0
Derivatives	0	0	0	0	0
TOTAL	249	246	0	0	0

31/12/23			For those liabilities that recourse only to the transferred asset		
(in thousands of EUR)	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net position
Loans and advances due from credit institutions	0	0	0	0	0
Loans and advances	0	0	0	0	0
Debt securities	1,475,960	1,410,726	0	0	0
Equity instruments	0	0	0	0	0
Derivatives	0	0	0	0	0
TOTAL	1,475,960	1,410,726	0	0	0

A. Repurchase agreements

Belfius uses repurchase agreements as financing transactions where securities are sold to a market counterparty in exchange for cash and where the transferred securities are repurchased at maturity date of the contract.

The repurchase agreements are conducted under the terms of the Global Master Repurchase Agreements. The market counterparties are subject to the credit risk process as described in the management report.
Since all significant risks and rewards associated with ownership of the transferred securities are retained, the securities remain on the balance sheet of Belfius. The cash obtained under this transaction is recognised as a liability.

Since the counterparty, in case of default, has not only a right on the transferred assets, but on the entire debt, the columns “for those liabilities that resort only to the transferred assets” are not applicable on this.

B. Securitisation of credits

Belfius has different securitisation vehicles that are consolidated as most of the risks and rewards remain for Belfius. The underlying financial assets continue to be recognized on the balance sheet and the liquid assets obtained through securitisation are represented by a debt instrument. We refer to note 12. ”Securitisation” for further details.

5. Collateral and other credit enhancements obtained by taking possession of collateral

Amounts involved are immaterial.

6. Offsetting

Financial assets and financial liabilities are offset (and, consequently, only the net amount is reported) when Belfius has a legally or contractually enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

A. Financial assets subject to offsetting

31/12/22				Amounts not set off in the balance		Net amount
(in thousands of EUR)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Financial instrument	Securities + cash collateral received	
Derivatives with London Clearing House[1]	8,039,284	8,037,731	1,554	0	0	1,554
Derivatives with master netting agreements [1]	3,972,762	0	3,972,762	2,847,881	901,870	223,011
Reverse repurchase agreements with London Clearing House	0	0	0	0	0	0
Reverse repurchase agreements with master netting agreements[2]	1,434,293	620,805	813,487	0	805,654	7,833
Securities borrowing	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0
TOTAL	13,446,339	8,658,536	4,787,803	2,847,881	1,707,524	232,398

31/12/23				Amounts not set off in the balance		Net amount
(in thousands of EUR)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Financial instrument	Securities + cash collateral received	
Derivatives with London Clearing House[1]	7,134,711	7,086,935	47,776	0	0	47,776
Derivatives with master netting agreements [1]	3,679,758	0	3,679,758	2,448,181	1,022,919	208,659
Reverse repurchase agreements with London Clearing House	0	0	0	0	0	0
Reverse repurchase agreements with master netting agreements[2]	1,598,118	28,574	1,569,544	0	1,569,461	83
Securities borrowing	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0
TOTAL	12,412,587	7,115,509	5,297,078	2,448,181	2,592,380	256,518

(1) Derivatives are included on the balance sheet in line item VI. Derivatives.
(2) Reverse repurchase agreements are included on the balance sheet in line items II. Loans and advances due from credit institutions measured at amortised cost and III. Loans and advances measured at amortised cost.

B. Financial liabilities subject to offsetting

31/12/22 (in thousands of EUR)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Amounts not set off in the balance: Financial instrument	Amounts not set off in the balance: Securities + cash collateral pledged	Net amount
Derivatives with London Clearing House	8,061,355	8,037,731	23,624	0	0	23,624
Derivatives with master netting agreements	6,692,967	0	6,692,967	2,847,881	3,310,158	534,928
Repurchase agreements with London Clearing House	0	0	0	0	0	0
Repurchase agreements with master netting agreements	621,541	620,805	735	0	735	0
Securities borrowing	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0
TOTAL	15,375,863	8,658,536	6,717,326	2,847,881	3,310,894	558,552

31/12/23 (in thousands of EUR)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Amounts not set off in the balance: Financial instrument	Amounts not set off in the balance: Securities + cash collateral pledged	Net amount
Derivatives with London Clearing House	7,088,041	7,086,935	1,106	0	0	1,106
Derivatives with master netting agreements	6,067,731	0	6,067,731	2,448,181	3,315,920	303,631
Repurchase agreements with London Clearing House	0	0	0	0	0	0
Repurchase agreements with master netting agreements	1,462,476	28,574	1,433,902	0	1,433,902	0
Securities borrowing	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0
TOTAL	14,618,248	7,115,509	7,502,739	2,448,181	4,749,822	304,737

Belfius continues to reassign, where possible, derivatives to LCH for which offsetting is applied.

9.4. Interest-rate repricing risk: breakdown by remaining maturity until next refixing interest rate

Sight accounts and saving deposits are presented in the column "At sight and on demand" as the information presented below takes into account the residual maturity until the next interest-rate refixing date on the legal repayment date, rather than on the observed behavioral customer data. However, for the determination of the interest rate sensitivity of the net asset value or earnings, the observed behaviour of customers on these liabilities is taken into account (see note 9.5. "Market risk and ALM").

1. 2022

A. Assets

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances with central banks	27,290,131	0	0	0	0	0	5,812	0	(509)	27,295,434
Loans and advances due from credit institutions	3,551,906	542,860	35,291	5,916	(81)	71	7,757	0	(118)	4,143,601
Loans and advances	2,241,469	21,118,823	12,447,826	28,685,626	44,855,553	2,360,810	380,024	(84,538)	(1,802,342)	110,203,251
Debt securities & equity instruments	0	3,919,931	2,075,882	4,068,001	11,152,226	6,263,708	255,958	(576,200)	(162,852)	26,996,656
Derivatives							(141,570)	6,034,675	0	5,893,105
Gain/loss on the hedged item in portfolio hedge of interest rate risk								1,134,326		1,134,326
Assets from insurance/reinsurance contracts	0	18,081	20,537	35,463	42,022	0	0	0	0	116,103
Investments in equity method companiesPF						94,019				94,019
Tangible fixed assets						1,672,048				1,672,048
Intangible assets						236,639				236,639
Goodwill						103,966				103,966
Current tax assets						27,115				27,115
Deferred tax assets						370,209				370,209
Other assets	154,499	85,154	11,494	24,915	6,940	453,993	0	8,195	(3,196)	741,993
Non current assets (disposal group) held for sale and discontinued operations						43,188		0	(3,504)	39,684
TOTAL ASSETS	33,238,005	25,684,848	14,591,030	32,819,921	56,056,659	11,625,766	507,981	6,516,459	(1,972,520)	179,068,150
Regular way trade	0	897,976	675	507	0	136,669	0	0	0	1,035,827
Derivatives	0	104,507,505	67,277,810	46,250,353	44,199,675	2,128,920	0	0	0	264,364,263
Off Balance Sheet	0	105,405,480	67,278,485	46,250,860	44,199,675	6,235,523	0	0	0	269,370,023
TOTAL FOR INTEREST RATE REPRICING RISK	33,238,005	131,090,329	81,869,515	79,070,781	100,256,335	17,861,289	507,981	6,516,459	(1,972,520)	448,438,173

B. Liabilities

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances from central banks	6,000,000	0	0	0	0	0	(95,887)	0	0	5,904,113
Credit institutions borrowings and deposits	1,078,498	730,644	12,420	32,282	3,027	10,890	1,880	0	0	1,869,641
Borrowings and deposits	90,693,489	15,595,325	1,571,145	105,895	394,742	13,044	77,120	(3,274)	0	108,447,486
Debt securities issued and other financial liabilities	0	5,939,165	6,546,102	9,718,690	4,286,485	3,970,431	123,904	(686,275)	0	29,898,501
Derivatives							443,284	7,805,225	0	8,248,509
Gain/loss on the hedged item in portfolio hedge of interest rate risk								(1,606,023)	0	(1,606,023)
Liabilities from insurance/reinsurance contracts	0	439,862	869,385	1,844,348	7,739,779	1,495			0	10,894,869
Provisions and contingent liabilities	0	0	0	0	0	321,700	0	0	172,222	493,922
Subordinated debts	0	199,455	67,500	690,163	497,441	72,000	20,646	0	0	1,547,204
Current tax liabilities						63,014			0	63,014
Deferred tax liabilities						9,237			0	9,237
Other liabilities	96,716	882,393	13,107	27,647	13	367,268	588	0	0	1,387,731
TOTAL LIABILITIES	97,868,704	23,786,844	9,079,658	12,419,025	12,921,487	4,829,079	571,535	5,509,653	172,222	167,158,206
Regular way trade	0	7,834,537	2,191	9,480	0	167,798	0	0	0	8,014,006
Derivatives	0	110,417,559	65,924,805	39,899,885	48,555,170	345,438	0	0	0	265,142,857
Off Balance Sheet	0	118,252,096	65,926,997	39,909,365	48,555,170	513,236	0	0	0	273,156,863
TOTAL FOR INTEREST RATE REPRICING RISK	97,868,704	142,038,940	75,006,655	52,328,390	61,476,656	5,342,315	571,535	5,509,653	172,222	440,315,070

C. Net position

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(64,630,699)	(10,948,611)	6,862,860	26,742,391	38,779,678	12,518,974

The actual interest rate risk of Belfius is managed based on more advanced assumptions. (See note 9.5. Market risk and ALM).

2. 2023

A. Assets

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances with central banks	20,481,156	0	0	0	0	0	6,366	0	(382)	20,487,140
Loans and advances due from credit institutions	3,616,498	1,616,977	19,185	5,700	291	80	15,724	0	(206)	5,274,249
Loans and advances	2,060,382	22,781,988	12,166,767	29,557,839	46,880,094	2,635,570	465,779	(204,978)	(1,812,272)	114,531,169
Debt securities & equity instruments	0	3,604,403	1,900,753	5,010,954	11,218,221	6,460,515	278,562	(385,377)	(164,423)	27,923,609
Derivatives							(347,434)	5,668,860	0	5,321,426
Gain/loss on the hedged item in portfolio hedge of interest rate risk								1,608,587		1,608,587
Assets from insurance/reinsurance contracts	0	11,850	14,015	30,832	41,109	0	0	0	0	97,806
Investments in equity method companies						161,533				161,533
Tangible fixed assets						1,864,571				1,864,571
Intangible assets						326,957				326,957
Goodwill						103,966				103,966
Current tax assets						43,356				43,356
Deferred tax assets						451,229				451,229
Other assets	161,599	157,813	3,376	4,989	11,794	590,374	0	39,611	(2,386)	967,171
Non current assets (disposal group) held for sale and discontinued operations						19,624	0	0	(3,042)	16,582
TOTAL ASSETS	26,319,636	28,173,031	14,104,097	34,610,315	58,151,510	12,657,775	418,997	6,726,703	(1,982,711)	179,179,352
Regular way trade	0	905,981	248	45	0	263,111	0	0	0	1,169,384
Derivatives	0	106,715,930	76,809,313	41,605,737	35,034,481	2,009,114	0	0	0	262,174,574
Off Balance Sheet	0	107,621,911	76,809,560	41,605,781	35,034,481	6,448,439	0	0	0	267,520,173
TOTAL FOR INTEREST RATE REPRICING RISK	26,319,636	135,794,942	90,913,657	76,216,096	93,185,991	19,106,213	418,997	6,726,703	(1,982,711)	446,699,524

B. Liabilities

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity	Acrrued interest	Changes in fair value and fair value of derivatives	Impairment	Total
Cash and balances from central banks	1,400,000	0	0	0	0	0	30,190	0	0	1,430,190
Credit institutions borrowings and deposits	1,110,237	1,441,151	1,303,007	31,241	1,349	5,453	19,952	0	0	3,912,390
Borrowings and deposits	80,402,425	18,394,297	4,244,105	289,980	249,449	13,765	408,841	(2,426)	0	104,000,435
Debt securities issued and other financial liabilities	0	7,204,464	6,498,343	14,290,443	3,945,616	4,180,583	218,541	(320,058)	0	36,017,933
Derivatives							411,900	6,817,532	0	7,229,432
Gain/loss on the hedged item in portfolio hedge of interest rate risk								(1,029,463)	0	(1,029,463)
Liabilities from insurance/reinsurance contracts	0	389,120	808,982	2,414,911	7,791,016	1,061			0	11,405,090
Provisions and contingent liabilities	0	0	0	0	0	314,682	0	0	171,179	485,860
Subordinated debts	0	0	496,339	676,706	497,668	72,000	35,282	0	0	1,777,995
Current tax liabilities						45,520			0	45,520
Deferred tax liabilities						7,001			0	7,001
Other liabilities	520,739	735,357	3,122	1,177	2	416,664	545	0	0	1,677,607
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	83,433,401	28,164,389	13,353,897	17,704,459	12,485,101	5,056,729	1,125,250	5,465,585	171,179	166,959,989
Regular way trade	500,000	9,277,114	58	0	0	262,955	500,000	0	0	10,540,127
Derivatives	0	108,845,759	73,268,961	38,036,030	44,675,965	193,575	0	0	0	265,020,289
Off Balance Sheet	500,000	118,122,873	73,269,020	38,036,030	44,675,965	456,529	500,000	0	0	275,560,416
TOTAL FOR INTEREST RATE REPRICING RISK	83,933,401	146,287,261	86,622,917	55,740,489	57,161,065	5,513,258	1,625,250	5,465,585	171,179	442,520,405

C. Net position

(in thousands of EUR)	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(57,613,766)	(10,492,319)	4,290,740	20,475,607	36,024,926	13,592,955

The actual interest rate risk of Belfius is managed based on more advanced assumptions. (See note 9.5. Market risk and ALM).

