Half-yearly
2022

Belfius

Half-yearly 2022

Contents

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Management report

Key figures and ratings

Consolidated statement of income

(In millions of EUR)	1H 2021	1H 2022
INCOME	1,232	1,309
EXPENSES	(720)	(776)
GROSS INCOME	512	532
Impairments on financial instruments and provisions for credit commitments	31	13
Impairments on tangible and intangible assets	(1)	0
NET INCOME BEFORE TAX	542	545
Tax (expense) income	(136)	(116)
NET INCOME AFTER TAX	406	429
Non-controlling interests	0	0
NET INCOME GROUP SHARE	406	428
of which		
Bank	290	321
Insurance[1]	116	108

(1) Contribution of the Belfius Insurance group to the consolidated statement of income.

Consolidated balance sheet

(In millions of EUR)	31/12/21	30/06/22
TOTAL ASSETS	192,151	199,768
of which		
Cash and balances with central banks	31,640	45,597
Loans and advances due from credit institutions	10,411	6,475
Loans and advances	102,679	107,518
Debt securities & equity instruments	27,195	24,494
Unit linked products insurance activities	4,246	4,079
Derivatives	8,909	5,905
TOTAL LIABILITIES	180,658	188,432
of which		
Cash and balances from central banks	15,418	15,487
Credit institutions borrowings and deposits	3,591	5,428
Borrowings and deposits	104,404	108,873
Debt securities issued and other financial liabilities	23,145	31,917
Unit linked products insurance activities	4,246	4,079
Derivatives	14,019	9,038
TOTAL SHAREHOLDERS' EQUITY	10,963	10,805
of which		
Shareholders' core equity	10,560	10,632
Gains and losses not recognised in the statement of income	403	172
TOTAL EQUITY	11,493	11,336
of which		
Total shareholders' equity	10,963	10,805
Additional Tier-1 instruments included in equity	497	497
Non-controlling interests	33	34

Ratios[1]

	31/12/21	30/06/22
Return on equity (ROE)	9.2%	9.2%
Return on assets (ROA)	0.48%	0.49%
Cost- income ratio (C/I ratio)	54.6%	59.3%
Asset quality ratio	1.95%	1.87%
Coverage ratio	60.4%	60.7%
Liquidity Coverage Ratio (LCR)[2]	195%	184%
Net Stable Funding Ratio (NSFR)	136%	140%

(1) Unaudited.
(2) 12-month average.

Solvency ratios[1]

	31/12/21	30/06/22
CET 1- ratio[2]	16.4%	16.7%
Tier 1- ratio[2]	17.1%	17.5%
Total capital ratio[2]	19.8%	20.1%
Leverage ratio[3]	7.1%	5.5%
Solvency II ratio (before dividend)	200%	221%
Solvency II ratio (after dividend)	190%	215%

(1) Unaudited.
(2) For the determination of the Capital ratios under Basel III, the regulatory authority asks Belfius Bank to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the equity instruments held by Belfius Bank in Belfius Insurance after deduction of goodwill. This is commonly known as “Danish compromise”.
(3) Note that the allowed Covid-19 relief measure, to exclude part of the exposures to Central Banks, expired on 1 April 2022. The leverage ratio at 31 December 2021 without this relief measure amounted to 5.93%.

Ratings of Belfius Bank as at 4 August 2022

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

(1) Intrinsic creditworthness.

Highlights

The 1H 2022 results of Belfius demonstrated the resilience of its business model and the relevance of its revenue diversification strategy, despite a multi-dimensional economic turmoil environment caused by the geopolitical context, inflation headwinds and the energy crisis. Since more than 10 years now, 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 a strong growth pattern, despite a gloomy macroeconomic situation and challenging financial markets. Inflation concerns are weighing on the purchasing power of Individuals and on the profitability of Entrepreneurs and Enterprises. Credit spreads are deteriorating in a context of higher interest rates and less expansionary monetary policies, while equity markets have plunged in the first half of 2022.

The **consolidated net income** 1H 2022 stood at EUR 428 million, which is EUR 23 million higher than in the first half of 2021 (EUR 406 million), the highest 1H net income since Belfius' origins. The main drivers for this material increase are primarily the very healthy commercial dynamics with total income increasing by EUR 77 million vs 1H 2021 (from EUR 1,232 million to EUR 1,309 million), driven by net interest income, fee & commission, life insurance and other income, outweighing the increase of the Operating Expenses by 8% due to higher workforce expenses, brand campaigns and continued investments in our data and digital transformation journey. In addition, the Cost of Risk remained – historically speaking - low, which translated into a net reversal of EUR 13 million compared to a net reversal of EUR 31 million in 1H 2021. The level of Pre-Provision Income, at EUR 532 million, increased with EUR 20 million vs 1H 2021.

Belfius Bank contributed EUR 321 million to the consolidated net profit. Impacted by heavy storms in Q1 2022, Belfius Insurance's contribution amounted to EUR 108 million.

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

- Record production of EUR 12.4 billion of new long-term loans (including leasing), a growth of +18% vs 1H 2021. Overall, the stock of outstanding commercial loans reached EUR 107.3 billion as of end June 2022;
- Our strategy "Bank for Investors" is also flourishing with the outstanding Savings & Investments remaining stable at EUR 176.9 billion, thanks to strong organic growth effects in both on-balance sheet and off-balance sheet, with the latter impacted by material negative market effect;
- The insurance business continued to grow steadily, with the non-life GWP reaching EUR 422 million mostly thanks to a strong growth of the bancassurance channel (+8%), whereas life production reached EUR 1.3 billion, a strong growth of EUR +242 million (or +24%) compared to 1H 2021, mostly thanks to solid production figures in Branch 23.

Sustained commercial activity in all segments in 1H 2022

Belfius has granted an amount of EUR 12.4 billion in new long-term financing to the Belgian economy. Out of these EUR 12.4 billion, approximately 50% (EUR 6.0 billion) went to Entrepreneurs and Enterprises. Belfius also granted EUR 1.3 billion of new long-term loans to the Public and Social sector and as such remains the reference partner for those clients. Furthermore, EUR 5.1 billion in new long-term financing went to Individuals, including EUR 4.5 billion in mortgage loans.

These strong commercial dynamics resulted in a continued solid increase of our outstanding stock of loans in all segments of the Belgian economy.

In 1H 2022, **Savings and Investments** had to face an unfavourable financial market context, reaching a stock of EUR 176.9 billion, a decline of -1.5% compared to end December 2021, composed of a solid EUR +5.0 billion organic growth in Non Maturing Deposits and Asset Management, Bonds and Equity investments, and a material negative market effect of EUR -7.6 billion.

The Individuals (IND) segment displayed a decline of EUR -2.7 billion driven by a negative market effect of EUR -6.1 billion which has partially been compensated by a strong organic growth (EUR +3.4 billion), while Savings & Investments for the Entrepreneurs, Enterprises & Public (E&E&P) segment remained more or less stable.

Within our Insurance activities, **non-life GWP** reached EUR 422 million, a growth of +4% (y-o-y). This strong performance was mainly achieved in the Belfius Bank's distribution channel (+8%).

Life production reached EUR 1.3 billion, a strong growth of +24% compared to 1H 2021. At the same time, **life reserves** were down by -6% at EUR 13.5 billion compared to end 2021, driven by further outflow of Branch 21 (EUR -0.6 billion or -6%) while the Branch 23 reserves shrunk by -4% since end 2021, due to material negative market effect.

Belfius continues to perform well on the **digital** front. The number of active mobile users reached EUR 1.83 million at the end of June 2022, up +2% compared to year end 2021. Belfius offers a leading & award-winning mobile banking app, while our insurance digital features were ranked #1 in 2021 in Belgium. 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 2022, 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 social challenges and to encourage solutions that contribute to a more sustainable society in Belgium. Belfius' commitments for 2025 prove to be more relevant than ever as a guiding compass for its sustainability strategic goals. From reinventing mobility to equal opportunities and social commitment, to CO_2 neutral stance, Belfius positions itself as a leading actor in this field.

Resilient financial performance in 1H 2022

Belfius' consolidated net income in 1H 2022 stood at EUR 428 million, driven by strong commercial dynamics and increasing income, and despite inflationary pressures on the cost side.

Total income amounted to EUR 1,309 million in 1H 2022, up +6% or EUR +77 million compared to 1H 2021 (EUR 1,232 million) thanks to:

- increase of the **net interest income bank** by +1% (EUR 808 million in 1H 2022 vs EUR 797 million in 1H 2021) driven by (a) higher outstanding loans at stabilizing average margin, (b) the early signs of improving interest margins on non-maturing deposits since Q2 2022 and (c) the continued positive impact from the TLTRO III and ECB deposit tiering, despite (d) pressure on new loan margins from general market delay between loan pricings and sharp increases of market interest rates and (e) continued strong competition in the Belgian loan market;
- continued growing **net fee and commission income bank** by +5% (EUR 377 million in 1H 2022 vs EUR 360 million in 1H 2021) thanks to higher fees from asset management (in line with our 'Bank for Investors' strategy) as well as from distributing Life and Non-Life Insurance;
- rather stable insurance contribution to income, with strong **life insurance income** (EUR 173 million in 1H 2022 vs EUR 144 million in 1H 2021), also thanks to a sound ALM management of life reserves allowing – in higher interest rates environment - for a partial release of excess life insurance reserves, neutralized by lower **non-life insurance income** (EUR 93 million in 1H 2022 vs EUR 122 million in 1H 2021), mainly due to the storms in February 2022, higher claims frequency in Car compared to 1H 2021 that was still more impacted by Covid-19 lockdowns and higher average claims costs due to inflation;
- improving **other income** to EUR -142 million in 1H 2022 compared to EUR -191 million in 1H 2021 despite higher bank & other levies (EUR -264 million in 1H 2022 vs EUR -258 million in 1H 2021), mainly thanks to a higher positive contribution from the dealing room activities and positive impacts from higher interest rates and credit spread hedges.

Belfius continued to develop its strong footprint, in operational, commercial and financial terms, by investing in brand, human talent and digital capital. The first six months of 2022 have been marked by very strong investments in our Belfius' brand positioning, with amongst others successful campaigns towards Entrepreneurs and Corporates, and the Private and Wealth segments in Belgium. **Costs** went up by +8% at EUR 776 million in 1H 2022 vs EUR 720 million in 1H 2021 due to inflationary pressures and these strong growth investments. However, thanks to the solid income evolution y-o-y, Belfius' C/I ratio remained rather stable at 59% in 1H 2022 compared to 58% in 1H 2021. The C/I ratio, adjusted for linearization of sector levies both at bank and insurance side, remained also stable at 54% in 1H 2022, compared to 53% in 1H 2021.

All in all, the combination of strong income dynamics, despite unfavourable financial markets and growing operating expenses as well as continuing investments in commercial activities, ESG, IT and digitalization, led to an increase in **pre-provision income** by +4%, to EUR 532 million in 1H 2022 (vs EUR 512 million in 1H 2021).

In 1H 2022, Belfius made again a detailed review of its credit risk portfolio and continued to calibrate its IFRS 9 provisions:

- the Russian-Ukrainian war and the geo-political, economic and financial turmoil aggravated by that,
- additional Covid-19 related lockdowns in China, and
- historically very high inflation readings worldwide.

This led in 1H 2022 again to a slightly **positive cost of risk** of EUR +13 million (net reversal) - compared to EUR +31 million or a net reversal in 1H 2021 - benefiting from a partial reversal of the Covid-19 induced ex-ante credit risk provisions set aside from 2020 onwards.

As a result, the **net income before taxes** amounted to EUR 545 million in 1H 2022 compared to EUR 542 million in 1H 2021.

The **tax expenses** amounted to EUR 116 million in 1H 2022 compared to EUR 136 million in 1H 2021, showing an effective tax rate (21%) slightly below the statutory tax rate (25%), benefitting from higher non taxable results (positive result on credit spread hedges in Ireland, capital gains on real estate project, etc.) and innovation deduction regime in line with our innovation investments.

As a consequence, **consolidated net income** 1H 2022 reached EUR 428 million compared to EUR 406 million in 1H 2021. This is Belfius' highest 1H net income since its origins, back in 2011.

Continued investment in the future, with a focus on sustainability

Beyond these resilient financial results, Belfius continues to invest in its future with a very clear focus on sustainability, a value that has been in our DNA since our origins, and on digitalization. This state of mind is at the core of all the major strategic and innovative initiatives supported by Belfius in 1H 2022:

- **Acquisition of CenEnergy**: Belfius has taken green mobility a step further, becoming the majority shareholder of CenEnergy[1] after a few years of active commercial collaboration. Belfius' majority stake in this Belgian scale-up will propagate safe and clever electric charging infrastructure across Belgium with adjacent e-mobility services. 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;
- Belfius Bike Insurance won a **2022 DECAVI Award**: this market recognition supports Belfius' focus on assisting Belgian Society in its shift towards low carbon mobility;
- **Over 80% of the new production** in mutual funds and Branch 23 went to "Sustainable" investments (art 9 or art 8 under SFDR);

(1) The acquisition has been concluded per end of June 2022.

- **Funds of the future**: till end of June 2022, Belfius already launched eight funds dedicated to society-related themes: “Belfius Equities Cure” (dedicated to oncology), “Belfius Equities Climate” (environment), “Belfius Equities Wo=Men” (to promote gender equality), “Belfius Equities Be=Long” (dedicated to happy and healthy longevity), “Belfius Equity Move” (for a cleaner, safer and smarter mobility), “Belfius Equities Become” (focused on the development of children), “Belfius Equities Re=New” (focused on circular economy) and “Belfius Virtu=all” (focused on the meta-verse economy). As of June 2022, these eight funds of the future had already attracted EUR 2.1 billion, generating from shared commissions thereon EUR 3 million of donations to charities since inception;
- Belfius’ innovative investment app **Re=Bel**: launched one year ago, this platform is fully integrated into our mobile app making ‘investing with a cause’ accessible to everyone. With a range of 40,000 shares and over 900 ETFs over 25 markets, Re=Bel is assisting our customers in their shift to sustainable investing and as such is in line with Belfius TAP(1). Re=Bel onboarded 60,000 customers since its start and executed EUR 399 million of transactions during the first six months of 2022;
- Belfius assisted its customers with the issuance of EUR 1.27 billion Green or Sustainable bonds in the first 6 months of 2022.

Solid solvency ratios and sound liquidity position(2)

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

- the CET1 ratio stood at 16.67%, 0.30% up compared to December 2021, mainly as a result of a decrease in risk weighted assets to EUR 63.2 billion (mainly thanks to the change in regulatory treatment of Belgian mortgage loans), partially offset by a decrease in prudential CET 1 capital;
- the total capital ratio stood at 20.1% compared to 19.8% end 2021;
- the leverage ratio decreased to 5.5%, compared to 7.1% end December 2021, due to lower regulatory Tier 1 capital, the elimination of the Covid-19 related relaxations measures allowing banks to partially exclude certain Central Bank exposures from the total leverage exposure measure as well as higher balance sheet total;
- insurance activities also displayed continued solid solvency metrics, with a Solvency II ratio of 215% end of June 2022;
- end of June 2022, Belfius continued to show an excellent liquidity and funding profile with a LCR of 184% and a NSFR of 140%;
- total shareholders’ equity (Net Asset Value) declined slightly to EUR 10.8 billion in the first half of 2022 (vs EUR 11.0 billion end 2021), as a result of negative OCI evolution (due to price decreases in financial markets) partially compensated by increasing equity net of dividend pay-out.

(1) The Transition Acceleration Policy (TAP) 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 negative impact of our own activities by discontinuing or limiting support of non-sustainable activities.
(2) Unaudited.

Environmental, Social and Governance

Sustainability is inherently part of our DNA and purpose **"Meaningful and Inspiring for Belgian society. Together."**. It is also woven into our 2025 Inspire strategy and articulated around 2 guiding principles: **"Walk the talk"**, that is doing what we say in the area of sustainable business and ensuring maximum positive contribution in everything we do, as well as putting **"customers in the driver's seat"** of their sustainability ambition.

We want to inspire our customers to set and realize their sustainability ambitions and, in doing so, create, together with our customers, the greatest possible positive impact. We support our customers with an adapted range of meaningful solutions, products and services and provide a strong framework through partners who help to show the way in a complex changing world.

In order to accomplish this strategy, we have defined a number of commitments in recent years which are our compass with regards to our sustainability ambition. For 2022, we remain focused on:

1. Being and remaining carbon neutral, with an ever-shrinking footprint
2. Opting for 100% green electricity, a choice we have made since 2008
3. Supporting our society year after year through Belgian charities
4. Giving women every opportunity and guaranteeing equal pay
5. Going for a 100% meaningful investment offer
6. Giving absolute priority to future-proof infrastructure for Belgian society

Belfius took the commitment to actively promote and facilitate the transition of Belgium to a low-carbon, resilient and prosperous economy and society. Belfius will continue to undertake sustained efforts in favour of climate within its own operations as well as encourage customers to lower their emissions and invest sustainably. Moreover, at Belfius we feel a responsibility to make this transition as socially inclusive as possible.

In line with our Belgian Alliance for Climate Action membership, Belfius joined the Science Based Targets initiative in January 2022, committing to set emission reduction targets aligned to the ambitions of the Paris Agreement – to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

In Belgium, buildings and transport account for over 50% of Greenhouse Gas emissions.

The rise in energy prices and the uncertainties around energy supply, amongst others caused by the Russia-Ukraine war, have further reinforced the need for Belgium to increase the energy-efficiency of its buildings. In 1H 2022, green renovation loan production at Belfius increased with 68% versus the same period last year. Since the beginning of 2022, we also encourage our customers to buy, refinance or adapt housing with EPC <= 150 kWh/m2/year with a 10 bps discount on such mortgage loans.

Belfius is eager to accelerate the transition towards a sustainable society through dialogue with enterprises and public and social customers, on ambitions and challenges and available solutions. Belfius assisted its customers with the issuance of EUR 1.27 billion Green or Sustainable bonds in the first 6 months of 2022.

Belfius supports the shift towards low carbon mobility both by encouraging soft mobility, with for instance its Belfius Bike Insurance which won a 2022 DECAVI Award, and by promoting electric vehicles, which now make up 26.1% of orders at Belfius Auto Lease. Having worked commercially with CenEnergy for a couple of years, Belfius has taken a majority stake in this promising Belgian Scale-up to propagate safe and clever electric charging infrastructure across Belgium with adjacent e-mobility services. 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.

Over 80% of the new production in mutual funds (including pension funds and My Portfolio) and Branch 23, went to 'Sustainable' investment products (art. 9 or art. 8 under SFDR). The extension of the Funds of the Future range beginning of 2022 is also no stranger to this.

Re=Bel, the execution-only brokerage platform integrated in Belfius Mobile was launched a year ago. Re=Bel creates transparency and awareness amongst autonomous investors on the ESG features of their investments. Furthermore, it can guide them towards meaningful investments by offering several ESG filters based on Belfius' Transition Acceleration Policy. Since its start, 70% of invested amounts through Rebel are TAP[1] compliant.

Finally, Belfius endeavors to increase inclusiveness:

- 38.9% of managers are women (target of 44% end 2025);
- Belfius is exclusive bank partner of Brussels charity Capital for JOBX, which aims to give young people from diverse backgrounds career opportunities;
- Belfius is also a sponsor of Ecole 19, which trains young people aged 18 to 30 in computer coding in an innovative way and is active in Brussels and, more recently, Antwerp;

and to reduce emissions from its own operations:

- the new regional headquarters of Belfius in Wallonia, called "Namur Combattants", is packed with multiple energy – efficient features (green roof, solar panels, rainwater harvesting, presence detectors lighting…) and received a Real Estate Society (RES) Award;
- 15,000 lightbulbs are currently being replaced by LED at Belfius' headquarters and 24% of branches are already equipped with nanogrid to better manage energy consumption (multi-year program);
- more than 60% of new orders of employee and company cars of Belfius are electric or plug-in hybrid, of which about a third electric.

(1) The Transition Acceleration Policy (TAP) 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

Financial results

Preliminary notes to the consolidated financial statements

1. Changes to the scope of consolidation

Belfius Insurance acquired a 100% stake in the real estate company MC^2 (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.

2. Fundamentals of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements of Belfius are prepared in accordance with IAS 34 Interim Reporting as adopted by the EU. The condensed consolidated interim financial statements are prepared on a going-concern basis.

Analysis of the condensed consolidated interim balance sheet

Total assets increased by EUR 7.6 billion, or 4.0%, from EUR 192.2 billion for the year ending 31 December 2021, to EUR 199.8 billion as of 30 June 2022. The total assets are composed of EUR 183.4 billion for the Belfius Banking Group (compared with EUR 174.3 billion at 31 December 2021) and EUR 16.4 billion for the Belfius Insurance Group (compared with EUR 17.8 billion at 31 December 2021). 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 increase in balance sheet total stems primarily from the reinvestment in loans and deposit at the facility at the ECB of the growing deposits from customers in current and savings accounts and of the growing short term certificates of deposits. Following the higher interest rates compared to end 2021, a decrease in the fair value of the derivatives both on the asset side as liability side can also be noted.

1. Assets

1.1. Cash and balances with central banks

Cash and balances with central banks increased by EUR 14.0 billion, or 44.1%, to EUR 45.6 billion (31 December 2021: EUR 31.6 billion). 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 decreased with EUR 3.9 billion, or -37.8%, to EUR 6.5 billion (31 December 2021: EUR 10.4 billion). The decrease in cash collateral paid of EUR 4.4 billion in line with the fair value movement of the derivatives, was partially offset by an increase in term loans.

1.3. Loans and advances

Loans and advances increased by EUR 4.8 billion, or 4.7%, to EUR 107.5 billion (31 December 2021: EUR 102.7 billion), stemming from an increase in loans of EUR 5.0 billion (mainly term and mortgage loans) in line with our strategy to continuously develop our commercial franchise and to support the Belgian economy. Cash collateral paid decreased by EUR 0.3 billion in line with the fair value of the derivatives.

Belfius Insurance continues to invest a small part of its reserves in leveraged loans, through the investment fund Belfius Euro Loans, resulting in an increase in loans and advances measured at fair value through other comprehensive income of EUR 25 million; the total amount outstanding amounts to EUR 124 million per 30 June 2022.

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 decreased by EUR 0.1 billion to EUR 1.0 billion as of the end of June 2022, mainly due to negative fair value adjustments and repayments.

The asset quality ratio, indicating the ratio between impaired (stage 3) loans and advances and the gross outstanding loans and advances, amounts to 1.87%, an improvement of 8 bps in comparison to 31 December 2021 (see chapter on Risk Management for additional information).

1.4. Debt securities and equity instruments

The Belfius Banking Group contributed EUR 15.0 billion (31 December 2021: EUR 16.5 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 9.5 billion (31 December 2021: EUR 10.7 billion).

The debt securities measured at amortised cost decreased by EUR 1.9 billion, or -9.0%, to EUR 19.0 billion (31 December 2021: EUR 20.8 billion) following redemptions of some corporate bonds and the impact of fair value hedge revaluations on certain bonds.

The financial assets measured at fair value through other comprehensive income decreased by EUR 0.8 billion, or -15.7%, to EUR 4.2 billion (31 December 2021: EUR 5.0 billion). This is the result of negative fair value adjustments on bonds and equity instruments following higher interest rates and deteriorating stock markets compared with the 2021 year-end (EUR 0.7 billion) as well as of disposals and redemptions of bonds (EUR 0.1 billion).

Debt securities and equity instruments measured at fair value through profit or loss remained stable at EUR 1.3 billion.

1.5. Unit-linked products insurance activities

Unit-linked products within our insurance activities (Branch 23) decreased by EUR 0.2 billion, or -3.9%, to EUR 4.1 billion (31 December 2021: EUR 4.2 billion), mainly resulting from negative fair value adjustments, partially compensated by transfers of customer investments from Branch 21 policies coming to maturity.

Summarised condensed consolidated interim balance sheet

(In millions of EUR)	31/12/21	Contribution Bank into group[1]	Contribution Insurance into group[1]	30/06/22	Contribution Bank into group[1]	Contribution Insurance into group[1]	Evolution
TOTAL ASSETS	192,151	*174,329*	*17,822*	199,768	*183,383*	*16,385*	7,617
Of which							
Cash and balances with central banks	31,640	*31,640*	*0*	45,597	*45,597*	*0*	13,957
Loans and advances due from credit institutions	10,411	*10,312*	*99*	6,475	*6,404*	*70*	(3,937)
A. Measured at amortised cost	10,411	*10,312*	*99*	6,475	*6,404*	*70*	(3,937)
Loans and advances	102,679	*97,793*	*4,886*	107,518	*102,637*	*4,881*	4,839
A. Measured at amortised cost	101,541	*96,769*	*4,772*	106,438	*101,695*	*4,743*	4,897
B. Measured at fair value through other comprehensive income	99	*0*	*99*	124	*0*	*124*	25
C. Measured at fair value through profit or loss	1,039	*1,024*	*15*	956	*942*	*14*	(83)
Debt securities & equity instruments	27,195	*16,456*	*10,739*	24,494	*15,000*	*9,495*	(2,701)
A. Measured at amortised cost	20,840	*15,536*	*5,304*	18,963	*14,135*	*4,828*	(1,877)
B. Measured at fair value through other comprehensive income	4,959	*196*	*4,763*	4,183	*211*	*3,972*	(777)
C. Measured at fair value through profit or loss	1,396	*725*	*671*	1,348	*653*	*695*	(48)
Unit linked products insurance activities	4,246	*0*	*4,246*	4,079	*0*	*4,079*	(167)
Derivatives	8,909	*8,909*	*0*	5,905	*5,903*	*2*	(3,004)
TOTAL LIABILITIES	180,658	*163,693*	*16,964*	188,432	*172,672*	*15,760*	7,774
Of which							
Cash and balances from central banks	15,418	*15,418*	*0*	15,487	*15,487*	*0*	69
Credit institutions borrowings and deposits	3,591	*3,590*	*1*	5,428	*5,427*	*1*	1,837
A. Measured at amortised cost	3,591	*3,590*	*1*	5,428	*5,427*	*1*	1,837
Borrowings and deposits	104,404	*104,404*	*0*	108,873	*108,873*	*0*	4,469
A. Measured at amortised cost	104,355	*104,355*	*0*	108,828	*108,828*	*0*	4,472
B. Measured at fair value through profit or loss	49	*49*	*0*	45	*45*	*0*	(3)
Debt securities issued and other financial liabilities	23,145	*23,145*	*0*	31,917	*31,915*	*1*	8,771
A. Measured at amortised cost	15,117	*15,117*	*0*	24,532	*24,531*	*1*	9,416
B. Measured at fair value through profit or loss	8,029	*8,029*	*0*	7,384	*7,384*	*0*	(644)
Unit linked products insurance activities	4,246	*0*	*4,246*	4,079	*0*	*4,079*	(167)
Derivatives	14,019	*14,002*	*17*	9,038	*9,027*	*11*	(4,980)
Provisions for insurance activities	12,191	*0*	*12,191*	11,175	*0*	*11,175*	(1,016)
Subordinated debts	1,643	*1,643*	*0*	1,552	*1,552*	*0*	(91)
A. Measured at amortised cost	1,643	*1,643*	*0*	1,552	*1,552*	*0*	(91)
TOTAL SHAREHOLDERS' EQUITY	10,963	*10,138*	*825*	10,805	*10,213*	*591*	(158)
Of which							
Shareholders' core equity	10,560	*10,061*	*499*	10,632	*10,137*	*495*	72
Gains and losses not recognised in the statement of income	403	*77*	*326*	172	*76*	*96*	(231)
TOTAL EQUITY	11,493	*10,636*	*857*	11,336	*10,711*	*625*	(157)
of which							
Total shareholders' equity	10,963	*10,138*	*825*	10,805	*10,213*	*591*	(158)
Additional Tier-1 instruments included in equity	497	*497*	*0*	497	*497*	*0*	0
Non-controlling interests	33	*0*	*32*	34	*0*	*34*	2

(1) Information based on non-audited figures.

1.6. Derivatives

Derivatives decreased by EUR 3.0 billion, or -33.7%, to EUR 5.9 billion, (31 December 2021: EUR 8.9 billion), mainly due to the impact of higher interest rates compared to end 2021 and unwinds of some bilateral agreements. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 8.3 billion end June 2022, compared with EUR 8.5 billion at the end of 2021.

2. Liabilities

Total liabilities increased by EUR 7.8 billion, or 4.3%, to EUR 188.4 billion (31 December 2021: EUR 180.7 billion), mainly resulting from an increase in funding sources in “Debt securities issued”, “Deposits” from customers, as well as “Credit institutions borrowings and deposits”.

2.1. Cash and balances from central banks

Cash and balances from central banks increased by EUR 0.1 billion to EUR 15.5 billion (31 December 2021: EUR 15.4 billion). Belfius’ total TLTRO III participation amounts to EUR 15.65 billion as of 30 June 2022 (stable compared to end 2021).

2.2. Credit institutions borrowings and deposits

Credit Institutions borrowings and deposits increased by EUR 1.8 billion, or 51.2%, to EUR 5.4 billion (31 December 2021: EUR 3.6 billion), resulting from an increase in deposits, borrowings and repurchase agreements stemming from short-term liquidity management, partially compensated by a decrease in cash collateral received in line with the fair value movement of derivatives.

2.3. Borrowings and deposits

Borrowings and deposits increased by EUR 4.5 billion, or 4.3%, to EUR 108.9 billion (31 December 2021: EUR 104.4 billion), mainly due to continued strong organic growth of demand and savings deposits.

2.4. Debt securities issued and other financial liabilities

Debt securities issued and other financial liabilities increased by EUR 8.8 billion, or 37.9%, to EUR 31.9 billion (31 December 2021: EUR 23.1 billion).

The debt securities measured at amortised cost increased by EUR 9.4 billion, or 62.3%, to EUR 24.5 billion (31 December 2021: EUR 15.1 billion), mainly due to an increase in outstanding certificates of deposit from EUR 0.9 billion end 2021 to EUR 11.1 billion end 1H 2022, partially compensated by maturities of covered bonds (EUR 0.5 billion) and other bonds (EUR 0.3 billion).

Debt securities measured at fair value through profit or loss decreased by EUR 0.6 billion, or -8.0%, to EUR 7.4 billion (31 December 2021: EUR 8.0 billion), mainly following negative fair value adjustments.

2.5. Derivatives

Derivatives decreased by EUR 5.0 billion, or -35.5%, to EUR 9.0 billion (31 December 2021: EUR 14.0 billion), mainly due to the impact of higher interest rates compared to end 2021 and unwinds of some bilateral agreements. The total impact of offsetting for derivatives concluded with LCH amounted to EUR 8.3 billion end June 2022, compared with EUR 8.5 billion at the end of 2021.

2.6. Provisions for insurance activities

Gross technical reserves for Life decreased by EUR 1,033 million, or 10%, to EUR 9.7 billion (31 December 2021: EUR 10.7 billion). In the still historically low interest rate environment of 1H 2022, a continued shift can be noted from Branch 21 products towards alternative investment forms, such as Branch 23 or Branch 44 products. As a result, a substantial part of the Branch 21 investment policies coming to maturity were not reinvested in new Branch 21 investment policies. Furthermore, following the reassessment of the technical provisions, a release of EUR 48 million of life additional provisions was recorded, in line with the risk appetite framework (compared with a release of EUR 15 million in 2021).

The calculation of the best estimate for the Liability Adequacy Test showed an excess above the risk appetite framework thanks to the evolution of the market conditions during the first six months of the year (mainly the significant increase of the interest rates and volatility adjustment), allowing for a reassessment and partial release (EUR 48 million) of the existing prudency levels embedded within the technical provisions (release of “excessive prudence” in accordance with IFRS 4). The remaining existing prudency level is justified in order to capture the uncertainties regarding the future evolution of the parameters influencing the outcome of the Liability Adequacy Test.

No shadow loss adjustment was recognised in 1H 2022, compared to a shadow loss adjustment of EUR 320 million at year-end 2021. The decrease stems from the impact of the increase in discount rate on the calculation of the Best Estimate of the life reserves. The Liability Adequacy Test showed that the technical reserves were sufficient compared to the best estimate. For the funds with dedicated assets managed by Belfius Insurance (segregated accounts), shadow accounting was recognized for EUR 3 million, a decrease of shadow accounting of EUR 25 million compared to year-end 2021, mainly explained by the decrease in the fair value of the debt instruments resulting from higher interest rates.

The technical provision for Non-Life products increased by EUR 19 million, or 1%, to EUR 1.5 billion (31 December 2021: EUR 1.5 billion) mainly due to an increase in the Non-Life portfolio, partially offset by a decrease in claims incurred awaiting settlement. Note that in 1H 2022 a reassessment of the general Non-Life claims provisions, in line with the risk appetite framework, resulted in a release of the Non-Life claims provisions of EUR 8 million (in comparison with no release in 2021).

2.7. Subordinated debts

Subordinated debts decreased by EUR 91 million, or -5.5%, to EUR 1.6 billion (31 December 2021: EUR 1.6 billion) following the reimbursement of two subordinated loans amounting to EUR 75 million that came at maturity in 1H 2022.

3. Equity

Total equity decreased by EUR 157 million, or -1.4%, to EUR 11.3 billion (31 December 2021: EUR 11.5 billion) mainly attributable to a decrease of EUR 231 million in gains and losses not recognised in the statement of income and the payment of the dividend over full year 2021 results of EUR 368.5 million, partially compensated by the profit for the period amounting to EUR 428 million. A total of EUR 19 million (after tax) of realised gains on equity instruments was accounted for directly in core equity in 1H 2022 (mainly at Belfius Insurance).

3.1. Shareholders' core equity

Shareholders' core equity increased by EUR 72 million, 0.7%, to EUR 10.6 billion (31 December 2021: EUR 10.6 billion). This increase was due mainly to the profit for the period of EUR 428 million and the realised results on equity instruments that are recognised directly in retained earnings, partially offset by the payment of the dividend over full year 2021 results of EUR 368.5 million. The payment on Additional Tier 1 amounted to EUR 7 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 231 million, or -57.2%, to EUR 172 million (31 December 2021: EUR 403 million). The contribution of the Belfius Banking Group amounted to EUR 76 million (stable compared to previous year) and the Belfius Insurance Group to EUR 96 million (decrease of EUR 230 million).

The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 227 million, or -209.0%, to EUR -118 million (31 December 2021: EUR 109 million) and stems from higher interest rates and widened credit spreads compared with last year, partially offset by the decrease of EUR 137 million (after tax) of shadow loss adjustment (no shadow loss adjustment per 30 June 2022 compared with EUR -137 million (after tax) per end 2021).

The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 28 million, or -15.8%, to EUR 151 million (31 December 2021: EUR 179 million), due to deteriorating stock markets, partially offset by the decrease of EUR 116 million (after tax) of shadow loss adjustment (no shadow loss adjustment per 30 June 2022 compared with EUR -116 million (after tax) per end 2021).

Reserves on cash flow hedges decreased by EUR 13 million to EUR -112 million (31 December 2021: EUR -98 million), due mainly to the evolution of basis spreads on derivative positions in GBP and USD.

The remeasurement of defined benefit plans increased by EUR 29 million, or 21.6%, to EUR 161 million (31 December 2021: EUR 132 million), due mainly to the effect of an increase in the discount rate, partially offset by a higher than expected inflation rate, the adjustment of the inflation hypothesis, and the negative return on plan assets.

The discretionary participation feature of insurance contracts increased by EUR 9 million, or 11.5%, to EUR 90 million (31 December 2021: EUR 81 million). The total amount of future profit sharing amounts to EUR 161 million. An amount of EUR 53 million was recorded through the statement of income compared with EUR 63 million at year-end 2021. The remaining EUR 108 million (EUR 90 million after tax) is accounted for via equity.

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 condensed consolidated statement of income

Summarised condensed consolidated interim statement of income

(In millions of EUR)	1H 2021	*Contribution Bank into group(1)*	*Contribution Insurance into group(1)*	1H 2022	*Contribution Bank into group(1)*	*Contribution Insurance into group(1)*	Evolution
INCOME	1,232	*952*	*280*	1,309	*1,035*	*274*	77
Of which							
Net interest income	988	*797*	*191*	976	*808*	*169*	(12)
Net income from financial instruments at fair value through profit or loss	35	*33*	*2*	27	*44*	*(17)*	(8)
Net income on investments and liabilities	7	*6*	*1*	22	*9*	*13*	15
Net fee and commission income	372	*360*	*12*	393	*377*	*16*	21
Technical result from insurance activities	51	*0*	*51*	68	*0*	*68*	17
Other income and expense	(267)	*(262)*	*(5)*	(227)	*(223)*	*(4)*	40
EXPENSES	(720)	*(594)*	*(125)*	(776)	*(640)*	*(136)*	(57)
GROSS INCOME	512	*358*	*154*	532	*395*	*137*	20
Impairments on financial instruments and provisions for credit commitments	31	*30*	*1*	13	*14*	*(1)*	(17)
Impairments on tangible and intangible assets	(1)	*0*	*0*	0	*0*	*0*	1
NET INCOME BEFORE TAX	542	*387*	*155*	545	*409*	*136*	3
Tax (expense) income	(136)	*(98)*	*(39)*	(116)	*(88)*	*(28)*	20
Attributable to non-controlling interests	0	*0*	*0*	0	*0*	*0*	0
NET INCOME GROUP SHARE	406	*290*	*116*	428	*321*	*108*	23

(1) Information based on non-audited figures

1. Income

Total income increased by EUR 76.5 million, or 6.2%, to EUR 1,309 million (30 June 2021: EUR 1,232 million). Belfius Banking Group contributed EUR 1,035 million (30 June 2021: EUR 952 million) and Belfius Insurance Group contributed EUR 274 million (30 June 2021: EUR 280 million).