9.5. Market risk and ALM

1. Financial markets

Within Belfius Bank, the Financial Markets department (FM) is the central point of entry to the financial markets. In general aspect, the department does not negotiate positions for own account: all transactions are based on client transactions. Transactions made by external or internal clients, for instance ALM including liquidity management belonging to the last category, are hedged overall within a framework of limits that complies with Belfius's risk policies. As a result, the various market risks are kept within that framework, a.o. by hedging transactions. The VaR figures stated below reflect these residual positions.

The risks on client flow management activities include general interest rate (including inflation), foreign exchange, equity prices, credit spread and other risks (CO2). These risks are managed within Value at Risk limits and other appropriate risk limits.

Cash and Liquidity Management (CLM) is monitored by means of Value at Risk limits (VaR) and interest rate sensitivity limits.

The spread risk of credit derivatives, value adjustments (XVA) and client flow management activities are managed with spread limits.

The Value-at-Risk (VaR) concept is used as the principal metric for management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value (NPV) the bank might be facing in historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius using a VaR computation:

→ The interest rate, inflation and foreign-exchange (forex) rate risk: this category of risk is monitored via a historical VaR based on an internal model approved by the National Bank of Belgium and the European Central Bank. The historical simulation approach consists of managing the portfolio through a time series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated.
The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear).

→ The general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 300 scenarios.

→ The spread risk and the inflation risk are measured via a historical approach, applying 300 observed variations on the sensitivities.

In addition, Belfius computes a Stressed Value-at-Risk (S-VaR) on top of its regular VaR, which is also used for the computation of weighted risks for Market Risk. This S-VaR measure consists of calculating a historical VaR based on a 12 consecutive months observation period which generates the largest negative variations of Net Present Value in the bank's current portfolio of financial instruments.

VaR(1) (99%, 10 days)	31/12/22				31/12/23			
(in thousands of EUR)	IR & FX (2)(3)	Equity	Spread	Other risks(4)	IR & FX (2)(3)	Equity	Spread	Other risks(4)
By activity								
Average	7,457	4,620	1,092	433	6,131	3,503	1,266	634
EOY	6,269	5,792	823	395	5,305	2,821	954	311
Maximum	17,451	11,960	2,334	843	11,292	7,889	1,992	3,812
Minimum	3,653	2,245	194	365	3,543	2,095	715	311
Global								
Average	13,602				11,534			
EOY	13,279				9,391			
Maximum	25,270				17,302			
Minimum	7,802				8,998			
Limit	26,300				26,300			

(1) The Value at Risk (VaR) is a measure of the potential change in market value with a probability of 99% and over a period of 10 days.
(2) IR: interest rate risk.
(3) FX: foreign exchange risk.
(4) CO_2 risk.

Interest rate risk (IR) and forex risk (FX) are not measured separately. The forex risk is however not material.

2. FM Positions monitored outside of VaR

A separate sensitivity based monitoring is in place for three blocks of activities that are not part of the VaR scope as well as for related hedges. For each type separately and for all three combined, limits are in place for interest rate, FX, inflation and credit spread sensitivities. Other less material risks are also monitored and limited (e.g. volatility of interest rates or forex) where relevant.

Firstly, the value adjustments (CVA/DVA/FVA) related to Belfius' derivative exposures are sensitive to market risk as well. While certain sensitivities can be hedged almost completely (interest rate, inflation and currency), other risks like credit spreads and funding spread can only be hedged with proxies (like ITRAXX).

Similarly for the credit derivatives, the IR, FX and inflation sensitivities are well hedged, and also credit spreads sensitivity is within limits.

Finally, the hedge inefficiency of the bond portfolio due to the difference in discount curve for the bond and its accounting hedge swap is managed on a daily basis as well as hedges for the inefficiency stemming from inflation, basis risk and directional IR exposure.

Basis Point Sensitivity	31/12/22					31/12/23				
(in thousands of EUR)	IR	Spread[1]	Tenor Basis	Cross currency	Inflation risk	IR	Spread[1]	Tenor Basis	Cross currency	Inflation risk
EOY	(7)	(53)	(23)	(66)	2	(18)	(96)	9	(33)	20

(1) Impact of a 1bp increase in spread (either credit spread, or bond-cds basis spread).

3. Asset-liability management (ALM)

A. Interest rate risk

In respect to the interest rate risk, Belfius Bank pursues a prudent risk management of its interest rate positions in the banking book within a well-defined internal and regulatory limit framework, with a clear focus on generating stable earnings and preserving the economic value of the balance sheet and this in a macro-hedging approach, thoughtfully considering natural hedges available in the bank balance sheet.

The management of non maturing or 'on-demand' deposits (such as payment and savings accounts) and non-interest-bearing products use portfolio replication techniques. The underlying hypotheses concerning expected duration, rate-fixing period and tariff evolution are subject to constant monitoring and, if necessary, they are adjusted by the ALCo. Implicit interest rate options like prepayment risk are integrated through behavioural models. All ALM models are following the three lines of defense.

Interest rate risk has two forms: economic value of equity volatility and earnings volatility. The measurement of both of these forms is complementary in understanding the complete scope of interest rate risks in the banking book.

Banks' ALM objective is to protect the net interest income from downward/upward pressures in the current volatile interest rate environment, while respecting the risk appetite limits on the variation of economic value.

Economic value indicators capture the long-term effect of interest rate changes on the economic value of the Bank. Interest rate sensitivity of economic value of equity measures the net change in the ALM balance sheet's economic value of equity (under run off balance sheet assumption) if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -75 million per 10 bps as at 31 December 2023 (compared to EUR -59 million per 10 bps as at 31 December 2022), excluding interest positions of Belfius Insurance and of the pension funds of Belfius Bank.

Earnings at Risk indicators capture the shorter-term effect of the interest rate changes on the earnings of the Bank (under stable balance sheet assumption). Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency effect. A +100 bps increase of interest rates has an estimated impact on net interest income (before tax) of EUR -14 million of the next book year and an estimated cumulative effect of EUR +71 million over a three year period, whereas a -100 bps decrease would lead to an estimated impact of EUR -2 million of the next book year and an estimated cumulative effect of EUR -187 million over a three year period.

In addition to directional interest rate risk, curvature risk, due to steepening or flattening of the interest rate curve, is also followed up within a normative framework by the ALCo. The same goes for basis spread risk between Euribor and Eonia or €STR (Euro short-term rate) and cross-currency spread risk.

During 2023, the interest rates continued to rise, induced by the ECB policy to raise its policy rates in an effort to curb high inflation. Moreover, the interest rate curve remained inverted, which impacts the maturity transformation model of a universal bank such as Belfius Bank. All in all, the interest rate evolution for Belfius Bank has a very positive impact on Net Interest Income in 2023. On the one hand, the overall increase in rates starts to increase the interest rate received on new production of commercial loans, while, on the other hand, the interest paid to depositors still remained close to zero for payment accounts and is gradually increasing for savings accounts with a contained pass through. Refinancing and prepayments of mortgages have become less interesting for the customers. The increase in interest rates resulted in a shift of volumes from savings and

payment accounts towards term funding (mainly term accounts).

Furthermore, the decrease in rates in the last month of 2023, has slightly deteriorated the collateral cost for derivative contracts, used to hedge the Bank's exposure to interest rate risk, compared to 2022. The ALCo will remain attentive to a volatile interest rate environment with the primary objective to respect the Risk Appetite Framework (RAF). ALM conventional models are regularly reviewed at the light of the macro-economic environment and prevailing interest rates. During 2023, the continued increase in interest rates has modified the expected interest rate sensitivities of the 'on demand' (or non maturing) deposits, which triggered a shortening of the duration of our conventional models for savings accounts and additional hedging to remain within Belfius' risk appetite.

(in thousands of EUR)	31/12/22	31/12/23
Bank		
Economic value (+10 bps)	(58,734)	(75,075)
Earnings at risk (+100 bps)[1]	31,980	(13,568)
Insurance		
Economic value (+10 bps)	382	4,861
Earnings at risk (+50 bps)	4,392	2,268

(1) Note that for 31/12/2022 an EaR of +50 bps was calculated.

B. Real estate - direct property

(in thousands of EUR)	31/12/22	31/12/23
	Measured at amortised cost	Measured at amortised cost
Insurance		
Market value	720,198	680,375
Shock 15% (negative)	(108,030)	(102,056)

Sensitivities are only reported for the direct property investment portfolio of Belfius Insurance group. The direct property held by the Belfius bank mainly includes leasing contracts for the construction of property and property for own use.

4. Debt securities

A. Outstanding nominal amounts debt securities

(in thousands of EUR)	31/12/22			31/12/23		
	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss
Bank - bond portfolio (nominal value)	10,188,987		10,000	10,768,727		10,000
Insurance - bond portfolio (nominal value)	4,081,675	3,109,934	33,384	0	7,668,713	31,785
Insurance - investment funds (market value)			844,001			879,784

B. Interest-rate sensitivity

(in thousands of EUR)	31/12/22			31/12/23		
	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss
Bond portfolio	(2,958)	(1,860)	(27)	0	(5,185)	(36)

The interest rate risk of the bond portfolio of the bank is either micro-hedged (for the former Side portfolio; hence low net interest rate sensitivity) or is managed through the ALM-framework (hence net interest rate sensitivity part of global ALM interest rate sensitivity). Furthermore, for all debt securities measured at fair value through profit and loss within the banking book the interest rate is managed within the framework of the financial markets. The sensitivity to 1 bp interest rate increase of the value of the bond portfolio of the insurance companies amounted to EUR -5.2 million at the end of 2023, part of the global ALM management of the insurance companies.

C. Credit-spread sensitivity

This calculation estimates the sensitivity of the value of the bond portfolio after one basis point spread widening.

(in thousands of EUR)	31/12/22			31/12/23		
	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss	Measured at amortised cost	Measured at fair value through other comprehen-sive income	Measured at fair value through profit or loss
Bank	(9,664)		(3)	(9,788)		(3)
Insurance	(3,149)	(2,111)	(92)	0	(5,222)	(60)

D. Shock Equity risk 30% (negative)

Concerns equity shock on investment funds within Belfius Insurance.

(in thousands of EUR)	31/12/22	31/12/23
	Measured at fair value through other comprehensive income	Measured at fair value through other comprehensive income
Insurance	(74,863)	(81,499)

5. Listed equity & real estate

(in thousands of EUR)	31/12/22	31/12/23
	Measured at fair value through other comprehensive income	Measured at fair value through other comprehensive income
Insurance		
Market value – quoted shares & assimilated	277,322	224,318
Market value – quoted real estate	97,448	134,502
Shock 30% (negative)	(112,431)	(107,646)
VaR (99%, 10 days)	47,999	27,969

9.6. Liquidity risk

Liquidity is managed with a view to comply with our Liquidity Risk Management guidelines and framework. We also refer to the management report for a detailed description.

We refer to the management report for more information on the Liquidity Coverage Ratio. The Liquidity Coverage Ratio forces financial institutions to maintain a sufficient stock of quality liquid assets to withstand a crisis that puts their cash flows under pressure. The liquid assets to hold must be equal to or greater than their net cash outflow over a 30-day period under stress (as such, having at least 100% coverage). The parameters of the stress scenario are defined under Basel III.

Belfius Insurance holds a significant amount of unencumbered assets that are eligible at the ECB. More specific, the company invests at least 40% of its bond portfolio in government bonds eligible for repos in the context of its liquidity management.

Breakdown residual maturity

We do not disclose amounts on the expected prepayment dates as such we have used the contractual maturity date for this table. Current accounts and saving deposits are included in the column “At sight and on demand” even if they have no fixed repayment date. All other assets and liabilities are split over the different periods according to the contractual cashflows characteristics.

1. 2022

A. Assets

(in thousands of EUR)	Breakdown of gross amount and premium/discount						Acrrued interest	Changes in fair value and fair value of deriva-tives	Impair-ment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined maturity				
Cash and balances with central banks	27,290,131	0	0	0	0	0	5,812	0	(509)	27,295,434
Loans and advances due from credit institutions	3,551,906	165,142	27,541	5,916	385,387	71	7,757	0	(118)	4,143,601
Loans and advances	2,241,469	15,917,435	10,589,578	29,690,829	50,909,985	2,360,810	380,024	(84,538)	(1,802,342)	110,203,251
Debt securities & equity instruments	0	918,312	905,525	4,214,661	15,162,700	6,278,550	255,958	(576,200)	(162,852)	26,996,656
Derivatives	0	0	0	0	0	0	(141,570)	6,034,675	0	5,893,105
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	1,134,326	0	1,134,326
Assets from insurance/reinsurance contracts	0	18,081	20,537	35,463	42,022	0	0	0	0	116,103
Investments in equity method companies	0	0	0	0	0	94,019	0	0	0	94,019
Tangible fixed assets	0	0	0	0	0	1,672,048	0	0	0	1,672,048
Intangible assets	0	0	0	0	0	236,639	0	0	0	236,639
Goodwill	0	0	0	0	0	103,966	0	0	0	103,966
Current tax assets	0	0	0	0	0	27,115	0	0	0	27,115
Deferred tax assets	0	0	0	0	0	370,209	0	0	0	370,209
Other assets	154,499	84,789	11,494	24,947	7,270	453,994	0	8,195	(3,196)	741,993
Non current assets (disposal group) held for sale and discontinued operations	0	0	0	0	0	43,188	0	0	(3,504)	39,684
TOTAL ASSETS	33,238,005	17,103,760	11,554,675	33,971,815	66,507,364	11,640,610	507,981	6,516,459	(1,972,520)	179,068,150
Regular way trade	0	1,035,728	0	0	0	99	0	0	0	1,035,827
Foreign exchange derivatives	0	3,263,048	2,284,363	6,292,869	19,599,346	0	0	0	0	31,439,627
Cash Flow From Derivatives And Regular Way Trade	0	4,298,776	2,284,363	6,292,869	19,599,346	99	0	0	0	32,475,454
TOTAL	33,238,005	21,402,536	13,839,039	40,264,685	86,106,711	11,640,709	507,981	6,516,459	(1,972,520)	211,543,604

B. Liabilities

(in thousands of EUR)	Breakdown of gross amount and premium/discount						Acrrued interest	Changes in fair value and fair value of deriva-tives	Impair-ment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity				
Cash and balances from central banks	6,000,000	0	0	0	0	0	(95,887)	0	0	5,904,113
Credit institutions borrowings and deposits	1,078,498	730,644	4,670	32,282	10,777	10,890	1,880	0	0	1,869,641
Borrowings and deposits	90,693,489	15,475,225	1,585,645	151,495	454,742	13,044	77,120	(3,274)	0	108,447,486
Debt securities issued and other financial liabilities	0	3,659,511	3,427,552	13,752,214	5,651,563	3,970,033	123,904	(686,275)	0	29,898,501
Derivatives	0	0	0	0	0	0	443,284	7,805,225	0	8,248,509
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	(1,606,023)	0	(1,606,023)
Provisions and contingent liabilities	0	0	0	0	0	321,700	0	0	172,222	493,922
Liabilities from insurance/reinsurance contracts	0	480,555	899,512	2,047,273	7,466,037	1,492	0	0	0	10,894,869
Subordinated debts	0	0	0	690,163	696,896	139,500	20,646	0	0	1,547,204
Current tax liabilities	0	0	0	0	0	63,014	0	0	0	63,014
Deferred tax liabilities	0	0	0	0	0	9,237	0	0	0	9,237
Other liabilities	96,716	882,821	12,409	27,659	270	367,268	588	0	0	1,387,731
TOTAL LIABILITIES	97,868,704	21,228,755	5,929,788	16,701,086	14,280,285	4,896,178	571,535	5,509,653	172,222	167,158,206
Shareholders' core equity	0	0	0	0	0	10,775,814	0	0	0	10,775,814
Gains and losses not recognised in the statement of income	0	0	0	0	0	602,485	0	0	0	602,485
Total Shareholders' Equity	**0**	**0**	**0**	**0**	**0**	**11,378,300**	**0**	**0**	**0**	**11,378,300**
Additional Tier-1 instruments included in equity						497,083				497,083
Non-controlling interests						34,561				34,561
TOTAL EQUITY	0	0	0	0	0	11,909,944	0	0	0	11,909,944
TOTAL LIABILITIES AND EQUITY	97,868,704	21,228,755	5,929,788	16,701,086	14,280,285	16,806,122	571,535	5,509,653	172,222	179,068,150
Regular way trade	0	8,011,869	2,138	0	0	0	0	0	0	8,014,006
Foreign exchange derivatives	0	3,278,171	2,262,160	6,277,126	19,171,293	0	0	0	0	30,988,750
Cash Flow From Derivatives And Regular Way Trade	**0**	**11,290,039**	**2,264,298**	**6,277,126**	**19,171,293**	**0**	**0**	**0**	**0**	**39,002,756**
TOTAL	97,868,704	32,518,795	8,194,086	22,978,212	33,451,578	16,806,122	571,535	5,509,653	172,222	218,070,906

C. Total liquidity gap

(in thousands of EUR)	Breakdown of gross amount and premium/discount					
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
Total liquidity gap	(64,630,699)	(11,116,259)	5,644,953	17,286,473	52,655,133	(5,165,413)

2. 2023

A. Assets

(in thousands of EUR)	Breakdown of gross amount and premium/discount						Acrrued interest	Changes in fair value and fair value of deriva-tives	Impair-ment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined maturity				
Cash and balances with central banks	20,481,156	0	0	0	0	0	6,366	0	(382)	20,487,140
Loans and advances due from credit institutions	3,616,791	1,231,205	10,935	5,700	394,020	80	15,724	0	(206)	5,274,249
Loans and advances	2,060,382	17,908,692	10,603,603	30,610,257	52,278,978	2,620,727	465,779	(204,978)	(1,812,272)	114,531,169
Debt securities & equity instruments	0	663,031	827,795	5,088,764	15,152,959	6,462,298	278,562	(385,377)	(164,423)	27,923,609
Derivatives	0	0	0	0	0	0	(347,434)	5,668,860	0	5,321,426
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	1,608,587	0	1,608,587
Assets from insurance/reinsur ance contracts	0	11,850	14,015	30,832	41,109	0	0	0	0	97,806
Investments in equity method companies	0	0	0	0	0	161,533	0	0	0	161,533
Tangible fixed assets	0	0	0	0	0	1,864,571	0	0	0	1,864,571
Intangible assets	0	0	0	0	0	326,957	0	0	0	326,957
Goodwill	0	0	0	0	0	103,966	0	0	0	103,966
Current tax assets	0	0	0	0	0	43,356	0	0	0	43,356
Deferred tax assets	0	0	0	0	0	451,229	0	0	0	451,229
Other assets	161,599	159,665	3,374	5,001	6,919	593,387	0	39,611	(2,386)	967,171
Non current assets (disposal group) held for sale and discontinued operations	0	0	0	0	0	19,624	0	0	(3,042)	16,582
TOTAL ASSETS	26,319,929	19,974,444	11,459,723	35,740,555	67,873,985	12,647,728	418,997	6,726,703	(1,982,711)	179,179,352
Regular way trade	0	1,169,383	0	0	0	2	0	0	0	1,169,384
Foreign exchange derivatives	0	3,648,702	2,551,044	6,700,211	20,263,478	0	0	0	0	33,163,435
Cash Flow From Derivatives And Regular Way Trade	**0**	**4,818,084**	**2,551,044**	**6,700,211**	**20,263,478**	**2**	**0**	**0**	**0**	**34,332,819**
TOTAL	26,319,929	24,792,528	14,010,767	42,440,766	88,137,463	12,647,729	418,997	6,726,703	(1,982,711)	213,512,170

B. Liabilities

(in thousands of EUR)	Breakdown of gross amount and premium/discount						Acrrued interest	Changes in fair value and fair value of deriva-tives	Impair-ment	Total
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undeter-mined maturity				
Cash and balances from central banks	1,400,000	0	0	0	0	0	30,190	0	0	1,430,190
Credit institutions borrowings and deposits	1,110,237	1,441,151	1,303,007	31,241	1,349	5,453	19,952	0	0	3,912,390
Borrowings and deposits	80,402,425	18,300,297	4,244,105	323,980	309,449	13,765	408,841	(2,426)	0	104,000,435
Debt securities issued and other financial liabilities	0	4,645,557	3,339,732	19,138,147	4,815,731	4,180,282	218,541	(320,058)	0	36,017,933
Derivatives	0	0	0	0	0	0	411,900	6,817,532	0	7,229,432
Gain/loss on the hedged item in portfolio hedge of interest rate risk	0	0	0	0	0	0	0	(1,029,463)	0	(1,029,463)
Provisions and contingent liabilities	0	0	0	0	0	314,682	0	0	171,179	485,860
Liabilities from insurance/reinsur ance contracts	0	389,120	808,982	2,414,911	7,791,016	1,061	0	0	0	11,405,090
Subordinated debts	0	0	0	676,706	994,007	72,000	35,282	0	0	1,777,995
Current tax liabilities	0	0	0	0	0	45,520	0	0	0	45,520
Deferred tax liabilities	0	0	0	0	0	7,001	0	0	0	7,001
Other liabilities	520,739	745,729	2,236	1,173	77	407,108	545	0	0	1,677,607
Liabilities included in disposal group and discontinued operations	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	83,433,401	25,521,854	9,698,061	22,586,158	13,911,630	5,046,873	1,125,250	5,465,585	171,179	166,959,989
shareholders' core equity	0	0	0	0	0	11,491,257	0	0	0	11,491,257
Gains and losses not recognised in the statement of income	0	0	0	0	0	193,093	0	0	0	193,093
Total Shareholders' Equity	0	0	0	0	0	11,684,350	0	0	0	11,684,350
Additional Tier-1 instruments included in equity						497,083				497,083
Non-controlling interests						37,929				37,929
TOTAL EQUITY	0	0	0	0	0	12,219,362	0	0	0	12,219,362
TOTAL LIABILITIES AND EQUITY	83,433,401	25,521,854	9,698,061	22,586,158	13,911,630	17,266,235	1,125,250	5,465,585	171,179	179,179,352
Cash Flow From Derivatives And Regular Way Trade	500,000	13,191,404	2,530,244	6,647,469	19,949,308	250	0	0	0	42,818,675
TOTAL	83,933,401	38,713,257	12,228,305	29,233,626	33,860,938	17,266,485	1,125,250	5,465,585	171,179	221,998,026

C. Total liquidity gap

(in thousands of EUR)	Breakdown of gross amount and premium/discount					
	At sight and on demand	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Undetermined maturity
Total liquidity gap	(57,613,473)	(13,920,729)	1,782,462	13,207,140	54,276,525	(4,618,755)

9.7. Currency risk and foreign exchange

1. Currency risk

	31/12/22				
(in thousands of EUR)	GBP	USD	Other	EUR	Total
Total assets	6,553,393	1,742,921	856,285	169,915,552	179,068,150
Total liabilities	2,973,646	2,402,644	1,533,855	160,248,061	167,158,206
Total equity	(149,198)	13,703	31,420	12,014,018	11,909,944
Of which gains and losses not recognised in the statement of income	(149,198)	13,703	28,391	720,317	613,214
Of which other equity	0	0	3,029	11,293,701	11,296,730
Net On Balance Position	**3,728,945**	**(673,427)**	**(708,991)**	**(2,346,527)**	**0**
Off balance sheet – to receive	3,462,560	14,416,984	3,013,899	10,154,012	31,047,454
Off balance sheet – to deliver	7,124,102	13,656,892	2,177,888	7,628,357	30,587,240
Off Balance Sheet – Net Position	**(3,661,543)**	**760,091**	**836,011**	**2,525,655**	**460,214**
NET POSITION	67,402	86,665	127,020	179,127	

	31/12/23				
(in thousands of EUR)	GBP	USD	Other	EUR	Total
Total assets	6,802,609	1,834,338	773,127	169,769,277	179,179,352
Total liabilities	3,691,447	2,679,941	1,201,602	159,387,000	166,959,989
Total equity	(155,320)	19,076	14,321	12,341,285	12,219,362
Of which gains and losses not recognised in the statement of income	(155,320)	18,318	14,321	328,059	205,379
Of which other equity	0	758	0	12,013,225	12,013,983
Net On Balance Position	**3,266,482**	**(864,679)**	**(442,796)**	**(1,959,007)**	**0**
Off balance sheet – to receive	3,838,942	15,679,975	2,462,385	11,166,413	33,147,714
Off balance sheet – to deliver	7,049,914	14,788,658	1,909,556	9,010,408	32,758,536
Off Balance Sheet – Net Position	**(3,210,972)**	**891,317**	**552,829**	**2,156,005**	**389,178**
NET POSITION	55,509	26,638	110,033	196,998	

Depending on the measurement of the asset, foreign exchange gains and losses are recognised in profit or loss "Net income from financial instruments at fair value through profit or loss" or in other comprehensive income. We refer to the accounting policies for more information.

2. Foreign exchange

		31/12/22		31/12/23	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.5773	1.5178	1.6263	1.6332
Canadian dollar	CAD	1.4480	1.3702	1.4642	1.4601
Swiss franc	CHF	0.9862	1.0009	0.9260	0.9699
Koruna (Czech republic)	CZK	24.1480	24.5330	24.7240	23.9663
Danish krone	DKK	7.4364	7.4392	7.4529	7.4507
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.8869	0.8543	0.8691	0.8685
Hong Kong dollar	HKD	8.3150	8.2264	8.6314	8.4793
Forint	HUF	400.6050	392.8638	382.8000	380.6263
Shekel	ILS	3.7588	3.5459	3.9823	4.0096
Yen	JPY	141.0050	138.2521	156.3300	153.2158
Mexican peso	MXN	20.7325	21.0577	18.7231	19.0536
Norwegian Krone	NOK	10.5326	10.1229	11.2405	11.4512
New Zealand dollar	NZD	1.6897	1.6628	1.7504	1.7650
Swedish krona	SEK	11.1187	10.6587	11.0960	11.4803
Singapore dollar	SGD	1.4317	1.4479	1.4591	1.4531
Turkish lira	TRY	19.9625	17.4756	32.6531	26.2747
US dollar	USD	1.0668	1.0505	1.1050	1.0828

9.8. Insurance Risk

1. Definition

We refer to the chapter "Risk management" of the management report for further information, section Insurance Risk.

2. Managing the insurance risk

We refer to the chapter "Risk management" of the management report for further information, section Insurance Risk.

3. Insurance and market risks – Sensitivity analysis

Belfius Insurance evaluates the effect of sensitivities on the IFRS 17 fulfilment cash flows.

The main drivers for the Best Estimate of life insurance products are:

- Mortality rates: an increase of the expected mortality rates leads to an increase of the Best Estimate. The increase coming mainly from the mortality products. The increase is partially compensated by a decrease in Best estimate of the pure endowment products.
- Expected expenses: an increase of the expected expenses has a significant impact on the best estimate of life insurance liabilities.
- Lapse rate: in the current low interest rate environment, a decrease in the lapse rate results in an increase in Best Estimate, as the value of the technical reserves is higher than the redemption value.

For non-life insurance products, the main drivers for the Best Estimate are:

- Expected expenses: an increase in the expected expenses leads to lower results.
- Claims estimates: an increase in claims leads to lower results.

A. Insurance risks

Contracts accounted for under the GMM[1]:

	Impact on Best Estimate	
(in millions of EUR)	31/12/22	31/12/23
An increase of 15% in mortality	(35.8)	(36.0)
An increase of 10% in costs + 1% inflation	(217.3)	(156.0)
A decrease of 10% in the redemption rate	3.5	11.0

(1) Scope: Belfius Insurance SA, Health individual excluded.