1.1. Net interest income

Net interest income decreased by EUR 11.9 million, or -1.2%, to EUR 976 million (30 June 2021: EUR 988 million). The net interest income at Belfius Insurance decreased by EUR 23 million due to lower outstandings in Branch 21. The net interest income at Belfius Bank increased by EUR 11 million mainly due to higher outstanding volumes in loans at a stabilizing average margin. The interest received on TLTRO III funding from ECB/NBB central bank and accounted for in 1H 2022 amounts to EUR 77 million (compared with EUR 75 million in 1H 2021). The interest paid on lending to ECB/NBB and accounted for in 1H 2022 amounts to EUR 86 million (compared with EUR 66 million in 1H 2021). 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. For the period after 23 June 2022, an estimate of the average interest rate is used for the determination of the effective interest rate.

1.2. 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 decreased by EUR 8.1 million to EUR 27 million (30 June 2021: EUR 35 million). Net trading income decreased by EUR 68 million to EUR -13 million end June 2022. Note that this line includes the fair value changes of economic hedges (that cannot be booked as accounting hedges), including EUR -97 million results on basis swaps hedging the hedge inefficiency. The net income from financial instruments mandatorily measured at fair value through profit or loss decreased by EUR 31 million to EUR -59 million end June 2022 due mainly to the impact of increasing interest rates, widened credit spreads, and the economic circumstances on the stock markets. The net income of hedge accounting increased by EUR 92 million to EUR 100 million end June 2022 and was positively impacted, among other factors, by evolutions on certain basis spreads and basis risks. Note that the result on economic hedges of the "result of financial assets non-trading mandatorily measured at fair value through profit or loss", and the "net result of hedge accounting", are classified in the line "net trading income".

1.3. Net income on investments and liabilities

Net income on investments and liabilities increased by EUR 14.7 million, or 212.5%, to EUR 22 million (30 June 2021: EUR 7 million).

Belfius realized capital gains of EUR 12.9 million on the sale of Alysea, a subsidiary that invested in a retirement home building in Luxembourg. Furthermore Belfius realized capital gains of EUR 8 million on tangible fixed assets from the sale of different bank offices (compared with EUR 6.5 million in 1H 2021).

1.4. Net fee and commission income

Net fee and commission income increased by EUR 20.9 million, or 5.6%, to EUR 393 million (30 June 2021: EUR 372 million). The increase was mainly attributed to an increase in commission income on asset management services (Branch 23, in line with our Bank for Investors strategy), as well as on insurance activity (in line with commercial dynamics).

1.5. Technical result from insurance activities

The technical result from insurance activities Life and Non-Life improved by EUR 16.7 million to a profit of EUR 67.9 million (30 June 2021: profit of EUR 51.1 million).

The technical result from insurance activities Life improved by EUR 40.3 million. The interest guarantees decreased by EUR 10 million due to the declining outstanding volume in Branch 21. Furthermore the reassessment of the life provisions resulted in a release of EUR 48 million in line with the risk appetite framework (compared to a release of EUR 15 million in 1H 2021).

In Non-Life, the technical result decreased by EUR 23.7 million, mainly resulting from a higher cost for natural catastrophes (net of reinsurance) amounting to EUR 30 million YTD 2022 compared to EUR 10 million YTD 2021. Claims charges increased, especially in Car as last year's results were positively impacted by the Covid-19 lockdown and due to inflationary pressures. The Non-Life result was positively impacted by the increase of gross earned premiums. Following the reassessment of the technical provisions a release of non-life claims provisions was recognized of EUR 8 million in line with the risk appetite framework.

1.6. Net other income and expenses

Net other income and expenses improved with EUR 39.5 million, or 14.8%, to a loss of EUR 227 million (30 June 2021: a loss of EUR 267 million).

Belfius recognised an expense of EUR 283 million in 1H 2022 as levies (including the contribution to the Single Resolution Board), an increase of EUR 5.8 million compared to 1H 2021 due to increased sector levies. Note that Belfius has opted to book part (EUR 13 million) of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. The total Irrevocable Payment Commitment included in off-balance sheet commitments amounts to EUR 30.5 million per 30 June 2022.

2. Expenses

Expenses increased by EUR 56.8 million, or 7.9%, to EUR 776 million (30 June 2021: EUR 720 million), mainly due to the impact of increased inflation and the continued investment in workforce, innovation and digital and our brand name.

2.1. Staff expense

Staff expense increased by EUR 26.6 million, or 8.8%, to EUR 329 million (30 June 2021: EUR 302 million) due to an increase in the number of FTE and the impact of inflation on salaries.

2.2. General and administrative expense

General and administrative expense increased by EUR 34.5 million, or 13.7%, to EUR 286 million (30 June 2021: EUR 252 million), impacted by the inflation and in line with our continued investments in additional external workforce, digital and automatization, and our brand name. Professional fees increased in line with the strong commercial dynamics and due to consultancy services for some strategic projects. Marketing expenses increased following material brand campaigns more concentrated in 1H 2022.

2.3. Network costs

Network costs decreased slightly by EUR 2.1 million, or -2.0%, to EUR 106 million (30 June 2021: EUR 109 million), and were positively impacted in 1H 2022 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 decreased by EUR 2.2 million, or -3.8%, to EUR 55 million (30 June 2021: EUR 57 million) following the accelerated depreciations accounted for end 2021, 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 19.8 million, or 3.9%, to EUR 532 million (30 June 2021: EUR 512 million). Belfius Banking Group contributed EUR 395 million (30 June 2021: EUR 358 million) and Belfius Insurance Group contributed EUR 137 million (30 June 2021: EUR 154 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 17.4 million to EUR 13 million (30 June 2021: EUR 31 million).

In 1H 2021 Belfius updated the underlying macro-economic scenarios due to general macro-economic improvement as well as the management overlays in specific risk pockets, resulting in reversals of part of the stage 1 and 2 impairments accounted for back in 2020, at the start of the Covid-19 crisis. As customary, impairments were also recognised on a limited number of defaulted exposures (stage 3) during 1H 2021. Overall, this resulted in a net positive Cost of Risk of EUR 31 million in 1H 2021.

In 1H 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, 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. As customary, impairments were also recognised on a still, historically speaking, limited number of defaulted exposures (stage 3) during 1H 2022. Overall, this resulted in a net positive Cost of Risk of EUR 13 million in 1H 2022. 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 0.6 million to EUR 0.1 million (30 June 2021: EUR 0.7 million).

5. Net income before tax

Net income before tax increased by EUR 3.0 million to EUR 545 million (30 June 2021: EUR 542 million). Belfius Banking Group contributed EUR 409 million (30 June 2021: EUR 387 million) and Belfius Insurance Group contributed EUR 136 million (30 June 2021: EUR 155 million).

6. Tax expense

The tax expense, including deferred taxes, decreased by EUR 20.0 million to EUR 116 million (30 June 2021: EUR 136 million), mainly due to a decrease in current tax as a result of an increase in non taxable income (dividends, non taxable capital gains, net profit in Belfius Ireland…).

As such, a decrease in the effective tax rate to 21.3% can be observed YTD 2022, compared with 25% YTD 2021.

Net deferred tax expense increased by EUR 0.3 million to EUR -32 million (30 June 2021: EUR -32 million), due mainly to temporary differences for impairments and fair value adjustments.

7. Net income group share

Total net income amounted to EUR 429 million (30 June 2021: EUR 406 million), of which EUR 0.4 million attributable to non-controlling interests (30 June 2021: EUR 0.3 million). As a result, the net income attributable to Belfius amounted to EUR 428 million (30 June 2021: EUR 406 million).

8. Non-adjusting post balance sheet events

8.1. Extension credit protection contracts on certain utility and infrastructure bonds

In order to keep the Total Risk Exposure Amount and hence credit risk on certain utility and infrastructure bonds (part of Belfius Run-Off ALM Yield Portfolio) within Belfius risk appetite limits, Belfius hedges part of the loss at default exposure thereof with dedicated credit protections. New protection contracts, extending the formerly existing credit protection mechanisms to final maturity date of the relevant underlying bonds, have been finalized in July 2022. As these protections are designed to lower the potential loss at default on the relevant underlying bonds during full life-time of those underlying bonds, in Q3 2022 Belfius will have to reassess its 1H 2022 stock of "impairments on financial instruments and provisions for credit commitments" relative to the relevant underlying bonds. If those new protection contracts would have been finalized before the end of June 2022, this would have resulted in a lower full life-time Total Risk Exposure Amount on these exposures and a positive contribution to cost of risk 1H 2022 of EUR +48 million. The effective cost of risk impact in Q3 2022 and FY 2022 accounts will depend, amongst others, on the evolution of the rating of the issuer of the credit protection as well as on the further evolution of the parameters that drive the amount of the impairment on a global basis.

9. Solvency[1]

9.1. Solvency at Bank level

At the end of June 2022, CET 1 ratio amounted to 16.67%, an increase of 29 bps compared with the end of 2021.

The increase in CET 1 ratio is mainly the result of lower total risk exposure (+49 bps) partially offset by a decrease in prudential CET 1 capital (-20 bps).

CET 1 capital amounted to EUR 10,527 million at the end of June 2022, compared to the CET 1 capital of EUR 10,658 million at the end of 2021. The decrease in CET 1 capital of EUR 131 million results mainly from the decreasing impact of the transitional measure of IFRS 9 on impairments for EUR -136 million as well as a decrease of "gains and losses not recognized in the statement of income" for EUR -255 million partially offset by the net profit of the period net of the foreseeable dividend.

At the end of June 2022, regulatory risk exposure of Belfius amounted to EUR 63,160 million, a decrease with EUR 1,935 million compared to EUR 63,161 million at the end of 2021.

The credit risk exposure amount, including counterparty credit decreased by EUR 1,607 million to EUR 48,391 million mainly due to

- the release of the Belgian macro-prudential add-on on mortgages, which is replaced by a sectorial systemic risk buffer in capital requirement (EUR -2.4 billion),
- a strong decrease on Group Center risk exposures (EUR -2 billion) resulting from positive market risk parameters evolutions and management actions leading to further de-risking of run-off positions, partially compensated by
- a strong commercial growth in Franchise activities and particularly in the Corporate segment (EUR +2.5 billion).

The total risk exposure amount for Danish Compromise decreased by EUR 983 million to EUR 8,640 million mainly due to the negative OCI evolution at Belfius Insurance.

The CVA exposure amount decreased by EUR 281 million due to increasing interest rates that have reduced some significant long term uncollateralized derivatives exposures.

The market risk exposure amount increased with EUR 936 million due to the impacts on the internal models in the context of volatile and rapidly rising interest rates.

Operational risk exposure, based on the standardized approach, remained stable at EUR 3,433 million.

At the end of June 2022, Tier 1 capital ratio amounted to 17.45%, an increase of 32 bps compared to end 2021 (16.37%). This increase follows the evolution of the CET 1 ratio since there are no new AT 1 elements.

The total capital ratio amounted to 20.14%, an increase of 31 bps compared to end 2021 (19.83%).

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

9.2. Solvency at Insurer level

The Solvency II ratio (after dividend) of Belfius Insurance stood at 215% at the end of June 2022, higher than the ratio as of December 2021 (190%).

The slight decrease in regulatory own funds was more than compensated by a decrease in SCR.

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

(1) Unaudited.

Segment reporting

Analytically, Belfius splits its activities and accounts in three segments: Individuals (IND) and Entrepreneurs, Enterprises and Public entities (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 entities (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 central ALM (interest rate and liquidity) and Bond and Derivative portfolio management.

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

Belfius

BANK & INSURANCE

INDIVIDUALS | ENTREPRENEURS, ENTERPRISES & PUBLIC | GROUP CENTER

Key figures of the segment reporting (unaudited)

Balance Sheet

	31/12/21		
(In billions of EUR)	Assets	Liabilities	Equity[1]
Individuals (IND)	54.6	82.4	1.9
Entrepreneurs, Enterprises & Public (E&E&P)	59.9	44.9	4.9
Group Center (GC)	77.6	53.3	4.7
TOTAL	**192.2**	**180.7**	**11.5**
of which banking group	174.3	163.7	10.6
of which insurance group[2]	17.8	17.0	0.9

	30/06/22		
(In billions of EUR)	Assets	Liabilities	Equity
Individuals (IND)	55.7	83.7	1.5
Entrepreneurs, Enterprises & Public (E&E&P)	62.6	45.8	5.2
Group Center (GC)	81.4	58.9	4.6
TOTAL	**199.8**	**188.4**	**11.3**
of which banking group	183.4	172.7	10.7
of which insurance group[2]	16.4	15.8	0.6

(1) Pro forma due to refinement of segmentation impacting the IND and E&E&P equity at the end of 2021.
(2) Note that the assets. liabilities and equity represent the contribution of Belfius Bank and Belfius Insurance group 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 86% loan to deposit ratio at the end of June 2022.

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 (unaudited)

Statement of income

	1H 2021			
(In millions of EUR)	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	728	538	(34)	1,232
EXPENSES	(438)	(209)	(72)	(720)
GROSS OPERATING INCOME	290	329	(106)	512
Cost of risk	10	17	3	31
Impairments on (in)tangible assets	(1)	0	0	(1)
NET INCOME BEFORE TAX	299	347	(104)	542
Tax (expense) income	(72)	(84)	20	(136)
NET INCOME AFTER TAX	227	262	(84)	406
Non-controlling interests	0	0	1	0
NET INCOME GROUP SHARE	227	262	(84)	406
of which banking group	138	234	(83)	290
of which insurance group(1)	89	28	(1)	116

	1H 2022			
(In millions of EUR)	Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	766	546	(3)	1,309
EXPENSES	(466)	(233)	(77)	(776)
GROSS OPERATING INCOME	300	313	(81)	532
Cost of risk	(3)	17	(2)	13
Impairments on (in)tangible assets	(1)	1	0	0
NET INCOME BEFORE TAX	296	331	(82)	545
Tax (expense) income	(67)	(79)	30	(116)
NET INCOME AFTER TAX	229	253	(52)	429
Non-controlling interests	0	0	1	0
NET INCOME GROUP SHARE	229	253	(53)	428
of which banking group	143	226	(48)	321
of which insurance group(1)	86	26	(5)	108

(1) Note that the statement of income represents the contribution of Belfius Bank and of Belfius Insurance Group to the consolidated statement of income.

Individuals (IND)

1. Commercial performance IND in 1H 2022

At 30 June 2022, **total savings and investments** amounted to EUR 115.7 billion, a decrease of -2.3% compared with the end of 2021. The organic growth in 2022 amounted to EUR 3.4 billion, stemming mainly from the large increase in Non Maturing Deposits (savings and payment accounts) and by good inflows in Asset Management (Mutual Funds, My Portfolio & Mandates).

Non Maturing Deposits totalled EUR 64.4 billion at 30 June 2022, up +4.3% from the end of 2021. The payment and savings accounts outstanding reached EUR 14.4 billion (+7.6%) and EUR 50.1 billion (+3.4%) respectively at the end of June 2022.

Asset Management, Bonds and Equity investments (including branch 23) decreased strongly by -9.3% compared to the end of 2021, to EUR 44.9 billion. Especially the volumes of Asset Management Services are falling with a decrease of -10.0% in 2022. This strong decrease stems from the strong decrease of equity markets and rapid increase of interest rates since the start of the year while organic growth remains positive, specially in our Funds of the Future.

Other Savings and Investments, including mainly Insurance Capital guaranteed products amounted to EUR 6.3 billion, down -10.7% compared to the end of 2021. Investments in Branch 21 life insurance guaranteed products continue to decrease in the still historically speaking low interest rate environment.

Total loans to customers rose strongly (+4.8%) to EUR 47.3 billion at 30 June 2022. The increase stems from mortgage loans (+4.7%). Mortgage loans, which account for 91% of all loans to Individuals, amounted to EUR 42.8 billion at 30 June 2022, while consumer loans and other loans to Individuals stood at EUR 1.7 billion and EUR 2.8 billion respectively.

New long-term loans granted to Individuals clients during 1H 2022 amounted to EUR 5.1 billion compared to EUR 4.3 billion in 1H 2021. The new production of mortgage loans has been very strong in 1H 2022 and amounted to EUR 4.5 billion. During the same period, EUR 0.4 billion in consumer loans and EUR 0.2 billion in new long-term Professional loans were granted.

Individuals (unaudited)

(In billions of EUR)	31/12/21[1]	30/06/22	Evolution
TOTAL SAVINGS AND INVESTMENTS	118.4	115.7	-2.3%
NON MATURING DEPOSITS	61.7	64.4	+4.3%
Savings accounts	48.4	50.1	+3.4%
Current accounts	13.3	14.4	+7.6%
Term accounts			
ASSET MANAGEMENT, BONDS AND EQUITY	49.5	44.9	-9.3%
Asset Management Services	38.4	34.6	-10.0%
Bonds	7.6	7.3	-4.6%
Equity	3.5	3.1	-12.0%
OTHER SAVINGS AND INVESTMENTS	7.1	6.3	-10.7%
Capital guaranteed products (Branch 21/26)	4.9	4.2	-13.1%
Saving Certificates	0.6	0.5	-13.1%
Term accounts	0.1	0.1	+8.8%
Third Party Products	1.5	1.5	-3.5%

(1) A reclassification occurred within the Individuals segment for the FY 2021 figures between Asset Management, Bonds & Equity and Others compared to the published FY 2021 report.

Individuals (unaudited)

(In billions of EUR)	31/12/21	30/06/22	Evolution
TOTAL LOANS TO CUSTOMERS	45.1	47.3	+4.8%
Mortgage loans	40.9	42.8	+4.7%
Consumer loans	1.7	1.7	+1.6%
Other loans[1]	2.6	2.8	+8.2%

(1) mainly Professional loans

Individuals (unaudited)

(In billions of EUR)	31/12/21	30/06/22	Evolution
TOTAL LIFE INSURANCE RESERVES[1]	10,571	10,186	-3.8%
Capital guaranteed products (Branch 21/26)	6,422	6,215	-3.4%
Unit-Linked (Branch 23)	4,149	3,971	-4.3%

(1) Investment products and insurance products.

The **total insurance production** from customers in the Individuals segment amounted to EUR 1,389 million in 1H 2022, compared with EUR 1,127 million in 1H 2021, an increase of +23.2%.

Life insurance production stood at EUR 1,074 million in 1H 2022[1], up +29.7% compared to 1H 2021[2]. Unit-linked (Branch 23) production went up (+36.3%) thanks to higher production on our key Br23 product Kite. Traditional Life (Branch 21/26) production increased (+6.6%).

Non-Life insurance production in 1H 2022 stood at EUR 314 million, up +5.3% compared to 1H 2021 thanks to all distribution channels. The Bank distribution channel continued its solid growth (EUR 137 million, +7.0% compared to 1H 2021). The premium collection DVV amounted to EUR 141 million, (+3.0% compared to 1H 2021) and by Corona, Belfius' direct insurer, to nearly EUR 37 million, up +8.8% compared to 1H 2021.

The mortgage loan cross-sell ratio for credit balance insurance slightly increased to 129% (measured as capital insured/mortgage amount) at the end of 1H 2022. The mortgage loan cross-sell ratio for property insurance slightly decreased to 87%.

Total insurance reserves, in the Individuals segment, amounted to EUR 11.2 billion. Life insurance reserves decreased (-3.8%) since end 2021 to EUR 10.2 billion at 1H 2022.Traditional capital guaranteed life reserves (Life Branch 21/26) further decreased by -3.4%. Unit-linked reserves (Branch 23) decreased by -4.3% suffering from negative impact (EUR - 0.5 billion) from the decreasing financial markets. Non-life reserves stabilized at EUR 1 billion.

Belfius continues to set the pace in **mobile banking** in Belgium and further developed its digitally supported business model. At 30 June 2022, Belfius apps for smartphones and tablets had 1.83 million users (+2%) and were consulted by Individuals customers on average 36 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 direct channels. In 1H 2022, 75% of the new pension saving contracts, 42% of the new credit cards and 40% of the new savings accounts were subscribed via direct channels.

(1) Of which EUR 345 million Gross Written Premiums and EUR 730 million TCA. TCA in life insurance products relates to transfers (Transfers from Br21 to another contract), Conversions (transfers between funds of Br23 contracts) and Arbitrages (transfers between Br 21 and Br23 towards Br 44 and between two Br23 contracts).
(2) Of which EUR 386 million Gross Written Premiums and EUR 443 million Transfers/Conversion/Arbitrage.

2. Financial results IND in 1H 2022

Individuals net income after tax increased by +0.7% from EUR 227 million in 1H 2021 to EUR 229 million in 1H 2022.

In 1H 2022, **total income** amounted to EUR 766 million, up +5.3% compared to 1H 2021, demonstrating the resilience of Belfius' Individuals business model in the continuously complex macro-economic environment.

Net interest income of the bank amounted to EUR 287 million, an increase of +5.2%, mainly thanks to loans volume growth at further slightly increasing margins.

Net **fee and commission** of the bank increased by +4.5% and amounted to EUR 323 million. This increase is driven by higher entry and management fees (in bps) from Asset Management Services combined with higher insurance fees income.

Life insurance contribution amounted to EUR 133 million, up +20.1% compared to 1H 2021. Life income benefitted from the partial release (EUR 26 million) of excess life insurance reserves in 1H 2022.

Non-Life insurance contribution strongly decreased by -20.8% and amounted to EUR 80 million, including release of technical provisions in Corona Mobility of EUR 8 million, mainly due to higher charge from the storms in February 2022, higher frequency in Mobility, as consequences of the end of Covid-19 end lockdowns, and heavier average claim cost, mainly due to the inflation.

The **other income** amounted to EUR -56 million in 1H 2022 compared to EUR -65 million in 1H 2021, EUR 9 million less negative than last year.

In 1H 2022, **total expenses** amounted to EUR 466 million, an increase of EUR 28 million or +6.4% compared to 1H 2021. Staff expenses and general expenses in IND were higher in 1H 2022 compared to 1H 2021, in line with overall investments in workforce, digital & brand, and inflationary pressures, while network costs and depreciations were lower than last year.

As a result, **gross operating income** increased to EUR 300 million in 1H 2022, up EUR +10 million or +3.5% compared to 1H 2021.

The **cost of risk** amounted to EUR -3 million in 1H 2022 (vs EUR 10 million net reversal in 1H 2021).

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

Pre-tax income stood at EUR 296 million, down EUR -3 million or -1.0% compared to 1H 2021.

Tax expenses amounted to EUR 67 million in 1H 2022 compared to EUR 72 million in 1H 2021.

As a result, **IND net income Group share** increased by +0.7% and amounted to EUR 229 million in 1H 2022.

There has been a special item of EUR 3.8 million in IND in 1H 2022 for reversal provision network fees, so the adjusted net income Individuals amounted to EUR 226 million in 1H 2022, down -0.6% compared to the **adjusted net income IND** 1H 2021.

IND **cost-income ratio** amounted to 60.9%, compared to 60.2% in 1H 2021. The **Return on Normative Regulatory Equity** (RoNRE) stood at 23.8%.

Financial Results IND

(In millions of EUR)	1H 2021	1H 2022
INCOME	**728**	**766**
Net interest income bank	273	287
Net fee and commissions bank	309	323
Life insurance contribution	110	133
Non-life insurance contribution	101	80
Other	(65)	(56)
COSTS	**(438)**	**(466)**
GROSS INCOME	290	300
Cost of risk	10	(3)
Impairments on (in)tangible assets	(1)	(1)
NET INCOME BEFORE TAXES	299	296
Tax (expense) income	(72)	(67)
NET INCOME AFTER TAXES	227	229
Non controlling interests	0	0
NET INCOME GROUP SHARE	227	229
ADJUSTED NET INCOME(1)	227	226

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

Ratios(1)

(in %)	1H 2021	1H 2022
Cost-income ratio(2)	60.2%	60.9%
RoNRE(3)	21.0%	23.8%

(1) Unaudited.
(2) Expenses relative to income.
(3) Return on Normative regulatory equity (RoNRE) is calculated by Belfius as the net income as a percentage of the average Normative regulatory equity allocated to the segment.

Normative regulatory equity & risk exposures(1)

(In millions of EUR)	31/12/21	30/06/22
Normative regulatory equity(2)	1,890	1,498
Regulatory risk exposures	13,997	11,095

(1) Unaudited.
(2) The Normative regulatory equity of the business line is calibrated. The business line's CET1 ratio is brought at 13.5% taking into account the regulatory risk exposures allocated to the business line.

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

1. Commercial performance E&E&P in 1H 2022

As of 30 June 2022, total savings and investments amounted to EUR 61.2 billion, equal to the volume of end 2021. While the Non Maturing Deposits (savings and payment accounts) increased by EUR 1.0 billion (+2.5%) to EUR 41.4 billion, the Asset Management, Bonds and Equity investments (including branch 23) volume decreased by EUR 1.4 billion (-11.0%) to EUR 10.9 billion due to negative market effect despite positive organic growth.

Entrepreneurs, Enterprises & Public (unaudited)

(In billions of EUR)	31/12/21	30/06/22	Evolution
TOTAL SAVINGS AND INVESTMENTS	61.2	61.2	+0.1%
Non maturing deposits	40.4	41.4	+2.5%
Asset Management, Bonds and Equity	12.3	10.9	-11.0%
Other savings and investments(1)	8.5	8.9	+4.2%

(1) Capital guaranteed products (Branch 21/26), Savings certificates, Term accounts and Third party products.

Total outstanding loans increased to EUR 59.9 billion (+5.1% vs end 2021). Outstanding loans to Business customers have grown by EUR 0.4 billion (+2.8%). Outstanding loans Corporate have grown by EUR 2.5 billion (+12.9%). In Public & Social Banking, the outstanding loans have stabilized vs 2021.

Entrepreneurs, Enterprises & Public (unaudited)

(In billions of EUR)	31/12/21	30/06/22	Evolution
OUTSTANDING LOANS	57.0	59.9	+5.1%
Business	14.2	14.6	+2.8%
Public and Social	23.8	23.9	+0.3%
Corporate	19.0	21.5	+12.9%
OFF-BALANCE SHEET COMMITMENTS	27.5	27.5	-0.3%

In 1H 2022, Belfius granted EUR 7.3 billion (+16.1% vs 1H 2021) in new long-term loans in the Belgian economy to Business, Corporate and Public and Social sector clients.

EUR 2.0 billion in new long-term to Business clients were granted while the production of long-term loans for Corporate customers amounted to EUR 4.0 billion (+45.3%). Befius' market share in terms of Corporate loans is confirmed at 18.5% (figure per end 2021).

In 1H 2022, Belfius granted EUR 1.3 billion (+18.0% vs 1H 2021) 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, at Belfius financing conditions. Belfius manages the cash flow of virtually all local authorities and was awarded 56% (in volumes) of the public sector financing files put out to tender in 2022.

Belfius also continued to strengthen its leading position in the **Debt Capital Markets (DCM)** for (semi-) public and private companies. In 1H 2022, 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** increased in terms of underwriting volumes, in particular for:

- Non-Life GWP E&E&P: small increase compared to 1H 2021 (+0.7%) to EUR 108 million thanks to the growth in the Business segment of both Bancassurance and DVV compensating for a decrease in the Wholesale segment due to the continued implementation of the run-off strategy in Wholesale Brokers and Wholesale Bancassurance;
- Production of E&E&P Life showed a small decrease compared to 1H 2021 (-2.0%) to EUR 186 million, mainly due to the termination of an important segregated fund almost fully compensated by higher production in first and second pillars.

Entrepreneurs, Enterprises & Public (unaudited)

(In millions of EUR)	1H 2021	1H 2022	Evolution
TOTAL PREMIUMS RECEIVED	297	294	-1.1%
Life	190	186	-2.0%
Non-life	107	108	+0.7%

2. Financial results E&E&P in 1H 2022

Net income after tax amounted to EUR 253 million in 1H 2022.

Total income E&E&P amounted to EUR 546 million, up EUR 8 million compared to 1H 2021.

E&E&P **Net interest income** amounted to EUR 440 million, up +7.2% compared to the same period in 2021. This is due mainly to higher loan volumes and further increasing margins on stock.

E&E&P **Net fee and commission income** increased in 1H 2022 to EUR 59 million (EUR +4 million) mainly thanks to higher transaction banking fees combined with good income in ECM activity.

Life Insurance activity ended at EUR 50 million in 1H 2022, 16.0% higher than in 1H 2021. Life income benefitted from the partial release (EUR 22 million) of excess life insurance reserves in 1H 2022.

Non-life insurance contribution decreased from EUR 21 million in 1H 2021 to EUR 13 million in 1H 2022, as a result of higher claims cost for mainly workers' compensation (linked to inflation).

As of 30 June 2022, **total expenses** amounted to EUR 233 million, 11.5% higher than in 1H 2021, in line with Belfius' overall investments in workforce reinforcement, the brand (advertising, events…) and digital/innovation, and also impacted by the inflationary pressures.

As a result, **gross operating income** was EUR 313 million in 1H 2022, a decrease of EUR -16 million, or -5.0% compared to 1H 2021.

The **cost of risk** amounted to EUR +17 million in 1H 2022, in line with the 1H 2021 figure.

As a result, **Pre-tax income** amounted to EUR 331 million, this is EUR 16 million lower than in 1H 2021.

The **tax charge** amounted to EUR 79 million in 1H 2022 while it was EUR 84 million in 1H 2021.

As a result, the E&E&P **net income Group share** reached EUR 253 million in 1H 2022, while it amounted to EUR 262 million in 1H 2021.

The **cost-income ratio** of the E&E&P segment was 42.7% on 30 June 2022. The **Return on Normative Regulatory Equity** (RoNRE) stood at 9.8%.

Financial Results E&E&P

(In millions of EUR)	1H 2021	1H 2022
INCOME	538	546
Net interest income bank	410	440
Net fee and commissions bank	55	59
Life insurance contribution	43	50
Non-life insurance contribution	21	13
Other	9	(16)
COSTS	(209)	(233)
GROSS INCOME	329	313
Cost of risk	17	17
Impairments on (in)tangible assets	0	1
NET INCOME BEFORE TAXES	347	331
Tax (expense) income	(84)	(79)
NET INCOME AFTER TAXES	262	253
Non controlling interests	0	0
NET INCOME GROUP SHARE	262	253
ADJUSTED NET INCOME[1]	262	253

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

Ratios[1]

(in %)	1H 2021	1H 2022
Cost-income ratio[2]	38.8%	42.7%
RoNRE[3]	10.4%	9.8%

(1) Unaudited.
(2) Expenses relative to income.
(3) Return on Normative regulatory equity (RoNRE) is calculated by Belfius as the annualized net income as a percentage of the average Normative regulatory equity.

Normative regulatory equity & risk exposures[1]

(In millions of EUR)	31/12/21	30/06/22
Normative regulatory equity[2]	4,919	5,249
Regulatory risk exposures	36,435	38,879

(1) Unaudited.
(2) The Normative regulatory equity of the business line is calibrated. The business line's CET1 ratio is brought at 13.5% taking into account the regulatory risk exposures allocated to the business line.

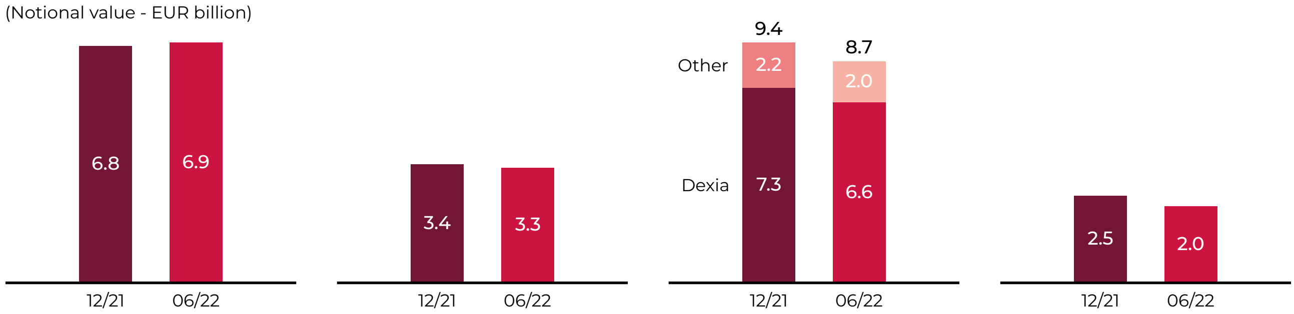
Group Center (GC)

Group Center 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 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 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	Run-off portfolios		
ALM Liquidity bond portfolio	ALM Yield bond portfolio	Derivatives	Credit guarantees



1. 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 1H 2022, the ALM Liquidity bond portfolio stood at EUR 6.9 billion(1), up EUR 0.1 billion, or 1%, compared with December 2021. At the end of 1H 2022, the portfolio was composed of sovereign and public sector bonds (64%), covered bonds (29%), corporate bonds (7%) and asset-backed securities (<1%). Belgian and Italian government bonds in the ALM Liquidity bond portfolio both amounted to EUR 1.5 billion(1) and EUR 0.9 billion(1) respectively.

At the end of 1H 2022, the ALM Liquidity bond portfolio had an average life of 7.9 years, and an average rating of A- (100% of the portfolio being investment grade) compared with A- at year-end 2021.

2. 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 1H 2022, the ALM Yield bond portfolio stood at EUR 3.3 billion(1), down 5%, compared with December 2021, and was composed of corporates (76%), sovereign and public sector (12%), asset-backed securities (8%), 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 1H 2022, the ALM Yield bond portfolio had an average life of 19.0 years. The average rating of the ALM Yield bond portfolio stood at A-. 96% of the portfolio was investment grade.

(1) Nominal amount.

3. Derivatives with Dexia entities and foreign counterparties

During the period it was part of the Dexia Group, the former 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 8.7 billion(1) at the end of 1H 2022, down EUR 0.7 billion, or -8%, compared with EUR 9.4 billion at the end of December 2021.

Derivatives with Dexia entities decreased by 9% (or EUR -0.6 billion) to EUR 6.6 billion at the end of 1H 2022. This decrease is due mainly to amortisations. Derivatives with international counterparties decreased by EUR 0.1 billion (or -5%) to EUR 2.0 billion at the end of 1H 2022.

The fair value of Dexia and international counterparty derivatives amounted to EUR 1.2 billion at the end of 1H 2022. After collateralisation, the Exposure At Default (EAD) amounted to EUR 0.9 billion.

At the end of 1H 2022, the average rating of the total portfolio stood at BBB and the average residual life of the portfolio stood at 11.5 years(2).

(1) Nominal amount.
(2) Calculated on EAD.

4. Credit guarantees

At the end of 1H 2022, the credit guarantees portfolio amounted to EUR 2.0 billion(1), down EUR 0.5 billion or -18% compared with December 2021. It relates essentially to Financial Guarantees, and Credit Default Swaps issued on corporate/public issuer bonds (97%) 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 96% investment grade in terms of credit risk profile.

At the end of 1H 2022, the average rating of the portfolio stood at A- (compared with BBB+ at year end 2021). The average residual life of the portfolio stood at 12.2 years.

5. 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.

6. Financial results GC in 1H 2022

GC net income after tax stood at EUR -52 million in 1H 2022, compared to EUR -84 million in 1H 2021.

In 1H 2022, **total income** amounted to EUR -3 million, that is EUR 31 million more than in 1H 2021. This increase stems from the other income (mainly due to better trading & hedge results and more positive funding loss provision reversal), while the net interest income has decreased (mainly due to higher yielding assets in view of increasing interest rate environment that gradually mature and are reinvested in a lower yield regime, and to more funding from commercial perimeter to be invested at negative deposit facility rate).

Total expenses increased from EUR 72 million in 1H 2021 to EUR 77 million in 1H 2022.

The **gross operating income** increased from EUR -106 million in 1H 2021 to EUR -81 million in 1H 2022.

The **cost of risk** stood at EUR -2 million in 1H 2022, compared to EUR +3 million in 1H 2021. In 1H 2022, the cost of risk has mainly been impacted by a downgrade on a position in the ALM Yield bond portfolio. In 1H 2021, the cost of risk was mainly impacted by revised probabilities of default from updated macro-economic factors.

There is no **impairment on (in)tangible assets** in 1H 2022 as in 1H 2021.

Pre-tax income stood at EUR -82 million in 1H 2022 compared to EUR -104 million in 1H 2021.

Taxes amounted to EUR +30 million in 1H 2022 compared to EUR +20 million in 1H 2021. This is mainly due to the tax impact on the gross result of our Irish subsidiary, with no recognition of DTA on fiscal losses (as in 1H 2021) and recognition of formerly written off DTA in case of positive result before tax (as in 1H 2022).

As a result, Belfius' GC net income group share amounted to EUR -53 million in 1H 2022, compared to EUR -84 million in 1H 2021.

Excluding special items, the adjusted net income GC stood at EUR +50 million in 1H 2022, compared to EUR +13 million in 1H 2021.

Financial Results GC

(In millions of EUR)	1H 2021	1H 2022
INCOME	(34)	(3)
Net interest income bank	113	81
Net fee and commissions bank	(4)	(5)
Life insurance contribution	(10)	(9)
Non-life insurance contribution	0	0
Other	(134)	(70)
COSTS	(72)	(77)
GROSS INCOME	(106)	(81)
Cost of risk	3	(2)
Impairments on (in)tangible assets	0	0
NET INCOME BEFORE TAXES	(104)	(82)
Tax (expense) income	20	30
NET INCOME AFTER TAXES	(84)	(52)
Non controlling interests	1	1
NET INCOME GROUP SHARE	(84)	(53)
ADJUSTED NET INCOME(1)	13	50

(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 condensed consolidated interim financial statements

Capital management at the Bank[1]

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 decision following the SREP 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).