The Best Estimate cash flows are determined using both financial and non-financial parameters. Changes to non-financial parameters are either recognised through an adjustment of the CSM (for changes related to future service), or through the income statement (for changes related to past or current service, changes to the LIC, or for onerous contracts).

The table below shows the sensitivities of the main non-financial parameters:

(In millions of EUR)	31/12/23		
Expense (+10%)	**CSM**	**P&L**	**Equity**
Endowment (products with interest guarantee on future premiums)	(28.2)	(4.1)	(4.1)
Insurance (products with mainly mortality risk)	(38.5)	(7.4)	(7.4)
Investment Long (long-term saving products without interest guarantee on future premiums)	(57.1)	(18.3)	(18.3)
Investment Short (short-term saving products without interest guarantee on future premiums)	(1.0)	(2.1)	(2.1)
TOTAL	(125)	(31.9)	(31.9)
Lapse (-10%)	**CSM**	**P&L**	**Equity**
Endowment (products with interest guarantee on future premiums)	8.1	0.8	0.8
Insurance (products with mainly mortality risk)	(4.5)	(0.9)	(0.9)
Investment Long (long-term saving products without interest guarantee on future premiums)	(6.6)	(1.5)	(1.5)
Investment Short (short-term saving products without interest guarantee on future premiums)	(1.9)	(4.5)	(4.5)
TOTAL	(5)	(6)	(6)
Mortality (+15%)	**CSM**	**P&L**	**Equity**
Endowment (products with interest guarantee on future premiums)	7.4	0.7	0.7
Insurance (products with mainly mortality risk)	(32.3)	(6.1)	(6.1)
Investment Long (long-term saving products without interest guarantee on future premiums)	(2.9)	(1.0)	(1.0)
Investment Short (short-term saving products without interest guarantee on future premiums)	(0.6)	(1.2)	(1.2)
TOTAL	(29)	(8)	(8)

The sensitivities illustrate that the shock on the expenses mainly impacts the products with longer durations. A decrease of 10% in the expected lapses has a minor impact, because of offsetting effects between the different portfolios. The shock on the mortality tables has a significant impact for the insurance portfolio, as this portfolio contains products which mainly have mortality risks.

Contracts accounted for under the PAA:

	Impact on income before taxes			
(In millions of EUR)	31/12/22		31/12/23	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Gross of reinsurance
An increase of 10% in administrative expenses	(10.5)		(11.3)	
An increase of 5% in claims made	(23.0)	(20.8)	(20.1)	(19.7)

B. Market risks

The table below details the impact (after tax) of changes in key market risk assumptions (interest rates, spread and equity risk) applied to financial assets and liabilities, on the statement of income or other comprehensive income at the reporting date. As a result of the IFRS 9 business model reassessment on 1 January 2023, in accordance with the implementation of IFRS 17, the financial assets portfolio of Belfius Insurance is measured at fair value through other comprehensive income. The impact of changes in key market risk assumptions on financial assets measured at fair value through profit or loss is considered immaterial for the purpose of this sensitivity analysis.

Changes in financial market variables	**1/01/23**	
Shock	Impact statement of income	Impact other comprehensive income
(in millions of EUR)		
Impact on financial assets		
+50 bps increase in interest rates	-	(282)
-50 bps decrease in interest rates	-	282
+50 bps increase in credit spread	-	(251)
- 30 % equities	-	(295)
Impact on insurance contract liabilities		
+50 bps increase in interest rates	-	274
-50 bps decrease in interest rates	-	(281)
+50 bps increase in spread	-	148

Changes in financial market variables	**31/12/23**	
Shock	Impact statement of income	Impact other comprehensive income
(in millions of EUR)		
Impact on financial assets		
+50 bps increase in interest rates	-	(289)
-50 bps decrease in interest rates	-	289
+50 bps increase in credit spread	-	(291)
- 30 % equities	-	(255)
Impact on insurance contract liabilities		
+50 bps increase in interest rates	-	308
-50 bps decrease in interest rates	-	(297)
+50 bps increase in spread	-	158

4. Development of claims

The claims triangle is the usual method for expressing the settlement of non-life claims stretched out over a number of years. Inter alia it enables actuaries to assess the appropriateness of the non-life technical provisions. Claims are grouped by nature and timing. For every accident year, Belfius assesses the amount on total cost of the grouped claims. Belfius establishes a reserve that equals the estimated amount of future payments for the claims

Given the reserve is an estimate, there is a risk that the amount effectively paid is different (higher or lower). To assess that risk, it is necessary to study the variation of two amounts:

→ the total of payments made prior to that date;

→ the reserve established on that date for future payments.

The sum of these two components is called the total incurred claims cost.

The table below shows the evolution for Belfius Insurance since the introduction of IFRS 17 of the sum at the end of each year, of the total incurred claims cost per year of occurrence.

Claims development (excluding reinsurance and internal costs)

(In millions of EUR)	Year of occurrence										
Year of settlement	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Estimation at the end of the year of occurrence										267.44	374.82
1 year later									237.87	279.01	
2 years later								158.40	229.28		
3 years later							187.02	152.49			
4 years later						190.70	187.65				
5 years later					181.74	190.46					
6 years later				156.23	184.32						
7 years later			145.39	158.96							
8 years later		132.09	148.89								
9 years later	128.73	133.97									
10 years later	129.65										

(In millions of EUR)											
Actual estimation	129.65	133.97	148.89	158.96	184.32	190.46	187.65	152.49	229.28	279.01	374.82
Cumulative payments	111.07	109.45	115.90	119.39	128.36	133.38	137.69	105.48	139.83	174.14	176.28
Actual provisions	18.58	24.52	32.99	39.57	55.96	57.08	49.97	47.01	89.45	104.87	198.54

(In millions of EUR)	
Provisions (after 2012)	718.53
Provisions (before 2012)	205.56
Internal costs	43.68
Risk adjustment	38.67
Accepted deals	19.96
TOTAL	1026.40

5. Credit risk

Maximum exposure to credit risk for insurance contracts issued and reinsurance contracts held

The table below sets out the carrying amounts of insurance and reinsurance contracts expected to be recovered after the reporting date.

Maximum exposure to credit risk (in thousands of EUR)	**31/12/22**	**31/12/23**
Insurance contracts	206,097	225,592
Reinsurance contracts	86,790	68,900

The following table shows a classification of reinsurance contracts assets per credit rating grade:

Credit ratings (in thousands of EUR)	**31/12/23**
AAA to AA-	47,779
A- to BBB-	43,114
Non investment grade	42
Unrated	6,870
TOTAL	97,806

6. Liquidity risk

A. Management of liquidity risk

We refer to the chapter "Risk management" of the management report for further information, section Liquidity risk at Belfius Insurance.

B. Maturity analysis

The table below provides a maturity analysis for the liability of remaining coverage of Belfius' insurance contracts measured under the general measurement model. The analysis is based on the dates on which the cash flows are expected to occur.

(in thousands of EUR)	**31/12/22**						
	≤ 1 year	**> 1 year and ≤ 2 years**	**> 2 years and ≤ 3 years**	**> 3 years and ≤ 4 years**	**> 4 years and ≤ 5 years**	**> 5 years**	**TOTAL**
LRC GMM	690,925	510,934	453,692	455,441	394,260	6,076,528	8,581,781

(in thousands of EUR)	**31/12/23**						
	≤ 1 year	**> 1 year and ≤ 2 years**	**> 2 years and ≤ 3 years**	**> 3 years and ≤ 4 years**	**> 4 years and ≤ 5 years**	**> 5 years**	**TOTAL**
LRC GMM	593,813	455,123	474,494	448,367	393,764	6,875,996	9,241,556

7. Other Comprehensive Income – disaggregation at transition

On transition to IFRS 17, for certain groups of insurance contracts Belfius determined the cumulative insurance finance income and expenses recognised in OCI at 1 January 2022 as nil using the fair value approach. The fair value movements in 2023 for these covering investments measured at fair value through other comprehensive income related to those groups of contracts was as follows:

(in thousands of EUR)	31/12/23
	Assets in scope[1]
Balance at 1 January 2023	-557,712
Fair value changes of Loans and advances and debt instruments measured at fair value through other comprehensive income	303,363
Fair value changes of equity instruments measured at fair value through other comprehensive income	14,862
Related income tax	76,322
Balance at 31 December 2023	-163,165

(1) A pro-rata allocation of the amount of other comprehensive income on the covering assets is done based on the amount of other comprehensive income of the liabilities.

X. Notes on the significant changes in scope of consolidation and list of subsidiaries and affiliated enterprises of Belfius

10.1. Significant changes in scope of consolidation

(Only those changes that have a material impact (i.e. an impact of more than 1% of balance sheet total and/or P&L) have been reported).

1. As at 31 December 2022

Belfius Insurance acquired a 100% stake in the real estate company MC² (investing in an office building in Belgium) in January 2022 for a total amount of EUR 18 million.

Belfius Insurance sold the subsidiary Alysea (a real estate company investing in a retirement home in Luxembourg) in June 2022 for a total amount of EUR 52 million.

The fully consolidated company The Studio was liquidated in June 2022.

At the end of June 2022 Belfius acquired a majority stake in CenEnergy. CenEnergy's offering consists of a complete package of services for e-mobility, ranging from charging infrastructure to all services needed for the implementation and optimisation in e-mobility transformation. This move reinforces Belfius' position in sustainable mobility, next to its participations in Cyclis Bike Lease and Skipr with its Mobility as a Service App. CenEnergy is excluded from the consolidated financial statements as the participation is considered as non-significant as at 31 December 2022 and 31 December 2023.

Belfius Insurance acquired a 25% stake in Land Investment Vehicle (LIVE), a real estate investment collaboration with Ethias and Eiffage, in October 2022 for a total amount of EUR 1.5 million. The investment is consolidated using the equity method.

Belfius Insurance invested additional capital of EUR 1.7 million into Jaimy. This investment ensures that Jaimy can further develop and commercially expand in its respective market. The shareholding of Belfius Insurance in Jaimy amounts to 91.08% at the end of 2022.

The fully consolidated special purpose vehicle Penates Funding was liquidated in December 2022.

2. As at 31 December 2023

Belfius Insurance and a.s.r. (one of the largest Dutch insurers) have founded Fixxer, with a goal to internationally develop the "repair in kind" activity of Jaimy (a subsidiary of Belfius Insurance). The new company Fixxer includes the technology platform of Jaimy after a demerger of Jaimy that took place in April 2023. Belfius Insurance has a share of 50.16% in Fixxer, and a.s.r. owns the remaining 49.84%. The investment of Belfius Insurance in Fixxer amounts to EUR 1.5 million. Fixxer is consolidated using the equity method as joint control is exercised.

Corona and Belfius Insurance merged on 1 July 2023. The entire insurance portfolio of Corona was transferred to Belfius Insurance, which took over all rights and obligations arising from these insurance contracts. The merger has been approved by the National Bank of Belgium and was applied retroactively (for tax and accounting purposes) as from 1 January 2023. Corona continues its operations from 1 July 2023 under the new commercial name Belfius Direct Verzekeringen / Belfius Direct Assurances.

Belfius Insurance decided to liquidate the subsidiary Jane in December 2023. Jane was commercially launched at the end of 2019 and provided a sensor enabled monitoring solution combined with an artificial intelligence algorithm learning the habits of the elderly person, thus allowing the elderly to stay longer in their own homes.

10.2. Acquisitions and disposals of consolidated companies

1. Main acquisitions

A. Year 2022

Belfius Insurance acquired a 100% stake in the real estate company MC² in January 2022 and performed a capital increase for a total amount of EUR 18 million.

Belfius Insurance acquired a 25% stake in Land Investment Vehicle (LIVE), a real estate investment collaboration with Ethias and Eiffage, in October 2022 for a total amount of EUR 1.5 million. The investment is consolidated using the equity method.

The assets and liabilities acquired were as follows:

	2022	
(in thousands of EUR)	MC²	Land Investment Vehicle
Loans and advances due from credit institutions	901	0
Investments in equity method companies	0	1,550
Tangible fixed assets	40,755	0
Tax assets	48	0
Other assets	661	0
Borrowings and deposits	(22,436)	0
Debt securities issued and other financial liabilities	(1,428)	0
Tax liabilities	(146)	0
Other liabilities	(554)	0
NET ASSETS	17,800	1,550
Group share	17,800	1,550
Already in possession of the Group	0	0
Purchase price (in cash)	17,760	1,550
Less: cost of the transaction	0	0
Less: cash and cash equivalents in the subsidiary acquired	(1,105)	0
NET CASH OUTFLOW THROUGH ACQUISITION	16,655	1,550

B. Year 2023

As at 31 December 2023 there are no significant acquisitions.

2. Main disposals

A. Year 2022

Belfius Insurance sold the subsidiary Alysea (a real estate company investing in a retirement home in Luxembourg) in June 2022 for a total amount of EUR 52 million.

The assets and liabilities disposed were as follows:

	2022
(in thousands of EUR)	Alysea
Loans and advances due from credit institutions	692
Tangible fixed assets	45,396
Tax assets	1,178
Tax liabilities	(11)
Other liabilities	(8,045)
NET ASSETS	39,210
Group share	39,210
Proceeds from sale (in cash)	52,129
Less: cost of the transaction	0
Less: Cash and cash equivalents in the subsidiary sold	(692)
NET CASH INFLOW ON SALE	51,437

B. Year 2023

Belfius Insurance and A.S.R. (one of the largest Dutch insurers) have founded Fixxer to internationally develop the "repair in kind" activity of Jaimy. This new company includes the technology platform of Jaimy

after a demerger of Jaimy that took place in April 2023. Belfius Insurance has a share of 50.16% in Fixxer. Fixxer is consolidated using the equity method as joint control is exercised. The remaining 49.84% stake held by A.S.R. is considered as a disposal, on which Belfius Insurance realized a capital gain of EUR 4 million.