Minimum CET 1 ratio Requirement

(In %)	2021	1H 2022
Pillar I minimum	4.5%	4.5%
Pillar II requirement	1.125%	1.198%
Capital conservation buffer	2.5%	2.5%
Buffer for (other) domestic systemically important institutions	1.5%	1.5%
Countercyclical buffer	0.01%	0.01%
Sectoral systemic risk buffer	0.00%	0.27%
MINIMUM CET 1 - RATIO REQUIREMENT	9.635%	9.973%
Pillar II guidance	1.00%	0.75%
MINIMUM CET 1 - RATIO GUIDANCE	10.635%	10.723%

Following the annual "Supervisory Review and Evaluation Process" finalized at the beginning of 2022 and the notification of the NBB in May 2022 of the introduction of a new sectoral systemic risk buffer for Belgian residential real estate exposures, Belfius has to comply with a minimum CET1 ratio for 1H 2022 of 9.973% (before Pillar 2 Guidance):

- a Pillar 1 minimum of 4.5%;
- a Pillar 2 Requirement (P2R) of 1.198% (after split of 2.13% 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%
- countercyclical capital buffer (CCyB) of 0.01%.

Note that in line with the enhanced resilience of Belfius in the EBA stress test published in July 2021, the Pillar 2 Guidance (P2G) decreased from 1% to 0.75% on the CET1 ratio. As a result, Belfius has to comply with a minimum CET1 ratio of 10.723% for 2022 (to compare with 10.635% in 2021, based on a P2G buffer of 1% back then).

(1) Unaudited.

The consolidated CET 1 ratio of Belfius at the end of June 2022 stood at 16.67%, well above the 2022 applicable CET 1 capital requirement of 9.973%.

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 solo and consolidated levels – a policy defined before the Covid-19 pandemic. Even during the Covid-19 pandemic, Belfius continued its support of the Belgian economy, in line with the request of the regulators. As a result, a temporary exemption was validated by the Board of Directors in 1H 2020, to reduce the minimum operational CET 1 ratio to a zone of 12.5% - 13.5%. The reduction in the CET 1 ratio should exclusively cover any credit risk deterioration and loss provisioning, if needed, in order to keep on supporting the Belgian economy. Seeing the recovery of the Belgian economy and lower effective defaults than anticipated at the start of the Covid-19 crisis, at end 2021 – early 2022, Belfius has put its capital framework back at the levels that were applicable before the start of the Covid-19 crisis, back to the minimum operational level of 13.5% CET 1 ratio (i.e. no more temporary relaxation of this level to a minimum operational zone of 12.5% to 13.5% CET 1 ratio, as was decided at the start of the Covid-19 crisis). Belfius is of course continuously monitoring the macro-economical situation in order to assess duly and diligently this capital policy.

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.

The regulator authorised 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 the 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/CRD IV 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 and leverage ratio are sent to the regulator. These calculations and reports are made on the consolidated position of the Bank and Insurance group. At the end of June 2022, Belfius complied with all requirements requested from a financial conglomerate point of view.

2. Regulatory own funds on 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.

At the end of June 2022, the starting point for the regulatory core own funds amounted to EUR 10,632 million, the increase of EUR 72 million compared with the end of 2021 is stemming mainly from the integration of the 1H 2022 result of EUR 428 million (pending ECB approval) and the realized result on equity instruments, mainly at Belfius Insurance, amounting to EUR 19 million (compared to EUR -1 million end 2022), partially offset by the dividend payment over the net result of 2021 amounting to EUR 368.5 million.

CET 1 capital amounted to EUR 10,527 million, compared to the CET 1 capital of EUR 10,658 million at the end of 2021. The decrease in CET 1 capital of EUR 131 million results mainly from the decreasing impact of the transitional measure of IFRS 9 on impairments for EUR -136 million as well as a decrease of "gains and losses not recognized in the statement of income" for EUR -255 million partially offset by a decrease of the foreseeable dividend at the end of June 2022.

The deduction for foreseeable dividends, as stipulated in article 3 of the CRR, amounts for 1H 2022 to EUR 172 million, the sum of EUR 169 million based on the pay-out ratio of 40% on the result of 2022 and the correction for the Additional Tier 1 cost (accounting wise to be treated as dividend) which remained stable at EUR 3 million.

Furthermore, a decrease of EUR 136 million of the transitional measure IFRS 9 on impairments can be noted mainly due to the degressive character of the transitional measures (from a 0.5 factor to a 0.25 factor).

The decrease of "gains and losses not recognised in the statement of income" of EUR 227 million is mainly related to the decrease of the fair value of the bond and equity portfolios of EUR 255 million related to negative fair value adjustments due to higher interest rates and lower stock markets, partially offset by an increase of EUR 29 million in the remeasurement of defined benefit pension plans mainly due to higher discount rate partially compensated by the impact of increased inflation and the lower return on plan assets.

Regulatory own funds

(In millions of EUR)	31/12/21	30/06/22
STARTING POINT FOR THE REGULATORY CORE OWN FUNDS	10,560	10,632
DEDUCTION OF FORESEEABLE DIVIDEND	(371)	(172)
TRANSITIONAL MEASURES FOR IFRS 9 PROVISIONS	307	171
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	420	194
Remeasurement defined benefit plans	132	161
OCI reserves - portfolios measured at FVTOCI	288	33
Other reserves	(98)	(112)
Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments	98	112
DEDUCTIONS AND PRUDENTIAL FILTERS	(259)	(299)
Investments in securitisation positions	0	0
Deferred tax assets on losses carried forward	0	0
Changes in the value of own credit standing	(3)	(9)
Value adjustments due to the requirements for regulatory prudent valuation	(62)	(65)
Intangible fixed assets	(54)	(67)
Goodwill	(104)	(104)
Shortfall of provisions over expected losses for IRB portfolios	(2)	(3)
Defined Benefit Pension Plan assets	(15)	(14)
Payment Commitments IPC	(17)	(31)
NPE insufficient loss coverage	0	(7)
Additional deduction due to CRR Art 3	0	0
COMMON EQUITY TIER 1 CAPITAL (CET1 CAPITAL)	10,658	10,527
Additional Tier 1 capital instruments	497	497
TIER 1 CAPITAL	11,155	11,024
Tier 2 capital instruments	1,441	1,369
Excess of provisions over expected losses for IRB portfolios	148	156
General credit risk adjustments SA (standard approach)	163	173
TIER 2 CAPITAL	1,752	1,697
REGULATORY OWN FUNDS (AFTER APPROBATION OF RESULT)	12,907	12,721

In addition, the deductions increased by EUR 41 million to EUR 299 million mainly following:

- a higher Irrevocable Payment Commitment of EUR 13 million,
- a higher deduction for software assets related to recently activated software for EUR 13 million and
- the deduction for regulatory wise NPE insufficient loss coverage related to existing non-performing loans entering in the scope of the NPE regulation for EUR 6 million.

Tier 1 capital amounted to EUR 11,024 million, compared to EUR 11,155 million at the end of 2021 and it includes the Additional Tier 1 issue of EUR 500 million (nominal value) dated February 2018.

Tier 2 capital decreased to EUR 1,697 million compared to EUR 1,752 million at the end of 2021. The decrease of EUR 55 million is mainly related to the decrease of EUR 74 million of the useful prudential value of subordinated Tier 2 instruments partially offset by the increase of EUR 9 million of the excess of provisions in comparison to expected losses for IRB portfolios and the increase of EUR 10 million of the general credit risk adjustment for SA portfolios.

At the end of June 2022, the total regulatory own funds amounted to EUR 12,721 million, compared to EUR 12,907 million at the end of 2021.

3. Regulatory risk exposure on consolidated level

Total risk exposure (RWA) includes risk-weighted exposures for credit risk, CVA risk, market risk and operational risk. Each of the underlying risks is detailed in the section on Risk Management in this report. Included in the risk exposure amount is also an amount stemming from the application of the Danish Compromise, whereby the capital instruments issued by Belfius Insurance and held by Belfius Bank are included in the RWA via a weighting of 370%.

(In millions of EUR)	31/12/21	30/06/22	Evolution
Regulatory credit risk exposure	49,998	48,391	(1,607)
Regulatory CVA exposure	679	398	(281)
Regulatory market risk exposure	1,362	2,298	936
Regulatory operational risk exposure	3,433	3,433	0
Danish Compromise	9,623	8,640	(983)
Additional risk exposure (art. 3 CRR)	0	0	0
REGULATORY RISK EXPOSURE	65,095	63,160	(1,935)

At the end of June 2022, regulatory risk exposure of Belfius amounted to EUR 63,160 million, a decrease with EUR -1,935 million compared to EUR 65,095 million at the end of 2021.

The credit RWA decreased by EUR -1,607 million to EUR 48,391 million mainly due to:

- the release of the Belgian macro-prudential add-on on mortgages – which is replaced by a sectoral systemic risk buffer in capital requirement – (EUR -2.4 billion);
- a strong decrease on Group Center RWA (EUR –2 billion) resulting from positive market risk parameters evolutions and management actions leading to further de-risking of run-off positions;
- strong commercial growth in Franchise activities and particularly in the Corporate segment (EUR +2.5 billion).

The RWA for the Danish Compromise decreased by EUR -983 million to EUR 8,640 million mainly due to the negative OCI evolution of Belfius Insurance.

The CVA RWA decreased by EUR -281 million due to increasing interest rates that have reduced some significant long term uncollateralized derivatives exposures

The market risk RWA increased with EUR 936 million due to impacts on internal models in the context of volatile and rapidly rising interest rates.

The regulatory operational risk exposure – based on the standardized approach – remained stable at EUR 3,433 million.

4. Solvency ratios for Belfius Bank on consolidated level

At the end of June 2022, CET 1 ratio amounted to 16.67%, an increase of 29 bps compared to end 2021.

The increase in CET 1 ratio to 16.67% is mainly the result of lower total regulatory risk exposure (+49 bps), partially offset by a decrease in prudential CET 1 capital (-20 bps).

At the end of June 2022, Tier 1 capital ratio amounted to 17.45%, an increase of 32 bps compared to end 2021 (17.14%).

The total capital ratio amounted to 20.14%, an increase of 31 bps compared to end 2021 (19.83%).

Note that if the IFRS 9 transitional measures were not applied, the fully loaded CET 1 ratio, Tier 1 capital ratio and Total Capital ratio would decrease by 29 bps.

Applying the deduction method for capital instruments of Belfius Insurance (equity participation deducted from CET 1 capital and subordinated debt instruments deducted from Tier 2 capital) instead of the current application of “Danish Compromise” would have the following impacts: an increase of 38 bps on the CET 1 ratio, an increase of 16 bps on the Tier 1 ratio and a decrease of 17 bps on the Total Capital ratio.

	31/12/21 Transitional		30/06/22 Transitional	
CRR 2/CRD 5	DANISH COMPROMISE	DEDUCTION METHOD	DANISH COMPROMISE	DEDUCTION METHOD
Common Equity Tier 1 ratio (CET 1-ratio)	16.37%	16.57%	16.67%	17.04%
Tier 1-capital ratio (T1-ratio)	17.14%	17.14%	17.45%	17.62%
Total Capital Ratio	19.83%	19.51%	20.14%	19.97%

5. Solvency ratios for Belfius Bank on statutory level

At the end of June 2022, CET 1 ratio on Belfius Bank statutory level amounted to 16% compared to 15% end 2021, an increase due to the increased prudential capital and decreased credit risk exposures.

At the end of June 2022, the available distributable items on statutory level amounted to EUR 4,749 million.

6. Leverage ratios for Belfius Bank on consolidated level

In December 2010, the Basel Committee on Banking Supervision (BCBS) published guidelines for calculating the leverage ratio as a non-risk based ratio which primarily intends to restrict the size of the Bank’s balance sheets and consequently the use of excessive leverage.

The leverage requirement is as from June 2021 a binding requirement of CRR 2. CRR 2 integrates the leverage ratio in the Pillar I requirement and sets the level of minimum requirement at 3% as well as a surcharge set by the EBA for G-SIB or potentially O-SIB banks.

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.

The Covid-19 related regulatory measure to temporarily exclude certain exposures to central banks as from June 2020 onwards, were cancelled in May 2022 and no longer have an impact on the denominator going forward. The numerator still takes into account the transitional measures for IFRS 9 impairment impacts.

At Belfius, the leverage ratio is managed in holistic way within the Financial Plan process. The leverage ratio as defined in the CRR is as such an integrated part of the Risk appetite framework for which internal limits and targets are set and validated by the Board of Directors. The leverage ratio is included in the Belfius reporting and control processes and is monitored regularly. Any important deviation and/or prudential changes in the leverage ratio are reported to the appropriate committees for management actions.

(In millions of EUR)	31/12/21 Transitional	30/06/22 Transitional
TIER 1 CAPITAL	**11,155**	**11,024**
Total assets	192,151	199,768
Deconsolidation of Belfius Insurance (equity method)	(16,700)	(15,619)
Adjustment for derivatives	(13,051)	(6,939)
Adjustment for securities financing transactions exposures	7,478	6,172
Adjustment for Central Banks reserves	(31,641)	0
Adjustment for prudential corrections in calculation of Tier 1 capital	131	(24)
Off-balance sheet exposures	18,019	16,664
LEVERAGE RATIO EXPOSURE	**156,386**	**200,021**
LEVERAGE RATIO (in %)(1)	7.13%	5.51%

(1) Note that the allowed Covid-19 relief measure, to exclude part of the exposures to Central Banks, expired on 1 April 2022. The leverage ratio at 31 December 2021 without this relief measure amounted to 5.93%.

At the end of June 2022, the Belfius transitional leverage ratio stood at 5.51% (a decrease of 162 bps compared with the end of 2021 (7.13%)), above the minimum pillar 1 requirement of 3%.

The decrease is the result of the slightly lower regulatory Tier 1 capital (see above), the cancellation of the Covid-19 related relaxations measures allowing banks to partially exclude certain Central Bank exposures from the total leverage exposure measure (impacting the leverage ratio with -120 bps) as well as higher balance sheet total.

Please note that the leverage ratio excluding the transitional measures for IFRS 9 provisions would decrease with 8 bps.

7. Minimum requirement for own funds and eligible liabilities (MREL)

On 3 March 2022, 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 22.73% of Total Risk Exposure Amount (TREA) and 7.87% 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 16.61% of TREA and 7.87% 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 4.28% 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 15.25% of TREA and 6.84% of LRE by 1 January 2022.

On 15 March 2022, Belfius received new proforma LRE targets in view of the discontinuation of the relief measure on leverage which will be used by the SRB to monitor Belfius' build-up of MREL resources towards the 1 January 2024 compliance date: 6.76% LRE for both the notional MREL and the notional requirement to be met using subordinated debts.

Belfius already meets its expected BRRD2 MREL requirements end 1H 2022. Indeed, expressed in TREA, Belfius MREL realised of EUR 18.6 billion amounts 29.50% to be compared with 27.01% of the 2024 final binding target (including CBR).

In the same way, Belfius MREL subordination of EUR 14.9 billion amounts 23.52% of TREA to be compared with EUR 20.61% of the binding target (8% TLOF which includes CBR). Expressed in LRE, Belfius MREL subordination of 7.45% stands in excess of 6.76% MREL requirement.

8. Impact of upcoming regulatory reforms

8.1. Basel III finalisation

Note that Belfius continues to monitor and prepare for upcoming regulatory developments stemming from the so-called “Basel III finalisation”, referring to regulation CRR3 and directive CRD6 (applicable from 1 January 2025), and the EU Banking reform, including the revised market risk framework (Fundamental Review of the Trading Book) as well as the revised credit, operational and CVA risk approaches.

Based on our end 2021 balance sheet, and seeing those recently updated regulations, for some still in draft format, Belfius recently finetuned its impact assessment, and currently estimates to have no material CET 1 ratio impact anymore from the Basel III finalization package, as the regulatory wise more favourable treatment on the Danish compromise would compensate for the sum of the less favourable impacts due to other CRR 3 elements (estimated at an increase of RWA by approximately EUR 4 billion on end 2021 balance sheet, mainly from regulatory changes for market and operational risk). Looking forward, taking into account the expected evolution in Belfius' overall regulatory approaches and anticipated management mitigation actions, and considering an overall growing balance sheet from further development of our commercial franchise, the impact of CRR 3 at first time application (2025) on CET 1 ratio is currently estimated to be neutral to slightly positive. Customary disclaimers to forward looking aspects thereof and ever changing market and regulatory environment apply, of course.

Capital management at Belfius Insurance[1]

1. Prudential supervision

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

As part of prudential supervision on 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 are determined according to the valuation and eligibility principles defined in the Solvency II regulation, Directive 2009/38/EU, implemented in order to better protect insurance clients and to restore the confidence in the financial sector.

Within Belfius Insurance, the capital management process is a key management process and aims at reaching an optimal balance between regulatory requirements, market expectations and management ambitions.

The regulatory own funds of Belfius Insurance amounted to EUR 2,286 million at the end of June 2022. It was composed for 81% of the highest quality capital (Tier 1). Tier 2 capital equalled EUR 340 million and consisted mainly of two subordinated loans. Tier 3 (Deferred tax assets) amounts to EUR 87 million.

Belfius Insurance consolidated

(In millions of EUR)	31/12/21	30/06/22
AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND	2,444	2,353
Tier 1	1,830	1,744
IFRS Equity	2,174	1,940
Valuation difference (after tax)	-344	-196
Restricted Tier 1	170	170
Tier 2	364	351
Subordinated debt	353	340
Others	11	11
Tier 3	80	87
DTA	80	87
AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND	2,314	2,286
AFR before foreseeable dividend	2,444	2,353
Foreseeable dividend	130	67

Compared to December 2021 (EUR 2,314 million), the regulatory own funds of Belfius Insurance decreased slightly with EUR 28 million. This is mainly due to the annual review of the non-economic liability assumptions and the EUR 67 million of foreseeable dividend already deducted from the AFR.

(1) Unaudited.

3. Solvency requirement

The Solvency II Capital Requirement (SCR) is calculated based on the consolidated asset and liability portfolio of Belfius Insurance, Corona and those investment entities that are fully consolidated for Solvency II purposes.

The SCR for Belfius Insurance is determined using the "Standard Formula" as defined in the Solvency II regulation, taking into account a volatility adjustment and making use of the transitional measure for equities and it includes the application of the restriction on the use of Loss Absorbing Capacity of Deferred Taxes as prescribed by the NBB.

Belfius Insurance's required capital amounted to EUR 1,065 million at the end of June 2022, lower compared to the end of 2021 (EUR 1,219 million). The SCR decreased mainly due to the same reasons as the evolution of the own funds i.e. impact of the negative performance of the equities and the increase in interest rates and spreads.

Market Risk remains the main contributor to the required capital due to the spread and equity risk. The SCR linked to the interest rate risk is rather limited thanks to the ALM management of Belfius Insurance, targeting a limited global duration mismatch between the assets and liabilities.

(In millions of EUR)	31/12/21	30/06/22
SOLVENCY II CAPITAL REQUIREMENT	1,219	1,065
Market risk	863	708
Credit Risk	172	126
Insurance Risk	717	744
Operational Risk	92	82
Diversification	(540)	(510)
Loss absorbing capacity of technical provisions and deferred taxes	(87)	(84)

4. Solvency ratios for Belfius Insurance

The Solvency II ratio after dividend at 30 June 2022 amounted to 215%, higher than the Solvency II ratio at year-end 2021 (190%) and remains strong and above the risk appetite trigger of 160%.

Solvency II ratio

(in %)	31/12/21	30/06/22
Solvency II ratio (before dividend)	200%	221%
Solvency II ratio (after dividend)	190%	215%

The impact on the Solvency II ratio of several sensitivity analyses applied to financial parameters are shown in the table below.

	Shock	Solvency II Ratio (in %)
Base case (after dividend)		215%
Stress scenarios		
Interest rate	-50 bps	221%
Equity	-30%	200%
Credit Spread		
Credit spread on corporate bonds	+50 bps	207%
Credit spread on government bonds	+50 bps	201%
Credit spread on corporate & government bonds	+50 bps	194%
Real Estate	-15%	204%
No Volatility Adjustment (VA)	0%	192%
Ultimate forward rate (UFR) @ 3%	0%	212%

Capital adequacy

As required by Pillar 2 of the Basel regulation, Belfius disposes of an internal mechanism for the quarterly monitoring of 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. Economic capital

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 2022).

The economic capital quantification process is organised 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 interrisk correlation matrix.
Most risks are capitalised 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 capitalised.

The economic capital is central in the context of Belfius' risk appetite and is also complementary to the Stress Tests framework for Internal Capital Adequacy Assessment Process (ICAAP) purposes.

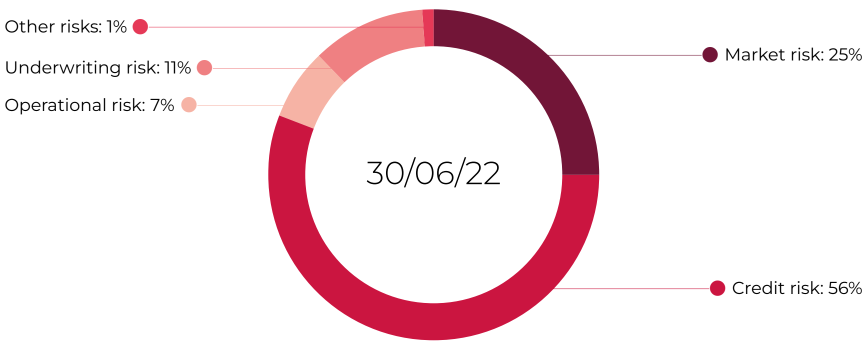
2. Economic capital adequacy

The Management Board, which also acts as the Risk Appetite Committee (RAC), is responsible for managing the capital level and allocation process and has authority in all matters relating to economic capital. The RAC analyses among others the various models involved in calculating the economic capital and also monitors the (regulatory and economic) ratios, limits and triggers.

Belfius' economic capital was EUR 5,678 million at the end of June 2022 (against EUR 5,709 million at the end of 2021).

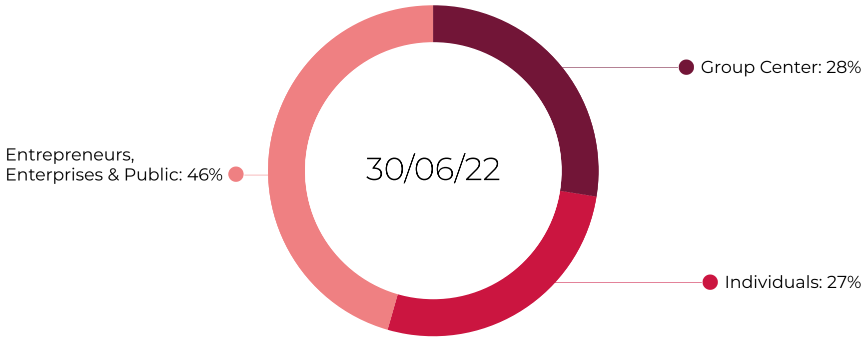
Credit risk represented 56% of the economic capital and was the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 25%, underwriting risk 11%, operational risk 7% and other risks (prepayment, funding...) 1%.

Breakdown of economic capital by type of risk



By business line, the economic capital was allocated as follows: Individuals and Entrepreneurs, Enterprises & Public represented 27% and 46% respectively of Belfius' economic capital; the balance was made up of 28% 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



Normative regulatory equity

The total normative regulatory equity is set equal to 13.5% of the regulatory risk exposures, without any deduction or reconciliation with accounted equity.

In the same way, the normative regulatory equity of each business line is set equal to 13.5% of the regulatory risk exposures allocated to the business line, without any deduction.

(In millions of EUR)	31/12/21	30/06/22
TOTAL NORMATIVE REGULATORY EQUITY	8,788	8,527
of which allocated to		
Individuals	1,890	1,498
Entrepreneurs, Enterprises & Public	4,919	5,249
Group Center	1,980	1,780

Risk management

This chapter is an integrated part of the condensed consolidated interim financial statements

Risk management governance and data are more in detail described in Belfius' bank report and Belfius risk report 2021 which is available at *www.belfius.com*.

Introduction

Belfius' activities are exposed to a number of risks such as - but not exclusively - credit risks, market risks, liquidity risk, non-financial risks and insurance risk. These risks can be affected by a.o. changes in regulations, the macro-economic 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 a robust risk framework (including a strict governance) and a clear risk culture in place.

1. Macroeconomic environment in the first half of 2022

After contracting by 6.5% in 2021, the European economy grew by 5.4% in 2021. In many countries in the euro area, the level of GDP at the end of 2021 was still below the levels seen before the outbreak of the Covid-19 pandemic. In Belgium, GDP grew 6.2% in 2021, with broad improvements across most spending components. Re-opening of parts of the service sector following the Omicron wave saw quarterly GDP growth hold firm in the first quarter of 2022. As of end 1H 2022, Belfius Research expects the Belgian economy to grow by 2.4% in 2022 mainly supported by consumer spending. Domestic demand will be underpinned by automatic wage indexation, energy support measures and continued growth in employment.

However, the war in Ukraine has proven to be a major disrupter of the post-pandemic recovery in 2022. High energy prices, the threat of reduced gas and oil supply from Russia and uncertainty regarding the war is weighing heavily on European business sentiment. The German and Italian industrial sectors are seen to be most at risk from a possible rationing of available energy.

1.1. Firms and investment

Business investment picked up strongly in the first quarter of 2022, after slumping in the second half of 2021, due to international supply chain problems. In the short term, the investment climate is not rosy as supply bottlenecks remain acute and input costs are still very high, but in the medium term the fundamental determinants of investment remain favourable.

Business demographics were strong again in 2021, with more start-ups than terminations and a net balance of 43,839 units, the largest net balance observed in the 2017-2021 period. Entrepreneurial dynamism is still seen in the first quarter of 2022, with the largest net balance of start-ups vs terminations observed since the first quarter of 2017.

1.2. Private Consumption

The sharp rise in consumer prices affects both the purchasing power of households and their consumer confidence, which weighs on household consumption in the short term. In the medium term, consumption is again expected to become the main growth engine. Saving behaviour is normalizing and purchasing power is supported not only by additional job creation but also gradually by real wages as the indexation mechanisms kick in.

The prospects for job seekers remain favourable. With a historically high vacancy rate the labour market remains very tight. High employment contributes positively to the purchasing power of Belgians. In the second half of this year, lower growth and higher wage costs may cause a slowdown in employment growth. Still, for the full year, we currently foresee a decline in the unemployment rate to 5.9%.

1.3. Inflation

The spectacular rise in gas, oil, electricity and food prices since March has fuelled consumer price inflation in Belgium and the eurozone. Headline inflation in Belgium (y-o-y) has picked up to 9.65% in June 2022 largely due to higher energy prices. In the euro area, harmonised inflation (y-o-y) stood at 8.6% in the same month. The war in Ukraine has caused an acceleration of energy inflation this year with rapidly rising oil and gas prices. On top of that, supply problems remain acute and food prices have also climbed. Higher wage costs are partly passed on to services and goods inflation, but our current projections do not point to a longer-lasting wage-price spiral. For the full year 2022, Belfius Research currently assumes an average inflation of 8.3% compared to last year, and 7.3% for the eurozone.

1.4. International context

The geopolitical situation remains extremely fragile. The further developments in the war in Ukraine are highly uncertain and can have a substantial impact on the outlook for the euro area in particular. Russian threats to suspend the flow of natural gas to Europe have raised the possibility of energy rationing during the winter. The euro has weakened considerably versus the U.S. dollar as a result of this possible scenario and the widening interest rate gap between the U.S. and the euro area.

Global trade suffered in the second quarter due to strict Covid-19 policies in some of China's main production and export sites. Recently trade has picked up again as Chinese authorities have loosened restrictions. However, in the second half of 2022, global trade activity is currently expected to remain softer than normal. Weaker global final demand for goods, due to a gradual normalization in spending patterns, lower real incomes at first, and higher interest rates, are expected to be a headwind to world trade in the coming quarters.

1.5. Fiscal policy

Fiscal policy can provide temporary, well-targeted and means-tested support to cushion the immediate effects of the commodity and food price shocks on vulnerable households and firms. The Belgian government has already come to the aid of consumers with EUR 2.7 billion in support measures to reduce household energy bills. There have also been additional costs in the context of the Ukraine crisis such as the costs of receiving more refugees and higher military expenditure. Due to the persistently high budget deficit and rising interest rates, the national debt ratio is currently expected to continue to rise in the coming quarters.

1.6. Monetary policy

Monetary policy intentions in the euro area have shifted from continuously accommodative to somewhat more restrictive as excessively high inflation forces the European central bank into action. Whereas the Fed has already started hiking policy rates and reducing the size of its balance sheet, the ECB is adopting a more gradual approach, with a first 50 bps rate hike of ECB deposit facility on July 21, and with no concrete plans yet as regards the possible run-off of its balance sheet. Long-term interest rates have risen sharply in reaction and anticipation of the central banks' rate hikes. Belfius Research currently expects the EUR 10-year interest rate to rise modestly further by the end of this year.

Russia/Ukraine

Belfius is closely monitoring the geopolitical risks related to the Russia-Ukraine conflict that started at the end of February 2022.

10 years ago, Belfius made a commitment to "never again" conduct business that it is not in line with its strategy, being meaningful and inspiring for the Belgian society. Belfius therefore strongly refocused its activities on the Belgian market. The result thereof is an immaterial impact of the conflict in terms of direct exposures on Russian, Ukrainian or Belarus counterparts. Belfius direct exposure (Russian, Ukrainian and Belarus counterparties) is below EUR 1 million.

The indirect impacts related to the Russia/Ukraine crisis also remain so far rather limited for the Enterprises and Entrepreneurs segment. The vulnerability of Enterprises and Entrepreneurs towards indirect effects like rising costs for raw materials, salaries and energy and the commodity scarcity will remain an area of attention in the upcoming months. Soaring inflation remains also an attention and monitoring point for the Individuals segment where the assessments of the Belfius loan portfolios did not yet reveal material critical risk observations so far.

Also, in terms of liquidity and solvency, no impacts are to be noted as liquidity remains ample and the solvency ratios remain solid as evidenced in this report.

In the context of this conflict in Ukraine, specific business continuity planning (BCP) scenarios have been worked out (power outage, human & information, security, etc.) for which Belfius' maturity is considered as adequate. In the same context and facing an increased activity through cyber-attacks, information security has been strengthened with additional measures. The situation is actively managed and under control.

2. Ratings

Between 1 January 2022 and 4 August 2022, the rating agencies took the following decisions:

- on 13 July 2022, Moody's confirmed Belfius Bank's long-term rating at A1 with Stable outlook;
- on 27 July 2022, Fitch affirmed Belfius Bank's long-term rating at A- with Stable outlook;
- on 29 July 2022, S&P published a new Full Analysis report on Belfius Bank, confirming its long-term rating of Belfius Bank at A with Stable outlook.

Ratings of Belfius Bank as at 4 August 2022

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

(1) Intrinsic creditworthness.

Fundamentals of credit risk 1H 2022

At the start of 2022, the macro-economic perspectives improved in view of a faster post-pandemic recovery.

The global economy however faced some new headwinds due to second round Covid-19 effects and geo-political & military tensions. A strong rebound in demand affected the supply chains of investment and consumer goods. On international energy markets, the tensions between demand and supply led to huge price increases. The latter negatively affecting the growth outlook, not just through rising costs for companies, but also via their impact on household purchasing power.

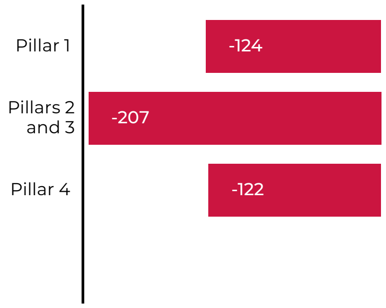
The Russian invasion of Ukraine in February impacted the overall economic situation profoundly, led to new disruptions in supply chains and pushed up even more energy, especially natural gas, and commodity prices. Imposed sanctions further re-enforced supply chain disruptions. These new deteriorations not only weigh on activity growth but mainly fueled upward price pressure in an already high-inflation environment and resulted in multi-decade records in inflation rates. The inflationary impacts are being passed on to final prices for goods and services. Increasing inflation diminishes consumers' purchasing power as the indexation mechanisms have a certain lag and do not offer immediate complete protection against rising prices. Under the inflationary pressure, central banks had to start adapting their monetary policy, gradually ending the quantitative easing and starting to raise interest rates for the first time in a decade.

As a consequence, the economic recovery slowed down since February 2022, with economic expectations under pressure. The geopolitical situation remained very fragile at the end of first semester. The further developments in the Russia/Ukraine conflict are highly uncertain and could have a substantial impact on the outlook for the European economy. Also the political situation within Europe has to be monitored e.g. the unstable situation in Italy. Furthermore, the stringent Covid-19 containment measures have recently been relaxed in China, but some new variations of Covid-19 start circulating.

There are some tentative indications that supply chain problems are no longer worsening and price levels for some commodities are recently stabilizing. All in all, we are in an uncertain macro-economic and financial context.

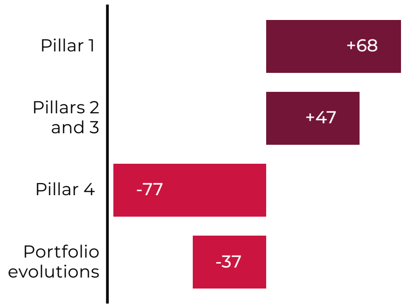
Cost of Risk 2020: -453M

In EUR million



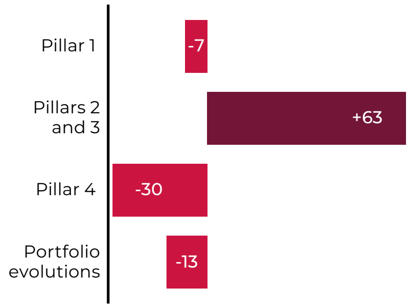
Cost of Risk 2021: +1M

In EUR million



Cost of Risk 1H 2022: EUR +13m

In EUR million



In order to factor the Covid-19 impacts into the credit risk measurement process and the cost of risk calculation, Belfius applied in 2020 a 4-pillar approach, in which the pillars 1-2-3 formed an Overlay to cover for increased risk due to potential Covid-19 impacts. In the multi-dimensional uncertain economic and financial context faced in 1H 2022, Belfius determined the cost of risk approach still in line with this 4 pillars model:

- Pillar 1 reflects the macroeconomic conditions and perspectives. In Q1 and Q2 2022, the economic scenarios have been adjusted, in light of the encumbered economic expectations. It is clear that the evolution of pillar 1 credit provisions encompasses multiple economic trends and events, that reach beyond the 2020 initiated Covid-19 pandemic. Overall, this led to an increase of this pillar from EUR -56 million to EUR -63 million, resulting in a 1H 2022 cost of risk of EUR -7 million;
- Pillars 2 and 3 are designed to cover for risk evolutions linked to specific risk pockets (mainly in terms of economic sectors and industries) and to individual counterparty risk level. In line with the approach in the Covid-19 context, Belfius assessed its full loan portfolio in light of the:
    - Covid-19 pandemic recovery: exposures for which the formerly anticipated increased credit risk has disappeared, have been removed from the scope of these Overlays. Exposures for which a residual credit risk linked to Covid-19 is still present, and that are now also potentially and anticipatively hit by other than Covid-19 economic turmoil events, continue to be subject to the scope of these Overlays, although at lower ECL levels;
    - New economic evolutions and impacts: exposures that show a new potential increased credit risk linked to second round Covid-19 economic turmoil events related to the energy and inflation costs and the Russia/Ukraine conflict are added to the scope of these expert Overlays.

These adjustments of pillars 2 and 3 led to a net provision release of EUR +63 million.

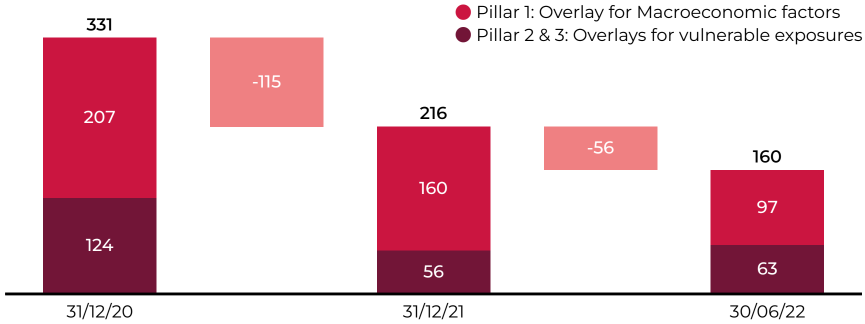
The aggregate of pillar 1, 2 and 3 is referred to as the Overlay.

- Pillar 4 contains impairments for counterparts in default (stage 3). Belfius continues to apply its standard impairment process for non-performing exposures. Pillar 4 represents a 1H 2022 cost of risk of EUR -30 million.

Combined with the standard portfolio effects (growing loan portfolio, portfolio shifts in and out…) for an amount of -13 million, the 4 pillar approach leads to a positive cost of risk of EUR 13 million in the first half year of 2022, reflecting the economic and societal recovery from the Covid-19 era, but also, keeping considera-tion for the future uncertainties about the orientation, resilience and rhythm of this economic recovery.

Following the adjustments in 1H 2022, the Overlay, that is constituted by the pillars 1, 2 and 3, has been reduced by EUR 56 million.

Overlay
(In EUR million)



The indirect impacts from the Russia/Ukraine crisis remain so far limited for the segment of Enterprises and Entrepreneurs within the Belfius loan portfolio as trade flows and/or local presence only represent a fraction of their activity.

The vulnerability of Enterprises and Entrepreneurs towards rising costs for raw materials, salaries and energy as well as the commodity scarcity has been subject to monitoring at different levels over the last months and will remain an area of attention in the coming months.

Spiking inflation and depressing consumption more broadly, remains a point of attention and monitoring, especially for the Individuals for which energy constitutes a higher-than-average share of their available income.

The assessments of the Belfius loan portfolios did not reveal material critical risk observations so far, the portfolio continued to show a strong resilience with only few signs of deteriorating credit quality, stable credit ratings and limited inflows of defaults and bankruptcies.

1. New challenges for the economy have emerged in 2022

The Covid-19 pandemic had been temporally contained, as shown by the positive evolution of the number of contaminations, hospital admissions, intensive care interventions over the last months. Nevertheless, vigilance for the occurrence of new Covid-19 variants, and a return to a certain level of protective measures in the future, is still required.

After several years of geopolitical tension between Ukraine and Russia, the conflict evolved into a Russian invasion and a large-scale war on the Ukrainian territory. This evolution has created a massive uncertainty in the worldwide political and economic environment, with immediate effects on financial markets, interest, exchange rates and price increases. Economic activity was further hampered by different economic sanctions. Especially for the European market, the impact on commodities, food and energy prices is very significant.

Although the long-term political and financial outcome of these events cannot be fully evaluated, they have amplified the second-round effects of the Covid-19 pandemic on the sustainability of the economic recovery: disruptions of the supply chains causing shortages and production delays, scarcity of resources, raw materials and labour capacity are putting pressure on the activity level in several industries. Increasing prices of intermediate products and materials, and booming energy prices have led to a peaking inflation, that translated in Belgium into wage inflation, due to the automatic indexation mechanisms. In this context, the competitive positioning of Belgian companies could suffer, certainly in the short run.

Retail (Mortgages, Consumer Credits)

In the first half year, Belfius focused on monitoring the impact of the rising energy costs within the Mortgage loan portfolio, by analyzing transactional client data combined with the monitoring of specific early warnings (energy cost to available income, evolution of net available income) and with the classic early warning indicators (such as use of credit lines & credit cards, appearance of short-term arrears, etc.).

For the time being, none of the credit risk indicators show a significant deteriorating trend, albeit some indicators are starting to evolve towards pre-Covid-19 levels: during the Covid-19 period, credit risk indicators showed a positive evolution due to the governmental support measures, combined with the societal role the banking sector has played throughout the pandemic and with the impact of the lockdowns on the consumer spending pattern.

To face the effects of inflation, governments installed mitigating measures by the extension of the application scope of the social energy rates, a temporary VAT-reduction (from 21% to 6%), a one-off energy premium and a reduction of excises on petrol. These measures will temper the short-term impact on consumers but in case energy prices remain high and for energy contracts maturing from Q3 onwards, an additional stress could appear.

Overall, the risk drivers, underlying the 2022 credit risk monitoring and cost of risk, have evolved from the impact of a (temporary) income loss due to Covid-19 conditions towards a higher expenditure on energy, consumption and investments, that is only partially, and with some time lag, mitigated through wage indexation.

Entrepreneurs & Enterprises

A thorough screening of clients directly or indirectly impacted by the Ukraine/Russia conflict has been conducted. Belfius screened potentially affected clients and a.o. analyzed the historic client transaction flows with Russia, Ukraine and Belarus. In general, trade flows of Belgian Enterprises with these countries are at a very low level and only present a fraction of turnover in line with the overall Belgian import and export figures. The exercise on the Belfius portfolio also revealed a limited impact: the companies active in these countries, present a sales figure or import level below 5% of their activities.

In the context of the energy price increases and the inflation peak, Belfius has set-up a transversal top-down screening of the entire Entrepreneurs and Enterprises portfolio in order to detect proactively highly impacted counterparts and to assess the potential impacts. A close monitoring is performed of the clients with a higher-than-average ratio energy cost/turnover in combination with the appearance of early warnings. In a bottom-up approach, specific focus on energy and labor cost evolution is put by the credit analysts in case of credit requests and periodic credit reviews, with special attention for the ability to absorb price increases.

Where Covid-19 impacted a specific series of sectors especially affected by the mandatory closure or social-distancing measures (hotel, restaurants, cafés, travel, event, retail stores, etc.) an other range of economic sectors represent a higher risk sensitivity, such as manufacturing, the building industry and the transport sector… These sectors experience more outspoken the financial burden of higher energy costs, rising commodity prices and other inflationary effects. In the same sectors a limited number of clients were detected with a direct or indirect impact, for a rather modest part of their activities, by the Russia/Ukraine war.

Notwithstanding these elements, it is to be observed that the inflow of new defaults remains at a relatively low level: although the number of bankruptcies in the Belgian market and the Belfius portfolio is rising compared to 2020 and 2021 - years that have benefitted from the public and private support measures - the level remains below the pre-Covid-19 levels.

Public & Social Banking

For the Public and Social Banking clients, the capacity to absorb the inflationary and increased energy cost has been assessed through a macro-economic approach for the different segments in which Belfius is active: hospitals, rest homes, education, intermunicipal companies, etc. Most of these entities have indexation mechanisms in place on a substantial part of their income. Although an important timing gap between the price increase (if applicable) and the adjustment - through indexation - can exist. Whereas for rest homes an important part of the increase is to be supported by their residents.

Compared to previous Covid-19 years, local authorities will have to deal with an even greater financial impact in 2022. High inflation figures cause wage costs to rise sharply, energy bills weigh more heavily and the prices of building materials prices are increasing sharply. In the current context, the financial shock will mainly be felt in 2022, as the impact on tax revenues will follow with a delay. Finally, the financial situation of the Regions has also deteriorated in recent years. Increasing inflation and interest rates, slowing down of economic growth could further put pressure on deficit levels and public debt, which are closely further monitored.

1.1. Cost of risk in 1H 2022

1.1.1. IFRS 9 impairment methodology at Belfius

Reference is made to Belfius' 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 recognize loss allowances for ECL on financial instruments at amortized cost or at fair value through 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 computed;
  - 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 computed;
  - 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 PD's are used that inter alia incorporate forward-looking macro-economic information through the use of four different macro-economic scenarios. These scenarios are built upon internal information made available by the Belfius Research Department, who uses external and internal information to generate a forward-looking "neutral" scenario of relevant economic variables along with a representative range of other possible 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 the following:
  - macro-economic 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;
- Given that ECL estimates are complex and to a certain extent judgmental, the afore-mentioned mechanical approach is completed by management judgment through "management call" layers. These layers can be positive or negative and aim to include any elements entering in the ECL computation which have not been taken into account by the mechanical computation on an individual level or a (sub)portfolio level.

Adjustments to the impairment methodology: further insights related to Covid-19 and the emerging risks related to energy and inflation and the Russia/Ukraine conflict

In the context of Covid-19, 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. In 2022, these adjustments remain in place and they integrate the Covid-19 risks (including potential resurgence, like in China), the risks related to the increased inflation, rising energy prices and the war in Ukraine:

- expected credit loss calculations are based on a long-term average (2009-2023) for the relevant macroeconomic factors, with a backward and a forward-looking part. In 2022, a further shift of the calculations weights to 2022-23 was applied;
- to calculate ECL, Belfius still defines four probability weighted forward-looking scenarios each with their own macroeconomic parameters to build optimistic, neutral, pessimistic and stress cases. The scenarios have been adapted to the prevailing circumstances;
- the results of the portfolio analysis and monitoring processes gained importance: in order to account for the heterogenous nature of Covid-19 and recently to integrate the risks related to the increased inflation, rising energy prices and the war in Ukraine.

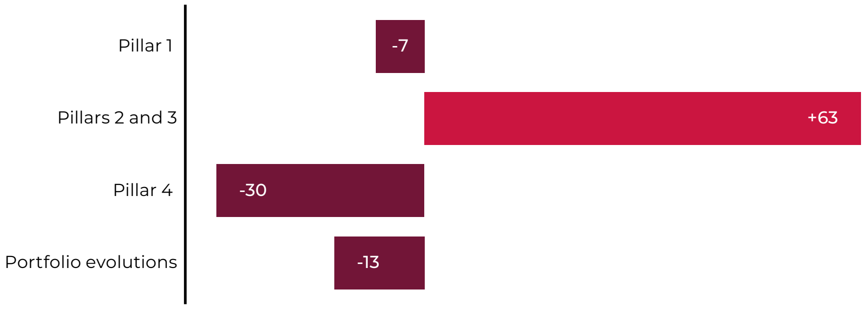
1.1.2. Drivers of the cost of risk in 1H 2022

Since the start of Covid-19, the cost of risk is built according to a waterfall principle:

- the provisions for stage 1 and 2 are calculated in a mechanical mode, based on a view on the macro-economic conditions (past and future) (pillar 1);
- if Belfius considers that certain risk pockets, defined in terms of sectors or groups of companies, are not sufficiently covered by the mechanical provisions, certain expert Overlays are added (pillar 2), both in stage 1 and 2;
- in addition, expert analysis may point to counterparts with a potentially increased credit risk (counterparts that were not detected by the mechanical approach and not yet classified "as unlikely to pay"), for which the provisions constituted may be insufficient. For these cases, an individual management adjustment on the expected credit loss in stage 2 is added (pillar 3);
- for counterparties in a default status (stage 3), the normal impairment process is carried out and specific provisions are calculated and booked accordingly (pillar 4). Provision levels are based on an individual assessment of exposure and collateral.

Cost of Risk 1H 2022: EUR +13m

In EUR million



The positive cost of risk 1H 2022 of EUR 13 million is composed of a reversal of ECL in stages 1 and 2 for a net amount of EUR 43 million and a net add-on of provisions for defaulted loans of EUR 30 million in stage 3.

Pillar 1: macroeconomic factors used in 1H 2022

- Where in the beginning of 2022 the macroeconomic perspectives had significantly improved in view of the favorable evolution of the Covid-19 pandemic, economic conditions at micro and macro level meanwhile encumbered, reinforced by the Russian/Ukrainian conflict and the subsequent high inflation, purchasing power and investment spending were put on pressure during the first half year. GDP-expectations were accordingly adjusted downwards. Belfius' neutral scenario includes a Belgian GDP growth of 2.2% for 2022, followed by a 1.6% growth rate in 2023. Under this neutral scenario tension on the energy markets are expected to continue remains expected in 2022 and 2023.
- Inflation levels have been on a rollercoaster since the end of 2021, not only driven by energy inflation, but also by inflation on a wide range of goods. Inflation is currently expected to remain high in 2022. The neutral scenario implies a year-on-year CPI increase by 8% for 2022, dropping to 2.3% in 2023.
- In terms of unemployment, the neutral scenario implies a stability of the Belgian unemployment rate for 2022 and 2023 at the level observed in 2021 i.e. 7.9%. The unemployment figures include the exceptional temporary unemployment observed that is expected to be, to a certain extent, converted into structural unemployment. When abstraction is made of this inclusion a limited recovery to 5.9% for 2022 and 6.1% for 2023 is forecasted.

	GDP BE (% YoY)		CPI (% YoY)		Unemployment (%)	
	2021	2022	2022	2023	2022	2023
Belgium	2.2	1.6	8.0	2.3	7.9	7.9
Eurozone	2.8	2.0	-	-	8.9	8.8
United States	3.7	2.5	-	-	-	-

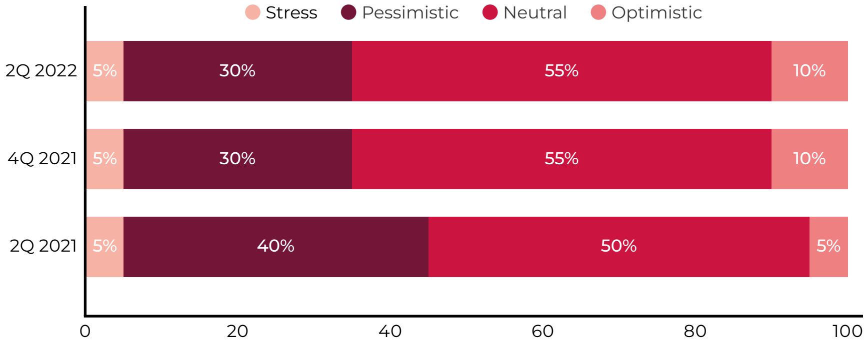
Figures might differ from those presented in the section dedicated to the macro-economic environment as IFRS 9 expected credit losses are performed during the quarter.

GDP BE (% YoY)

Scenarios	As of end 2021		As of 2Q 2022	
For year	2021	2022	2022	2023
Optimistic	6.5	4.0	3.0	1.8
Neutral	5.9	3.2	2.2	1.6
Pessimistic	4.2	1.3	1.2	1.2
Stress	2.0	1.4	(0.1)	(2.7)

- The neutral case is complemented with an optimistic, a pessimistic and a stress scenario. The table above illustrates the Belgian GDP growth assumptions, as of 2Q 2022, under the four scenarios.

Scenario weights



- A 55% weight has been assigned to the neutral scenario. The weights have been modified at the end of 2021, with the weight of the more negative scenarios decreased due to the observed recovery. Weights have been unchanged in the last half year.
- These adjustments of the macroeconomic factors, led to an increase of provision of EUR 7 million.

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

The table below provides an overview of the stage 1 & 2 impairments sensitivity to the weight of macroeconomic scenarios. The most relevant macroeconomic factors are GDP and Unemployment. Note that sensitivity is not linear, cannot simply be extrapolated and these sensitivities assume that the current IFRS 9 method applied for ECL calculations is maintained.

(In millions of EUR)	What if 85% optimistic[1]	Weighted average scenario 2Q22	What if 85% pessimistic[1]	What if 85% stress[1]
Impairment stock stage 1&2	747	850	925	1.062
% change vs weighted average scenario	-12%	0%	9%	25%
		Optimistic 10% Neutral 55% Pessimistic 30% Stress 5%		

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

Pillar 2 and 3: Overlays to cover for certain risk pockets

The pillar 1 mechanical calculations are completed with expert Overlays. These Overlays are designed to result, overall, in best estimate total 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 (potentially) insufficiently covered by the mechanical provisions.

Concretely, one or more IFRS 9 parameters have been stressed when computing the ECL. For mortgages a stressed LGD value has been applied, while for vulnerable companies an add-on has been applied on the mechanically computed expected credit loss, reflecting the specific features of the risk pocket.

This approach feeds the formal quarterly impairment process and results into shifts of individual files or risk pockets from stage 1 to 2 and into the application of the Expected Credit Loss levels that are deemed adequate to cover the increased credit risk.

During 1H 2022 and in line with evolving risks, Belfius thoroughly reviewed and rebalanced these Overlays by integrating the emerging risks related to energy and inflation and the Russia/Ukraine conflict, while reducing the importance of the Covid-19 adjustments:

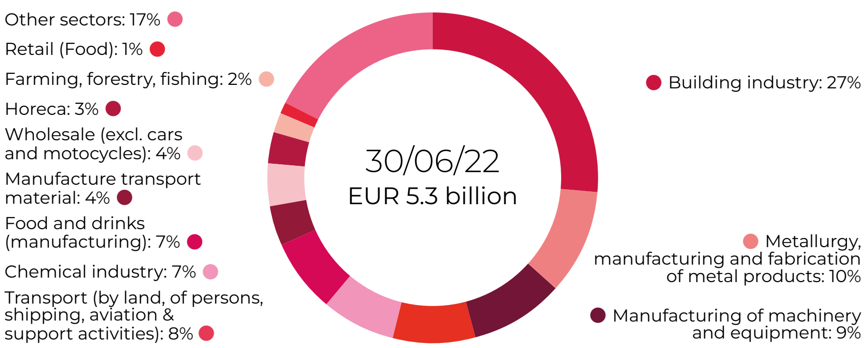
- the exposures on customers not presenting further increased risks due to Covid-19 have been removed;
- the exposures representing a residual impact linked to the Covid-19 pandemic and that are additionally hit by the new crisis effects are maintained;
- the exposures to customers that show a potential vulnerability to the new-crisis effects are added to Overlay:
  - for the segment of Individuals (Mortgages/Consumer loans), the scope is extended to clients that are potentially vulnerable to rising energy costs. These are defined as
    - clients with a high ratio of energy costs compared to their net available income, in combination with a low savings buffer and
    - clients/loans with a high current LTV, combined with a lower net available income, a high DSTI and a low savings buffer;
  - for the segment of Entrepreneurs & Enterprises, inclusion of sectors and/or companies that are identified as potentially sensitive to rising costs of raw materials, salaries and energy (with focus on companies with a high ratio energy/total cost and high leverage) and/or clients sensitive to the Russia/Ukraine conflict (impact on activity/supply chain disruptions).

For Overlays linked to individual names identified as having a potential low resilience, a line-by-line review was performed. This analysis allowed to remove files associated with positive evolutions such as recovery of financial results, strengthened shareholder support to the company or obtaining additional collateral which reduces risks.

Overall, the re-assessment of the Overlay for vulnerable exposures induces a net release of EUR 63 million in 1H 2022, composed as an allowance of EUR 32 million for new impacted sectors and risk pockets and a reversal of EUR 95 million on Covid-19 related exposures.

Belfius' exposure towards these sectors is limited to 2.5% of the total portfolio and can be split as follows:

E&E overlay – Exposures by sector



2. Exposure to credit risk

The definition of 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 standardised 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.

The figures in the table below are after elimination of intragroup exposures but with inclusion of credit exposure of 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 of 30 June 2022, the total credit risk exposure within Belfius reached EUR 228.0 billion, an increase of EUR 14.1 billion or 6.6 % compared to the end of 2021, primarily stemming from FEAD increase to EU Central Bank.

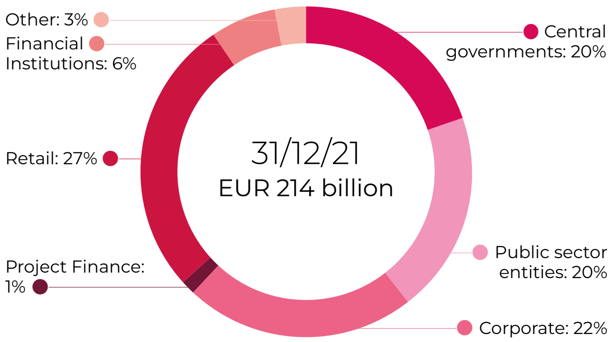
At bank level the credit risk exposure increased with 7.8% to EUR 212.7 billion. At the level of Belfius Insurance, the credit risk exposure declined by 7.6% to EUR 15.3 billion on 30 June 2022.

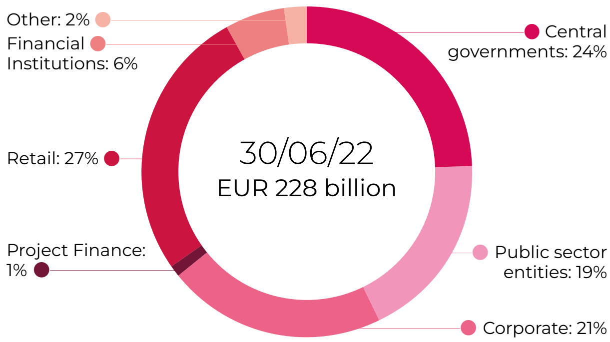
Breakdown of credit risk by counterparty

	31/12/20	31/12/21	30/06/22	Of which	
(FEAD, in EUR million)				Bank	Insurer
Central governments	36,711	42,442	55,833	50,768	5,065
of which government bonds	9,703	9,146	8,536	3,775	4,761
of which EU Central Bank	25,418	31,628	45,578	45,578	0
Public sector entities	43,771	42,237	42,221	40,615	1,606
Corporate	41,901	47,941	48,600	46,444	2,157
Project Finance	2,562	2,956	2,556	2,556	0
Retail	54,555	58,228	60,590	56,409	4,181
Financial Institutions	17,229	13,703	13,486	12,112	1,374
Other	6,646	6,334	4,679	3,749	930
TOTAL	**203,376**	**213,840**	**227,965**	**212,653**	**15,312**

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.

Breakdown of credit risk by counterparty





The increase by EUR 13.4 billion observed on the segment central governments is mostly due to the additional liquidity reserve taken up by Belfius and deposited at the NBB/ECB. 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 42% of the total government bond portfolio, the relative proportion at Belfius Insurance stands at 49%.

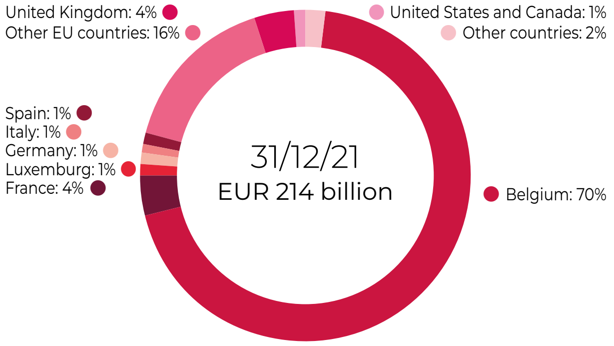
The credit risk exposure on individuals, self-employed and SMEs (27% of the total) increased by EUR 2.4 billion reflecting Belfius' strategy to support the Belgian economy.

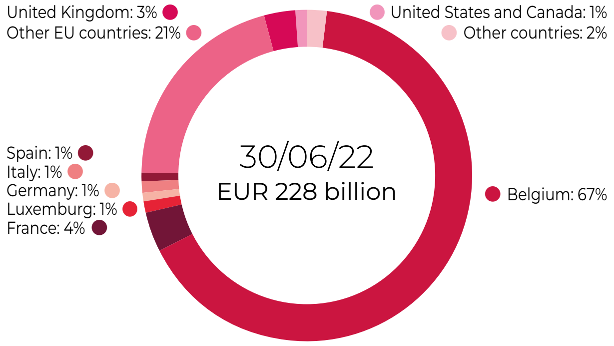
The credit risk exposure on corporates (21% of the total) increased by EUR 0.6 billion where the growth on franchise activities (EUR 2.7 billion) was partially offset by the decline in exposure to UK utilities bonds and further de-risking on ex-legacy portfolios.

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities remained stable over the period.

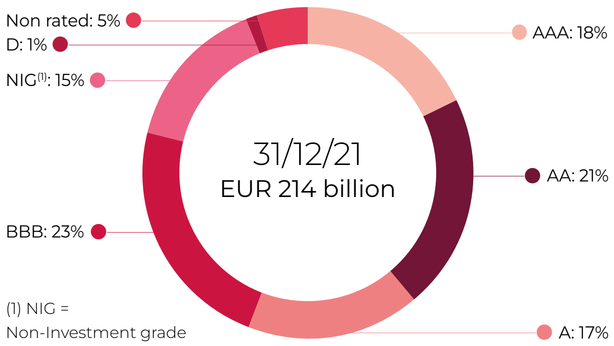
The credit risk exposure on financial institutions declined by EUR 0.2 billion during the first half of 2022.

Breakdown of credit risk by geographical region

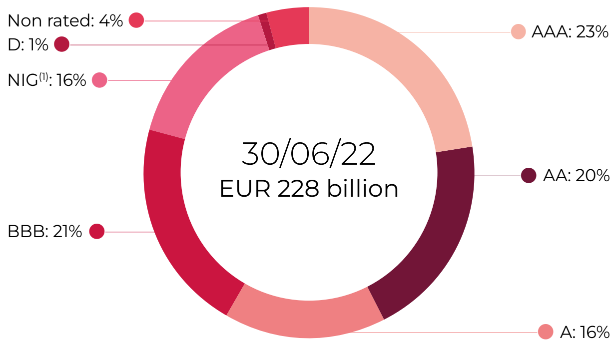




Breakdown of the credit risk by rating



(1) NIG = Non-Investment grade



Belfius' positions are mainly concentrated in the European Union: 94% or EUR 200.4 billion at bank level and 97% or EUR 14.8 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium is 67%, 3% in the United Kingdom and in France, 1.1% in the United States and Canada, 0.9% in Luxemburg, 0.8% in Germany, 0.7% in Italy and Spain.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 6.1 billion. About 60% of this credit risk exposure relates to bonds belonging to the ALM-yield portfolio.

On 30 June 2022, 80% of the total credit risk exposure had an internal credit rating of investment grade (IG).

3. Asset quality

3.1. The risk management process concerning Forbearance, Watchlist, Default and Impairments

3.1.1. Forbearance

Forbearance measures boil down to 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 some refinancing.

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 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 lead 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 line with the EBA guidance: no automatic forbearance classification was applied for borrowers only based on the fact of a new loan granted under the state guarantee scheme or EBA compliant requested moratoria. Clients who were granted legislative, non-legislative and other moratoria during the Covid-19 pandemic continued to be assessed, taking into consideration the existing forbearance criteria and longer-term capacity to repay. In this context, the most vulnerable client contracts associated with high PD's and, with potentially longer-term use of moratoria, beyond the 9 months cap, are recognized as forborne.

As from Q2 2022 on, the contracts which have reached their probation period of 2 years are assessed to determine if they are eligible for out of forbearance classification.

At the end of June 2022, an amount of EUR 1,880 million of loans at Belfius complied with the forbearance definition, of which EUR 93 million related to Belfius Insurance, compared to respectively EUR 1,990 million and EUR 92 million at the end of 2021. The most relevant contributors are Corporate (EUR 557 million) and Business customers (EUR 735 million) with a forbearance status.

More details on forborne exposures are provided in the note 9.2.2. Forbearance in the financial statements.

3.1.2. 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 credit risks.

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.

More information is provided in Note 9.2. Credit risk exposure in the financial statements.

3.1.3. 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 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 realization of collateral, regardless the existence of any past due amount or the number of days past due.

Belfius Default guideline provides 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 are 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 threshold 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 to a non-defaulted status.

3.1.4. Impairments

At the end of June 2022, the total impairment stock (stage 1-2-3) amounted to EUR 2,094 million compared to EUR 2,127 million at the end of 2021. This decrease of EUR 33 million is mainly explained by reversals performed on stage 1 and 2 driven by the general reassessment of the Overlays.

3.2. Asset quality ratio

At the end of June 2022, the amount of impaired loans added up to EUR 2,018 million, rather stable (up by +0.3%) compared to year-end 2021. During the same period, the gross outstanding loans to customers increased by +4.7% and amounted to EUR 108,172 million. As a consequence, the asset quality ratio improved slightly to 1.87% at the end of June 2022. The stage 3 impairments slightly increased by +0.9%. The coverage ratio on impaired loans amounted to 60.7%, compared to 60.4% end 2021.

At the end of June 2022, the stage 1 impairments amounted to EUR 141 million (up EUR +13 million compared to December 2021), and the stage 2 impairments amounted to EUR 367 million (a EUR -55 million reduction).

Asset Quality(1)

(In millions of EUR, except where indicated)	31/12/21	30/06/22
Gross outstanding loans and advances to customers (measured at amortised cost)	103,306	108,172
Impaired loans and advances to customers (measured at amortised cost)	2,012	2,018
Stage 1 impairments on loans and advances to customers	128	141
Stage 2 impairments on loans and advances to customers	422	367
Stage 3 impairments on loans and advances to customers	1,215	1,225
Asset quality ratio(2)	1.95%	1.87%
Coverage ratio(3)	60.4%	60.7%

(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.

Market risk

1. Overview

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.

The management of market risk within Belfius is focused on all Financial Markets activities of the Bank and encompasses interest rate risk, spread risk and associated credit risk/liquidity 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. Belfius Insurance's strategic ALCo makes strategic decisions affecting the balance sheets of the insurance companies and their financial profitability, taking into consideration the risk appetite as pre-defined with the Belfius Bank and Insurance group (i.e. directional ALM position in interest rate risks, equity and real estate risks, volatility and correlation risks).

Although markets were very volatile in 1H 2022, with the war in Ukraine, rising interest rates, lower equity markets, higher spreads and inflation shocks, the P&L of financial market activities was very resilient. While some trading desks hit trigger limits (against important P&L losses) during 1H 2022, this was resolved by the end of 1H 2022. Existing hedges on CVA/FVA, in place since 1H 2020, perform well, keeping the P&L volatility to a minimum. These have been formalized by new limits on credit spreads, making this a structural hedge. The limit framework has also been extended to other risk factors like XVA's IR / FX volatility. Only a limited number of non-hedgeable risks remain like own funding spread, where the positive evolution of interest rates has made the XVA's less sensitive to Belfius' own funding spread.

Market risk RWA increased markedly since end 2021 (EUR +936 million) because of the impact of rising interest rates on the HVaR calculations (due to usage of returns having a partially relative behaviour).

More information is available in the Note 9.3. on market risk and ALM in the financial statements.

2. Structural & ALM risk

2.1. Interest rate risk of the banking activities

In respect to the interest rate risk, Belfius Bank pursues a 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 deposits (such as sight 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.

Interest rate risk has two aspects: economic value volatility and earnings volatility. The measurement of both is complementary in fully understanding the interest rate risk in the Banking book.

Banks' ALM objective was during the last years tilted to protect the net interest income for downward pressures in historically low interest rate environment, while respecting the limits on variation of economic value. Since the beginning of 2022, there is a change of paradigm in a context of exceptionally high inflation. Long-term interest rates went up and the ECB has decided its first rate hike since long time in July 2022.

Economic value indicators capture the long-term effect of the interest rate changes on the economic value of the Bank. Interest rate sensitivity of economic value measures the net change in the ALM balance sheet's economic value (at 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 -69 million per 10 bps on 30 June 2022 (compared to EUR -55 million per 10 bps on 31 December 2021), excluding interest rate positions of Belfius Insurance and of the pension funds of Belfius Bank.

The Earnings at Risk indicators capture the more shorter-term effect of the interest rate changes on the earnings of the Bank (under a stable balance sheet assumption). Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency impact. A 50 bps increase of interest rates has an estimated impact on net interest income (before tax) of EUR -19 million of the next book year and an estimated cumulative impact of EUR -55 million over a three year period, whereas a 50 bps decrease would lead to an estimated impact of EUR -9 million over the next book year and an estimated cumulative impact of EUR +12 million over a three year period (compared to EUR +31 million, resp. EUR +192 million for a similar rate shock of +50 bps and EUR -9 million, resp. EUR -103 million for a rate shock of -35 bps end of last year).

Next to directional interest rate risk, also curvature risk, due to steepening or flattening of the interest rate curve, is monitored within a normative framework by the ALCo. The same applies to basis spread risk between Euribor and €STR and cross-currency spread risk.

The strong increase in interest rates over the first half of 2022 has an overall positive impact on the Bank's standard transformation model. On the one hand, the interest to receive on new production of commercial loans starts to increase and the interest paid to depositors still remains close to zero for the time being. On the other hand, refinancings and prepaying mortgages have become less interesting for the customers. Furthermore, this increase in rates is decreasing the net collateral cost for derivative contracts used to hedge the Bank's exposure to interest rate risk and in our ex-legacy books.

2.2. Interest rate risk of the insurance activities

For Belfius Insurance, the ALM objective is to limit the volatility of the P&L and the economic value of the company induced by potential changes in the interest rates.

The long-term sensitivity of the Net Asset Value of Belfius Insurance to interest rates was EUR 0.02 million per 10 bps as of 30 June 2022 (against EUR 8.3 million as of Q4 21). The decrease is due to the high increase of the rates during the year 2022. The earnings have a low sensitivity to interest rates for the next years, thanks to good matching in terms of duration.

Sensitivity tests on our Solvency II ratio are also quarterly perform on top of specific stress tests to monitor our exposure to the interest rate risk. Results show that our risk is limited and respect the risk appetite of the company.

2.3. Aggregate interest rate risk for Belfius Group

The figures below show the impact on the Belfius group Net Asset Value and the Earnings at Risk for the next book year of a parallel upward shift of the yield curve of 10 bps, resp. 50 bps.

(In thousands of EUR)	31/12/21	30/06/22
BELFIUS BANK		
Sensitivity (+10 bps)	(54,950)	(68,652)
Earnings at risk (+50 bps)	29,558	(18,857)
BELFIUS INSURANCE		
Sensitivity (+10 bps)	8,332	21
Earnings at risk (+50 bps)	4,354	1,984

3. Trading market risk

Financial Markets activities encompass client-oriented activities and hedge activities at Belfius Bank.

The Financial Market activities of Belfius Bank manage both the financial markets services for the two business segments E&E&P and IND, as well as for Group Centre portfolios and activities like the ALM of the Bank and the non-core portfolios. Belfius P&L remains somewhat sensitive especially for idiosyncratic credit spread movements within its derivatives portfolio (both for E&E&P customers and in the non-core portfolios), GBP real rate movements within its non-core ALM yield bond portfolio and for its funding conditions.

No Financial Markets activities are undertaken at Belfius Insurance. For their needs in Financial Markets products, they turn to Belfius Bank or other banks.

3.1. Market risk exposure

At the end of June 2022, the global VaR level of Financial Market activities amounted to EUR 14.2 million, an increase of EUR 7 million compared to end 2021. During Q2 2022, a brief exceeding of the VaR limit and a breach of the Equity sub-limit were observed. This breach was linked to a temporary exposure related to warrant emissions and mostly sold back within a day. After this, the global VaR remained below the limit.

During 1H 2022, the IR/FX VaR steadily increased in line with rate increases due to the applied shock which is linked to the definition used for internal model. An internal model change process is ongoing since 1H 2021, with implementation foreseen in 2H 2022. To anticipate this change, the IR/FX VaR used for limit follow-up was already changed to this new set-up (sensitivity based).

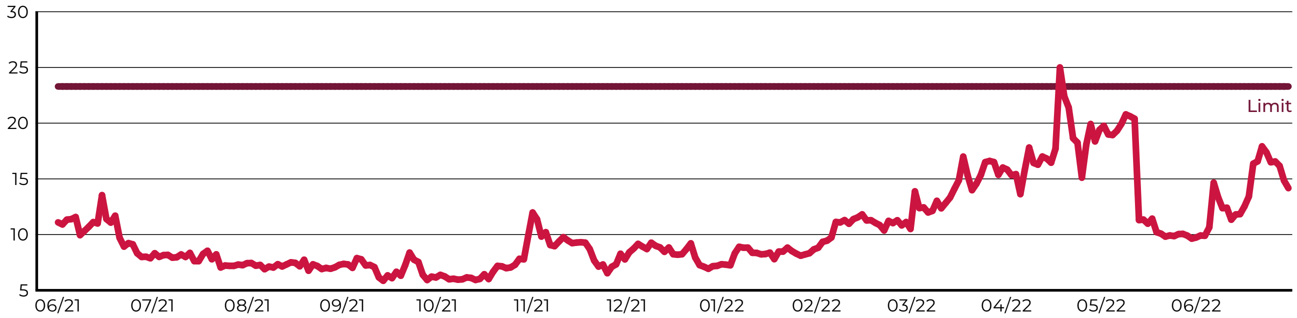
The market RWA increased by EUR 936 million up to EUR 2.3 billion. For a couple of months, the SVaR (Stressed VaR) level was below the HVaR (Historical VaR) level due to increases in HVaR linked to volatile & very rapid rate increases, linked to the applied shock used in the VaR calculation. To remain prudent, an add-on was taken to mimic the impact of flooring the SVaR/HVaR ratio at 110%. The combination of this add-on and a higher HVaR have resulted in the large increase in market RWA. We believe that Belfius is as such fairly anticipating the internal model change, which should result in a much higher SVaR and a lower HVaR, something that could be qualified as more "standard'.

Value-at-risk by activity

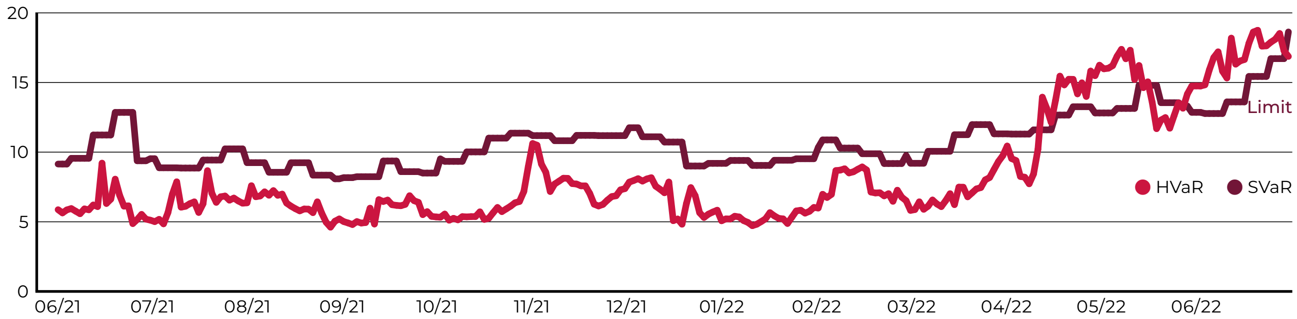
VaR(1) (99% 10 days) (In millions of EUR)	31/12/21				30/06/22			
	IR(2) & FX(3)	Equity	Spread	Other risks(4)	IR(2) & FX(3)	Equity	Spread	Other risks(4)
By activity								
Average	5.4	4.7	0.6	0.3	7.6	4.4	0.8	0.4
End of Year	3.9	2.6	0.2	0.5	5.9	6.9	0.9	0.5
Maximum	14.4	9.7	1.5	0.6	14.5	12.0	1.6	0.5
Minimum	2.4	2.4	0.1	0.3	4.4	2.2	0.2	0.4
Global								
Average	11.1				13.3			
End of Year	7.2				14.2			
Maximum	25.4				25.0			
Minimum	5.9				7.8			
Limit	23.3				23.3			

(1) The Value at Risk (VaR): is a measure of the potential change in market value with a probability of 99% and over a periode of 10 days.
(2) IR: interest rate risk and inflation risk.
(3) FX: forex risk.
(4) CO_2 risk.