The assets and liabilities disposed were as follows:

(in thousands of EUR)	2023 Fixxer
Investments in equity method companies	2,113
Tangible fixed assets	0
Tax assets	0
Other assets	0
Tax liabilities	0
Other liabilities	0
NET ASSETS	2,113
Group share	2,113
Proceeds from sale (in cash)	4,250
Less: cost of the transaction	0
Less: Cash and cash equivalents in the subsidiary sold	0
NET CASH INFLOW ON SALE	4,250

3. Assets and liabilities included in disposal groups held for sale and discontinued operations

A. Year 2022

As at 31 December 2022 no subsidiaries were recorded as “Non current assets (disposal group) held for sale and discontinued operations”.

B. Year 2023

As at 31 December 2023 no subsidiaries were recorded as “Non current assets (disposal group) held for sale and discontinued operations”.

10.3. Subsidiaries, equity-accounted enterprises, affiliated enterprises and enterprises in which the group holds rights representing at least 20% of the issued capital

1. Fully-consolidated subsidiaries

Name	Head Office	% of capital held[1]	Business code
Belfius Asset Finance Holding SA	Place Charles Rogier 11 B-1210 Bruxelles	100	10
Belfius Asset Management SA	Place Charles Rogier 11 B-1210 Bruxelles	100	19
Belfius Auto Lease SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Belfius Commercial Finance SA	Place Charles Rogier 11 B-1210 Bruxelles	100	15
Belfius Euro Loans FPS	Place Charles Rogier 11 B-1210 Bruxelles	99.99	10
Belfius Fiduciaire SA[2]	Place Charles Rogier 11 B-1210 Bruxelles	100	23
Belfius Financing Company SA	Rue de l'Industrie 20 L-8399 Windhof	100	49
Belfius Immo SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Belfius Insurance SA	Place Charles Rogier 11 B-1210 Bruxelles	100	28
Belfius Insurance Services Finance SA	Rue de l'Industrie 20 L-8399 Windhof	100	21
Belfius Ireland UC	23 Shelbourne Road Ballsbridge Dublin 4 IE 4886676 P	100	49
Belfius Lease SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Belfius Lease Services SA	Place Charles Rogier 11 B-1210 Bruxelles	100	5
Belfius Part SA[2]	Place Charles Rogier 11 B-1210 Bruxelles	100	10
Capline SA	Place Charles Rogier 11 B-1210 Bruxelles	74.99	10
Caring people SA	Place Charles Rogier 11 B-1210 Bruxelles	100	30
CenEnergy SA[2]	Boomsesteenweg 12/unit 8 B-2630 Aartselaar	74,99	41
Coquelets SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Crefius SA	Place Charles Rogier 11 B-1210 Bruxelles	100	6
Dexia Secured Funding Belgium SA	Place Charles Rogier 11 B-1210 Bruxelles	10	49
Elantis SA	Rue des Clarisses 38 B-4000 Liège	100	6
Fynergie SA[2]	Place Charles Rogier 11 B-1210 Bruxelles	100	32

ImmoActivity SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Malvoz SRL	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Sint-Michel SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Tumulis SRL(2)	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Trèfles SRL	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Immo Zeedrift SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Interfinance SCRL	Place Charles Rogier 11 B-1210 Bruxelles	74,99	10
Jaimy SA	Place Charles Rogier 11 B-1210 Bruxelles	100	47
Legros Renier - Les Amarantes Seigneurie de Loverval SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
LFB SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
MC² Development SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Mercurius Funding SA	Place Charles Rogier 11 B-1210 Bruxelles	5	49
Offico Immo SRL	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Philadelphus SA	Place Charles Rogier 11 B-1210 Bruxelles	100	31
Qualitass SA(2)	Vilvoordsesteenweg 166 B-1850 Grimbergen	100	30
Service Communal de Belgique SCI(2)	Avenue Louise 106 B-1050 Ixelles	63,59	47
VDL - Interass SA(2)	Esplanade Oscar Van de Voorde 1 B-9000 Gent	100	30

(1) Percentage of capital held by holding company.
(2) Participations consolidated by applying a simplified consolidation method. Note that these participations are presented and accounted for in het line "VIII Investments in equity method companies"

There are no significant restrictions on the subsidiaries, on their ability to access or use assets, and settle liabilities, of the group.

2. Non-consolidated subsidiaries

Name	Head Office	% of capital held(1)	Reason for exclusion	Business code
Bureau Laveaux & Martin SPRL	Esplanade Oscar Van de Voorde 1 B-9000 Gent	100	non-significant	30

(1) Percentage of capital held by holding company.

3. Associated companies accounted for by the equity method

Name	Head Office	% of capital held[1]	Business code
1App SRL[2]	Rue Bois-Eloi 34 B-1380 Lasne	30	62
Accomoda SA[2]	Avenue des statutaires 43 B-1180 Bruxelles	50	50
Assurcard SA[2]	Fonteinstraat 1A Bus 0301 B-3000 Leuven	20	34
Bancontact Payconiq Company SA	rue d'Arlon 82 B-1040 Bruxelles	22,5	48
Batopin SA	Boulevard Saint-Lazare 10 B-1210 Bruxelles	25	21
Bedrijvencentrum Regio Mechelen SA[2]	De Regenboog 11 B-2800 Mechelen	24,33	41
Beekcant BV[2]	Fabrieksweg 13 B-3190 Boortmeerbeek	30	31
Belwing SA[2]	Avenue Maurice-Destenay 13 B-4000 Liège	20	10
BF3 Belgium[2]	Rue de Bassano 27-29 F-75008 Paris	33,33	10
BIB Projects SA[2]	Vredestraat 53 B-8790 Waregem	57,50	31
Bizimmo SA[2]	Boulevard du Souverain 68 boîte 9 B-1170 Watermael-Boitsfort	50	31
Buildingnest SA[2]	Boulevard du Souverain 68 boîte 9 B-1170 Watermael-Boitsfort	50	31
Canius I CVA[2]	Koninklijke Laan 74 B-2600 Antwerpen	24,71	16
Cyclis Bike Lease SA	Hendrik Van Veldekesingel 39A bus 1.02 B-3500 Lommel	47,45	5
De Haan Vakantiehuizen SA	Woluwedal 46 B-1200 Sint-Lambrechts-Woluwe	25	31
EPC SCRL (Economie Populaire de Ciney)	Rue Edouard Dinot 32 B-5590 Ciney	61,37	33
Erasmus Gardens SA	Avenue Hermann-Debroux 42 B-1160 Bruxelles	50	31
Fairville SA	Steenweg Deinze 154 B-9810 Nazareth	33.33	34
Fixxer SA	Place Charles Rogier 11 B-1210 Bruxelles	50,16	47
Frunpark Parndorf GmbH[2]	Rathen 20 A-4081 Hartkirchen	25	32
Grensstraat SA[2]	Fabrieksweg 13 B-3190 Boortmeerbeek	50	31
Groene Poort Dreef SA[2]	Westlaan 120 B-8800 Roeselare	50	31
Hamsterhuren Location Ecureuil II[2]	Begijnhof 58 B-3800 Sint-Truiden	42,86	16
IDE Lux Finances SCRL[2]	Drève de l'Arc-en-Ciel 98 B-6700 Arlon	36,87	16
Immovlan SRL	Rue de la Fusée 50 B-1130 Bruxelles	30	32
Imsol SA[2]	Borsbeeksesteenweg 26 B-2000 Antwerpen	39,98	31

Inforum G.I.E.[2]	Rue D' Arlon 53 bte 4 B-1040 Bruxelles	50	41
Isabel SA	Boulevard de l'Impératrice 13-15 B-1000 Bruxelles	24	39
Justinvest SA[2]	Heistraat 129 B-2610 Antwerpen	33,33	32
Kuborn Real Estate SA[2]	Avenue Maurice 8 B-1050 Bruxelles	20	32
Lummen SA[2]	Avenue des statutaires 43 B-1180 Bruxelles	50	31
LIVe NV (Land Investment Vehicle)	Avenue Brugman 27A B-1060 Bruxelles	25	31
NEB Foncière SA[2]	Rue Louvrex 95 B-4000 Liège	20,49	31
Partners Through Innovation SA[2]	Place Charles Rogier 11 B-1210 Bruxelles	25,10	34
Rabot Invest SA[2]	Borsbeeksebrug 22 bus 7 B-2600 Antwerpen	25	32
R.E.D. Laboratories SA[2]	Z1. Researchpark 100 B-1731 Zellik	22,20	33
Société Mixte de Développement Immobilier SA[2]	Avenue Maurice Destenay 13 B-4000 Liège	25,04	32
SKIPR SA	Rue du Belvédère 29 B-1050 Bruxelles	27.2	34
Syneco Agence Conseil en économie sociale ASBL[2]	rue des Glaces Nationales 144 B-5060 Sambreville	20	47
TDP NV[2]	Karel Oomsstraat 37 B-2018 Antwerpen	50	47
Tervuren Square SA[2]	Avenue Hermann Debroux 42 1160 Auderghem	25	31
The Birdhouse CVBA[2]	Hessenstraatje, 25 Box 1.2 B-2000 Antwerpen	22,47	47
Trias Bel Souverain SA[2]	Boulevard de la Woluwe 58 B-1200 Bruxelles	50	13
Vicinity Affordable Housing Fund CV	Rue du Gruyer 50 B-1170 Watermaal-Bosvoorde	25,70	12
Wandelaar Invest SA[2]	Rue du Vieux Marché aux Grains 63 B-1000 Bruxelles	25	5
Wood Gardens SA[2]	Avenue Hermann-Debroux 40-42 B-1160 Bruxelles	50	31

(1) Percentage of capital held by holding company.
(2) Participations consolidated by applying a simplified consolidation method. Note that these participations are presented and accounted for in het line "VIII Investments in equity method companies"

4. Associated companies not accounted for by the equity method

Name	Head Office	% of capital held[1]	Reason for exclusion	Business code
Batopar	Boulevard Saint-Lazare 10 B-1210 Saint-Josse-ten-Noode	25	non-significant	21

(1) Percentage of capital held by holding company.

5. Belfius Bank Branches (not consolidated)

As a result of the amended company legislation, the legal form of the Belfius branches has been converted from Cooperative Society (CVBA/SCRL) to Limited Liability Company (Commanditaire Vennootschap (CommV)/Société en commandite (SComm)) as from 2020. At the same time, the name Belfius was removed from the corporate name of each agent listed here.

Name	Head Office	% of capital held[1]	Business code
Agent de banque et d'assurances Auderghem-Boitsfort SComm	Boulevard du Souverain 282 B-1160 Auderghem	30,13	4
Agent de banque et d'assurances Basse Meuse et Bocage SComm	Rue Saint Hadelin 1 B-4600 Visé	25,67	4
Agent de banque et d'assurances Brussels City Center SComm	Place Stéphanie 8 B-1050 Bruxelles	25,16	4
Agent de banque et d'assurances Brussels East SComm	Rue des Champs 6 B-1040 Bruxelles	22,99	4
Agent de banque et d'assurances Brussels North SComm	Boulevard de Smet de Naeyer 2a B-1090 Bruxelles	25,67	4
Agent de banque et d'assurances Charleroi Métropole SComm	Place du Perron 23 B-6030 Charleroi	25,67	4
Agent de banque et d'assurances Coeur du Hainaut SComm	Rue Albert 1er 23 B-7100 La Louvière	25,50	4
Agent de banque et d'assurances Condroz-Famenne SComm	Rue Saint-Eloi 1 B-5590 Ciney	24,37	4
Agent de banque et d'assurances Entre Sambre & Meuse SComm	Rue de France 50-52 B-5600 Philippeville	25,67	4
Agent de banque et d'assurances Liège Ardenne Condroz SComm	Voie de l'Ardenne 132 B-4053 Chaudfontaine	25,67	4
Agent de banque et d'assurances Liège Cité Ardente SComm	Chaussée du Roi Albert, 50 B-4431 Liège	25,25	4
Agent de banque et d'assurances Namur Capitale SComm	Rue de Marchovelette 1 B-5030 Gembloux	25,33	4
Agent de banque et d'assurances Nivelles-Tubize SComm	Rue de Nivelles 30 B-1480 Tubize	25,33	4
Agent de banque et d'assurances Hainaut Capitale SComm	Avenue Jean d'Avesnes 9 B-7000 Mons	25,67	4
Agent de banque et d'assurances Région Meuse-Hesbaye SComm	Avenue du Bosquet 41 B-4500 Huy	25,16	4
Agent de banque et d'assurances Sille & Dendre SComm	Pavé de Soignies 31 B-7850 Enghien	25,67	4
Agent de banque et d'assurances Grand Sud SComm	Rue d'Alba 1 B-6700 Arlon	25,37	4
Agent de banque et d'assurances Tournai-Val de Verne SComm	Rue Royale 105/107/109 B-7500 Tournai	25,67	4
Agent de banque et d'assurances Val de Sambre SComm	Rue de Falisolle 401 B-5060 Sambreville	26,67	4
Agent de banque et d'assurances Hainaut Sud-Ouest SComm	Rue des Canadiens 11 B-7350 Thulin	25,67	4
Agent de banque et d'assurances Vallée de la Dyle SComm	Place Alphonse Bosch 15 B-1300 Wavre	23,91	4
Agent de banque et d'assurances Waterloo SComm	Chaussée de Bruxelles 306 B-1410 Waterloo	24,84	4
Bank- en verzekeringsagent Antwerpen Zuid CommV	Grote Steenweg 456 B-2600 Berchem	27,72	4