Evolution of global VaR in 1H22
In millions of EUR



Evolution of HVaR and SVaR (Internal Model) in 1H 2022
In millions of EUR



Liquidity risk

1. Liquidity risk at Belfius Bank

1.1. Liquidity management framework

Belfius Bank manages its liquidity with a view to comply 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 while the monitoring takes place on a daily basis. Available liquidity reserves also play a key role: at any time, Belfius Bank ensures it has sufficient quality assets to cover a temporary liquidity shortfall, 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 liquidity guidelines, 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. ALM analyses and reports on current and future liquidity positions and risks. It defines and coordinates funding plans and actions under the operational responsibility of the ALCo and under the general responsibility of the Management Board. The ALCo also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM department.

ALM organises a regular Assets and Liabilities Forum (ALF), in presence of the Risk department, the Treasury department and representatives of the commercial business lines. This forum coordinates the implementation of the funding plan validated by ALCo.

ALM monitors the funding plan to guarantee Belfius Bank will continue to comply with its internal and regulatory liquidity ratios.

ALM reports on a daily basis to the CFO and CRO and on a quarterly basis 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 assumptions and models, realises 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 retail and private customers, small, medium-sized and large companies, public entities and similar customers and allocation of these funds to customers through 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 which allow Belfius Bank to collect funding on the repo market and/or from the ECB;
- the capacity to obtain interbank and institutional funding.

1.3. Consolidation of the liquidity profile

During the first half of 2022, Belfius preserved its diversified liquidity profile by:

- maintaining a substantial funding surplus within the commercial balance sheet;
- continuing to obtain diversified long-term funding from institutional investors;
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors.

Belfius Bank participated in the ECB TLTRO III funding programme for an amount of EUR 15.65 billion with the purpose to finance investment needs of SME's, social sector and retail clients (mortgage loans excluded).

Belfius Bank reached end of June 2022 a 12-month average Liquidity Coverage Ratio (LCR) of 184%.The LCR of the Bank has known a strong increase after the participation in the TLTRO. Without the additional TLTRO at more advantageous conditions to compensate for the pressure on the Bank's standard transformation model, the LCR remained within our driving range during 2022.

The Net Stable Funding Ratio (NSFR), based on the binding CRR2 rules and calculated according to EBA templates, stood at 140% end of June 2022, an increase explained by the participation in the TLTRO but also due to the decrease of the collateral related with derivative contracts used to hedge the Bank's exposure to interest rate risk.

1.4. Liquidity reserves(1)

At the end of June 2022, Belfius Bank had readily realisable liquidity reserves of EUR 55.3 billion, a material increase from end 2021 levels (EUR 42.3 billion) mainly due to increase of commercial funding and short-term wholesale funding. These reserves consisted of EUR 45.3 billion in cash, EUR 8.0 billion in ECB eligible bonds (of which EUR 6.4 billion are CCP-eligible), EUR 1.0 billion in other assets also eligible at the ECB and EUR 1.0 billion in other liquid bonds.

These liquidity reserves represent 3.9 times the Bank's institutional funding outstanding end of June 2022 and having a remaining maturity of less than one year. The decrease of this asset coverage ratio since December 2021 (19.9 times) is mainly due to a strong increase in short-term wholesale funding. As Belfius obtained an upgrade in its short-term rating (A-1/P-1), investors' appetite for Belfius increased at very advantageous funding conditions.

Please note the ALM portfolio for liquidity management, with highly liquid assets, is included in the historical bond portfolio of Belfius Bank.

1.5. Funding diversification at Belfius Bank(1)

The total funding of Belfius Bank amounted to EUR 161.2 billion as at 30 June 2022 compared to EUR 145.1 billion as at end December 2021.

Belfius Bank has a historical stable volume of commercial funding that comes from its individuals and E&E&P customers. Individual and E&E&P funding amounts in total to EUR 117.5 billion. The increase of EUR 3.6 billion commercial funding compared to end of 2021 is mainly used to finance the growth in commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, slightly increased from 85% at the end of December 2021 towards 86% at the end of June 2022.

(1) Unaudited

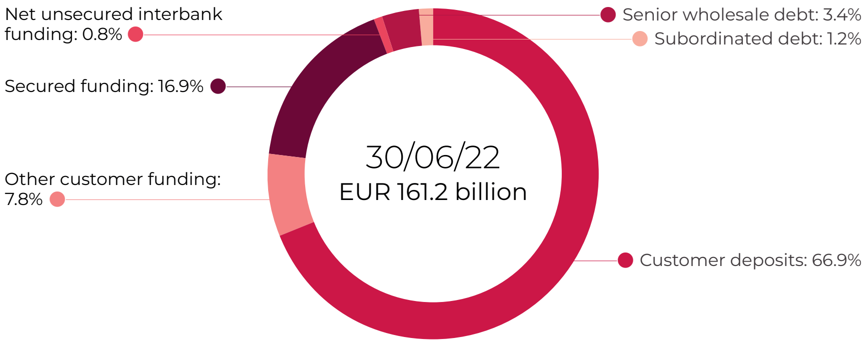
Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 6.0 billion from covered bonds, EUR 2.8 billion from Senior Unsecured, and EUR 15.7 billion in TLTRO funding from ECB as at 30 June 2022.

The Non-Preferred Senior Bonds of EUR 2.7 billion enable Belfius to respect the regulatory requirement of MREL Subordinated.

The remainder of the Bank's funding sources comes from institutional short-term deposits (Treasury) mainly by issuing Certificates of Deposit and Commercial Paper.

As a result of derivative contracts to cover 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 & securities collateral). Against the background of historical still low interest rates, in net terms, Belfius Bank posts more collateral than it receives. With the strong increase in interest rates over the past 6 months, however, this net cash collateral position has strongly decreased from EUR 10.7 billion end of December 2021 to EUR 7.3 billion end of June 2022.

Belfius' main funding sources



1.6. Encumbered assets

According to the EBA guideline based on the median values of the encumbrance reportings of the last four quarters, the encumbered assets at Belfius Bank level amount to EUR 43.3 billion in June 2022 and represent 23.5% of total bank balance sheet and collateral received under securities format. This represents a decrease of the encumbrance ratio of -2.5% compared to end 2021, this decrease being mainly explained by the maturing of covered bonds and the decrease in derivatives.

Belfius is active on the covered bond market since the set-up of the first covered bond program in 2012. End June 2022 (point in time), the total amount issued was EUR 6 billion, and the assets encumbered for this funding source are mainly composed of commercial loans (public sector and mortgage loans) and amount to EUR 7.6 billion.

The Bank is also collecting funding through repo markets and other collateralized deposits. End June 2022, the total amount of assets used as collateral for this activity amounts to EUR 22.3 billion, of which EUR 21.3 billion linked to the ECB funding. The exceptional drawing on the TLTRO III, allowing Belfius to generate additional P&L and capital to sustain the Belgian Economy, has led to a higher than normal Asset Encumbrance Ratio.

The balance of encumbered assets is also linked to collateral pledged (gross of collate-ral received) for the derivatives exposures for EUR 6.0 billion point in time (decrease of EUR 4.7 billion compared to end 2021), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction.

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, 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 of Belfius Insurance is responsible for Belfius Insurance's liquidity and cash-flow management, for which it uses long-term projections of the cash-flows of assets and liabilities. These cash flows are simulated under both normal and stressed situations.

Operational risk – Non-Financial Risk (NFR)

1. General principles

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/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 related policies, such as: Change Risk Management, Integrated Risk Management and Operational Resilience (see further); and
- a focus on specific risks, such as Information Security and Data Privacy.

2. Risk appetite

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? What is the maximum level of reputation risk Belfius tolerates?

3. Transversal risk processes

3.1. 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.

3.1.1. 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.

3.1.2. Project Risk Management

The capacity to deliver projects with high quality standards within the foreseen timeframe is a key success factor. In that context, a new Project Risk Management (PRM) framework is being developed in order to correctly and timely identify the risks and put in place the necessary controls. Based on this new framework, the reporting and monitoring system will also be further enhanced.

3.2. Integrated Risk Management

3.2.1. 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 incidents are quickly reported when the 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 mitigation or limitation of the related risk.

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 number of events. The most important part of the financial impact resulting from operational incidents comes from the Bank's retail business.

3.2.2. 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 through the reports regarding the assessment of internal control. Belfius Bank also submits the senior management report on the assessment of the internal control to its regulators.

3.2.3. Managing insurance policies

The possible financial impact of Belfius' operational risks is also mitigated 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.

3.2.4. Fraud risk

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.

In a context of evolving digital channels and faster payments processing, internal controls are continuously screened to prevent fraud and this to protect the interests of Belfius and its employees, customers, suppliers, and other stakeholders. Continuous investments are realised to protect clients against potential impacts from phishing or other techniques.

Moreover, an anti fraud expert panel is regularly organized to enhance information exchange on fraud trends, fraud detection tools and best practices in order to enhance fraud detection and mitigation within Belfius Group and to ensure that the Anti-Fraud Steering Committee (A-FSC) receives the information necessary for defining & monitoring the anti-fraud risk management.

3.2.5. Outsourcing risk

The management of outsourcing risks is an important pilar of NFR management in view of the reliance on a number of key partners to ensure the continuity of Belfius' operations. The framework is well defined, with a dedicated RAF, clear roles and responsibilities, guidelines and policies in line with the EBA Guideline on Outsourcing Arrangements. A dedicated operational Committee is responsible for the management of outsourcing partners and 3rd parties in order to ensure the safeguard the risk profile within the RAF.

3.3. Operational Resilience

3.3.1. Business continuity & crisis management

Belfius is committed to its clients, counterparties, and regulators to put in place, maintain and test viable alternative arrangements that, following an incident, allow the continuation or the resumption of critical business activities at the agreed operational level and entirely compliant with the Belgian regulation.

The supporting process, the business continuity and crisis management, 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. In that way, Belfius has also demonstrated its resilience to the Covid-19 situation and during the current Ukraine/Russia crisis.

3.3.2. Employment Practices (HR) & Workplace Safety, Damage to Assets & Public Safety risk

Belfius has a very low appetite for physical security and workplace safety risk 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. To meet this goal, a Physical Security Steering Committee with all stakeholders systematically monitors the overall situation by means of a dashboard. It also acts as a forum to reflect and to dialogue on actual incidents, and to envisage action plans to reduce the risk to acceptable levels.

4. Focus on specific risks

4.1. Information Security

For Belfius, the purpose of information security is to protect Belfius' information having a value for the organization: i.e. the information generated by the business, the information belonging to our clients, and also the information, derived from freely accessible or publicly available data, which has acquired a value as a result of the treatment carried out by or on behalf of Belfius. The threats against data and information are their loss of integrity; of confidentiality; and their unplanned unavailability. The mission of information security is to safeguard against these threats.

Belfius also considers that the objective regarding information security extends to managing the risks linked to the consequences of these threats if they have materialized in terms of customers' trust, finance, reputation, peer confidence (regulators, financial markets) and confidence of our business partners. An information security strategy derived from these principles is applicable to all actions pertaining to information security.

In order to guarantee the information security within Belfius, the Information Security Steering (ISS) Committee, managed by the Chief Information Security Officer (CISO) and chaired by the Chief Risk Officer, ensures a well governed and coordinated information security strategy whereby an adequate system of "prevention", "detection", "protection" and "reaction" is put in place, in line with regulatory requirements for information security. The steering of Belfius information security is relying on a combination of qualitative statements, tangible figures and quantitative statements: deviations from the risk appetite are challenged to mitigate the risks to an acceptable level. Large security projects are grouped together in a security roadmap which typically spans the course of two years. Of course, the ever-evolving security threat landscape requires the organization to be resilient and anticipate existing and future threats.

4.2. Data privacy 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 GDPRIn order to continuously guarantee data privacy within Belfius, the Privacy Committee related to GDPR regularly meets. Belfius' Management and several committees are informed about GDPR on a recurrent basis at Belfius.

Staff needs to regularly update their GDPR knowledge and are also regularly informed on GDPR 'news'.

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 integrated into every process to offer (existing, adapted, and new) products, innovative digital tools, services, and information sharing to its clients. This also included and includes the review of the privacy notice, the implementation of an adapted cookie policy and the implementation of the ruling of the European Court of Justice on eventual international transfers or international access of personal data.

All activities treating personal data are documented by the business lines in a privacy register and Belfius is very committed to avoid personal data breaches and to manage any incident as quickly as possible.

Data subject rights can be executed by data subjects via multiple possibilities, including the Belfius' online and mobile applications. More than 98% of the data subject rights are asked via the Belfius' online app and receives an answer in the same app within 1 business day.

ESG risk(1)

After laying out the foundations, designing a roadmap and creating an ESG Risk Competence Center, Belfius is now actively working on the implementation of its ESG action plan.

The main progress achieved during the first semester of 2022 relates primarily to actions aimed at assessing and managing its vulnerabilities to and resilience against climate-related risks in the field of credit risk and more specifically risk identification and assessment as well as quantification of potential impact.

1. Risk identification and assessment

Belfius is combining two approaches:

- A **top-down approach** where climate-related risks (and opportunities) are assessed at portfolio level and potentially vulnerable counterparties are identified through risk clustering.
- A **bottom-up approach** where climate-related risks are assessed at counterparty and/or asset level and scores are assigned to debtors, properties and/or loans in function of their individual characteristics.

The current focus lays on the mortgage portfolio, on one hand, and the corporate portfolio, on the other hand.

(1) Unaudited.

Different top-down methodologies are being developed to carry out materiality assessments:

- **For the mortgage portfolio**: Belfius is building a tool that will enable the measurement of the sensitivity of collateral, debtors and exposures to specific risk drivers and transmission channels, covering both transition and physical risks. The first tested scenarios relate to the required improvement of the energy performance of buildings (transition risk) and the occurrence of floods (physical risk). Several climate scenarios will be analyzed and various variables and parameters (including, for instance, current and target energy performance, characteristics of properties and loans, evolution of debtors' cash flows, changes in the macro-environment, mitigants…) will be factored in.
- **For the corporate portfolio**: Belfius is working per sector and drafting heat maps based on most relevant risk drivers and transmission channels per sector. The goal is to evaluate the potential impact of these risks on credit risk parameters (considering the likelihood of risk materialization and the severity of potential financial impacts in case of event/scenario occurrence) across different time horizons.

A bottom-up scoring process is also being implemented:

- **For residential mortgage loans**: the purpose is to assess the climate vulnerability of the assets (level of exposure to physical and transition risks), quantifying potential gross and net financial impacts for debtors in case of risk materialization and assessing the impact thereof on various credit risk parameters. We expect to raise awareness amongst customers with the most climate - sensitive assets and support them in reducing their vulnerability.
- **For corporates**: the purpose is to know the global ESG profile of counterparties (taking into account their current performance and practices, historical trends, future plans…) and support their transition to a low carbon economy in order to get a win-win situation in which the customer improves its profile and Belfius reduces its risks.

Both the materiality assessments and the scores will feed our reflections in terms of business model, commercial strategy, and risk appetite.

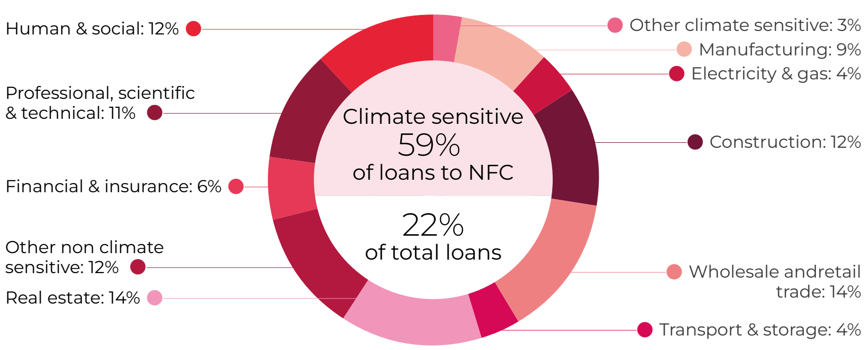
2. Quantification of potential financial impact

Belfius was one of 104 European banks who participated to the EBA climate stress test. The ECB has published an overview of financial institutions' stress testing capabilities, as well as insights regarding potential vulnerabilities of the financial sector to climate-related risks (mainly: evolution of carbon prices, floods and droughts) and expected resilience under several (short and long term) scenarios.

Belfius' sensitivity to the aforementioned risks and scenarios should remain fairly limited as it relies on the overall good composition and risk profile of its balance sheet (not many exposures in the most carbon intensive sectors such as agriculture, mining…) to mitigate credit and market impacts (mainly: expected credit losses increase and (collateral) asset value decrease).

However, in line with the ECB's general conclusions of the exercise (not Belfius specific), the quantitative results should be interpreted with caution since, among others, only limited scopes of banks' portfolios were tested, the implemented scenarios for the bottom-up projections are considered mild, the granular counterparty/asset level data required to properly gauge climate-related risks are often missing and most banks' credit models are currently not able to fully capture these risks.

ESG risk at Belfius



Corporate governance

Composition of the Management Board and the Board of Directors of Belfius Bank

1. Management Board

On 30 June 2022, the Management Board of Belfius Bank consists of five members:

CHAIRMAN	Marc Raisière
MEMBERS	Marianne Collin
	Dirk Gyselinck
	Olivier Onclin
	Johan Vankelecom

The CTO (Group Chief Technology Officer) attends the Management Board as a Permanently Invited Member as from 1 January 2022 onwards.

2. Board of Directors

BOARD OF DIRECTORS OF BELFIUS BANK (30 JUNE 2022)	MAIN FUNCTION	Non-executive director	Member of the Management Board	Independent director	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee	Mediation 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, Entreprises & Public		■							
OLIVIER ONCLIN	Member of the Management Board of Belfius SA Responsible for Private, Business & Retail Banking		■							
JOHAN VANKELECOM	Member of the Management Board of Belfius Bank SA Chief Financial Officer, Responsible for Accounting, ALM, Legal & Tax, Research, Strategic Planning and Performance Management (SPPM)		■							
PAUL BODART	Director of companies and non-profit organisations	■		■	■					★
BRUNO BRUSSELMANS	Chief Information Officer at Luminus – EDF Group	■		■						■
MARTINE DE ROUCK	Consultant	■		■	■			■	■	
CARINE DOUTRELEPONT	Lawyer and full Professor at the Université Libre de Bruxelles	■							■	■
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 Non-executive Director at King's college London University	■		■						■
DIANE ROSEN-ZYGAS	Chief Human Resources Officer at Group S	■		■	■	■	■			
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	■						★		

★ Chairman

On 30 June 2022, the Board of Directors had sixteen members, five of whom are members of the Management Board.

The Ordinary General Meeting of Shareholders of 27 April 2022:

- renewed the director's mandate of Mrs. Carine Doutrelepont for a term of one year, to end immediately after the Ordinary General Meeting of Shareholders in 2023;
- renewed the director's mandates of Mrs. Lutgart Van den Berghe and Mr. Rudi Vander Vennet for a term of two years, to end immediately after the Ordinary General Meeting of Shareholders in 2024;
- renewed the director's mandate of Mr. Paul Bodart for a term of three years, to end immediately after the Ordinary General Meeting of Shareholders in 2025;
- renewed the director's mandate of Mrs. Isabel Neumann for a term of four years, to end immediately after the Ordinary General Meeting of Shareholders in 2026;
- renewed the director's mandate of Mr. Dirk Gyselinck for a term of four years, to end immediately after the Ordinary General Meeting of Shareholders in 2026;
- reconfirmed Mr Chris Sunt, Chairman of the Board of Directors, as independent director of Belfius Bank according to Article 3:83 of the Banking Law for the remainder of his term as director, to end immediately after the Ordinary General Meeting of Shareholders in 2025.

Mrs. Carine Doutrelepont, Mrs. Lutgart Van den Berghe and Mr. Rudi Vander Vennet were independent directors until the end of the Ordinary General Meeting of Shareholders of 27 April 2022.

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[1]. 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. Housing Fund of the Brussels Capital Region

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la Région de Bruxelles-Capitale) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding (Gemeentelijke Holding/Holding Communal), placed by Belfius acting as dealer under the Municipal Holding commercial paper program, between July and September 2011 (Commercial Paper program). Due to severe financial difficulties encountered by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16 million. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demanded the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejected the demand from the Housing Fund.

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded. The Housing Fund lodged an appeal against this judgement on 3 June 2014.

On 28 March 2022, the Brussels Court of Appeal declared the Housing Fund's appeal unfounded. The Housing Fund renounced to continue the procedure before the Court of Cassation. This litigation is therefore closed.

2. Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in two separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels and another procedure before the Court of First Instance of Brussels:

- 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/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 cooperative shareholders. In January 2022, Deminor has announced in the press that the plaintiffs will introduce an appeal against the judgment and that additional judicial proceedings, for new and more plaintiffs, shareholders of Arco entities, may be initiated. In June 2022, DRS Belgium, VZW Arcoclaim and a plaintiff have introduced appeal before the Court of Appeal in Brussels. At date of this report, it is expected that a procedural calendar will be fixed in the course of September 2022.
- On 7 February 2018, 2 cooperative 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 cooperative 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 share-holders to become claimant in this procedure, and to the knowledge of Belfius, so far approximately 5,380 Arco shareholders did so. The VZW Arcoclaim also intervenes in this litigation procedure. In this procedure, on 31 March 2022, VZW Arcoclaim has requested the initiation of a mediation procedure before the court. In such case, all parties must be summoned and heard by the court that then will decide on the appropriateness of a mediation. That hearing is on the date of this report scheduled for November 2022. There is not yet a pleading calendar in this case.
No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit.

3. Funding Loss

Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by the Bank. The latter are charged to professional clients in the case of early repayment of professional credits. These indemnities are calculated in line with the current legal dispositions and the contractual framework of such credits to reflect the financial losses that are actually incurred by the Bank in the case of early repayment of a professional credit. Belfius booked provisions to cover the potential adverse outcome of litigation proceedings. These provisions are reassessed on an ongoing basis, taking into account the evolution of Belgian case law and the relevant outstanding credits.

4. 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 mentio-ned police search.

5. 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.

Certificate of a responsible Person

I, Johan Vankelecom, Member of the Board of Directors, Member of the Management Board and Chief Financial Officer of Belfius Bank SA, certify, on behalf of the Board of Directors, that, to the best of my knowledge,

A. the condensed consolidated interim financial statements, for the period ended 30 June 2022, have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and all the undertakings included in the consolidation;

B. the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Brussels, 4 August 2022

For the Board of Directors
Johan Vankelecom
Member of the Board of Directors
Member of the Management Board
Chief Financial Officer

Condensed consolidated interim financial statements 1H 2022

This section has been reviewed by the auditors

Condensed consolidated interim balance sheet

Assets (in thousands of EUR)		Notes	31/12/21	30/06/22
I.	Cash and balances with central banks	5.1.	31,640,347	45,597,231
II.	Loans and advances due from credit institutions	5.2.	10,411,237	6,474,507
	A. Measured at amortised cost		10,411,237	6,474,507
	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	5.3.	102,678,814	107,517,892
	A. Measured at amortised cost		101,540,978	106,438,294
	B. Measured at fair value through other comprehensive income		99,119	123,804
	C. Measured at fair value through profit or loss		1,038,717	955,794
IV.	Debt securities & equity instruments	5.4.	27,195,351	24,494,412
	A. Measured at amortised cost		20,839,937	18,963,204
	B. Measured at fair value through other comprehensive income		4,959,373	4,182,813
	C. Measured at fair value through profit or loss		1,396,041	1,348,396
V.	Unit linked products insurance activities		4,245,672	4,079,062
VI.	Derivatives	5.5.	8,909,039	5,904,800
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.5.	3,651,783	2,007,162
VIII.	Investments in equity method companies		96,107	97,051
IX.	Tangible fixed assets		1,614,068	1,688,096
X.	Intangible assets		214,928	234,559
XI.	Goodwill		103,966	103,966
XII.	Tax assets		355,777	461,626
	A. Current tax assets		27,073	89,067
	B. Deferred tax assets		328,704	372,559
XIII.	Technical insurance provisions - part of the reinsurer		130,890	141,696
XIV.	Other assets	5.6.	876,060	945,800
XV.	Non current assets (disposal group) held for sale and discontinued operations		26,505	20,081
TOTAL ASSETS			192,150,543	199,767,941

The notes on pages 107 to 169, 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 condensed consolidated interim financial statements.

Liabilities (in thousands of EUR)		Notes	31/12/21	30/06/22
I.	Cash and balances from central banks	6.1.	15,418,072	15,486,699
II.	Credit institutions borrowings and deposits	6.2.	3,591,036	5,428,172
	A. Measured at amortised cost		3,591,036	5,428,172
	B. Measured at fair value through profit or loss		0	0
III.	Borrowings and deposits	6.3.	104,404,013	108,873,007
	A. Measured at amortised cost		104,355,267	108,827,723
	B. Measured at fair value through profit or loss		48,746	45,284
IV.	Debt securities issued and other financial liabilities	6.4.	23,145,353	31,916,586
	A. Measured at amortised cost		15,116,744	24,532,346
	B. Measured at fair value through profit or loss		8,028,609	7,384,240
V.	Unit linked products insurance activities		4,245,672	4,079,057
VI.	Derivatives	5.6.	14,018,729	9,038,445
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.6.	45,766	(1,054,467)
VIII.	Provisions for insurance activities	6.5.	12,191,017	11,175,042
IX.	Provisions and contingent liabilities	6.6.	529,173	461,822
X.	Subordinated debts	6.7.	1,642,749	1,551,920
	A. Measured at amortised cost		1,642,749	1,551,920
	B. Measured at fair value through profit or loss		0	0
XI.	Tax liabilities		49,183	51,069
	A. Current tax liabilities		41,682	42,438
	B. Deferred tax liabilities		7,502	8,631
XII.	Other liabilities		1,377,031	1,424,486
XIII.	Liabilities included in disposal group and discontinued operations		0	0
TOTAL LIABILITIES			180,657,795	188,431,839

Equity (in thousands of EUR)		31/12/21	30/06/22
XIV.	Subscribed capital	3,458,066	3,458,066
XV.	Additional paid-in capital	209,232	209,232
XVI.	Treasury shares	0	0
XVII.	Reserves and retained earnings	5,957,910	6,536,518
XVIII.	Net income for the period	934,964	428,491
CORE SHAREHOLDERS' EQUITY		**10,560,172**	**10,632,308**
XIX.	Fair value changes of debt instruments measured at fair value through other comprehensive income	108,559	(118,283)
XX.	Fair value changes of equity instruments measured at fair value through other comprehensive income	179,153	150,823
XXI.	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
XXII.	Fair value changes of derivatives following cash flow hedging	(98,352)	(111,564)
XXIII.	Remeasurement pension plans	132,290	160,848
XXIV.	Discretionary participation features of insurance contracts	81,096	90,387
XXV.	Other reserves	208	208
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME		**402,953**	**172,418**
TOTAL SHAREHOLDERS' EQUITY		10,963,126	10,804,725
XXVI.	Additional Tier-1 instruments included in equity	497,083	497,083
XXVII.	Non-controlling interests	32,539	34,294
TOTAL EQUITY		11,492,748	11,336,102
TOTAL LIABILITIES AND EQUITY		192,150,543	199,767,941

The notes on pages 107 to 169, 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 condensed consolidated interim financial statements.

Condensed consolidated interim statement of income

(in thousands of EUR)		Notes	30/06/21	30/06/22
I.	Interest income	7.1.	1,664,426	1,702,542
II.	Interest expense	7.1.	(676,238)	(726,207)
III.	Dividend income		43,895	47,553
IV.	Net income from equity method companies		1,754	2,714
V.	Net income from financial instruments at fair value through profit or loss	7.2.	35,158	27,071
VI.	Net income on investments and liabilities	7.3.	6,934	21,667
VII.	Fee and commission income	7.4.	457,512	492,514
VIII.	Fee and commission expenses	7.4.	(85,662)	(99,798)
IX.	Technical result from insurance activities	7.5.	51,137	67,857
	A. Gross earned premiums		730,083	735,496
	B. Other technical income and charges		(678,946)	(667,639)
X.	Other income	7.6.	116,044	208,266
XI.	Other expenses	7.7.	(382,891)	(435,582)
INCOME			**1,232,070**	**1,308,598**
XII.	Staff expenses		(302,378)	(328,952)
XIII.	General and administrative expenses		(251,794)	(286,298)
XIV.	Network costs		(108,514)	(106,396)
XV.	Depreciation and amortisation of fixed assets		(56,925)	(54,735)
EXPENSES			**(719,611)**	**(776,382)**
NET INCOME BEFORE TAX AND IMPAIRMENTS			**512,459**	**532,216**
XVI.	Impairments on financial instruments and provisions for credit commitments		30,543	13,138
XVII.	Impairments on tangible and intangible assets		(720)	(103)
XVIII.	Impairments on goodwill		0	0
NET INCOME BEFORE TAX			**542,281**	**545,251**
XIX.	Current tax (expense) income		(104,589)	(84,293)
XX.	Deferred tax (expense) income		(31,727)	(32,033)
Total tax (expense) income			(136,316)	(116,326)
NET INCOME AFTER TAX			**405,965**	**428,925**
XXI.	Discontinued operations (net of tax)		0	0
NET INCOME			**405,965**	**428,925**
Attributable to non-controlling interests			274	434
Attributable to equity holders of the parent			405,691	428,491

The notes on pages 107 to 169 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income

(in thousands of EUR)	30/06/21 Before-tax amount	30/06/21 Tax (expense) income	30/06/21 Net-of-tax amount	30/06/22 Before-tax amount	30/06/22 Tax (expense) income	30/06/22 Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME	542,281	(136,316)	405,965	545,251	(116,326)	428,925
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)	47,712	(190)	47,522	(13,329)	5,683	(7,647)
Remeasurement pension plans(2)	76,410	(19,103)	57,308	38,077	(9,519)	28,558
TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	124,122	(19,293)	104,830	24,748	(3,837)	20,911
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)	(86,639)	21,774	(64,865)	(303,129)	76,274	(226,855)
Gains (losses) on cash flow hedges(4)	(16,468)	4,859	(11,609)	(17,005)	3,793	(13,212)
Discretionary participation features of insurance contracts(5)	9,607	(1,752)	7,855	9,953	(662)	9,291
TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	(93,500)	24,881	(68,619)	(310,181)	79,405	(230,776)
OTHER COMPREHENSIVE INCOME	30,622	5,588	36,210	(285,433)	75,568	(209,865)
TOTAL COMPREHENSIVE INCOME	572,903	(130,728)	442,175	259,818	(40,758)	219,060
Attributable to equity holders of the parent	574,477	(130,668)	443,809	257,666	(40,869)	216,797
Attributable to non-controlling interests(6)	(1,574)	(60)	(1,634)	2,152	110	2,263

(1) The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 8 million due to deteriorating stock markets, compensated by the decrease of EUR 116 million (after tax) of shadow loss adjustment (no shadow loss adjustment per 30 June 2022 compared with EUR -116 million (after tax) per end 2021). The Liability Adequacy Test revealed that the technical reserves are higher than the best estimate due to the increase in interest rates. A total of EUR 19 million (after tax) of realised gains on equity instruments was accounted for in 1H 2022 (mainly at Belfius Insurance).
(2) The remeasurement of defined benefit plans increased by EUR 29 million, or 21.6%, to EUR 161 million (31 December 2021: EUR 132 million), due mainly to the effect of an increase in the discount rate, partially offset by a higher than expected inflation rate, the adjustment of the inflation hypothesis, and the negative return on plan assets.
(3) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 227 million, or -209.0%, to EUR -118 million (31 December 2021: EUR 109 million) and stems from higher interest rates compared with last year, partially offset by the decrease of EUR 137 million (after tax) of shadow loss adjustment (no shadow loss adjustment per 30 June 2022 compared with EUR -137 million (after tax) per end 2021). The Liability Adequacy Test revealed that the technical reserves are higher than the best estimate due to the increase in interest rates.
(4) Gains (losses) on cash flow hedges decreased by EUR 13 million to EUR -112 million (31 December 2021: EUR -98 million), due mainly to the evolution of basis spreads on derivative positions in GBP and USD.
(5) The discretionary participation feature of insurance contracts increased by EUR 9 million, or 11.5%, to EUR 90 million (31 December 2021: EUR 81 million). The total amount of future profit sharing amounts to EUR 161 million. An amount of EUR 53 million was recorded through the statement of income compared with EUR 63 million at year-end 2021. The remaining EUR 108 million (EUR 90 million after tax) is accounted for via equity.
(6) The non-controlling interests are mainly related to the minority stakes in Capline, Interfinance, Jaimy and Jane.

Gains and losses not recognised in the statement of income decreased by EUR 231 million, or -57.2%, to EUR 172 million (31 December 2021: EUR 403 million). The contribution of the Belfius Banking Group amounted to EUR 76 million (decrease of EUR 0 million) and the Belfius Insurance Group to EUR 96 million (decrease of EUR 230 million). A total of EUR 19 million (after tax) of realised gains on equity instruments was accounted for in 1H 2022 (mainly at Belfius Insurance).

Net income before tax increased by EUR 3.0 million to EUR 545 million (30 June 2021: EUR 542 million). Belfius Banking Group contributed EUR 409 million (30 June 2021: EUR 387 million) and Belfius Insurance Group contributed EUR 136 million (30 June 2021: EUR 155 million).

Note that the split of the results between the contribution of the Belfius Banking Group and the contribution of the Belfius Insurance Group is based on non-audited figures.

The 1H 2022 result amounted to EUR 428 million, demonstrating Belfius' capacity to continue to transform strong commercial dynamics in resilient financials, despite heavy geo-political, financial markets and inflationary headwinds. Supported by a strong commercial activity, the Belfius Banking group contributed for EUR 321 million (compared with EUR 290 million in 1H 2021). Seasonally impacted by heavy storms in the first quarter of 2022, the Belfius Insurance Group contributed for EUR 108 million (compared with EUR 116 million in 1H 2021).

The notes on pages 107 to 169 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

1. 2021

(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 2020	3,458,066	209,232	5,616,576	531,615	9,815,490	393,173	497,083	27,651	10,733,397
Movements of the period									
Result recognised in the statement of income	0	0	0	405,691	**405,691**	0	0	274	**405,965**
Other comprehensive income	0	0	0	0	**0**	37,471	0	(1,261)	**36,210**
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**405,691**	**405,691**	**37,471**	**0**	**(986)**	**442,175**
Transfers to reserves	0	0	531,615	(531,615)	**0**	0	0	0	**0**
Dividends[1]	0	0	(77,000)	0	**(77,000)**	0	0	179	**(76,821)**
Dividends Additional Tier 1	0	0	(6,797)	0	**(6,797)**	0	0	0	**(6,797)**
Variation of scope of consolidation[2]	0	0	(77)	0	**(77)**	0	0	78	**1**
Transfers from OCI due to sale of equity instruments	0	0	13,113	0	**13,113**	(13,113)	0	0	**0**
AS AT 30 JUNE 2021	3,458,066	209,232	6,077,431	405,691	10,150,420	417,531	497,083	26,921	11,091,955

(1) In 1H 2021 Belfius paid EUR 77 million as dividend over the result of 2020, in line with the then valid restrictions on dividend distribution based on the ECB recommendation.
(2) Variations in the scope of consolidation relate to variations in our shareholding mainly in Jane and Jaimy.
(3) Reserves include amongst others statutory and available reserves.

The notes on pages 107 to 169 are an integral part of the condensed consolidated interim 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: Fair value changes of debt instruments measured at fair value through other comprehensive income[1]	Other comprehensive income that may be reclassified to profit or loss: Gains (losses) on cash flow hedges	Other comprehensive income that may be reclassified to profit or loss: Discretionary participation features of insurance contracts[2]	Other comprehensive income that will not be reclassified to profit and loss: Unrealised result of property revaluation	Other comprehensive income that will not be reclassified to profit and loss: Fair value changes of equity instruments measured at fair value through other comprehensive income[3]	Other comprehensive income that will not be reclassified to profit and loss: Remeasurement pension plans	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
AS AT 31 DECEMBER 2020	213,853	(68,761)	57,552	208	121,161	69,161	393,173	10,555
Movements of the period								
Net change in fair value through other comprehensive income - debt instruments	(113,315)	0	7,855	0	0	0	(105,460)	0
Transfer to income due to impairments - debt instruments	(486)	0	0	0	0	0	(486)	0
Transfer to income due to disposals - debt instruments[4]	(1,580)	0	0	0	0	0	(1,580)	0
Net change in fair value through other comprehensive income - equity instruments	0	0	0	0	64,274	0	64,274	(1,260)
Net change in fair value through equity – derivatives - hedging reserve[5]	0	(11,529)	0	0	0	0	(11,529)	0
Net change in cash flow hedge reserve due to transfers to income	0	(80)	0	0	0	0	(80)	0
Foreign exchange adjustments	0	0	0	0	1	0	1	0
Transfers to technical provisions of insurance companies[6]	50,518	0	0	0	(15,494)	0	35,024	0
Remeasurement pension plans[7]	0	0	0	0	0	57,308	57,308	0
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	(13,113)	0	(13,113)	(647)
AS AT 30 JUNE 2021	148,990	(80,370)	65,407	208	156,829	126,468	417,531	8,647

(1) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 65 million, or 30.3%, to EUR 149 million (31 December 2020: EUR 214 million) and stems from higher interest rates compared with last year, partially offset by the recognition of shadow loss of EUR 127 million (after tax) compared with EUR 170 million (after tax) in December 2020.
(2) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (life). The discretionary participation feature of insurance contracts increased by EUR 8 million, or 13.6%, to EUR 65 million (31 December 2020: EUR 58 million). The total amount of future profit sharing amounts to EUR 156 million. An amount of EUR 74 million was recorded as a liability compared with EUR 84 million at year-end 2020. The remaining EUR 82 million (EUR 72 million after tax) is presented as a separate component of equity.
(3) The fair value of equity instruments measured at fair value through other comprehensive income increased by EUR 36 million, or 29.4%, to EUR 157 million (31 December 2020: EUR 121 million), relating to increased stock markets, partially offset by the recognition of a shadow loss of EUR 77 million (after tax) compared with EUR 66 million (after tax) in December 2020.
(4) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 2 million as a result of sales by Belfius Insurance.
(5) Gains (losses) on cash flow hedges decreased by EUR 12 million to EUR -80 million (31 December 2020: EUR -69 million), due mainly to the changes in basis spreads on derivative positions in GBP and USD.
(6) These transfers concern amounts after tax following the application of shadow accounting of EUR 25 million (compared to EUR 37 million in December 2020) and the recognition of a shadow loss adjustment of EUR 204 million (compared to EUR 236 million in December 2020), whereby part of the unrecognised unrealised gains on financial assets not measured at fair value (f.e. bonds in hold to collect strategy, loans, etc) and recognised unrealised gains on financial assets measured at fair value through other comprehensive income are used as cover value for the payments of the obligations for insurance contracts and if need be, part of the latter are transferred to the technical reserves for insurance contracts, through shadow accounting. More specifically, Belfius compares the difference between a best estimate of its technical provisions and the initially recognised technical provisions, increased with the recognised unrealised gains on financial assets measured at fair value through other comprehensive income and the unrecognised unrealised gains on its financial assets that are not measured at fair value. If there are insufficient unrealised gains on financial assets not measured at fair value to offset the gap between a best estimate and the initially recognised technical provisions, a reclassification is performed from recognised unrealised gains in OCI towards the technical reserve. If there would be insufficient recognised unrealised gains in OCI, the remainder would be provisioned for via P&L.
The decrease of EUR 43 million in shadow loss stems mainly from the increase in interest rates over the first semester, partially compensated by lower credit spreads and the negative impact of the revision of non-financial assumptions for the calculation of the Best Estimate Life.
(7) The remeasurement of defined benefit plans increased by EUR 57 million, or 82.9%, to EUR 126 million (31 December 2020: EUR 69 million), due mainly to the effect of an increase in the discount rate and the positive return on plan assets.