Bank- en verzekeringsagent Centrum - West CommV	Hendrik Consciencestraat 23 bus 6 B-8800 Roeselare	25,67	4
Bank- en verzekeringsagent Waasland Noord Commv	Marktplein 3 B-9220 Hamme (O.-VL.)	25,67	4
Bank- en verzekeringsagent Hageland Noord CommV	Bogaardenstraat 26 B-3200 Aarschot	25,67	4
Bank- en verzekeringsagent Kempen Noord CommV	Bredabaan (Gooreind) 423 B-2990 Wuustwezel	25,67	4
Bank- en verzekeringsagent Kempen Oost CommV	Hertog Janplein 45 B-3920 Lommel	25,30	4
Bank- en verzekeringsagent Kortrijk - Menen - Ieper CommV	Wijngaardstraat 52 B-8500 Kortrijk	25,67	4
Bank- en verzekeringsagent Leuven CommV	Brusselsestraat 2 B-3000 Leuven	25,67	4
Bank- en verzekeringsagent Midden Limburg CommV	Dorpsstraat 1A B-3530 Houthalen-Helchteren	25,67	4
Bank- en verzekeringsagent Netevallei CommV	Grote Markt 13 B-2500 Lier	28,28	4
Bank- en verzekeringsagent Noord-Brabant CommV	Kattestraat 2 B-1730 Asse	24,84	4
Bank- en verzekeringsagent Regio Aalst CommV	Stationsstraat 4 B-9300 Aalst	25,67	4
Bank- en verzekeringsagent Regio Dender Schelde CommV	Kerkstraat 64-66 B-9200 Dendermonde	26,96	4
Bank- en verzekeringsagent Regio Zuid-Oost Vlaanderen CommV	Marktplein 36 B-9520 Sint-Lievens-Houtem	25,96	4
Bank- en verzekeringsagent Regio Gent CommV	Zonnestraat 23-25 B-9000 Gent	28,28	4
Bank- en verzekeringsagent Regio Hasselt CommV	Havermarkt 36-38 B-3500 Hasselt	25,30	4
Bank- en verzekeringsagent Regio Leie-Schipdonk CommV	Volhardingslaan 72 (bus 1) B-9800 Deinze	25,67	4
Bank- en verzekeringsagent Rivierenland Commv	Grote Markt 31 B-2800 Mechelen	25,67	4
Bank- en verzekeringsagent Regio Mortsel Kontich CommV	Mechelsesteenweg 56 B-2640 Mortsel	25,67	4
Bank- en verzekeringsagent Oost Limburg CommV	Fruitmarkt 7 B-3600 Genk	25,67	4
Bank- en verzekeringsagent Regio Oostende-Knokke CommV	Lippenslaan 74 B-8300 Knokke-Heist	25,67	4
Bank- en verzekeringsagent Regio Turnhout-Hoogstraten CommV	Vrijheid 109 B-2320 Hoogstraten	25,67	4
Bank- en verzekeringsagent Tienen - Sint-Truiden CommV	Clockemstraat 38 B-3800 Sint-Truiden	29,28	4
Bank- en verzekeringsagent Vilvoorde-Tervuren CommV	Portaelsplein 68 B-1800 Vilvoorde	25,67	4
Bank- en verzekeringsagent Waregem-Vlaamse Ardennen CommV	Nederstraat 17 B-9700 Oudenaarde	25,67	4
Bank- en verzekeringsagent Westkust CommV	Kerkstraat 58 B-8430 Middelkerke	25,67	4
Agent de banque et d'assurances Forêt de Soignes SComm	Avenue Brugmann 247 B-1180 Bruxelles	22,65	4
Bank- en verzekeringsagent Zottegem-Zuidrand Gent CommV	Heldenlaan 22 B-9620 Zottegem	29,28	4
Bank- en verzekeringsagent Zuid-Brabant CommV	Pastorijstraat 17 B-1600 Sint-Pieters-Leeuw	25,67	4

(1) Percentage of capital held by holding company.

Business code	
1. Bank, credit institution	26. Non-life insurance
2. Private savings bank	27. Captive reinsurance
3. Government credit institution	28. General insurance
4. Banking agency	29. Financial product agency and broking
5. Leasing	30. Insurance agency and broking
6. Home loans	31. Real estate (proprietary portfolio)
7. Development capital	32. Real estate agency (third party)
8. Consumer credits	33. Health and welfare
9. Other lending activities	34. Computer business/Information Technology
10. Investment company	35. Banking associations
11. Stock broking	36. Other associations
12. Variable capital investment company	37. Sewage, road cleaning and maintenance and waste management
13. Mutual funds	38. Recreation
14. Fund manager	39. Telecommunications
15. Factoring	40. Transportation
16. Infrastructure and construction financing	41. Other services
17. Other specific financing	42. Energy
18. Financial market administration	43. Economic development
19. Asset and portfolio management, financial advisory services	44. Water
20. Financial engineering, consultancy, financial research	45. Book publishing and multimedia
21. Other professional services in financial sector	46. Research and development
22. Guarantee company	47. Other service activities
23. Trust company	48. Production, management, distribution of computerised payment media
24. Foreign currency exchange	49. Financing
25. Life insurance	50. Merchant banking

10.4. Involvement with unconsolidated structured entities

1. The nature, purpose, and activities of a structured entity

Belfius' involvement with unconsolidated structured entities is mainly from an investor's perspective. The purpose is to generate a stable interest margin from these investments.

Belfius has the following types of exposures to unconsolidated structured entities in its portfolio (mainly stemming from the former Side portfolio):

- Mortgage backed securities (MBS): these structured entities invest in residential and/or commercial mortgage loans which are financed through the issue of notes. Belfius has invested in the most senior tranches.
- Asset Backed Securities (ABS): these entities invest in loans, debt securities, leases and/or receivables which are financed through the issue of notes. Belfius has invested in the most senior tranches.
- Multi issuer covered bonds: these structured entities are set up by several banks, each participating for a certain percentage in the covered pool.
- Derivatives: Belfius has some derivatives with unconsolidated structured entities such as Credit Default Swaps, Total Return Swaps and Interest Rate Swaps.

Refer to note 12. "Securitisation".

2. Amounts concerned

(in thousands of EUR)	2022 Carrying amount	2022 Maximum credit risk exposure
FINANCIAL ASSETS	817,633	1,009,270
Financial assets held for trading	379,740	576,317
Non-trading financial assets mandatorily at fair value through profit or loss	0	0
Financial assets designated at fair value through profit or loss	0	0
Financial assets at fair value through other comprehensive income	49,061	49,061
Financial assets at amortised cost	388,832	383,892
Derivatives – Hedge accounting	0	0
FINANCIAL LIABILITIES	0	0
Financial liabilities held for trading	0	0
Financial liabilities measured at fair value through profit or loss	0	0
Financial liabilities at amortised cost	0	0
Derivatives hedge accounting	0	0
OFF-BALANCE SHEET ITEMS – GIVEN	0	0
Loan commitments – given	0	0
Financial guarantees – given	0	0

(in thousands of EUR)	2023 Carrying amount	2023 Maximum credit risk exposure
FINANCIAL ASSETS	552,706	758,200
Financial assets held for trading	401,902	607,395
Non-trading financial assets mandatorily at fair value through profit or loss	19,254	19,254
Financial assets designated at fair value through profit or loss	0	0
Financial assets at fair value through other comprehensive income	131,551	131,551
Financial assets at amortised cost	0	0
Derivatives – Hedge accounting	0	0
FINANCIAL LIABILITIES	55,603	14,437
Financial liabilities held for trading	55,603	14,437
Financial liabilities measured at fair value through profit or loss	0	0
Financial liabilities at amortised cost	0	0
Derivatives hedge accounting	0	0
OFF-BALANCE SHEET ITEMS – GIVEN	0	0
Loan commitments – given	0	0
Financial guarantees – given	0	0

XI. Related parties transactions

The standard IAS 24 "Related Parties Disclosures" provides a partial exemption from the disclosure requirements for government related entities. Consequently these government related entities are not included in the table "Related parties transactions". The exposure of Belfius on for instance Belgian Government bonds can be found in the chapter "Risk Management" of the management report.

1. Related parties transactions

	Directors and key management personnel[1]		Subsidiaries'[2]	
(in thousands of EUR)	31/12/22	31/12/23	31/12/22	31/12/23
Loans[3]	3,201	4,440	4,660	5,864
of which impaired loans stage 3	0	0	0	0
Interest income	37	68	157	280
Deposits and debt securities[3]	12,529	14,269	9,454	9,264
Interest expense	(4)	(60)	(2)	(33)
Net commission	0	0	155	289
Guarantees issued and commitments provided by the Group[4]	0	0	14	217
Guarantees and commitments received by the Group	5,215	7,605	973	3,035

	Associates		Joint ventures in which the entity is a venturer	
(in thousands of EUR)	31/12/22	31/12/23	31/12/22	31/12/23
Loans[3]	288,930	294,130	16,097	21,199
of which impaired loans stage 3	0	0	0	0
Interest income	5,180	9,925	420	949
Deposits and debt securities[3]	102,729	81,483	1,312	5,024
Interest expense	(8)	(635)	0	(82)
Net commission	(3,701)	(3,649)	284	315
Guarantees issued and commitments provided by the Group[4]	368,346	403,114	49,675	48,640
Guarantees and commitments received by the Group	133,743	138,050	83	4,583

(1) Key management includes the Board of Directors and the Managing Board, as well as these persons' children and spouses or domestic partners and children of these persons' spouses or domestic partners.
(2) The amounts reported relate to transactions with subsidiaries that are not consolidated due to immateriality.
(3) Transactions with related parties are concluded at general market conditions.
(4) Unused lines granted.

2. Key management compensations[1]

(in thousands of EUR)	31/12/22	31/12/23
Short-term benefits[2]	4,883	5,403
Post-employment benefits	0	0
Other long-term benefits	917	919
Termination benefits	0	0
Employee benefit expense	0	0

(1) Key management includes the Board of Directors and the Management Board.
(2) Short-term benefits include the salaries, bonuses and other advantages.

XII. Securitisation

Belfius currently has two traditional securitisation vehicles: DSFB[27] and Mercurius Funding. The total assets of these companies amount to EUR 537 million at 31 December 2023 compared to EUR 613 million at 31 December 2022.

According to the definition of control under IFRS 10, DSFB, Penates Funding and Mercurius Funding are included in the consolidated financial statements. Belfius has:

→ full power over its securitisation vehicles;
→ exposure to their variable returns; and
→ the ability to use its power to affect the amount of the returns.

DSFB is a Belgian securitisation vehicle (société d'investissement en créances (SIC) under Belgian Law) with currently six compartments, one of which with activity, namely DSFB-2.

DSFB-2 is a securitisation transaction of loans granted to Belgian entities (public and other). All the loans are 100% guaranteed by a Belgian regional government. Under this transaction a single tranche of floating rate notes, fully guaranteed by Belfius Bank, was issued. On 31 December 2023, EUR 537 million were still outstanding. The DSFB-2 Notes are held by Belfius Bank.

Mercurius Funding is a Belgian securitisation vehicle with the aim of securitizing SME loans. During 2023, there were no outstanding transactions under Mercurius Funding.

[27] The securitisation vehicle Dexia Secured Funding Belgium was rebranded to DSFB over the course of 2021.

Statutory auditor's report to the general meeting of Belfius Bank NV/SA on the consolidated financial statements as of and for the year ended 31 December 2023

In the context of the statutory audit of the consolidated financial statements of Belfius Bank NV/SA ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2023, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 26 April 2023, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2025. We have performed the statutory audit of the consolidated financial statements of the Group for 4 consecutive financial years.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2023, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2023, the consolidated statements of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policies and other explanatory information. The total of the consolidated balance sheet amounts to EUR ('000) 179.179.352 and the consolidated statement of income shows a profit for the year of EUR ('000) 1.116.791.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

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

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Impairments on loans and advances and debt securities

We refer to headings III.A "Loans and advances measured at amortised cost", IV.A "Debt securities measured at amortised cost" and IV.B "Debt securities measured at fair value through other comprehensive income" of the consolidated balance sheet in the consolidated financial statements and to notes n° 5.4 "Loans and advances", n° 5.5 "Debt securities & Equity instruments" and 9.2 "Credit risk exposure" in which the impairment losses are disclosed.

Description

As at 31 December 2023, the Group has EUR ('000) 109.761.695 of loans and advances measured at amortised cost, EUR ('000) 13.521.835 of debt securities measured at amortised cost and EUR ('000) 7.711.837 of debt securities measured at fair value through other comprehensive income, representing 73% of total assets.

The measurement of the expected credit losses and the determination of the stage allocation contain subjective elements and require significant judgement from Management, such as the selection of macro-economic scenarios used in the determination of expected credit losses, the evaluation of deteriorating credit quality (including deterioration due to the impact of the risks related to energy price evolutions, inflation and the Russia/Ukraine conflict), and the application of models for the determination of expected credit losses.

Given the significance of impairments on loans and advances and debt securities, and the related high degree of estimation uncertainty, we consider the determination and measurement of impairments on loans and advances and debt securities as a key audit matter.

Our audit procedures

With the assistance of our IT and Financial Risk Management specialists, we performed the following procedures:

- Evaluation of the design, implementation and operating effectiveness of key controls around the expected credit loss process.
- Performance of risk assessment procedures on the loan portfolio (sector focus, risk rating migration analysis).
- Inspection of the minutes of the relevant committees and rationale for conclusions made therein, as input to our risk analysis and support our selection and extent of audit procedures.
- Evaluation if key models are delivering a reliable output based on the assessment of the model validation process, including the assessment of the Macro-Economic Factors ("MEF") and the weights associated to the different economic scenarios.
- Evaluation of the reliability of significant inputs to the models such as loans and advances or debt securities data as well as collateral used to determine the collective impairment. For a sample of loans and advances and debt securities, comparison of data used in the models with underlying documentation such as contracts and other relevant documents.
- Evaluation of the reasonableness of the manual adjustments to the model-based expected credit loss.
- Inspection of a sample of credit files and debt securities in stage 3 to assess whether the stage classification used in the expected credit loss (including assessment of inputs and assumptions used, such as reasonableness of scenarios, scenario weighting, expected cash flows, collateral values, effective interest rates, etc, including assessment of compliance with IFRS 9) is reasonable.
- Inspection of a sample of credit files and debt securities in stage 1 and 2 to assess whether the stage classification used in the expected credit loss (including assessment of whether any events of default have occurred) is reasonable.
- Evaluation of the appropriateness of Management's rationale and documentation supporting the decision not to record a provision despite the occurrence of impairment triggers and/or indicators.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Fair value measurement of Level 2 and Level 3 financial instruments

We refer to headings III.B "Loans and advances measured at fair value through other comprehensive income", III.C "Loans and advances measured at fair value through profit or loss", IV.B "Debt securities & equity instruments measured at fair value through other comprehensive income", IV.C "Debt securities & equity instruments

measured at fair value through profit or loss", V "Derivatives" (assets and liabilities) and IV.B "Debt securities issued and other financial liabilities measured at fair value through profit or loss" of the consolidated balance sheet in the consolidated financial statements and to notes n° 5.4 "Loans and advances", n° 5.5 "Debt securities & Equity instruments", n° 5.6 "Derivatives", n° 6.4 "Debt securities issued and other financial liabilities" and to note n° 9.1 "Fair value" in which the fair value analysis of the financial instruments measured at amortized cost on the balance sheet is disclosed.

Description

As at 31 December 2023, the Group has:

- Loans and advances measured at fair value through other comprehensive income for EUR ('000) 225.596 Level 2 and ('000) 3.955.601 Level 3;
- Loans and advances measured at fair value through profit or loss for EUR ('000) 694 Level 2 and EUR ('000) 587.583 Level 3;
- Debt securities measured at fair value through other comprehensive income for EUR ('000) 386.292 Level 2 and EUR ('000) 749.139 Level 3;
- Debt securities measured at fair value through profit or loss for EUR ('000) 14.163 Level 2 and EUR ('000) 502.103 Level 3;
- Equity instruments measured at fair value through other comprehensive income for EUR ('000) 475.972 Level 3;
- Equity instruments measured at fair value through profit or loss for EUR ('000) 2.619 Level 3;
- Derivatives for EUR ('000) 5.101.405 Level 2 and EUR ('000) 218.592 Level 3 recognized on the asset side and EUR ('000) 6.812.746 Level 2 and EUR ('000) 415.018 Level 3 recognized on the liability side;
- Debt securities issued and other financial liabilities measured at fair value through profit or loss for EUR ('000) 4.993.854 Level 2 and EUR ('000) 3.187.921 Level 3.

The determination of the fair value of Level 2 and 3 financial instruments is based on a range of inputs, which can be obtained from readily observable prices and rates on liquid markets. Where observable market data is not readily available, estimates are developed based on complex valuation models and are subject to a higher level of judgment.

The determination of the fair value of Level 2 and 3 financial instruments, including complex financial instruments, represent a higher exposure to risk of incorrect valuation due to the absence of readily observable market data, the complexity of certain valuation models and the higher level of judgment involved.

Our audit procedures

With the assistance of our Financial Risk Management specialists, we performed the following procedures:

- Obtaining an understanding of the process regarding the valuation of financial instruments.
- Evaluation of the design and implementation of key controls around the valuation of financial instruments, e.g., controls over model development and independent pricing verification.
- Inspection of model validation reports from the independent validation function.
- Inspection of the minutes of the relevant committees and rationale for conclusions made therein for our risk assessment and to support our selection and extent of audit procedures.
- Independent determination of the fair value for the Level 2 and 3 financial instruments on a sample basis.
- Evaluation whether the model provisions, and adjustments to the model provisions, are adequately justified and supported.
- Analysis of the impact on valuation of the decision taken or contemplated by management to further de-risk certain positions.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Adoption of IFRS 17

We refer to the primary statements of the consolidated financial statements and note III.20 "First time adoption IFRS 17".

Description

IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, "Insurance Contracts".

IFRS 17 is a complex accounting standard requiring considerable judgment and interpretation in its implementation. Among other things, the standard introduces significant changes on how the Group recognizes, measures and discloses insurance contracts.

In adopting the new standard, the group has implemented new accounting policies, including policies specific to the transition, and new models for the measurement and presentation of insurance and investment contracts. As a result of the adoption, the Group has also restated 2022 opening balance sheet and the 2022 comparatives.

The adoption of IFRS 17 is a key audit matter given the complexity and judgment involved in the application of the new standard, and the significant impact it has on the Group's consolidated financial statements and processes.

Our audit procedures

With the assistance of our actuarial and IT specialists, we have performed the following procedures:

- Gaining an understanding of the Group's process for implementing IFRS 17, including how management has interpreted and applied the new requirements.
- Assessment of new accounting principles, assumptions and methods used by management against the requirements of IFRS 17.
- Assessment of the transition approach and whether the transition adjustments and restatements are accurately reflected in the financial statements.
- Assessment of the Group's measurement of the Liability for Remaining Coverage ("LRC") and Liability of Incurred Claims ("LIC") as at the transition date by evaluating if the present value for future cash flows, risk adjustment, contractual service margin ("CSM") and loss component have been measured in compliance with the requirements of IFRS 17;
- Assessment of the appropriateness of the redesignation of certain financial instruments under IFRS 9 as a result of the first time adoption of IFRS17;
- Assessment of the appropriateness of the transition adjustments and disclosures in the financial statements.

Measurement of the liability for remaining coverage (LRC) Life and Health Individual

We refer to the heading VII.A "Insurance contract liabilities" of the consolidated balance sheet in the consolidated financial statements and to note n° 6.5.3 "Movements in insurance and reinsurance contract balances – GMM".

Description

As at 31 December 2023, the Group has EUR ('000) 10.146.279 of LRC relating to Life insurance contracts, investment contracts with discretionary participation features and Health/Individual insurance contracts, which are accounted for in accordance with IFRS 17 since 1 January 2023 and for which the General Measurement Model ("GMM") applies. This LRC represents a significant component of the Group's balance sheet and are calculated using complex actuarial models and assumptions.

Furthermore, the LRC includes components of certain judgement and estimation by management in determining the value of future cash flows, the determination of the risk adjustment, the contractual service margin (CSM) and the loss component.

The judgements made in the assumptions setting process may have a significant impact on the measurement of the LRC.

Our audit procedures

With the assistance of our actuarial and IT specialists, we have performed the following procedures:

- Assessment of the consistency of the actuarial techniques applied for the LRC and whether the actuarial models are in line with the requirements of IFRS 17, our understanding of the business and our expectations derived from market experience.
- Assessment of the design and implementation and evaluation of the operating effectiveness of key controls relating to the actuarial processes for the determination of the LRC.
- Assessment of the proper application of the identification of onerous contracts and performance of additional procedures on the cohort allocation of insurance contracts as well as on the proper application of subsequent measurement.
- Assessment of the appropriateness of the actuarial techniques used for the calculation of the LRC and the assumptions used.
- Testing of the completeness and accuracy of data used in the calculation processes and outputs from key IT systems used for the calculation of the LRC.
- Assessment of the roll-forward analysis of the LRC prepared by Management, including analysis of reconciling items, if any.
- Inspection of the reports issued by the actuarial function and rationale for conclusions made therein as input for our risk assessment.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Measurement of the liability for incurred claims (LIC) non-life

We refer to the heading VII.A "Insurance contract liabilities" of the consolidated balance sheet in the consolidated financial statements and to note n° 6.5.2 "Movements in insurance and reinsurance contract balances – PAA".

Description

As at 31 December 2023, the Group has EUR ('000) 1.026.407 of LIC relating to Non-Life contracts.

The measurement of the LIC requires a significant degree of judgement by management regarding assumptions to be made, such as the impact of changing inflation rates, loss developments, risk adjustment for non-financial risks and discount rate.

Our audit procedures

With the assistance of our actuarial and IT specialists, we have performed the following procedures:

- Assessment of the consistency and appropriateness of the actuarial techniques applied for the most important business lines (including the underlying assumptions) and whether the actuarial models are in line with our understanding of the business, and our expectations derived from market experience.
- Assessment of the design and implementation and evaluation of the operating effectiveness of the controls relating to the actuarial processes for the determination of the LIC.
- Assessment of whether the LIC has been determined in accordance with the implemented reserving policies.
- Testing the completeness and accuracy of data used in the calculation processes and output from key IT systems used for the calculation of the LIC.
- Independent calculation of the LIC for the major business lines based on commonly used actuarial techniques. We compared the results of our independent calculation with the amounts determined by the Group, and we obtained evidence supporting any significant differences observed.
- Assessment of the adequacy of the LIC through an analysis of the run-off results of the claims and annuity liabilities.
- Assessment of the proper allocation of the evolution of the LIC through OCI and profit or loss statement.

- Inspection of the reports issued by the actuarial function and rationale for conclusions made therein as input for our risk assessment.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

IT systems and controls over financial reporting

Description

We identified IT systems and controls over financial reporting as a key audit matter for the Group because its financial accounting and reporting systems are fundamentally reliant on IT systems and automated application controls to process significant transaction volumes. Automated application controls and general IT controls, which include IT governance, general IT controls over program development and changes, access to programs and data and computer operations, are required to be adequately designed and to operate effectively to ensure accurate financial reporting.

Our audit procedures

With the assistance of our IT specialists, we have performed the following procedures:

- Examination of the Group's framework of governance over its IT organisation.
- Assessment of the design, implementation, and evaluation of the operating effectiveness of general IT controls over program development and changes, access to programs and data and computer operations on relevant IT systems that support financial accounting and reporting also taking into consideration compensating controls and assessment of the impact on the extent and nature of other audit procedures whenever controls are not operating effectively.
- Assessment of the design and implementation and evaluation of the operating effectiveness of IT application controls in the relevant processes impacting the Group's financial reporting, including compensating controls and substantive procedures whenever supporting general IT controls are not operating effectively (e.g., access to programs and data).
- Assessment of the integrity of data transmission through the different IT systems to the financial reporting systems.
- Assessment of the impact of major transformation projects on the internal control environment.
- Assessment of the design and implementation and evaluation of operating effectiveness of controls at the relevant service organization.

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

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;

- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other legal and regulatory requirements

Responsibilities of the Board of directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report.

Statutory auditor's responsibilities

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

Aspects concerning the board of directors' annual report on the consolidated financial statements and other information included in the annual report

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

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

- Profile of Belfius; and
- Additional Information

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:32 §2 of the Companies' and Associations' Code has been included in a separate report attached to the board of directors' annual report on the consolidated financial statements, which is part of section "Sustainability Report 2023" of the annual report. This report on the non-financial information contains the information required by article 3:32 §2 of the Companies' and Associations' Code and is consistent with the consolidated financial statements for the same period. The Company has prepared this non-financial information based on the Global Reporting Initiative ("GRI") standards. In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the GRI standards mentioned in the board of directors' annual report on the consolidated financial statements.

Information about the independence

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

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

European Single Electronic Format (ESEF)

In accordance with the draft standard on the audit of compliance of the Financial Statements with the European Single Electronic Format (hereafter "ESEF"), we have audited as well whether the ESEF-format is in accordance with the regulatory technical standards as laid down in the EU Delegated Regulation nr. 2019/815 of 17 December 2018 (hereafter "Delegated Regulation").

The Board of Directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereafter "digital consolidated financial statements") included in the annual financial report.

It is our responsibility to obtain sufficient and appropriate information to conclude whether the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements under the Delegated Regulation.

In our opinion, based on our work performed, the format of and the tagging of information in the official English version of the digital consolidated financial statements as per 31 December 2023, included in the annual financial report of Belfius Bank NV/SA, are, in all material respects, prepared in compliance with the ESEF requirements under the Delegated Regulation.