The notes on pages 107 to 169 are an integral part of the condensed consolidated interim financial statements.

2. 2022

(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 2021	3,458,066	209,232	5,957,910	934,964	10,560,172	402,953	497,083	32,539	11,492,748
Movements of the period									
Result recognised in the statement of income	0	0	0	428,491	**428,491**	0	0	434	**428,925**
Other comprehensive income	0	0	0	0	**0**	(211,694)	0	1,829	**(209,865)**
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**428,491**	**428,491**	**(211,694)**	**0**	**2,263**	**219,060**
Transfers to reserves	0	0	934,964	(934,964)	**0**	0	0	0	**0**
Dividends[1]	0	0	(368,518)	0	**(368,518)**	0	0	(634)	**(369,152)**
Dividends Additional Tier 1	0	0	(6,797)	0	**(6,797)**	0	0	0	**(6,797)**
Variation of scope of consolidation[2]	0	0	118	0	**118**	0	0	126	**244**
Other movements	0	0	0	0	**0**	0	0	0	**0**
Transfers from OCI due to sale of equity instruments	0	0	18,842	0	**18,842**	(18,842)	0	0	**0**
AS AT 30 JUNE 2022	3,458,066	209,232	6,536,518	428,491	10,632,308	172,418	497,083	34,294	11,336,102

(1) Belfius paid a total of EUR 368.5 million as dividend over the result of 2021.
(2) Variations in the scope of consolidation relate to variations in our shareholding as a result of capital increases, mainly in Jaimy.
(3) Reserves include amongst others statutory and available reserves.

The notes on pages 107 to 169 are an integral part of the condensed consolidated interim 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[1]	Gains (losses) on cash flow hedges	Discretionary participation features of insurance contracts[2]	Unrealised result of property revaluation	Fair value changes of equity instruments measured at fair value through other comprehensive income[3]	Remeasure-ment pension plans		
AS AT 31 DECEMBER 2021	108,559	(98,352)	81,096	208	179,153	132,290	402,953	14,072
Movements of the period								
Net change in fair value through other comprehensive income - debt instruments	(381,843)	0	9,291	0	0	0	(372,552)	0
Transfer to income due to impairments - debt instruments	(645)	0	0	0	0	0	(645)	0
Transfer to income due to disposals - debt instruments	(396)	0	0	0	0	0	(396)	0
Net change in fair value through other comprehensive income - equity instruments	0	0	0	0	(116,390)	0	(116,390)	1,829
Net change in fair value through equity – derivatives - hedging reserve[4]	0	(13,140)	0	0	0	0	(13,140)	0
Net change in cash flow hedge reserve due to transfers to income	0	(72)	0	0	0	0	(72)	0
Transfers to technical provisions of insurance companies[5]	156,043	0	0	0	106,901	0	262,944	0
Remeasurement pension plans[6]	0	0	0	0	0	28,558	28,558	0
Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income	0	0	0	0	(18,842)	0	(18,842)	0
Other movements	0	0	0	0	0	0	0	0
AS AT 30 JUNE 2022	(118,283)	(111,564)	90,387	208	150,823	160,848	172,418	15,901

(1) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 227 million, or -209.0%, to EUR -118 million (31 December 2021: EUR 109 million) and stems from higher interest rates compared with last year, partially offset by the decrease of EUR 137 million (after tax) of shadow loss adjustment (no shadow loss adjustment per 30 June 2022 compared with EUR -137 million (after tax) per end 2021). The Liability Adequacy Test revealed that the technical reserves are higher than the best estimate due to the increase in interest rates.
(2) The discretionary participation feature of insurance contracts increased by EUR 9 million, or 11.5%, to EUR 90 million (31 December 2021: EUR 81 million). The total amount of future profit sharing amounts to EUR 161 million. An amount of EUR 53 million was recorded through the statement of income compared with EUR 63 million at year-end 2021. The remaining EUR 108 million (EUR 90 million after tax) is accounted for via equity.
(3) The fair value of equity instruments measured at fair value through other comprehensive income decreased by EUR 28 million, or -15.8%, to EUR 151 million (31 December 2021: EUR 179 million), due to deteriorating stock markets, partially offset by the decrease of EUR 116 million (after tax) of shadow loss adjustment (no shadow loss adjustment per 30 June 2022 compared with EUR -116 million (after tax) per end 2021). The Liability Adequacy Test revealed that the technical reserves are higher than the best estimate due to the increase in interest rates.
(4) Gains (losses) on cash flow hedges decreased by EUR 13 million to EUR -112 million (31 December 2021: EUR -98 million), due mainly to the evolution of basis spreads on derivative positions in GBP and USD.
(5) The transfers to technical provisions of insurance companies concern amounts after tax following the application of shadow accounting of EUR 2 million (compared to EUR 25 million in December 2021). No shadow loss adjustment was required per 30 June 2022 based on the liability adequacy test (compared to EUR 253 million in December 2021). The shadow loss adjustment uses part of the unrecognised unrealised gains on financial assets not measured at fair value (f.e. bonds in hold to collect strategy, loans, etc) and recognised unrealised gains on financial assets measured at fair value through other comprehensive income as cover value for the payments of the obligations for insurance contracts and if need be, part of the latter are transferred to the technical provisions for insurance contracts, through shadow accounting. More specifically, Belfius compares the difference between a best estimate of its technical provisions, discounted at risk fee rate increased with a company specific volatility adjustment, and the initially recognised technical provisions, increased with the recognised unrealised gains on financial assets measured at fair value through other comprehensive income and the unrecognised unrealised gains on its financial assets that are not measured at fair value. If there are insufficient unrealised gains on financial assets not measured at fair value to offset the gap between a best estimate and the initially recognised technical provisions, a reclassification is performed from recognised unrealised gains in OCI towards the technical provisions. If there would be insufficient recognised unrealised gains in OCI, the remainder would be provisioned for via P&L. There was no shadow loss adjustment required per 30 June 2022 as the best estimate was lower than the technical provisions due to the increase in discount rate (increase of 200 bps, of which 25 bps increase in the volatility adjustment).
(6) The remeasurement of defined benefit plans increased by EUR 29 million, or 21.6%, to EUR 161 million (31 December 2021: EUR 132 million), due mainly to the effect of an increase in the discount rate, partially offset by a higher than expected inflation rate, the adjustment of the inflation hypothesis, and the negative return on plan assets.

The notes on pages 107 to 169 are an integral part of the condensed consolidated interim financial statements.

Equity	30/06/21	30/06/22
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	1.13	1.19
Diluted	1.13	1.19
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 30 June	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 107 to 169 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated interim 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)	30/06/21	31/12/21	30/06/22
CASH FLOW FROM OPERATING ACTIVITIES			
Net income attributable to equity holders of the parent	405,691	934,964	428,491
Net income attributable to non-controlling interests	274	653	434
ADJUSTMENT FOR NON CASH ITEMS	(17,485)	71,494	12,416
Depreciation, amortisation and other impairment	69,363	157,287	99,563
Impairment on bonds, loans and other assets	(59,076)	(58,731)	(35,304)
Net (gains) or losses on investments	(6,905)	(15,035)	(20,603)
Net (gains) or losses on tangible & intangible assets	(6,905)	(15,035)	(7,667)
Net (gains) or losses on consolidated shares & equity method companies	0	0	(12,936)
Increase / (decrease) of provisions (mainly insurance provision)	(19,703)	(51,970)	(39,515)
Unrealised (gains) or losses[1]	(32,591)	(14,088)	(22,736)
Net unrealised gains from cash flow hedges and discontinuations	(77)	(152)	(78)
Income from equity method companies	(1,754)	(2,449)	(2,714)
Dividends from equity method companies	1,532	1,532	1,770
Deferred taxes	31,727	55,100	32,033
Deferred tax income	(22,442)	(21,105)	(24,754)
Deferred tax charges	54,169	76,205	56,787
CHANGES IN OPERATING ASSETS	(37,418)	(1,766,859)	379,937
Loans and advances due from credit institutions	1,882,040	1,871,024	4,445,362
Loans and advances	(2,019,727)	(5,030,131)	(5,073,815)
Debt securities and equity instruments	236,308	1,456,535	832,542
Assets from insurance companies	(13,587)	(87,809)	19,179
Tax asset	(42,847)	15,136	(67,438)
Accrued income from financial assets	69,325	(148,560)	301,524
Other assets	(149,903)	156,758	(78,330)
Assets held for sale-other assets	973	188	913
CHANGES IN OPERATING LIABILITIES	8,913,605	7,430,283	14,236,982
Balances from central banks[2]	1,578,082	1,400,000	146,008
Loans and advances due to credit institutions	1,607,425	(1,417,562)	1,836,305
Customer borrowings and deposits	4,053,830	9,083,728	4,473,608
Debt securities and other financial liabilities	2,340,711	(1,257,015)	8,798,977
Technical provisions of insurance companies	(565,711)	(466,936)	(670,767)
Tax liabilties	(1,616)	(9,696)	(14,704)
Accrued expenses on financial instruments	(139,128)	77,873	(413,375)
Other liabilities specific to insurance companies	2,188	9,752	4,185
Other liabilities	37,824	10,140	76,745
OTHER OPERATING FLOWS[3]	389,426	273,900	2,043,194
DERIVATIVES	(588,793)	(696,716)	(1,564,977)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	9,065,301	6,247,719	15,536,478

(1) This line item represents the fair value adjustments on financial instruments at fair value through profit or loss.
(2) Belfius drew EUR 1.4 billion from TLTRO III in 2021.
(3) Other operating flows include adjustments for non cash items and mainly consist of fair value adjustments on hedged items.

The notes on pages 107 to 169 are an integral part of the condensed consolidated interim financial statements.

(in thousands of EUR)	30/06/21	31/12/21	30/06/22
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(56,747)	(157,827)	(238,651)
Sales of fixed assets	58,638	46,731	54,243
Acquisitions of unconsolidated equity shares	(65,494)	(96,050)	(42,161)
Sale of unconsolidated equity shares[(1)]	88,304	159,251	46,077
Acquisitions of subsidiaries and of business units[(2)]	(36,833)	(36,833)	(17,760)
Sale of subsidiaries and of business units[(3)]	0	0	51,453
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(12,134)	(84,728)	(146,799)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares[(4)]	917	2,294	244
Issuance of subordinated debts[(5)]	0	497,160	0
Reimbursement of subordinated debts[(6)]	0	0	(74,719)
Dividends paid[(7)]	(83,618)	(221,174)	(375,949)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(82,702)	278,280	(450,424)
NET CASH PROVIDED	8,970,465	6,441,270	14,939,255
of which cash outflow for leases	(2,947)	(5,858)	(1,246)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	25,881,900	25,881,900	32,322,938
Cash flow from operating activities	9,065,301	6,247,719	15,536,478
Cash flow from investing activities	(12,134)	(84,728)	(146,799)
Cash flow from financing activities	(82,702)	278,280	(450,424)
Effect of exchange rate changes on cash and cash equivalents	418	(232)	1,077
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	34,852,784	32,322,938	47,263,269
ADDITIONAL INFORMATION			
Income tax paid (included in line net cash provided (used) by operating activities)	(174,396)	(255,246)	(145,520)
Dividends received (included in line net cash provided (used) by operating activities)	44,828	73,786	49,323
Interest received (included in line net cash provided (used) by operating activities)	1,733,646	3,218,922	2,014,400
Interest paid (included in line net cash provided (used) by operating activities)	(798,142)	(1,282,513)	(1,135,431)

(1) Belfius Insurance disposed equity instruments for risk and ALM purposes.
(2) Belfius Insurance acquired shareholdings in MC^2 in 2022, and shareholdings in Alysea and Belfius Euro Loans in 2021.
(3) Belfius Insurance sold the subsidiary Alysea (a real estate company investing in a retirement home in Luxembourg) in June 2022.
(4) In 2022 new shares were issued to third parties in Jaimy (EUR 0.2 million) and in Belfius Investment Partners following the strategic partnership with Candriam. In 2021 new shares were issued to third parties in Vicinity Affordable Housing Fund (EUR 0.9 million) and in Skipr (EUR 1.4 million). Refer to note 10.1. for more information.
(5) Belfius Bank issued EUR 497 million fixed rate Tier 2 subordinated notes in 2021.
(6) Belfius Bank reimbursed EUR 75 million following maturities of two subordinated loans in 2022.
(7) This line includes the dividend paid to the shareholder in 2022 (EUR 368.5 million) as well as interest paid on the Additional Tier 1 of EUR 7 million in 2022, which is considered as a dividend under IFRS.

The increase in changes in operating liabilities to EUR 14.2 billion mainly stems from growing short term certificates of deposits and growing deposits from customers in current and savings accounts. These were reinvested in loans and advances, and deposit at the facility at the ECB on the asset side, resulting in an increase in changes in operating assets to EUR 0.4 million.

Refer to the Liquidity Risk chapter of the Management Report for a detailed description of the liquidity position.

The notes on pages 107 to 169 are an integral part of the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

II. Post balance sheet events

Please find below an overview of non-adjusting events between the balance sheet date (30 June 2022) and the date of the board of directors.

1. Extension credit protection contracts on certain utility and infrastructure bonds

In order to keep the Total Risk Exposure Amount and hence credit risk on certain utility and infrastructure bonds (part of Belfius Run-Off ALM Yield Portfolio) within Belfius risk appetite limits, Belfius hedges part of the loss at default exposure thereof with dedicated credit protections. New protection contracts, extending the formerly existing credit protection mechanisms to final maturity date of the relevant underlying bonds, have been finalised in July 2022. As these protections are designed to lower the potential loss at default on the relevant underlying bonds during full lifetime of those underlying bonds, in Q3 2022 Belfius will have to reassess its 1H 2022 stock of "impairments on financial instruments and provisions for credit commitments" relative to the relevant underlying bonds. If those new protection contracts would have been finalised before the end of June 2022, this would have resulted in a lower full lifetime Total Risk Exposure Amount on these exposures and a positive contribution to cost of risk 1H 2022 of EUR +48 million. The effective cost of risk impact in Q3 2022 and FY 2022 accounts will depend, amongst others, on the evolution of the rating of the issuer of the credit protection as well as on the further evolution of the parameters that drive the amount of the impairment on a global basis.

III. Accounting principles

The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are set out below.

The commonly 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" refers to "Belfius Bank & Insurance".

The condensed consolidated interim financial statements have been approved by the Board of Directors of Belfius on 4 August 2022.

1. Accounting policies

1.1. Basis of accounting – statement of compliance

General

The condensed consolidated interim financial statements of Belfius are prepared in accordance with IAS 34 Interim Financial Reporting.

The Royal Decree of 5 December 2004 requires Belfius to publish its consolidated financial statements in accordance with the IFRS as adopted by the European Union.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with Belfius consolidated annual financial statements as at 31 December 2021.

1.2. Changes in accounting policies and applicable standards since the previous annual publication that may impact Belfius

IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2022

The amendments to:

- IFRS 16 Leases - Covid-19 related rent beyond 30 June 2021;
- IAS 16 Property, Plant and Equipment - Proceeds before intended use;
- IAS 37 Provisions, Contingent Liabilities and Contingent assets - Onerous contracts - Cost of fulfilling a contract;
- IFRS 3 - References to the conceptual framework

and the annual improvements to IFRS Standards 2018-2020 have been applied when required. The impacts of those changes on the financial statements are immaterial.

IASB and IFRIC texts endorsed by the European Commission and applicable as from 1 January 2023

The amendments to:

- IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies
- IAS 8 - Definition of Accounting Estimate
- IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

These amendments will be applied if required but the impact of those changes on the financial statements is estimated to be minor.

IASB and IFRIC texts not endorsed by the European Commission and applicable as from 1 January 2023

The amendments to

- IAS 1 – Classification of Liabilities as Current or Non-current

These amendments will have no impact on the financial statements.

Ongoing projects

IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2023).

In June 2020 the IASB issued the final version of IFRS 17 "Insurance Contracts" after a considerable consultation process following its first release in May 2017. The changes made to the initial text will not impact the timing of the implementation project and several of the amendments have been welcomed by Belfius.

In November 2021 the European Union published a Commission Regulation endorsing IFRS 17. The regulation adopts IFRS 17 and the June 2020 amendments to IFRS 17 with the same effective date as the IASB (1 January 2023).

IFRS 17 is a comprehensive accounting standard and establishes completely new principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The new standard introduces a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts held or issued and investment contracts with discretionary participation features. The new standard supersedes IFRS 4 and should be fully applied retrospectively unless impracticable, in which case alternative approaches can be applied.

Below is a description of several accounting policies and judgements already validated throughout full project governance.

Scoping

The IFRS 17 scope will be the same as the IFRS 4 scope.

Level of aggregation

Portfolios will be determined by considering how Belfius Insurance and Corona Direct manage similar risks.

Belfius will apply annual cohorts which will be aligned with calendar years.

Recognition

Through the application of IFRS 17, the contract boundaries of most contracts measured either under the general measurement method or the variable fee approach are long contract boundaries.

Measurement

The following measurement models will be applied at Belfius:

- Premium allocation approach will be applied wherever possible, essentially to Non-life contracts and reinsurance contracts;
- Variable fee approach will be used in measuring the segregated accounts; and
- General measurement model to all remaining insurance contracts, mainly Life contracts.

General measurement model & variable fee approach

Risk adjustment

The confidence level and other parameters to apply are being finalised.

The risk adjustment will be disaggregated, thereby presenting the impacts on other comprehensive income and insurance finance result separately.

Discounting
Belfius will apply the bottom-up approach (risk free rate increased with an illiquidity premium) when constructing discount curves which will be a weighted average curve over a calendar year.

The discounting effects will be disaggregated between other comprehensive income and insurance finance result.

CSM
The coverage units to be used will depend on the similar risk category of the groups:

The coverage units used will be:

- Insurance similar risks: risk capital; and
- Savings similar risks: mathematical reserves.

Premium allocation approach
The premium allocation approach is to be applied if an insurance contract or reinsurance contract held is eligible for this measurement method. At Belfius, this will be applied when the coverage period of such contracts is one year or less.

Belfius will not discount cash flows used in the calculation of the liability for remaining coverage if the coverage period is 1 year or less.

No distinction will be made between short-term and long-term claims, and as such all claims will be discounted. The discounting effect on cash flows and the risk adjustment used in the liability for incurred claims will be disaggregated between other comprehensive income and insurance finance result. Similar to the discount curve construction in the general measurement model and the variable fee approach the bottom-up approach will be used.

Presentation
The financial statements will be presented on a year-to-date basis.

First time adoption
Belfius anticipates using a combination of the full retrospective and the fair value approaches when determining the opening balance sheet as at 1 January 2022.

Reassessment of IFRS 9 business models
Belfius will make use of the possibility provided in IFRS 17 to reassess the business models of financial assets in the scope of IFRS 9. Belfius will disaggregate interest accretion on cash flows and the risk adjustment between other comprehensive income and insurance finance result (so called "OCI option"). In order to continue to try to minimise future accounting mismatches through the application of the OCI option, Belfius will reassess its IFRS 9 business models as from 1 January 2023. Based on this reassessment, a significant portion of financial assets currently in a "hold to collect" business model will be reclassified towards a "hold to collect and sale" business model. The analysis is ongoing to determine the scope and elements of this reclassification.

Alternative performance measures (APMs)/ key performance indicators (KPIs)
Belfius is in the process to review its APMs /KPIs in light of IFRS 17.

IV. Operating segments reporting

(Some amounts may not add up due to roundings)

Since FY 2021, Belfius' financial and commercial results are reported around two "commercial segments": the individual customer ("Individuals", abbreviation IND) and the SME, corporate and institutional customers ("Entrepreneurs, Enterprises and Public entities", abbreviation E&E&P). The group center ("Group Center", abbreviation GC), 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**, 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.

Belfius has presented pro forma figures for 1H 2021 due to the new segmentation.

1. 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 86% loan-to-deposit ratio at the end of June 2022.

Note that there are no internal sales or purchases between segments, these 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).

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.

	31/12/21		
(in thousands of EUR)	Assets	Liabilities	Equity PF(1)
Individuals PF(1)	54,615,028	82,433,085	1,889,595
Entrepreneurs, Enterprises & Public PF(1)	59,921,950	44,890,127	4,918,725
Group Center	77,613,566	53,334,584	4,684,428
TOTAL	**192,150,543**	**180,657,795**	**11,492,748**
of which banking group(2)	174,328,987	163,693,443	10,635,544
of which insurance group(2)	17,821,556	16,964,352	857,204

(1) Pro forma due to refinement of segmentation impacting the IND and E&E&P equity at the end of 2021.
(2) The assets, liabilities and equity represent the contributions of the Belfius Insurance and Belfius Bank groups to the consolidated balance sheet.

	30/06/22		
(in thousands of EUR)	Assets	Liabilities	Equity
Individuals	55,712,856	83,713,617	1,497,783
Entrepreneurs, Enterprises & Public	62,620,245	45,795,143	5,248,634
Group Center	81,434,841	58,923,080	4,589,686
TOTAL	**199,767,941**	**188,431,839**	**11,336,102**
of which banking group(1)	183,382,892	172,672,193	10,710,700
of which insurance group(1)	16,385,049	15,759,647	625,402

(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 increased between 31 December 2021 and 30 June 2022 with EUR 4 billion. This growth is explained by the increased loan production in line with Belfius' strategy. The liabilities from both activity lines increased in comparison to 2021 following an increase in funding, mainly in sight and savings deposits. The liabilities of Group Center increased following the issuance of certificates of deposit, partially compensated by the decrease in the fair value of the derivatives, mainly due to the impact of higher interest rates. The growth in liabilities was slightly lower than the growth in assets, leading to increase of the loan-to-deposit ratio on the commercial balance sheet from 85% end 2021 to 86% end June 2022.

2. Statement of income

A. Segmentation by business line

(in thousands of EUR)	30/06/21 PF[1] Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	**727,600**	**538,465**	**(33,996)**	**1,232,070**
Net interest income bank	273,065	410,300	113,433	796,798
Net fee and commissions bank	308,727	55,308	(3,780)	360,255
Life insurance contribution	110,375	42,813	(9,508)	143,679
Non-Life insurance contribution	100,756	21,471	0	122,226
Other	(65,323)	8,573	(134,140)	(190,890)
EXPENSES	**(438,065)**	**(209,072)**	**(72,473)**	**(719,611)**
NET INCOME BEFORE TAX AND IMPAIRMENTS	**289,535**	**329,393**	**(106,469)**	**512,459**
Impairments on financial instruments and provisions for credit commitments	10,422	17,443	2,677	30,543
Impairments on tangible and intangible assets	(671)	(94)	45	(720)
NET INCOME BEFORE TAX	**299,286**	**346,742**	**(103,747)**	**542,281**
Total tax (expense) income	(72,110)	(84,312)	20,107	(136,316)
NET INCOME AFTER TAX	**227,175**	**262,430**	**(83,640)**	**405,965**
Attributable to non-controlling interests	(289)	0	563	274
Attributable to equity holders of the parent	227,464	262,430	(84,203)	405,691

(1) Belfius has presented pro forma figures for 1H2021 due to the new segmentation.

(in thousands of EUR)	30/06/22 Individuals	Entrepreneurs, Enterprises & Public	Group Center	Total
INCOME	**765,834**	**546,216**	**(3,452)**	**1,308,598**
Net interest income bank	287,186	439,970	80,607	807,763
Net fee and commissions bank	322,573	59,202	(4,960)	376,815
Life insurance contribution	132,590	49,675	(9,405)	172,860
Non-Life insurance contribution	79,800	13,326	337	93,464
Other	(56,315)	(15,957)	(70,032)	(142,304)
EXPENSES	**(466,062)**	**(233,183)**	**(77,136)**	**(776,381)**
NET INCOME BEFORE TAX AND IMPAIRMENTS	**299,772**	**313,033**	**(80,588)**	**532,217**
Impairments on financial instruments and provisions for credit commitments	(2,597)	17,273	(1,538)	13,138
Impairments on tangible and intangible assets	(887)	784	0	(103)
NET INCOME BEFORE TAX	**296,288**	**331,090**	**(82,125)**	**545,252**
Total tax (expense) income	(67,455)	(78,506)	29,634	(116,327)
NET INCOME AFTER TAX	**228,833**	**252,583**	**(52,491)**	**428,925**
Attributable to non-controlling interests	(219)	3	650	434
Attributable to equity holders of the parent	229,052	252,580	(53,141)	428,491

Individuals: the net income increased from EUR 227 million in 1H 2021 to EUR 229 million in 1H 2022. The Net interest income of banking activities increased by EUR 14 million thanks to the growth in production of loans volume at increased margins. The Net fee and commissions income of banking activities increased from EUR 309 million in 1H 2021 to EUR 323 million in 1H 2022, and is mainly driven by higher entry and management fees from Asset Management Services. The Life insurance contribution is slightly higher than last year following the reassessment of the life provisions resulting in a release of EUR 48 million in line with the risk appetite framework. The Non-Life insurance contribution strongly decreased and amounts to EUR 80 million mainly due to higher natural disaster charges due to the storms in February 2022, higher claims frequency in Mobility (1H 2021 was impacted by the Covid-19 lockdown) and higher average claim cost in all Lines of Business, mainly due to the inflation.

Entrepreneurs, Enterprises & Public: the net income decreased from EUR 262 million in 1H 2021 to EUR 253 million in 1H 2022. The net interest income increased thanks to higher loan volumes and margins. Net fees and commissions increased mainly thanks to transaction banking fees combined with higher results in Equity Capital Markets activity. The expenses increased resulting from the combination of the workforce reinforcement to sustain the market share growth, investments in brand (advertising, events…) and the inflation impact.

Group Center: the net income stands at EUR -53 million in 1H 2022, compared to EUR -84 million in 1H 2021. The decrease of income is mainly due to reinvestments of matured high yield bonds in lower yield assets, and higher funding invested at negative deposit facility rates. The cost of risk stood at EUR -2 million in 1H 2022, compared to EUR +3 million in 1H 2021. In 1H 2022, the cost of risk was mainly impacted by certain downgrades. In 1H 2021, the cost of risk was mainly impacted by revised probabilities of default from updated macro-economic factors in our bonds portfolio.

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).

30/06/21 (in thousands of EUR)	**Contribution Bank into group**	**Contribution Insurance into group**	**Total**
INCOME	**952,043**	**280,026**	**1,232,070**
Net interest income	796,798	191,390	988,189
Dividend income	15,193	28,702	43,895
Net income from equity method companies	2,068	(314)	1,754
Net income from financial instruments at fair value through profit or loss	33,113	2,045	35,158
Net income on investments and liabilities	6,220	715	6,934
Net fee and commission income	360,255	11,595	371,850
Technical result from insurance activities	0	51,137	51,137
Other income & expense	(261,604)	(5,243)	(266,845)
EXPENSES	**(594,070)**	**(125,541)**	**(719,611)**
NET INCOME BEFORE TAX AND IMPAIRMENTS	**357,973**	**154,485**	**512,459**
Impairments on financial instruments and provisions for credit commitments	29,624	918	30,543
Impairments on tangible and intangible assets	(295)	(425)	(720)
NET INCOME BEFORE TAX	387,302	154,979	542,281
Total tax (expense) income	(97,647)	(38,670)	(136,316)
NET INCOME AFTER TAX	289,656	116,309	405,965
Attributable to non-controlling interests	6	269	274
Attributable to equity holders of the parent	289,650	116,041	405,691

30/06/22 (in thousands of EUR)	Contribution Bank into group	Contribution Insurance into group	Total
INCOME	1,034,793	273,805	1,308,598
Net interest income	807,763	168,573	976,336
Dividend income	19,834	27,719	47,553
Net income from equity method companies	1,022	1,693	2,714
Net income from financial instruments at fair value through profit or loss	43,617	(16,546)	27,071
Net income on investments and liabilities	8,699	12,968	21,667
Net fee and commission income	376,815	15,901	392,716
Technical result from insurance activities	0	67,857	67,857
Other income & expense	(222,957)	(4,360)	(227,316)
EXPENSES	(639,890)	(136,492)	(776,382)
NET INCOME BEFORE TAX AND IMPAIRMENTS	394,903	137,313	532,216
Impairments on financial instruments and provisions for credit commitments	13,670	(532)	13,138
Impairments on tangible and intangible assets	322	(425)	(103)
NET INCOME BEFORE TAX	408,895	136,356	545,251
Total tax (expense) income	(87,956)	(28,370)	(116,326)
NET INCOME AFTER TAX	320,939	107,986	428,925
Attributable to non-controlling interests	76	358	434
Attributable to equity holders of the parent	320,863	107,628	428,491

The contribution of Belfius Insurance decreased with EUR 8 million from EUR 116 million at 30 June 2021 to EUR 108 million at 30 June 2022. Life income improved in 2022 thanks to decreasing interest guarantees and the reassessment of the life provisions resulting in a release of EUR 48 million in line with the risk appetite framework. Non-Life income decreased mainly due to the cost for natural disasters, net of reinsurance, amounting to EUR 30 million YTD 2022 due to the storms in February 2022, compared to EUR 10 million YTD 2021. Furthermore, claims charges increased, especially in Car as last year's results were positively impacted by the Covid-19 lockdown.

The contribution of Belfius Bank increased with EUR 31 million from EUR 290 million at 30 June 2021 to EUR 321 million at 30 June 2022. Belfius Bank realised a strong net interest income thanks to higher loans volume at increased margins. The fee activity in 2022 increased compared with last year, mainly thanks to asset management services. The net income from financial instruments decreased mainly due to higher interest rates and widened credit spreads. The costs are more negative in 2022 than in 2021 mainly due to the impact of increased inflation and higher investments in strategic projects.

V. Notes on the assets of the condensed consolidated interim balance sheet

(some amounts may not add up due to rounding)

5.1. Cash and balances with central banks

(refers to table 5.2. of the annual report 2021)

Analysis by nature

(in thousands of EUR)	31/12/21	30/06/22
Cash in hand	358,704	316,948
Balances with central banks other than mandatory reserve deposits	31,282,232	44,117,912
Mandatory reserves deposits(1)	0	1,163,202
Impairment stage 1	(590)	(832)
TOTAL	31,640,347	45,597,231
Of which included in cash and cash equivalents	31,641,371	45,598,675

(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 complied with the requirement to hold an average balance on the reserve account over the reference period, end 2021.

Cash and balances with central banks increased by EUR 14.0 billion, or 44.1%, to EUR 45.6 billion (31 December 2021: EUR 31.6 billion). Belfius deposits part of its cash at the NBB/ECB, within the framework of its liquidity management.

As from end of October 2019, the ECB two-tier system is applicable. Consequently the exempt tier of excess liquidity holdings will be remunerated at an annual rate of 0% instead of a negative rate.

5.2. Loans and advances due from credit institutions

(refers to table 5.3. of the annual report 2021)

1. Summary Totals

(in thousands of EUR)	31/12/21	30/06/22
Measured at amortised cost	10,411,237	6,474,507
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit or loss	0	0
TOTAL	10,411,237	6,474,507

2. Analysis by nature

A. Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/21 Amortised cost	31/12/21 Measured at fair value through other comprehensive income	30/06/22 Amortised cost	30/06/22 Measured at fair value through other comprehensive income
Cash collateral	9,280,116	0	4,885,959	0
Sight accounts	170,465	0	184,921	0
Reverse repurchase agreements	450,279	0	512,116	0
Financial lease	7,461	0	23,796	0
Term loans	503,239	0	867,984	0
Impaired loans (stage 3)	0	0	0	0
Less:				
impairment (stages 1,2 and 3)	(323)	0	(269)	0
TOTAL	**10,411,237**	**0**	**6,474,507**	**0**
of which included in cash and cash equivalents	601,745	0	1,109,032	0

Loans and advances due from credit institutions decreased with EUR 3.9 billion, or -37.8%, to EUR 6.5 billion (31 December 2021: EUR 10.4 billion). The decrease in cash collateral paid of EUR 4.4 billion in line with the fair value movement of the derivatives, was partially offset by an increase in term loans.

Not measured at fair value through profit or loss - breakdown

(in thousands of EUR)	31/12/21 Amortised cost	31/12/21 Measured at fair value through other comprehensive income	30/06/22 Amortised cost	30/06/22 Measured at fair value through other comprehensive income
Gross amount (stage 1)	10,404,203	0	6,470,394	0
Less impairment allowance (stage 1)	(213)	0	(202)	0
Gross amount (stage 2)	7,357	0	4,382	0
Less impairment allowance (stage 2)	(110)	0	(67)	0
Gross amount credit - impaired (stage 3)	0	0	0	0
Impairment on credit - impaired (stage 3)	0	0	0	0
TOTAL	**10,411,237**	**0**	**6,474,507**	**0**

B. Measured at fair value through profit or loss

Nil

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.3. Loans and advances

(refers to table 5.4. of the annual report 2021)

1. Summary Totals

(in thousands of EUR)	31/12/21	30/06/22
Measured at amortised cost	101,540,978	106,438,294
Measured at fair value through other comprehensive income	99,119	123,804
Measured at fair value through profit or loss	1,038,717	955,794
TOTAL	102,678,814	107,517,892

2. Analysis by nature

A. Not measured at fair value through profit or loss

	31/12/21		30/06/22	
(in thousands of EUR)	Amortised Cost	Measured at fair value through other comprehensive income	Amortised Cost	Measured at fair value through other comprehensive income
Cash collateral	995,104	0	689,074	0
Reverse repurchase agreements	61,590	0	150,362	0
Financial lease	3,209,453	0	3,262,446	0
Other Loans and advances(1)	97,028,455	102,260	102,052,525	128,825
Of which bills and own acceptances	137,346	0	162,459	0
Of which consumer loans	1,666,672	0	1,684,394	0
Of which mortgage loans(2)	40,965,709	0	42,918,626	0
Of which term loans(3)(4)	51,369,690	0	53,814,303	0
Of which current accounts	1,450,448	0	1,665,891	0
Of which other loans and advances(5)	1,438,591	102,260	1,806,852	128,825
Impaired loans (stage 3)	2,011,887	0	2,017,741	0
Less				
impairment (stages 1,2 and 3)	(1,765,512)	(3,141)	(1,733,853)	(5,021)
TOTAL	101,540,978	99,119	106,438,294	123,804

(1) The underlying pool of loans of the covered bonds (Pandbrieven) amount to EUR 13.5 billion (31 December 2021: EUR 10.9 billion). This covered pool guarantees the outstanding covered bonds, of which EUR 4.8 billion mortgage covered bonds (31 December 2021: EUR 5.3 billion) and EUR 1.2 billion public covered bonds (31 December 2021: EUR 1.2 billion).
(2) End 2021, EUR 2.5 billion "mortgage loans" were securitised. In 1H 2022, this decreased to EUR 0 billion, due to the call of a compartment of a securitization vehicle.
(3) End 2021, EUR 1.3 billion "term loans" were securitised. In 1H 2022, this decreased to EUR 1.2 billion.
(4) The term loans include the loan towards the regional authorities related to the floods of July 2021 in accordance with the protocol. 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 68 million per 30 June 2022 (compared with EUR 21 million end 2021). Refer to note 6.5. Provisions for insurance activities for more information.
(5) Other loans and advances concern mainly factoring activities and leveraged loans through the consolidation of Belfius Euro Loans.

Loans and advances increased by EUR 4.8 billion, or 4.7%, to EUR 107.5 billion (31 December 2021: EUR 102.7 billion), stemming from an increase in loans of EUR 5.0 billion (mainly term and mortgage loans) in line with our strategy to continuously develop our commercial franchise and to support the Belgian economy. Cash collateral paid decreased by EUR 0.3 billion in line with the fair value of the derivatives.

Belfius Insurance continues to invest a small part of its reserves in leveraged loans, through the investment fund Belfius Euro Loans, resulting in an increase in loans and advances measured at fair value through other comprehensive income of EUR 25 million; the total amount outstanding amounts to EUR 124 million per 30 June 2022.

(in thousands of EUR)	31/12/21 Amortised Cost	31/12/21 Measured at fair value through other comprehensive income	30/06/22 Amortised Cost	30/06/22 Measured at fair value through other comprehensive income
Gross amount (stage 1)	88,397,192	84,431	90,868,711	128,825
less impairment allowance (stage 1)	(128,120)	(2,951)	(141,215)	(5,021)
Gross amount (stage 2)	12,897,410	17,829	15,285,696	0
less impairment allowance (stage 2)	(422,498)	(190)	(367,294)	0
Gross amount credit - Impaired (stage 3)	2,011,887	0	2,017,741	0
Impairment on credit - impaired (stage 3)	(1,214,893)	0	(1,225,344)	0
TOTAL	101,540,978	99,119	106,438,294	123,804

The gross amount in stage 1 increased following the new production of loans and advances.

Stage 1 and 2 impairment allowances are impacted by the update of the macro-economic scenarios to take into account the increased macro-economic uncertainties (due amongst others to the second-round effects of the Covid-crisis, 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 in 2020. Refer to table 9.2.3. Movements in allowances for credit losses for further information.

B. Measured at fair value through profit or loss

(in thousands of EUR)	31/12/21 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	980	0	0	980
Public sector loans	0	0	1,037,737	1,037,737
TOTAL	980	0	1,037,737	1,038,717

(in thousands of EUR)	30/06/22 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	1,097	0	0	1,097
Public sector loans	0	0	954,697	954,697
TOTAL	1,097	0	954,697	955,794

(1) Belfius warehouses mortgage loans, for a limited period, 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 or loss.

Loans and advances measured at fair value through profit and loss decreased mainly due to negative fair value adjustments and repayments.

3. Analysis of quality
See note 9.2.

4. Analysis of the fair value
See note 9.1.

5.4. Debt securities & Equity instruments

(refers to table 5.5. of the annual report 2021)

1. Summary Totals

(in thousands of EUR)	31/12/21	30/06/22
Measured at amortised cost	20,839,937	18,963,204
Measured at fair value through other comprehensive income	4,959,373	4,182,813
Measured at fair value through profit or loss	1,396,041	1,348,396
TOTAL	27,195,351	24,494,412

The Belfius Banking Group contributed EUR 15.0 billion (31 December 2021: EUR 16.5 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 9.5 billion (31 December 2021: EUR 10.7 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 "held to collect" contractual cash flows until maturity. The debt securities of the insurance group are managed according to their ALM policies and guidelines, resulting in the insurance group having determined that a part of this portfolio should be defined as "held to collect" and certain debt securities as "held to collect and sell" to cover the liquidity needs within Belfius Insurance.

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 monetary funds within Belfius Insurance.

2. Analysis by nature
A. Not measured at fair value through profit or los

	31/12/21		30/06/22	
(in thousands of EUR)	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	9,625,312	2,346,131	9,727,743	1,903,222
Other debt securities	11,384,612	1,209,119	9,403,046	1,019,242
Equity instruments	0	1,423,213	0	1,278,779
Impaired debt securities (stage 3)	4,267	0	4,267	0
Less:				
impairment (stages 1,2 and 3)	(174,255)	(19,090)	(171,853)	(18,430)
TOTAL	20,839,937	4,959,373	18,963,204	4,182,813
Of which included in cash and cash equivalents	77,022	2,800	541,165	14,398

The debt securities measured at amortised cost decreased by EUR 1.9 billion, or -9.0%, to EUR 19.0 billion (31 December 2021: EUR 20.8 billion) following redemptions of some corporate bonds and the impact of fair value hedge revaluations on certain bonds.

The financial assets measured at fair value through other comprehensive income decreased by EUR 0.8 billion, or -15.7%, to EUR 4.2 billion (31 December 2021: EUR 5.0 billion). This is the result of negative fair value adjustments on bonds and equity instruments following higher interest rates and deteriorating stock markets compared with the 2021 year-end (EUR 0.7 billion) as well as of disposals and redemptions of bonds (EUR 0.1 billion).

Debt securities not measured at fair value through profit or loss - breakdown

(in thousands of EUR)	31/12/21 Amortised cost	31/12/21 Measured at fair value through other comprehensive income	30/06/22 Amortised cost	30/06/22 Measured at fair value through other comprehensive income
Gross amount (stage 1)	13,174,429	2,786,580	13,020,571	2,329,996
Less impairment allowance (stage 1)	(1,568)	(1,964)	(1,699)	(2,037)
Gross amount (stage 2)	7,835,496	768,669	6,110,218	592,468
Less impairment allowance (stage 2)	(169,362)	(17,126)	(166,828)	(16,393)
Gross amount credit - impaired (stage 3)	4,267	0	4,267	0
Impairment on credit - impaired (stage 3)	(3,325)	0	(3,325)	0
TOTAL	20,839,937	3,536,160	18,963,204	2,904,034

B. Measured at fair value through profit and loss

(in thousands of EUR)	31/12/21 Financial assets held for trading	31/12/21 Financial assets designated at fair value through profit or loss	31/12/21 Non-trading financial assets mandatorily measured at fair value through profit or loss	31/12/21 Total
Debt securities issued by public sector	180,813	0	112,595	293,408
Other debt securities	38,757	0	603,307	642,064
Equity instruments	460,560	0	8	460,569
TOTAL	680,130	0	715,910	1,396,041

(in thousands of EUR)	30/06/22 Financial assets held for trading	30/06/22 Financial assets designated at fair value through profit or loss	30/06/22 Non-trading financial assets mandatorily measured at fair value through profit or loss	30/06/22 Total
Debt securities issued by public sector	125,945	0	111,231	237,176
Other debt securities	15,397	0	617,459	632,856
Equity instruments	478,360	0	3	478,364
TOTAL	619,702	0	728,693	1,348,396

Debt securities and equity instruments measured at fair value through profit or loss remained stable at EUR 1.3 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)	31/12/21 Reason for designation	Fair value	Dividend income recognised
Strategic portfolio insurance - real estate	Risk and ALM purposes	538,984	21,245
Strategic portfolio insurance - various underlying	Risk and ALM purposes	690,536	28,387
Strategic portfolio bank	Risk and ALM purposes	193,694	11,597
TOTAL		**1,423,213**	**61,229**

(in thousands of EUR)	30/06/22 Reason for designation	Fair value	Dividend income recognised
Strategic portfolio insurance - real estate	Risk and ALM purposes	391,727	15,434
Strategic portfolio insurance - various underlying	Risk and ALM purposes	678,081	12,285
Strategic portfolio bank	Risk and ALM purposes	208,971	5,079
TOTAL		**1,278,779**	**32,799**

The table below presents the reason why the equity instruments designated at fair value through other comprehensive income were sold.

(in thousands of EUR)	31/12/21 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	137,721	13,311	5,289
Strategic portfolio insurance - various underlying	Risk and ALM purposes	196,735	19,872	2,274
Strategic portfolio bank	Risk and ALM purposes	85	(1,725)	0
TOTAL		**334,541**	**31,458**	**7,563**

(in thousands of EUR)	30/06/22 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	17,020	7,637	132
Strategic portfolio insurance - various underlying	Risk and ALM purposes	29,655	11,271	524
Strategic portfolio bank	Risk and ALM purposes	0	(66)	0
TOTAL		**46,675**	**18,842**	**656**

3. Analysis of quality

See note 9.2.

4. Analysis of the fair value

See note 9.1.

5.5. Derivatives

(refers to table 5.6. of the annual report 2021)

1. Analysis by nature

	31/12/21		30/06/22	
(in thousands of EUR)	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	8,074,506	7,121,508	5,026,935	3,803,772
Derivatives designated as fair value hedges	3,857	3,150,462	115,716	1,864,651
Derivatives designated as cash flow hedges	35,783	220,993	115,428	291,422
Derivatives designated as portfolio hedges	794,893	3,525,765	646,722	3,078,600
TOTAL	8,909,039	14,018,729	5,904,800	9,038,445

A decrease in the fair value of derivatives can be noted, mainly due to the impact of higher interest rates. The total impact of offsetting for derivatives concluded with LCH amounted to EUR 8.3 billion end June 2022 (31 December 2021: EUR 8.5 billion).

2. Detail of derivatives held for trading

	31/12/21				30/06/22			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	21,571,676	21,503,197	1,074,309	987,441	37,599,952	37,300,819	987,222	730,103
Interest rate derivatives	202,761,432	214,489,799	6,559,551	5,838,443	192,268,524	197,195,209	3,652,160	2,695,413
Credit derivatives	1,001,613	139,044	36,171	65,551	815,757	142,859	55,970	43,216
Equity derivatives	6,860,953	6,548,361	404,475	230,074	8,432,573	8,119,421	331,582	335,039
TOTAL	232,195,674	242,680,401	8,074,506	7,121,508	239,116,806	242,758,308	5,026,935	3,803,772

(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 while hedging non-basic bonds and loans, FVO positions or basis risk stemming from hedge inefficiency.

For additional information on related market risk, refer to note 9.3. "Market Risk" as well as note 7.2. "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

	31/12/21				30/06/22			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	5,931,593	5,808,255	3,819	3,133,804	5,968,203	5,769,341	114,061	1,853,567
of which interest rate swaps	5,203,941	5,203,941	3,819	2,408,023	5,190,594	5,190,594	80,570	1,507,653
of which cross currency interest rate swaps	727,652	604,314	0	725,782	777,608	578,746	33,491	345,913
Credit derivatives(2)	1,322,285	0	38	16,658	1,322,285	0	1,654	11,084
TOTAL	7,253,878	5,808,255	3,857	3,150,462	7,290,488	5,769,341	115,716	1,864,651

(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.

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 except for non-EUR bonds where 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 June 2022 all hedge effectiveness tests were respected.

Refer to note 7.2. "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

	31/12/21				30/06/22			
	Notional amount(1)		Assets	Liabilities	Notional amount(1)		Assets	Liabilities
(in thousands of EUR)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	5,547,586	5,592,811	35,783	220,993	7,013,023	7,029,080	115,428	290,647
of which cross currency swaps	5,547,586	5,592,811	35,783	220,993	7,013,023	7,029,080	115,428	290,647
Interest rate derivatives	0	0	0	0	35,000	35,000	0	648
of which interest rate swaps	0	0	0	0	35,000	35,000	0	648
Equity derivatives	0	0	0	0	5,000	5,000	0	128
TOTAL	5,547,586	5,592,811	35,783	220,993	7,053,023	7,069,080	115,428	291,422

(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	3,208,475	(3,567,300)
More than three but not more than six months	3,208,475	(3,579,450)
More than six months but not more than one year	3,208,475	(3,619,773)
More than one but not more than two years	3,208,475	(3,685,083)
More than two but not more than five years	2,510,398	(3,793,790)
More than five years	2,172,487	(3,388,297)

To ensure the hedge relationship qualifies for hedge accounting, 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 invoices 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 invoiced amounts are higher than the amounts received through the Cross-Currency Swaps. Belfius is closely following up the impact of the reference rate reform. However, at this stage, no impact on hedge accounting is noted as it concerns short term cash flows (6 months / 3 months) that will be adapted simultaneously between forecasted cash flow and the hedging instruments.

For cash flow 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. Note that for a forecasted transaction, an analysis is performed to assure that the expected cash flows are still highly likely.

End June 2022 all hedge effectiveness tests were respected.

Refer to note 7.2. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

5. Detail of derivatives of portfolio hedge

(in thousands of EUR)	31/12/21				30/06/22			
	Notional amount[1]		Assets	Liabilities	Notional amount[1]		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	40,794,161	40,785,974	794,893	3,525,765	41,638,204	41,629,963	646,722	3,078,600
TOTAL	40,794,161	40,785,974	794,893	3,525,765	41,638,204	41,629,963	646,722	3,078,600

(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.

To ensure the hedge relationship qualifies for hedge accounting, 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 amounts to EUR 2.0 million assets and EUR -1.1 million liabilities (31 December 2021: EUR 3.7 million assets and EUR 0.1 million liabilities).

For macro hedging, the prospective test is based on a volume test in which Belfius demonstrates 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.

Note that as from April 2021 a new portfolio hedge was set up on non maturing deposits.

End June 2022 all hedge effectiveness tests were respected.

Refer to note 7.2. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

6. Interest rate benchmark reform

A. Introduction

The introduction of the EU Benchmark Regulation 2016/1011 triggered an interest rate benchmark reform for major financial benchmarks such as LIBOR and impacts a significant range of financial products and contracts.

The Financial Conduct Authority (FCA) confirmed on March 5, 2021, that all LIBOR settings would cease to be provided or no longer be representative. This effectively set the fallback spread to be applied on top of the Risk Free Rates. This impacted EUR, CHF, JPY and GBP Libor, which ended on 31 December 2021. For USD LIBOR, the end is set for June 30, 2023.

During 2021, Belfius has successfully completed the transition for EUR, CHF, JPY and GBP LIBOR. Additionally, the final switches from EONIA to €STR have been performed. These transitions had no material impact on the income statement.

Existing task forces will continue monitoring evolutions in the market and will ensure a smooth transition for USD LIBOR upon cessation.

The interest rate benchmark reform exposes Belfius to various risks, which Belfius is managing and monitoring closely.

B. Accounting implications

In order to give some insights in the importance of the benchmark rate reform, following quantitative information could be provided:

- An overview of Belfius' derivatives (in nominal amounts) that have yet to transition to an alternative benchmark rate at 30 June 2022, disaggregated by significant interest rate benchmark.

(in thousands of EUR)	IFRS Hedging	Trading	Total
USD LIBOR	6,732,282	26,006,683	32,738,965
TOTAL	6,732,282	26,006,683	32,738,965

- An overview of Belfius' non-derivative financial assets and liabilities (book value) that have yet to transition to an alternative benchmark rate at 30 June 2022, disaggregated by significant interest rate benchmark.

(in thousands of EUR) Currency	Tenor	Assets	Liabilities
GBP	3M	19,722	0
GBP TOTAL		19,722	0
USD	1M	358,245	96,870
USD	3M	202,309	650,558
USD	6M	87,732	480,965
USD	12M	8,221	993
USD TOTAL		656,507	1,229,386
TOTAL		676,229	1,229,386

5.6. Other assets

(refers to table 5.12. of the annual report 2021)

(in thousands of EUR)	31/12/21	30/06/22
OTHER ASSETS	618,754	707,662
Accrued income	131,697	114,647
Deferred expenses	36,021	25,035
Payments in transit from clients	372,768	485,389
Plan assets	15,276	14,155
Inventories(1)	22,055	22,055
Operational taxes	40,938	46,382
OTHER ASSETS SPECIFIC TO INSURANCE COMPANIES	257,306	238,138
Receivables resulting from direct insurance transactions	143,459	115,529
Other insurance assets(2)	113,846	122,609
Impaired insurance assets	518	506
Less:		
Impairment	(518)	(506)
TOTAL	876,060	945,800

(1) A construction site was recognised as inventory in other assets, as it better reflects the nature and intent with the site.
(2) Other insurance assets are deposits placed with cedants as a guarantee for reinsurance transactions and claims on reinsurers. The claims on reinsurers increased due mainly to the reinsurance intervention for storm Eunice that occurred in February 2022.

The other assets have increased mainly due to an increase of pending payments from clients.

VI. Notes on the liabilities of the condensed consolidated interim balance sheet

(some amounts may not add up due to rounding)

6.1. Cash and balances from central banks

(refers to table 6.1. of the annual report 2021)

1. Analysis by nature
Not measured at fair value through profit or loss

(in thousands of EUR)	31/12/21	30/06/22
Deposits	15,418,072	15,486,699
TOTAL	15,418,072	15,486,699

Cash and balances from central banks increased by EUR 0.1 billion to EUR 15.5 billion (31 December 2021: EUR 15.4 billion). Belfius' total TLTRO III participation amounts to EUR 15.65 billion as of 30 June 2022 (stable compared to end 2021).

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.

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. For the period after 23 June 2022, an estimate of the average interest rate is used for the determination of the effective interest rate.

The interest received on TLTRO III funding from ECB/NBB central bank and accounted for in 1H 2022 amounts to EUR 77 million (compared with EUR 75 million in 1H 2021). The interest paid on total lending to ECB/NBB and accounted for in 1H 2022 amounts to EUR 86 million (this was EUR 66 million in 1H 2021). Refer to note 7.1. Interest income – interest expense.

2. Analysis of the fair value
See note 9.1.

6.2. Credit institutions borrowings and deposits

(refers to table 6.2. of the annual report 2021)

1. Summary Totals

(in thousands of EUR)	31/12/21	30/06/22
Measured at amortised cost	3,591,036	5,428,172
Measured at fair value through profit or loss	0	0
TOTAL	3,591,036	5,428,172

2. Analysis by nature
A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/21	30/06/22
Demand deposits	56,146	935,462
Term deposits	101,693	919,761
Repurchase agreements	(157)	939,836
Cash collateral received	3,083,841	1,507,880
Other borrowings	349,514	1,125,233
TOTAL	3,591,036	5,428,172

Credit Institutions borrowings and deposits increased by EUR 1.8 billion, or 51.2%, to EUR 5.4 billion (31 December 2021: EUR 3.6 billion), resulting from an increase in deposits, borrowings and repurchase agreements stemming from short-term liquidity management, partially compensated by a decrease in cash collateral received in line with the fair value movement of derivatives.

B. Measured at fair value through profit or loss
Nil.

3. Analysis of the fair value
See note 9.1.

6.3. Borrowings and deposits

(refers to table 6.3. of the annual report 2021)

1. Summary Totals

(in thousands of EUR)	31/12/21	30/06/22
Measured at amortised cost	104,355,267	108,827,723
Measured at fair value through profit or loss	48,746	45,284
TOTAL	104,404,013	108,873,007

2. Analysis by nature
A. Not measured at fair value through profit or loss

	Amortised Cost	
(in thousands of EUR)	31/12/21	30/06/22
Demand deposits	39,899,290	43,418,072
Saving deposits	47,593,937	49,142,553
Term deposits	8,698,083	7,964,846
Cash collateral	11,988	14,131
Non-regulated savings accounts	8,140,288	8,264,529
TOTAL DEPOSITS	**104,343,587**	**108,804,132**
Repurchase agreements	0	2,166
Other borrowings	11,680	21,425
TOTAL BORROWINGS	**11,680**	**23,591**
TOTAL	104,355,267	108,827,723

Borrowings and deposits increased by EUR 4.5 billion, or 4.3%, to EUR 108.9 billion (31 December 2021: EUR 104.4 billion), mainly due to continued strong organic growth of demand and savings deposits.

B. Measured at fair value through profit or loss

	Financial liabilities designated at fair value through profit or loss	
(in thousands of EUR)	31/12/21	30/06/22
Deposits	48,746	45,284
TOTAL	48,746	45,284

3. Analysis of the fair value

See note 9.1.

6.4. Debt securities issued and other financial liabilities

(refers to table 6.4. of the annual report 2021)

1. Summary Totals

(in thousands of EUR)	31/12/21	30/06/22
Measured at amortised cost	15,116,744	24,532,346
Measured at fair value through profit or loss	8,028,609	7,384,240
TOTAL	23,145,353	31,916,586

2. Analysis by nature

A. Not measured at fair value through profit or loss

	Amortised cost	
(in thousands of EUR)	31/12/21	30/06/22
Certificates of deposit	884,046	11,127,180
Customer saving certificates	647,143	563,702
Non-convertible debts	7,004,441	6,774,230
Covered bonds(1)	6,535,323	6,021,524
Lease liabilities	45,790	45,711
TOTAL	15,116,744	24,532,346

(1) Belfius has two covered bonds programmes.

The debt securities measured at amortised cost increased by EUR 9.4 billion, or 62.3%, to EUR 24.5 billion (31 December 2021: EUR 15.1 billion), mainly due to an increase in outstanding certificates of deposit from EUR 0.9 billion end 2021 to EUR 11.1 billion end 1H 2022, partially compensated by maturities of covered bonds (EUR 0.5 billion) and other bonds (EUR 0.3 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:

- 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 amount to EUR 13.5 billion in 30 June 2022 (31 December 2021: EUR 10.9 billion). The carrying value of the cover pool is accounted for in loans and advances. Refer to note 5.3.

B. Measured at fair value through profit or loss

	31/12/21			30/06/22		
(in thousands of EUR)	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Total	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Total
Debt securities		7,801,210	7,801,210		7,225,443	7,225,443
Debt securities issued by public sector (trading positions)	227,165		227,165	158,306		158,306
Other debt securities (trading positions)	5		5	5		5
Equity instruments (trading positions)	229		229	486		486
TOTAL	227,399	7,801,210	8,028,609	158,797	7,225,443	7,384,240

Debt securities measured at fair value through profit or loss decreased by EUR 0.6 billion, or -8.0%, to EUR 7.4 billion (31 December 2021: EUR 8.0 billion), mainly following negative fair value adjustments.

The category “Financial liabilities designated at fair value through profit or loss” is currently used for banking activities: to eliminate or significantly reduce a measurement or recognition inconsistency, between debt instruments and their hedges, that would otherwise arise.

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 change in own credit risk since issuance.

3. Analysis of the fair value

See note 9.1.

6.5. Provisions for insurance activities

(refers to table 6.5. of the annual report 2021)

Belfius has opted to present the figures on technical provisions including intragroup transactions between bank and insurance entities, as these mainly relate to insurance contracts concluded between the bank and insurance entities and distribution commissions that Belfius Insurance pays to Belfius Bank.

(in thousands of EUR)	31/12/21	30/06/22
GROSS RESERVES		
In the consolidated balance sheet (as presented on balance sheet)	12,191,017	11,175,042
Intragroup transactions	6,504	7,759
Gross reserves including intragroup transactions	12,197,521	11,182,801

1. General overview Life/Non-Life contracts

	31/12/21			30/06/22		
(in thousands of EUR)	Life	Non-Life	Total	Life	Non-Life	Total
GROSS RESERVES	10,727,342	1,470,179	12,197,521	9,694,032	1,488,769	11,182,801
Gross reserves - Share of reinsurers	12,312	118,577	130,889	13,722	127,973	141,696

2. Insurance contracts Life

Gross reserves

(in thousands of EUR)	31/12/21	30/06/22
LIFE INSURANCE RESERVES	10,199,337	9,537,674
Reserves due to results of LAT (Liability Adequacy Test)	0	0
Reserves due to shadow accounting adjustments	348,340	3,140
Variation due to variation of scope of consolidation IFRS 5	0	0
TOTAL LIFE INSURANCE RESERVE	10,547,676	9,540,814
Claims reserves	86,967	77,997
Profit sharing reserve(1)	92,698	75,221
Unearned premium reserves (UPR)	0	0
Variation due to variation of scope of consolidation IFRS 5	0	0
TOTAL GROSS TECHNICAL RESERVES LIFE	10,727,342	9,694,032

(1) Discretionary profit sharing is a contractual but conditional right to receive additional benefits in addition to a guaranteed return. At the moment when the annual business plan is drawn up, an estimate is made of the total conditional profit sharing for the in-force business. We refer to the consolidated statement of changes in equity.

Gross technical reserves for Life decreased by EUR 1,033 million, or 10%, to EUR 9.7 billion (31 December 2021: EUR 10.7 billion). In the still historically low interest rate environment of 1H 2022, a continued shift can be noted from Branch 21 products towards alternative investment forms, such as Branch 23 or Branch 44 products. As a result, a substantial part of the Branch 21 investment policies coming to maturity were not reinvested in new Branch 21 investment policies. Furthermore, following the reassessment of the technical provisions, a release of EUR 48 million of life additional provisions was recorded, in line with the risk appetite framework (compared with a release of EUR 15 million in 2021). The calculation of the best estimate for the Liability Adequacy Test showed an excess above the risk appetite framework thanks to the evolution of the market conditions during the first six months of the year (mainly the significant increase of the interest rates and volatility adjustment), allowing for a reassessment and partial release (EUR 48 million) of the existing prudency levels embedded within the technical provisions (release of “excessive prudence” in accordance with IFRS 4). The remaining existing prudency level is justified in order to capture the uncertainties regarding the future evolution of the parameters influencing the outcome of the Liability Adequacy Test.

The total reserves in application of shadow accounting amount to EUR 3 million as at 30 June 2022 compared to EUR 348 million as at 31 December 2021, a decrease of EUR 345 million.

An amount of EUR 3 million was transferred from the gains and losses not recognised in the statement of income to the technical reserve Life by application of shadow accounting to insurance contracts with funds with dedicated assets (segregated accounts), compared to EUR 28 million in 2021. The decrease of EUR 25 million is mainly explained by the decrease in the fair value of the debt instruments resulting from higher interest rates.

By comparing the value of the Life insurance obligations based on the LAT methodology described in the accounting policies on the one hand and the provisions for Life insurance on the other hand increased with the net unrealised gains on the investment portfolio carried at amortised cost and allocated to the life portfolio, no need for shadow loss adjustment was determined as of 30 June 2022 compared to EUR 320 million at 31 December 2021. The decrease stems from the impact of the increase in discount rate on the calculation of the Best Estimate Life.

The profit sharing reserve included in the technical provisions decreased with EUR 17 million and amounts to EUR 75 million as at 30 June 2022 compared to EUR 93 million as at 31 December 2021 following the incorporation of the provision of previous year into the mathematical reserves. For the current year, an allocation of EUR 10 million was recorded in June 2022.

The evolution of the discretionary profit sharing element for the coming years included in the profit sharing reserve decreased by EUR 10 million from EUR 63 million as at 31 December 2021 to EUR 53 million as at end June 2022, recompensating the dotation of current year to the main portfolio Life.

As of 30 June 2022, the total amount of future profit sharing amounts to EUR 161 million, of which an amount of EUR 53 million was recorded as a liability, compared to EUR 63 million at year end 2021. The remaining EUR 108 million is accounted as a separate component of equity.

3. Insurance contracts Non-Life

Gross reserves

(in thousands of EUR)	31/12/21	30/06/22
Claims reserves	1,277,018	1,267,106
Other technical reserves	39,570	39,512
Profit sharing reserves	1,686	1,386
Unearned premium reserves (UPR)	151,905	180,764
TOTAL GROSS RESERVES NON-LIFE	**1,470,179**	**1,488,769**

The technical provision for Non-Life products increased by EUR 19 million, or 1%, to EUR 1.5 billion (31 December 2021: EUR 1.5 billion) mainly due to an increase in the Non-Life portfolio, partially offset by a decrease in claims incurred awaiting settlement. Note that in 1H 2022 a reassessment of the general Non-Life claims provisions, in line with the risk appetite framework, resulted in a release of the Non-Life claims provisions of EUR 8 million (in comparison with no release in 2021).

The total claims charges relating to the severe July 2021 floods that occurred in Wallonia and Limburg amounts to EUR 182 million per 30 June 2022 (compared with EUR 181 million per end 2021). Part of the claims charges resulting from the floods will be recovered from the reinsurers (EUR 68 million) (compared with EUR 67 million per end 2021) and a part will be recovered from the regional authorities (EUR 91 million) (compared with EUR 90 million per end 2021), resulting in an impact of EUR 23 million for Belfius (compared with EUR 24 million per end 2021). The claims provisions related to the July 2021 floods decreased by EUR 52 million compared to end 2021 following claims payments to clients.

As a result of the floods that occurred in July 2021 in Wallonia and Limburg, the insurance sector concluded a protocol with the three regions. The protocol foresees that the insurance company will fully compensate the damage for its policyholders, after which the Regions will reimburse a part of the damage (the amount exceeding twice the legal intervention limit as fixed for simple risks in the Act of 4 April 2014 on Insurance). The amount in excess of its limit already paid out by Belfius Insurance of EUR 68 million was recorded in the consolidated balance sheet as a loan vis-à-vis the regional authorities in accordance with the protocol. The protocol with the Walloon Region has been drawn up for a maximum compensation of EUR 1.7 billion, currently new negotiations between the insurance sector and the government are ongoing for the amount exceeding this limit. Belfius Insurance has therefore increased its technical provisions and the share of reinsurers in the technical provisions accordingly.

Between 16th February and 21st February 2022 Belgium was hit by three storms: Dudley, Eunice and Franklin, the total claims charges related to these storms amounts to EUR 55 million per 30 June 2022. Note that part of the claims charges will be recovered from the reinsurers, resulting in an impact of EUR 25 million for Belfius.

6.6. Provisions and contingent liabilities

(refers to table 6.6. of the annual report 2021)

1. Analysis by nature

(in thousands of EUR)	31/12/21	30/06/22
Pensions and other employment defined benefit obligations[1]	194,465	156,066
Other long term employee benefits	26,365	24,475
Restructuring[2]	41,129	27,786
Provisions for litigations[3]	47,120	21,773
Onerous contracts	3,500	3,275
Impairment on financial guarantees and commitments given[4]	162,263	162,168
Other provisions	54,331	66,279
TOTAL	**529,173**	**461,822**

(1) The positive revaluation of the pension liabilities is the result of the positive impact of an increase in the discount rate, partially compensated by the increase in salary inflation and the negative return on the assets of the pension plans.
(2) The restructuring provision, consisting of staff expenses and network costs, is reviewed and adjusted, where necessary.
(3) Provisions for litigations concerns mainly provisions for potential settlements of ongoing disputes with third parties.
(4) Refer to table 9.2.3. Movements in allowances for credit losses for further information.

2. 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[1]. 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.

Housing Fund of the Brussels Capital Region

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la Région de Bruxelles-Capitale) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding (Gemeentelijke Holding/Holding Communal), placed by Belfius acting as dealer under the Municipal Holding commercial paper program, between July and September 2011 (Commercial Paper program). Due to severe financial difficulties encountered

(1) Note that, where relevant, §92 of IAS37 may apply to this section.

by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16 million. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demanded the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejected the demand from the Housing Fund.

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded. The Housing Fund lodged an appeal against this judgement on 3 June 2014.

On 28 March 2022, the Brussels Court of Appeal declared the Housing Fund's appeal unfounded. The Housing Fund renounced to continue the procedure before the Court of Cassation. This litigation is therefore closed.

Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in two separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels and another procedure before the Court of First Instance of Brussels:

- 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/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 cooperative shareholders. In January 2022, Deminor has announced in the press that the plaintiffs will introduce an appeal against the judgment and that additional judicial proceedings, for new and more plaintiffs, shareholders of Arco entities, may be initiated. In June 2022, DRS Belgium, VZW Arcoclaim and a plaintiff have introduced appeal before the Court of Appeal in Brussels. At date of this report, it is expected that a procedural calendar will be fixed in the course of September 2022.

- On 7 February 2018, 2 cooperative 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 cooperative 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 organised themselves via social media to mobilise other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, so far approximately 5,380 Arco shareholders did so. The VZW Arcoclaim also intervenes in this litigation procedure. In this procedure, on 31 March 2022, VZW Arcoclaim has requested the initiation of a mediation procedure before the court. In such case, all parties must be summoned and heard by the court that then will decide on the appropriateness of a mediation. That hearing is on the date of this report scheduled for November 2022. There is not yet a pleading calendar in this case.

No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit.

Funding Loss
Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by the Bank. The latter are charged to professional clients in the case of early repayment of professional credits. These indemnities are calculated in line with the current legal dispositions and the contractual framework of such credits to reflect the financial losses that are actually incurred by the Bank in the case of early repayment of a professional credit. Belfius booked provisions to cover the potential adverse outcome of litigation proceedings. These provisions are reassessed on an ongoing basis, taking into account the evolution of Belgian case law and the relevant outstanding credits.

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.

Investigation by public prosecutor into the activities of an independent bank agency
On November 12, 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

(refers to table 6.7. of the annual report 2021)

1. Not measured at fair value through profit or loss

	Amortised cost	
(in thousands of EUR)	**31/12/21**	**30/06/22**
CONVERTIBLE SUBORDINATED DEBT	0	0
NON-CONVERTIBLE SUBORDINATED DEBT	**1,642,749**	**1,551,920**
Loan capital perpetual subordinated notes	159,380	161,256
Loan capital non-perpetual subordinated notes	1,483,370	1,390,664
TOTAL	1,642,749	1,551,920
HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES	0	0

Subordinated debts decreased by EUR 91 million, or -5.5%, to EUR 1.6 billion (31 December 2021: EUR 1.6 billion) following the reimbursement of two subordinated loans amounting to EUR 75 million that came at maturity in 1H 2022.

2. Measured at fair value through profit or loss

Nil.

3. Analysis cash flows and non-cash changes

(in thousands of EUR)	31/12/21	30/06/22
OPENING BALANCE	1,150,681	1,642,749
CASH FLOWS		
Issuance of subordinated debts	497,160	0
Repayments of subordinated debts	0	(74,719)
NON-CASH CHANGES		
Foreign exchange adjustments	(5,545)	(11,956)
Effective Interest rate	453	(4,154)
CLOSING BALANCE	1,642,749	1,551,920

Belfius issued EUR 0.5 billion fixed rate Tier 2 subordinated notes in 2021 to contribute to MREL requirements.

4. Analysis of the fair value

See note 9.1.

VII. Notes on the condensed consolidated interim 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

(refers to table 7.1. of the annual report 2021)

(in thousands of EUR)	30/06/21	30/06/22
INTEREST INCOME	1,664,426	1,702,542
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	**1,190,149**	**1,204,266**
Loans and advances due from credit institutions	2,502	10,506
Loans and advances	933,541	964,704
Debt securities issued by public sector	167,611	141,350
Other debt securities	86,066	87,225
Other	430	482
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI	**43,467**	**42,746**
Loans and advances	8	2,385
Debt securities issued by public sector	29,954	27,990
Other debt securities	13,505	12,371
INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**301,309**	**303,834**
Financial assets held for trading	3,424	493
Non-trading financial assets mandatorily measured at fair value	34,966	26,267
Loans and advances	21,085	17,156
Debt securities issued by public sector	127	115
Other debt securities	13,754	8,996
Derivatives held for trading	78,740	82,735
Derivatives as hedging instruments	184,178	194,340
INTEREST INCOME ON FINANCIAL LIABILITIES (NEGATIVE YIELD)	**129,502**	**151,696**
INTEREST EXPENSE	(676,238)	(726,207)
INTEREST EXPENSE OF FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**(135,494)**	**(161,757)**
Credit institutions borrwings and deposits	(1,494)	(3,361)
Customers borrowings and deposits	(48,357)	(54,596)
Debt securities issued	(69,854)	(78,259)
Lease liabilities	(357)	(336)
Subordinated debts	(14,883)	(24,476)
Other	(550)	(729)
INTEREST EXPENSE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**(446,867)**	**(457,242)**
Financial liabilities held for trading	(2,670)	(2,868)
Financial liabilities designated at fair value	(44,063)	(41,670)
Derivatives held for trading	(53,248)	(51,747)
Derivatives as hedging instruments	(346,886)	(360,958)
INTEREST EXPENSE ON FINANCIAL ASSETS (NEGATIVE YIELD)	**(93,877)**	**(107,207)**
MODIFICATION LOSS ON FINANCIAL ASSETS	**0**	**0**
NET INTEREST INCOME(1)	988,189	976,336

(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.

Net interest income decreased by EUR 11.9 million, or -1.2%, to EUR 976 million (30 June 2021: EUR 988 million). The net interest income at Belfius Insurance decreased by EUR 23 million due to lower outstandings in Branch 21. The net interest income at Belfius Bank increased by EUR 11 million mainly due to higher outstanding volumes in loans at a stabilizing average margin. The interest received on TLTRO III funding from ECB/NBB central bank and accounted for in 1H 2022 amounts to EUR 77 million (compared with EUR 75 million in 1H 2021). The interest paid on lending to ECB/NBB and accounted for in 1H 2022 amounts to EUR 86 million (compared with EUR 66 million in 1H 2021). 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. For the period after 23 June 2022, an estimate of the average interest rate is used for the determination of the effective interest rate.

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

(refers to table 7.4. of the annual report 2021)

(in thousands of EUR)	30/06/21	30/06/22
Net trading income	54,267	(13,249)
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	(28,382)	(59,498)
Loans and advances	(26,140)	(41,921)
Debt securities issued by public sector	1,992	(1,461)
Other Debt securities	(4,234)	(16,115)
Equity instruments	0	(1)
Net result of financial liabilities designated at fair value through profit or loss and result from the related derivatives (except own credit risk)	1,361	(142)
Net result of hedge accounting	7,912	99,959
TOTAL	35,158	27,071

Net income from financial instruments measured at fair value through profit or loss decreased by EUR 8.1 million to EUR 27 million (30 June 2021: EUR 35 million). Net trading income decreased by EUR 68 million to EUR -13 million end June 2022. Note that this line includes the fair value changes of economic hedges (that cannot be booked as accounting hedges), including EUR -97 million results on basis swaps hedging the hedge inefficiency. The net income from financial instruments mandatorily measured at fair value through profit or loss decreased by EUR 31 million to EUR -59 million end June 2022 due mainly to the impact of increasing interest rates, widened credit spreads, and the economic circumstances on the stock markets. The net income of hedge accounting increased by EUR 92 million to EUR 100 million end June 2022 and was positively impacted, among other factors, by favourably evolutions on certain basis spreads and basis risks. Note that the result on economic hedges of the "result of financial assets non-trading mandatorily measured at fair value through profit or loss" and the "net result of hedge accounting", are classified in the line "net trading income".

Net trading income

The net trading income decreased by EUR 68 million to EUR -13 million end June 2022 due mainly to higher credit spreads compared to end June 2021. The net trading income 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 46 million and the "net result of hedge accounting" for EUR -97 million.