Other aspect

This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, 29 March 2024

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises

Statutory Auditor

represented by

Olivier Macq

Réviseur d'Entreprises

Bedrijfsrevisor

Non-consolidated financial statements (BGAAP) as at 31 December 2023

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Balance (after appropriation)

Assets

(In thousands of EUR)		31/12/2022	31/12/2023
I.	Cash in hand, balances with central banks and post office banks	26,162,089	19,392,981
II.	Treasury bills eligible for refinancing with central banks	0	0
III.	Loans and advances to credit institutions	5,177,717	6,289,368
	A. Repayable on demand	3,487,522	3,574,923
	B. Other loans and adv. (with agreed maturity dates)	1,690,195	2,714,445
IV.	Loans and advances to customers	109,530,004	113,734,601
V.	Debt securities and other fixed-income securities	8,886,224	9,307,438
	A. Issued by public bodies	4,868,495	4,880,618
	B. Issued by other borrowers	4,017,729	4,426,820
VI.	Shares and other variable-yield securities	508,257	496,851
VII.	Financial fixed assets	2,765,108	2,795,320
	A. Participating interests in affiliated enterprises	2,090,557	2,091,494
	B. Participating interests in other enterprises linked by participating interests	101,647	106,651
	C. Other shares held as financial fixed assets	52,904	77,175
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	520,000	520,000
VIII.	Formation expenses and intangible fixed assets	161,901	238,929
IX.	Tangible fixed assets	476,070	511,939
X.	Own shares	0	0
XI.	Other assets	1,050,548	827,384
XII.	Deferred charges and accrued income	7,788,667	8,055,427
TOTAL ASSETS		162,506,585	161,650,238

Liabilities

(In thousands of EUR)		31/12/2022	31/12/2023
I.	Amounts owed to credit institutions	7,777,520	5,220,795
	A. Repayable on demand	1,010,183	1,049,674
	B. Amounts owed as a result of the rediscounting of trade bills	0	0
	C. Other debts with agreed maturity dates or periods of notice	6,767,337	4,171,121
II.	Amounts owed to customers	109,638,962	104,880,707
	A. Savings deposits	47,853,394	42,776,480
	B. Other debts	61,785,568	62,104,227
	1. Repayable on demand	44,917,556	39,593,199
	2. With agreed maturity dates or periods of notice	16,868,012	22,511,028
	3. As a result of the rediscounting of trade bills	0	0
III.	Debts evidenced by certificates	26,708,017	32,271,398
	A. Debt securities and other fixed-income securities in circul.	22,800,059	26,940,496
	B. Other	3,907,958	5,330,902
IV.	Other liabilities	1,457,521	1,279,980
V.	Accrued charges and deferred income	4,500,049	4,918,620
VI.	A. Provisions for liabilities and charges	105,179	101,529
	1. Pensions and similar obligations	91	85
	2. Taxation	30,700	27,700
	3. Other liabilities and charges	74,388	73,744
	B. Deferred taxes	3,748	3,574
VII.	Fund for general banking risks	988,737	988,737
VIII.	Subordinated liabilities	2,024,094	2,240,341
	CAPITAL AND RESERVES	9,302,758	9,744,557
IX.	Capital	3,458,066	3,458,066
	A. Subscribed capital	3,458,066	3,458,066
	B. Uncalled capital (-)	0	0
X.	Share premium account	209,232	209,232
XI.	Revaluation surpluses	208	208
XII.	Reserves	5,635,252	6,077,051
	A. Legal reserve	345,807	345,807
	B. Reserves not available for distribution	2,344	2,345
	1. In respect of own shares held	0	0
	2. Other	2,344	2,345
	C. Untaxed reserves	36,963	36,888
	D. Reserves available for distribution	5,250,138	5,692,011
XIII.	Profits (losses (-)) brought forward	0	0
TOTAL LIABILITIES		162,506,585	161,650,238

Off-balance sheet

(In thousands of EUR)		31/12/2022	31/12/2023
I.	Contingent liabilities	17,467,291	19,238,833
	A. Non-negotiated acceptances	243,050	190,878
	B. Guarantees serving as direct credit substitutes	13,764,902	15,512,573
	C. Other guarantees	3,229,037	3,364,982
	D. Documentary credits	230,302	170,400
	E. Assets charged as collateral security on behalf of third parties	0	0
II.	Commitments which could give rise to a risk	34,279,818	33,094,629
	A. Firm credit commitments	1,741,067	338,927
	B. Commitments as a result of spot purchases of transferable or other securities	421,199	191,657
	C. Undrown margin on confirmed credit lines	31,607,552	31,939,045
	D. Underwriting and placing commitments	510,000	625,000
	E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III.	Assets lodged with the credit institution	124,079,502	143,077,462
	A. Assets held by the credit institution for fiduciary purposes	0	0
	B. Safe custody and equivalent items	124,079,502	143,077,462
IV.	Uncalled amounts of share capital	34,360	17,049

Statement of income (presentation in list format)

(In thousands of EUR)		31/12/2022	31/12/2023
I.	Interest receivable and similar income	2,748,395	4,987,637
	of which: from fixed-income securities	219,031	304,395
II.	Interest payable and similar charges (-)	(1 100 381)	(2 992 672)
III.	Income from variable-yield securities	194,897	188,045
	A. From shares and other variable-yield securities	25,174	21,882
	B. From participating interests in affiliated enterprises	160,415	151,873
	C. From participating interests in other enterprises linked by participating interests	6,426	11,300
	D. From other shares held as financial fixed assets	2,882	2,990
IV.	Commissions receivable	847,561	873,991
	A. Brokerage and commissions	0	0
	B. Allowances for services of administration, advice and custody	0	0
	C. Other commissions receivable	847,561	873,991
V.	Commissions payable (-)	(417 608)	(443 964)
VI.	Profit (loss (-)) on financial transactions	171,641	80,216
	A. On trading of securities and other financial instruments	139,222	101,156
	B. On disposal of investment securities	32,419	(20 940)
VII.	General administrative expenses (-)	(1 214 675)	(1 316 457)
	A. Remuneration, social security costs and pensions	(586 177)	(635 938)
	B. Other administrative expenses	(628 498)	(680 519)
VIII.	Depreciation/Amortization of and other write-downs on (-) formation expenses, intangible and tangible fixed assets	(95 682)	(106 651)
IX.	Decrease/Increase (-) in write downs on receivables and in provisions for off balance sheet items “I.Contingent liabilities” and “II.Commitments which could give rise to a risk”.	(69 509)	(124 095)
X.	Decrease/Increase (-) in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	(6)	843
XI.	Utilization and write-backs of provisions for liabilities and charges other than those included in the off balance sheet items “I. Contingent liabilities” and “II. Commitments which could give rise to a risk”	66,415	33,690
XII.	Provisions for liabilities and charges other than those included in the off balance sheet items “I. Contingent liabilities” and “II. Commitments which could give rise to a risk"	(31 762)	(32 668)
XIII.	Transfer from (Transfer to) the fund for general banking risks	0	0
XIV.	Other operating income	163,749	189,224
XV.	Other operating charges	(168 429)	(200 009)
XVI.	Profits (Losses (-)) on ordinary activities before taxes	1,094,606	1,137,130
XVII.	Extraordinary income	15,167	11,548
	A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets	0	0
	B. Adjustments to write-downs on financial fixed assets	50	0
	C. Adjustments to provisions for extraordinary liabilities and charges	0	0

	D. Gain on disposal of fixed assets	15,117	11,548
	E. Other extraordinary income	0	0
XVIII.	Extraordinary charges (-)	(22 408)	(14 420)
	A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets	(16 927)	(14 032)
	B. Write-downs on financial fixed assets	(4 967)	0
	C. Provisions for extraordinary liabilities and charges	0	0
	D. Loss on disposal of fixed assets	(508)	(373)
	E. Other extraordinary charges	(6)	(15)
XIX.	Profits (Losses (-)) for the period before taxes	1,087,365	1,134,258
XIXbis.	A. Transfer to deferred taxes (-)	0	0
	B. Transfer from deferred taxes	332	62
XX.	Income taxes	(203 412)	(252 286)
	A. Income taxes (-)	(221 090)	(268 281)
	B. Adjustement of income taxes and write-back of tax provisions	17,678	15,995
XXI.	Profits (Losses (-)) for the period	884,285	882,034
XXII.	Transfer to untaxed reserves (-)	0	0
	Transfer from untaxed reserves	995	187
XXIII.	Profit (Losses (-)) for the period available for approbation	885,280	882,221

Approbation account

(In thousands of EUR)		31/12/2022	31/12/2023
A.	Profits (Losses (-)) to be appropriated	885,280	882,221
	1. Profits (Losses (-)) for the period available for approbation	885,280	882,221
	2. Profit (Losses (-)) brought forward	0	0
B.	Transfers from capital and reserves	0	0
	1. From capital and share premium account	0	0
	2. From reserves	0	0
C.	Appropriations to capital and reserves	500,863	441,873
	1. To capital and share premium account	0	0
	2. To legal reserve	0	0
	3. To other reserves	500,863	441,873
D.	Result to be carried forward	0	0
	1. Profits to be carried forward (-)	0	0
	2. Losses to be carried forward	0	0
E.	Shareholders' contribution in respect of losses	0	0
F.	Distribution of profits (-)	384,417	440,348
	1. Dividends (1)	384,417	440,348
	2. Director's entitlements (1)	0	0
	3. Other allocations (1)	0	0

(1) Only applicable to Belgian limited liability companies

Abbreviations

Acronym	
ABS	Asset-Backed Securities
AC	Amortised Cost
ALM	Asset and Liability Management
AML	Anti-Money Laundering
AUM	Assets Under Management
B/S	Balance Sheet
bp	basis point
BRRD	Bank Recovery and Resolution Directive
C/I ratio	Cost-Income ratio
CCF	Credit Conversion Factor
CET 1	Common Equity Tier 1
CoR	Cost of Risk
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSM	Contractual Service Margin
CVA	Credit Value Adjustment
DCM	Debt Capital Markets
DPF	Discretionary Participation Feature
EAD	Exposure At Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
ECM	Equity Capital Markets
EIF	European Investment Fund
EL	Expected Loss
EPC	Energy Performance Certificate
ESG	Environmental, Social & Governance
EUR	Presentation currency EURO
FCF	Fulfilment Cash Flows
FEAD	Full Exposure At Default
FHIC	Federal Holding and Investment Company
FTA	First Time Adoption
FVO	Fair Value Option
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GMM	General Measurement Model
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IRBA	Internal Rating-Based Approach

Acronym	
IRS	Internal Rating System
LC	Loss Component
LCM	Liquidity and Capital Management
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
LRE	Leverage Ratio Exposure
LT	Long-Term
LTRO	Long-Term Refinancing Operations
MREL	Minimum Requirement for own funds and Eligible Liabilities
NBB	National Bank of Belgium
NFR	Non-Financial Risks
NIG	Non-Investment Grade
NPS	Non Preferred Senior bonds
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
P&L	Profit and Loss
PAA	Premium Allocation Approach
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of Default
PS	Preferred Senior bonds
PVFCF	Present Value of Future Cash Flows
RA	Risk Adjustment
RAF	Risk Appetite Framework
RMBS	Residential Mortgage-Backed Securities
ROA	Return On Assets
ROE	Return On Equity
RoNRE	Return on Normative Regulatory Equity
SARIC	Self-Assessment of Risks and Internal Controls
SFDR	Sustainable Finance Disclosure Regulation
SME	Small and Medium Enterprises
SRB	Single Resolution Board
SREP	Supervisory Review & Evaluation Process
SRM	Single Resolution Mechanism
TAP	Transition Acceleration Policy
TLOF	Total Liabilities and Own Funds
TLTRO	Targeted Longer-Term Refinancing Operations
TREA	Total Risk Exposure Amount
TRIM	Targeted Review of Internal Models
VaR	Value at Risk
VFA	Variable Fee Approach

Additional information

Additional addresses of Belfius Bank and Belfius Insurance's main subsidiaries and branch[28]

Belfius Auto Lease

Operational vehicle leasing and car fleet management, maintenance and claims management services
Place Charles Rogier 11
BE-1210 Brussels
Tel.: + 32 2 285 35 94
www.belfius-autolease.be

Belfius Commercial Finance

Financing commercial loans to debtors, debtor insolvency risk cover and debt recovery from debtors
Place Charles Rogier 11
BE-1210 Brussels
Tel.: + 32 2 285 26 11
www.belfius-commercialfinance.be

Belfius Insurance

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector
Place Charles Rogier 11
BE-1210 Brussels
Tel.: + 32 2 286 76 11
www.dvvlap.be
www.belfius-insurance.be
www.belfiusdirect.be

Belfius Asset Management

Collective Investment Management Company
Place Charles Rogier 11
BE-1210 Brussels
Tel.: +32 2 222 12 01
www.belfiusam.be

[28] Are included in this list: all subsidiaries and the branch which are operating in the banking and insurance sector (or whose operations are contributing to banking and insurance activities).

Belfius Ireland Unlimited Company

Managing part of the GC portfolios in run off
23, Shelbourne Road
Ballsdridge
IE-Dublin 4
Tel.: + 353 15 31 15 00

Belfius Lease

Financial leasing and renting of professional capital goods to the public sector
Place Charles Rogier 11
BE-1210 Brussels
Tel.: + 32 2 222 37 08
www.belfius-lease.be

Belfius Lease Services

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions
Place Charles Rogier 11
BE-1210 Brussels
Tel.: + 32 2 222 37 08
www.belfius-lease.be

Crefius

Granting and managing mortgage loans
Registered office
Place Charles Rogier 11
BE-1210 Brussels
Tél.: +32 51 23 21 11
www.crefius.com

Elantis

Granting and managing mortgage loans and consumer loans through a network of brokers
Registered office
Rue des Clarisses 38
BE-4000 Liège
Tel.: + 32 4 232 45 45
www.elantis.be

General information about Belfius Bank

Company name and legal form
Belfius Bank SA
Contact
Tel.: + 32 2 222 11 11
Registered office
Place Charles Rogier 11
B-1210 Brussels
Main postal address
Place Charles Rogier 11
B-1210 Brussels
Company number
RPM Brussels VAT BE 403.201.185
FSMA number
19649 A
Website
www.belfius.be

Complaints

If you encounter a problem, you can take it initially to your branch or your relationship manager. If your problem is not resolved, then contact the Complaints department.

Belfius Bank
Complaints department – Colis 7908
Place Charles Rogier 11
B-1210 Brussels
E-mail: *complaints@belfius.be*

If you are not satisfied with the response you receive, you can turn to the Negotation department of Belfius Bank.

Belfius Bank
Negotiation – Colis 7908
Place Charles Rogier 44
B-1210 Brussels
E-mail: *negotiation@belfius.be*

If you are a natural person acting in a private capacity and you are not satisfied with the responses you have received from the Bank's official bodies mentioned above, you can take your complaint to the Ombudsman in financial conflicts if it relates to banking products.

Ombudsman in financial conflicts
North Gate II
Boulevard du Roi Albert II 8, boîte 2
B-1000 Brussels
Tel.: +32 2 545 77 70
Fax: +32 2 545 77 79
E-mail: *Ombudsman@Ombudsfin.be*

For insurance products, you can take your complaint to the Insurance Ombudsman.

Insurance Ombudsman
Square de Meeûs 35
B-1000 Brussels
Tel.: +32 2 547 58 71
Fax: +32 2 547 59 75
E-mail: *info@ombudsman-insurance.be*