Note that the total amount recorded on the balance sheet as credit value adjustments stands at EUR -62 million end June 2022 (compared to EUR 51 million end June 2021), whereas total amount on the balance sheet of the debit value adjustment amounts to EUR 8 million end June 2022 (compared to EUR 2 million end June 2021). The total amount on the balance sheet related to funding value adjustments amounts to EUR -36 million end June 2022 (compared to EUR -58 million end June 2021).

The total P&L impact in the line net trading income for credit value adjustments amounted to EUR -11 million end June 2022 (compared to +27 million end June 2021) mainly due to higher credit spreads, for debit value adjustments to EUR +6 million end June 2022 (compared to EUR +0.3 million end June 2021) and for funding value adjustments to EUR +25 million end June 2022 (compared to EUR +13 million end June 2021).

Result of financial assets non-trading mandatorily measured at fair value through profit or loss

The net result from financial instruments decreased by EUR 31 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 of EUR -16 million. The "Other Debt securities" decreased by EUR 12 million mainly due to negative fair value changes on funds at Belfius Insurance (considered as non-SPPI compliant bonds) as a result of deteriorated 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 100 million (1H 2021: EUR 8 million) and was positively impacted amongst others by basis risks. Note that the decrease in the fair value hedge result of hedged items and the increase in the fair value hedge result of the hedging instruments is related to the evolution of the real rates of the inflation linked bonds hedged by inflation linked swaps. End June 2022 all hedge effectiveness tests were respected.

Belfius is managing basis 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 -97 million (1H 2021: EUR -7 million). It mainly relates to economic hedges of hedge inefficiency stemming from basis risks (hedged via basis swaps).

Result of hedge accounting

(in thousands of EUR)	30/06/21	30/06/22
FAIR VALUE HEDGES	**888**	**84,168**
Fair value changes of the hedged item attributable to the hedged risk	(289,044)	(1,776,703)
Fair value changes of the hedging derivatives	289,932	1,860,871
CASH FLOW HEDGES	**0**	**0**
PORTFOLIO HEDGE	**7,024**	**15,791**
Fair value changes of the hedged item	(402,824)	(459,961)
Fair value changes of the hedging derivatives	409,848	475,753
TOTAL	**7,912**	**99,959**

(in thousands of EUR)	30/06/21	30/06/22
DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) – AMOUNTS RECORDED IN INTEREST MARGIN	**77**	**78**

All effectiveness tests were respected at all times.

For more details we refer to note 5.5. derivatives

7.3. Net income on investments and liabilities

(refers to table 7.5. of the annual report 2021)

(in thousands of EUR)	30/06/21	30/06/22
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)	**579**	**1,050**
Realised gains on other debt securities	579	1,050
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**776**	**117**
Realised gains on loans and advances	0	1
Realised gains on debt securities issued by public sector	0	16
Realised gains on other debt securities	776	99
ASSETS HELD FOR SALE	**0**	**12,936**
Realised gains on assets held for sale	0	12,936
OTHER	**6,905**	**8,736**
Realised gains on tangible fixed assets	6,905	7,981
Other realised gains	0	755
FINANCIAL LIABILITIES AT AMORTISED COST	**15**	**1**
Realised gains on financial liabilities	15	1
TOTAL GAINS	**8,275**	**22,840**
FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED)	**(1,239)**	**(510)**
Realised losses on other debt securities	(1,239)	(510)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED)	**(96)**	**(96)**
Realised losses on debt securities issued by public sector	(14)	(10)
Realised losses on other debt securities	(82)	(86)
ASSETS HELD FOR SALE	**(4)**	**(4)**
Realised losses on assets held for sale	(4)	(4)
OTHER	**0**	**(557)**
Realised losses on tangible fixed assets	0	(315)
Other realised losses	0	(243)
FINANCIAL LIABILITIES AT AMORTISED COST	**(2)**	**(5)**
Realised losses on financial liabilities	(2)	(5)
TOTAL LOSSES	**(1,341)**	**(1,172)**
TOTAL NET INCOME ON INVESTMENTS AND LIABILITIES	**6,934**	**21,667**

Net income on investments and liabilities increased by EUR 14.7 million, or 212.5%, to EUR 22 million (30 June 2021: EUR 7 million).

Belfius realised capital gains of EUR 12.9 million on the sale of Alysea, a subsidiary that invested in a retirement home building in Luxembourg. Furthermore Belfius realised capital gains of EUR 8 million on tangible fixed assets from the sale of different bank offices (compared with EUR 6.5 million in 1H 2021).

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 are accounted for in the line-item "Net income on investments and liabilities" for not impaired debt instruments measured at fair value through OCI (note 7.3.) or in the line-item "Impairments on financial instruments and provisions for credit commitments" for impaired debt instruments, and impaired and not impaired loans and advances.

1. Realised gains or losses arising from derecognition of debt instruments measured at amortised cost (impaired and not impaired)

(in thousands of EUR)	30/06/21	30/06/22
REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**1,498**	**1,638**
Realised gains on loans and advances	632	438
Realised gains on debt securities issued by public sector	104	109
Realised gains on other debt securities	763	1,091
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**5,165**	**5,226**
Realised gains on impaired loans and advances	5,165	5,226
Realised gains on impaired other debt securities	0	0
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(2,819)**	**(1,595)**
Realised losses on Loans and advances	(1,580)	(1,056)
Realised losses on other debt securities	(1,239)	(539)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(5,096)**	**(5,484)**
Realised losses on impaired Loans and advances	(5,096)	(5,484)

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)	30/06/21	30/06/22
REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**776**	**117**
Realised gains on Loans and advances	0	1
Realised gains on debt securities issued by public sector	0	16
Realised gains on other debt securities	776	99
REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**	**0**
REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**(96)**	**(96)**
Realised losses on debt securities issued by public sector	(14)	(10)
Realised losses on other debt securities	(82)	(86)
REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**0**	**0**

7.4. Fee and commission income – expense

(refers to table 7.6. of the annual report 2021)

	30/06/21			30/06/22		
(in thousands of EUR)	Income	Expense	Net	Income	Expense	Net
Commissions on unit trusts and mutual funds managed by third parties	179,550	(31,985)	147,565	195,414	(34,734)	160,680
Insurance activity	65,157	(2,592)	62,565	73,368	(2,764)	70,605
Credit activity	21,705	(2,769)	18,936	25,558	(3,299)	22,259
Purchase and sale of securities	8,508	(323)	8,185	8,192	(543)	7,649
Purchase and sale of unit trusts and mutual funds	32,431	(26)	32,405	28,464	(1)	28,463
Payment services	91,674	(27,551)	64,123	104,638	(37,628)	67,010
Commissions to not exclusive brokers	1,021	(6,308)	(5,287)	809	(7,058)	(6,249)
Services on securities other than safekeeping	3,138	(820)	2,318	3,106	(868)	2,238
Custody	16,046	(1,938)	14,108	15,847	(2,219)	13,628
Issues and placements of securities	4,742	(2,516)	2,227	4,381	(2,740)	1,641
Servicing fees of securitisation	91	0	91	82	0	82
Advisory services and discretionary management	19,955	(3,830)	16,124	21,603	(3,195)	18,408
Clearing and settlement	7,586	(2,511)	5,074	6,968	(2,519)	4,448
Securities lending	3,754	0	3,753	1,635	(1)	1,634
Financial guarantees	2,093	(2,487)	(394)	1,837	(1,761)	76
Beyond banking and insurance	63	(7)	56	611	(467)	145
TOTAL	**457,512**	**(85,662)**	**371,850**	**492,514**	**(99,798)**	**392,716**

Net fee and commission income increased by EUR 20.9 million, or 5.6%, to EUR 393 million (30 June 2021: EUR 372 million). The increase was mainly attributed to an increase in commission income on asset management services (in line with our Bank for Investors strategy), as well as on insurance activity (Branch 23, in line with commercial dynamics).

7.5. Insurance results

(refers to table 7.7. of the annual report 2021)

Note that Belfius has opted to present the figures on technical results from insurance activities including intragroup transactions between bank and insurance entities, as these mainly relate to insurance contracts concluded between the bank and insurance entities and distribution commissions that Belfius Insurance pays to Belfius Bank. Please refer to note 7.4. “Fee and commission income – expense” for more details on the commission income from insurance activities.

(in thousands of EUR)	30/06/21	30/06/22
GROSS EARNED PREMIUMS		
In the consolidated income statement (as presented on statement of income)	730,083	735,496
Intragroup transactions	4,641	4,664
Gross earned premiums including intragroup transactions	734,723	740,160

1. Overview per activity

Please refer to note 4. "Operating segment reporting" part B, segmentation by contribution scope, for a breakdown of the contribution of Belfius Bank and Belfius Insurance into the group result. The contribution to the "technical result" refers also to the statement of income IX. Technical result from insurance activities" as only insurance activities are reported to this line.

The further breakdown of the contribution of Belfius Insurance into the activities Life, Non-Life and Non-technical is based on the results of the insurance activities and the corresponding investment portfolios.

A. Consolidated statement of income

	30/06/21				30/06/22			
(in thousands of EUR)	Life	Non-Life	Non-Technical	Total	Life	Non-Life	Non-Technical	Total
INCOME	**143,679**	**122,226**	**14,121**	**280,026**	**172,860**	**93,464**	**7,481**	**273,805**
Technical result[1]	(52,584)	103,720	0	51,137	(12,314)	79,990	182	67,857
Gross earned premiums	356,709	378,014	0	734,723	346,523	393,637	0	740,160
Other technical income and charges	(409,293)	(274,294)	0	(683,587)	(358,836)	(313,647)	182	(672,302)
Financial result	185,688	18,464	13,143	217,295	170,483	13,381	6,182	190,047
Interest income, Interest expense, Dividend income	190,548	18,612	10,932	220,093	169,700	15,334	11,258	196,292
Net income on investments and liabilities	704	10	0	715	14,929	10	(1,970)	12,968
Net income from equity method companies, Net income from financial instruments at fair value through profit or loss, Other income, Other expense	(5,564)	(158)	2,210	(3,512)	(14,145)	(1,962)	(3,106)	(19,213)
Fee and commission income, Fee and commission expense	10,575	42	978	11,595	14,691	93	1,117	15,901
EXPENSES	**(37,461)**	**(79,732)**	**(8,348)**	**(125,541)**	**(40,453)**	**(87,550)**	**(8,489)**	**(136,492)**
Impairments on loans and advances and provisions for credit commitments, Impairments on goodwill	1,396	102	(580)	918	(565)	(32)	65	(532)
Impairments on tangible and intangible assets	0	0	(425)	(425)	(3)	0	(422)	(425)
NET INCOME BEFORE TAX	**107,613**	**42,597**	**4,768**	**154,979**	**131,839**	**5,882**	**(1,365)**	**136,356**
Tax (expense) income	(27,062)	(10,439)	(1,169)	(38,670)	(27,419)	(1,239)	288	(28,370)
NET INCOME	**80,552**	**32,158**	**3,600**	**116,309**	**104,421**	**4,643**	**(1,078)**	**107,986**
Attributable to non-controlling interests	0	0	269	269	0	0	358	358
Attributable to equity holders of the parent	80,552	32,158	3,331	116,041	104,421	4,643	(1,436)	107,628

(1) Statement of income IX. Technical result from insurance activities.

B. Consolidated balance sheet

(in thousands of EUR)	30/06/21 Life	Non-Life	Non-Technical	Total	30/06/22 Life	Non-Life	Non-Technical	Total
TECHNICAL PROVISIONS OF INSURANCE COMPANIES								
Technical provisions - insurance activities	10,668,976	1,365,209	0	12,034,185	9,686,273	1,488,769	0	11,175,042
Technical provisions unit-linked	4,227,511	0	0	4,227,511	4,079,062	0	0	4,079,062
Technical provisions - share of reinsurers	10,487	93,894	0	104,382	13,722	127,973	0	141,696

The technical result from insurance activities Life and Non-Life improved by EUR 16.7 million to a profit of EUR 67.9 million (30 June 2021: profit of EUR 51.1 million).

The technical result from insurance activities Life improved by EUR 40.3 million. The interest guarantees decreased by EUR 10 million due to the declining outstanding volume in Branch 21. Furthermore the reassessment of the life provisions resulted in a release of EUR 48 million in line with the risk appetite framework (compared to a release of EUR 15 million in 1H 2021).

In Non-Life, the technical result decreased by EUR 23.7 million, mainly resulting from a higher cost for natural catastrophes (net of reinsurance) amounting to EUR 30 million YTD 2022 compared to EUR 10 million YTD 2021.

Claims charges increased, especially in Car as last year's results were positively impacted by the Covid-19 lockdown and due to inflationary pressures. Furthermore, the Non-Life result was positively impacted by the increase of gross earned premiums. Following the reassessment of the technical provisions a release of non-life claims provisions was recognised of EUR 8 million in line with the risk appetite framework.

Between 16th February and 21st February 2022 Belgium was hit by three storms: Dudley, Eunice and Franklin, the total claims charges related to these storms amounts to EUR 55 million per 30 June 2022. Note that part of the claims charges will be recovered from the reinsurers, resulting in an impact of EUR 25 million for Belfius (included in the cost for natural catastrophes).

7.6. Other income

(refers to table 7.8. of the annual report 2021)

(in thousands of EUR)	30/06/21	30/06/22
Write-back of impairment on inventory	1	0
Rental income from investment property	21,322	22,519
Other rental income	1,785	1,792
Other banking income	316	2,396
Write-back of provisions for litigations(1)	3,757	26,943
Real estate projects	3,337	1,505
Asset Finance activities(2)	51,367	110,208
Other income on other activities	34,159	42,903
OTHER INCOME	116,044	208,266

(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 7.7.).
(2) The increase in other income from asset finance activities is stemming from the reclassification of the leasing contracts of Belfius Auto Lease to operating lease.

7.7. Other expense

(refers to table 7.9. of the annual report 2021)

(in thousands of EUR)	30/06/21	30/06/22
Sector levies[1]	(269,071)	(276,809)
Other levies[2]	(8,307)	(6,440)
Expenses related to investment properties that generated income during the current financial year	(12,996)	(14,960)
Provisions for litigations	(6,685)	(1,596)
Real estate projects	(1,675)	(1,052)
Asset Finance activities[3]	(46,940)	(88,540)
Other expense on other activities[4]	(37,218)	(46,186)
OTHER EXPENSE	(382,891)	(435,582)

(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 (compared to EUR 17.5 million in 1H 2021).
(2) Other levies include the tax on securities accounts, mainly on Branch 23 funds of Belfius Insurance for EUR 6.3 million.
(3) The increase in other expense from asset finance activities is stemming from the reclassification of the leasing contracts of Belfius Auto Lease to operating lease.
(4) “Other expenses on other activities” includes other operational expenses and other operational taxes.

Other notes to the condensed consolidated interim financial statements

VIII. Notes on the condensed consolidated interim off-balance sheet items

(some amounts may not add up due to roundings)

8.1. Regular way trade

(refers to table 8.1. of the annual report 2021)

(in thousands of EUR)	31/12/21	30/06/22
Loans to be delivered and purchases of assets	1,135,101	4,731,050
Borrowings to be received and sales of assets	10,567,084	16,264,132

8.2. Guarantees

(refers to table 8.2. of the annual report 2021)

(in thousands of EUR)	31/12/21	30/06/22
Guarantees given to credit institutions	1,172,459	695,343
Guarantees given to customers	4,981,480	5,303,195
Guarantees received from credit institutions(1)	902,652	648,323
Guarantees received from customers	27,394,940	28,034,587
Guarantees received from the Belgian State(2)	9,190,087	9,193,719

(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

(refers to table 8.3. of the annual report 2021)

(in thousands of EUR)	31/12/21	30/06/22
Unused lines granted to credit institutions	7,456	7,512
Unused lines granted to customers	31,191,967	31,028,840
Unused lines obtained from credit institutions	22,907	1,023
Unused lines obtained from customers	0	0

8.4. Other commitments to financing activities

(refers to table 8.4. of the annual report 2021)

(in thousands of EUR)	31/12/21	30/06/22
Insurance activity – Commitments given	0	0
Insurance activity – Commitments received	75,797	81,902
Banking activity – Commitments given(1)	37,572,545	41,526,909
Banking activity – Commitments received	91,614,970	93,629,607

(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 15.65 billion as of 30 June 2022 (stable compared to end 2021).

The section "Banking activity - commitments given" also includes the underlying assets of the covered bond programs. The special estate of the mortgage covered bond program contains mainly residential mortgage loans for a total amount of EUR 6.0 billion (nominal) at the end of June 2022, a decrease of EUR 0.5 million compared to end 2021. See also note 6.4. "Debt securities issued and other financial liabilities".

8.5. Commitments – contingent liabilities

(refers to table 8.5. of the annual report 2021)

(in thousands of EUR)	31/12/21	30/06/22
Single Resolution Fund – Commitments given(1)	17,473	30,500

(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 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 (compared to EUR 17.5 million in 2021), of which EUR 13 million relates to the contribution of 2022.

8.6. Bond lending and bond borrowing transactions

(refers to table 8.6. of the annual report 2021)

(in thousands of EUR)	31/12/21	30/06/22
Securities lending	1,376,776	681,308
Securities borrowing	0	0

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

(refers to table 9.1. of the annual report 2021)

1. Fair value of financial instruments

A. Breakdown of fair value of assets

	31/12/21		
(in thousands of EUR)	Carrying amount	Fair value	Difference
Cash and balances with central banks	31,640,347	31,640,347	0
Loans and advances due from credit institutions	10,411,237	10,411,290	54
Measured at amortised cost	10,411,237	10,411,290	54
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	102,678,814	106,207,736	3,528,922
Measured at amortised cost	101,540,978	105,069,900	3,528,922
Measured at fair value through other comprehensive income	99,119	99,119	0
Measured at fair value through profit or loss	1,038,717	1,038,717	0
Debt securities	25,311,569	26,368,944	1,057,376
Measured at amortised cost	20,839,937	21,897,312	1,057,376
Measured at fair value through other comprehensive income	3,536,160	3,536,160	0
Measured at fair value through profit or loss	935,472	935,472	0
Equity instruments	1,883,782	1,883,782	0
Measured at fair value through other comprehensive income	1,423,213	1,423,213	0
Measured at fair value through profit or loss	460,569	460,569	0
Unit linked products insurance activities	4,245,672	4,245,672	0
Derivatives	8,909,039	8,909,039	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	3,651,783	3,651,783	0
Non current assets (disposal group) held for sale and discontinued operations	26,505	40,777	14,272
TOTAL	**188,758,747**	**193,359,370**	**4,600,623**

	30/06/22		
(in thousands of EUR)	Carrying amount	Fair value	Difference
Cash and balances with central banks	45,597,231	45,597,231	0
Loans and advances due from credit institutions	6,474,507	6,474,577	71
Measured at amortised cost	6,474,507	6,474,577	71
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	107,517,892	103,902,526	(3,615,366)
Measured at amortised cost	106,438,294	102,822,928	(3,615,366)
Measured at fair value through other comprehensive income	123,804	123,804	0
Measured at fair value through profit or loss	955,794	955,794	0
Debt securities	22,737,269	21,793,896	(943,373)
Measured at amortised cost	18,963,204	18,019,831	(943,373)
Measured at fair value through other comprehensive income	2,904,034	2,904,034	0
Measured at fair value through profit or loss	870,032	870,032	0
Equity instruments	1,757,143	1,757,143	0
Measured at fair value through other comprehensive income	1,278,779	1,278,779	0
Measured at fair value through profit or loss	478,364	478,364	0
Unit linked products insurance activities	4,079,062	4,079,062	0
Derivatives	5,904,800	5,904,800	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	2,007,162	2,007,162	0
Non current assets (disposal group) held for sale and discontinued operations	20,081	32,747	12,666
TOTAL	**196,095,147**	**191,549,145**	**(4,546,002)**

B. Breakdown of fair value of liabilities

	31/12/21		
(in thousands of EUR)	Carrying amount	Fair value	Difference
Cash and balances from central banks	15,418,072	15,184,689	(233,383)
Borrowings and deposits	107,995,050	108,134,853	139,804
Measured at amortised cost	107,946,303	108,086,107	139,804
Measured at fair value through profit or loss	48,746	48,746	0
Debt securities issued and other financial liabilities	23,145,353	23,628,951	483,597
Measured at amortised cost	15,116,744	15,600,342	483,597
Measured at fair value through profit or loss	8,028,609	8,028,609	0
Unit linked products insurance activities	4,245,672	4,245,672	0
Derivatives	14,018,729	14,018,729	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	45,766	45,766	0
Subordinated debts	1,642,749	1,720,429	77,680
Measured at amortised cost	1,642,749	1,720,429	77,680
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	**166,511,391**	**166,979,089**	**467,697**

	30/06/22		
(in thousands of EUR)	Carrying amount	Fair value	Difference
Cash and balances from central banks	15,486,699	15,182,930	(303,770)
Borrowings and deposits	114,301,179	114,338,951	37,772
Measured at amortised cost	114,255,895	114,293,668	37,772
Measured at fair value through profit or loss	45,284	45,284	0
Debt securities issued and other financial liabilities	31,916,586	31,393,763	(522,823)
Measured at amortised cost	24,532,346	24,009,523	(522,823)
Measured at fair value through profit or loss	7,384,240	7,384,240	0
Unit linked products insurance activities	4,079,057	4,079,057	0
Derivatives	9,038,445	9,038,445	0
Gain/loss on the hedged item in portfolio hedge of interest rate risk	(1,054,467)	(1,054,467)	0
Subordinated debts	1,551,920	1,439,453	(112,467)
Measured at amortised cost	1,551,920	1,439,453	(112,467)
Measured at fair value through profit or loss	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0
TOTAL	**175,319,419**	**174,418,132**	**(901,287)**

The decrease in fair value of the loan portfolio is linked to an increase of the interest rate compared to year-end 2021. Note that an internal estimate of the future potential prepayment rate has been considered in the determination of the fair value. The evolution of debt securities also reflects the impact of higher interest rates and higher credit spreads.

For some assets and liabilities, Belfius estimates that the fair value approximates the carrying value. The determination of the fair value of loans for 2021 and 2022 is explained further on in the valuation techniques. In addition, 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

	31/12/21			
(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Loans and advances	0	100,100	1,037,737	1,137,836
Measured at fair value through other comprehensive income	0	99,119	0	99,119
Measured at fair value through profit or loss	0	980	1,037,737	1,038,717
Debt securities	3,337,069	229,869	904,694	4,471,632
Measured at fair value through other comprehensive income	2,993,542	205,198	337,420	3,536,160
Measured at fair value through profit or loss	343,527	24,671	567,274	935,472
Equity instruments	1,508,816	0	374,966	1,883,782
Measured at fair value through other comprehensive income	1,062,206	0	361,007	1,423,213
Measured at fair value through profit or loss	446,609	0	13,959	460,569
Unit linked products insurance activities	4,245,672	0	0	4,245,672
Derivatives	530	8,399,344	509,164	8,909,039
Non current assets (disposal group) held for sale and discontinued operations	0	38,541	2,236	40,777
TOTAL	9,092,087	8,767,854	2,828,797	20,688,738

	30/06/22			
(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Loans and advances	0	124,901	954,697	1,079,598
Measured at fair value through other comprehensive income	0	123,804	0	123,804
Measured at fair value through profit or loss	0	1,097	954,697	955,794
Debt securities	2,694,313	182,436	897,317	3,774,066
Measured at fair value through other comprehensive income	2,471,950	170,699	261,385	2,904,034
Measured at fair value through profit or loss	222,363	11,737	635,932	870,032
Equity instruments	1,337,636	0	419,506	1,757,143
Measured at fair value through other comprehensive income	859,277	0	419,502	1,278,779
Measured at fair value through profit or loss	478,359	0	4	478,364
Unit linked products insurance activities	4,079,062	0	0	4,079,062
Derivatives	1,284	5,650,882	252,634	5,904,800
Non current assets (disposal group) held for sale and discontinued operations	0	31,424	1,324	32,747
TOTAL	8,112,295	5,989,642	2,525,478	16,627,415

Level 2 derivatives decreased due mainly to fair value evolutions following higher interest rates.

B. Liabilities

	31/12/21			
(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	107,986,656	148,197	108,134,853
Measured at amortised cost	0	107,937,910	148,197	108,086,107
Measured at fair value through profit or loss	0	48,746	0	48,746
Debt securities issued and other financial liabilities	10,482,630	6,181,391	6,964,930	23,628,951
Measured at amortised cost	10,239,322	667,706	4,693,314	15,600,342
Measured at fair value through profit or loss	243,308	5,513,685	2,271,616	8,028,609
Unit linked products insurance activities	4,245,672	0	0	4,245,672
Derivatives	349	13,497,350	521,029	14,018,729
Subordinated debts	1,432,589	87,008	200,832	1,720,429
Measured at amortised cost	1,432,589	87,008	200,832	1,720,429
TOTAL	16,161,240	127,752,405	7,834,988	151,748,634

	30/06/22			
(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Borrowings and deposits	0	114,189,351	149,600	114,338,951
Measured at amortised cost	0	114,144,067	149,600	114,293,668
Measured at fair value through profit or loss	0	45,284	0	45,284
Debt securities issued and other financial liabilities	9,403,596	5,600,431	16,389,736	31,393,763
Measured at amortised cost	9,244,804	792,776	13,971,943	24,009,523
Measured at fair value through profit or loss	158,792	4,807,655	2,417,793	7,384,240
Unit linked products insurance activities	4,079,057	0	0	4,079,057
Derivatives	2,072	8,583,510	452,863	9,038,445
Subordinated debts	1,216,919	81,566	140,968	1,439,453
Measured at amortised cost	1,216,919	81,566	140,968	1,439,453
Measured at fair value through profit or loss	0	0	0	0
Liabilities included in disposal group and discontinued operations	0	0	0	0
TOTAL	14,701,643	128,454,858	17,133,168	160,289,669

The increase in level 2 borrowings and deposits is mainly related to the increase in demand deposit and saving accounts while the decrease in level 2 derivatives is due mainly to fair value evolutions following higher interest rates. The increase in level 3 debt securities issued and other financial liabilities is explained by the issuance of certificates of deposits, partially compensated by maturities of covered bonds.

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

	31/12/21		30/06/22	
(in thousands of EUR)	From level 1 to 2	From level 2 to 1	From level 1 to 2	From level 2 to 1
Loans and advances	0	0	0	0
Measured at fair value through other comprehensive income	0	0	0	0
Measured at fair value through profit or loss	0	0	0	0
Debt securities	0	72,267	25,149	55,419
Measured at fair value through other comprehensive income	0	51,422	25,110	55,419
Measured at fair value through profit or loss	0	20,845	39	0
Equity instruments	0	0	0	0
Measured at fair value through other comprehensive income	0	0	0	0
Measured at fair value through profit or loss	0	0	0	0
Unit linked products insurance activities	0	0	0	0
Derivatives	0	0	4	0
TOTAL	0	72,267	25,153	55,419

B. Liabilities at fair value in the balance sheet

	31/12/21		30/06/22	
(in thousands of EUR)	From level 1 to 2	From level 2 to 1	From level 1 to 2	From level 2 to 1
Debt securities issued and other financial liabilities	15,443	0	0	0
Measured at fair value through profit or loss	15,443	0	0	0
TOTAL	15,443	0	0	0

4. Reconciliation Level 3

A. Assets

	31/12/21									
(in thousands of EUR)	Opening balance	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	1,291,877	(182,927)		12,264	(81,971)	(1,506)	0	0	0	1,037,737
Measured at fair value through other comprehensive income	0	0		100	0	(100)	0	0	0	0
Measured at fair value through profit or loss	1,291,877	(182,927)		12,164	(81,971)	(1,406)	0	0	0	1,037,737
Debt securities	833,319	4,544	(9,449)	404,831	(158,494)	(158,975)	20,905	(31,989)	0	904,694
Measured at fair value through other comprehensive income	346,244	(153)	(9,449)	124,926	0	(126,757)	20,905	(18,297)	0	337,420
Measured at fair value through profit or loss	487,075	4,698		279,905	(158,494)	(32,218)	0	(13,692)	0	567,274
Equity instruments	352,293	23	3,387	28,019	(10,206)	(864)	2,314	0	0	374,966
Measured at fair value through other comprehensive income	352,284	23	3,387	14,068	(10,204)	(864)	2,314	0	0	361,007
Measured at fair value through profit or loss	9	0		13,951	(2)	0	0	0	0	13,959
Derivatives	759,318	(186,083)		52,003	0	(152,044)	44,058	(10,386)	2,297	509,164
TOTAL	3,236,808	(364,442)	(6,061)	497,116	(250,671)	(313,388)	67,278	(42,374)	2,297	2,826,561

	30/06/22									
(in thousands of EUR)	Opening balance	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	(74,562)		3,257	(10,739)	(1,001)	0	0	0	954,697
Measured at fair value through profit or loss	1,037,737	(74,562)		3,257	(10,739)	(1,001)	0	0	0	954,697
Debt securities	904,694	356	(15,498)	284,615	(164,037)	(104,362)	0	(31,329)	0	897,317
Measured at fair value through other comprehensive income	337,420	(40)	(15,498)	69,280	0	(98,447)	0	(31,329)	0	261,385
Measured at fair value through profit or loss	567,274	396		215,336	(164,037)	(5,915)	0	0	0	635,932
Equity instruments	374,966	29	40,588	21,188	(478)	(523)	0	(16,264)	0	419,506
Measured at fair value through other comprehensive income	361,007	29	40,588	21,188	(473)	(523)	0	(2,314)	0	419,502
Measured at fair value through profit or loss	13,959	0		0	(5)	0	0	(13,950)	0	4
Derivatives	509,164	(285,560)		37,476	0	(17,866)	10,540	(17)	(1,103)	252,634
TOTAL	2,826,561	(359,737)	25,090	346,537	(175,253)	(123,753)	10,540	(47,610)	(1,103)	2,524,154

B. Liabilities

(in thousands of EUR)	31/12/21									
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other compre-hensive income	Purchases	Sales	Direct origination	Settle-ments	Transfer in Level 3	Transfer out of Level 3	Closing balance
Debt securities issued and other financial liabilities	2,586,721	(56,650)		0	0	374,394	(490,158)	11,296	(153,987)	2,271,616
Measured at fair value through profit or loss	2,586,721	(56,650)		0	0	374,394	(490,158)	11,296	(153,987)	2,271,616
Derivatives	620,674	(72,841)		146,881	0	0	(237,845)	68,675	(4,516)	521,029
TOTAL	3,207,395	(129,491)		146,881	0	374,394	(728,002)	79,971	(158,503)	2,792,646

(in thousands of EUR)	30/06/22									
	Opening balance	Total of unrealised gains and losses in P&L	Total gains/ losses in other compre-hensive income	Purchases	Sales	Direct origination	Settle-ments	Transfer in Level 3	Transfer out of Level 3	Closing balance
Debt securities issued and other financial liabilities	2,271,616	(143,605)		0	0	429,012	(139,230)	0	0	2,417,793
Measured at fair value through profit or loss	2,271,616	(143,605)		0	0	429,012	(139,230)	0	0	2,417,793
Derivatives	521,029	(164,927)		162,417	0	0	(75,802)	10,811	(665)	452,863
TOTAL	2,792,646	(308,531)		162,417	0	429,012	(215,033)	10,811	(665)	2,870,657

The column "total of unrealised 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 en 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)

Financial instruments measured at fair value for which reliable quoted market prices are available (level 1)

When the market is active – meaning that reliable bid-offer prices are available representing effective transactions for meaningful amounts concluded on an arm's length basis between willing counterparties – the market quotes provide for reliable evidence of fair value and are therefore used for fair value measurement (f.e. interest rate futures, liquid bonds, etc).

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 13 fair value hierarchy, which is not the case for the use of quoted prices in inactive markets or the use of quoted spreads.

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. 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. 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.

Once a financial instrument is not classified as level 1, Belfius requires that two conditions are met for inclusion in level 2:

- the model must have either passed a successful validation by the Validation department or comply with the price reconciliation process run by the Market Risk department that has been installed to test the reliability of valuations.
- the data that Belfius incorporates in its valuation models are either directly or indirectly observable.

Fair value measurements that do not fall under level 1 and do not comply with the two conditions for level 2 mentioned above, are reported as part of the level 3 disclosure.

In that respect, within Belfius, the following parameters are not considered to be observable: Belgian inflation, CMS spread, equity correlations, illiquid bonds, credit default swaps.

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 (back-testing) every quarter by mean 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…).

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. The discount interest rate curve takes 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 collateralised and non-collateralised derivatives. For collateralised derivatives with standard ISDA/CSA agreements, the unearned credit spread is calculated taking into account the Margin Period of Risk and the collateral exchanged. For uncollateralised derivatives 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 bonds and 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 or benefit for uncollateralised transactions. For all uncollateralised 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 collateralised 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.

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	+30 bps	-1.34	
OTC derivatives on CMS spread	Correlation between CMS interest rates	0.1	0.35	
OTC swaps Bermudian Feature	Mean Reversion	1%	0.66	
Collateralised Debt Obligation	Credit spread	-10 bps	-3.29	
Credit Default Swap	Credit spread	-10 bps	-1.53	
Illiquid bonds	Credit spread	-10 bps	0.00	0.62

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. Secondly, the models used are validated by the Validation department which reports directly to the CRO. The validation reports but also the proposals for model changes 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

The IFRS levels are dependent on an internal liquidity score for the bonds or on observability criteria and a validation status of the model for the derivative products. The liquidity score of the bonds is distributed between very liquid (high score) and very illiquid (low score). Therefore, a small change in the liquidity on the market does not influence the distribution of L1, L2 or L3. Some bonds are nevertheless close to the border of illiquidity and can change from L1 to L2 or L3. The main events of the last months (monetary policy of central banks, the war in Ukraine, the global economic situation and continued consequences of the covid pandemic) caused some movements in the liquidity scores but without impacting significantly the transfers between levels. For derivatives products, we have not seen any significant transfers between levels since the volume of the stock was stable and the observability of parameters did not change in the last months. Model validation coverage increased and some legacy transactions were unwound, leading to a decreasing trend of the L3 stock.

6. Disclosure of difference between transaction prices and model values (deferred day one profit)

No significant amounts are recognised as deferred Day One Profit or Loss (DOP) in 2022.

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 recognised up-front. Only a few transactions of insignificant amounts have unobservable parameters, consequently the Deferred DOP is immaterial.

9.2. Credit risk exposure

(refers to table 9.2. of the annual report 2021)

We refer to the Risk Management chapter of the Management Report for further information.

1. 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.

31/12/21	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	0	0	0	0	0	0
Loans and advances	131,651	26,059	16,889	92,503	33,393	36,412	288,891	59,966	448,136
Debt securities	0	0	0	0	0	0	942	0	0
TOTAL	131,651	26,059	16,889	92,503	33,393	36,412	289,834	59,966	448,136

30/06/22	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	2	5	0	0	0	0
Loans and advances	116,631	37,707	14,557	90,651	41,011	21,706	224,075	34,234	534,499
Debt securities	0	0	0	0	0	0	942	0	0
TOTAL	116,631	37,707	14,557	90,654	41,016	21,706	225,017	34,234	534,499

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 Risk Management chapter of the Management Report for further information.

2. Forbearance

31/12/21 (in thousands of EUR)	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	1,944,740	(270,571)	1,376,191	55,085
Debt securities	0	0	0	0
Off-Balance sheet exposure	45,560	0	16,960	408

30/06/22 (in thousands of EUR)	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	1,828,921	(253,226)	1,284,391	81,883
Debt securities	0	0	0	0
Off-Balance sheet exposure	50,637	0	26,824	781

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: no automatic forbearance classification was applied for borrowers only based on the fact of a new loan granted under the state guarantee scheme or EBA compliant requested moratoria. Clients which were granted legislative, non-legislative and other moratoria during the Covid-19 pandemic continued to be assessed, taking into consideration the existing forbearance criteria and longer-term capacity to repay. In this context, the most vulnerable client contracts associated with high PD's and, with potentially longer-term use of moratoria, beyond the 9 months cap, are recognised as forborne.

Refer to the section "The risk management process concerning Forbearance, Watchlist, Default and Impairments" in the Risk Management chapter of the Management Report for further information.

3. Movements in allowances for credit losses

31/12/21 (in thousands of EUR)	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	(69)	(419)	0	(488)
Changes due to origination, acquisition and derecognition	(723)	0	0	(723)
Changes due to credit risk(1)	269	36	0	305
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(273)	273	0	0
Foreign exchange and other movements	582	(1)	0	582
BALANCE AT 31 DECEMBER	(213)	(110)	0	(323)
LOANS AND ADVANCES				
Measured at amortised cost				
BALANCE AT 1 JANUARY	(133,883)	(495,220)	(1,198,825)	(1,827,928)
Changes due to origination, acquisition and derecognition	(59,181)	0	15,344	(43,836)
Changes due to credit risk(1)	139,751	(6,646)	(81,853)	51,252
Transfer from stage 1 (12-month ECL) to stages 2 & 3	20,170	(19,373)	(797)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(93,455)	118,450	(24,995)	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	(1,421)	(18,486)	19,907	0
Decrease in allowance due to write off	0	0	57,410	57,410
Foreign exchange and other movements	(102)	(1,223)	(1,084)	(2,408)
BALANCE AT 31 DECEMBER	(128,120)	(422,498)	(1,214,893)	(1,765,512)

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

31/12/21 (in thousands of EUR)	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	(2,165)	(153,455)	(3,325)	(158,946)
Changes due to origination, acquisition and derecognition	57	0	0	57
Changes due to credit risk(1)	1,860	(8,672)	0	(6,813)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	21	(21)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(1,314)	1,314	0	0
Foreign exchange and other movements	(27)	(8,526)	0	(8,553)
BALANCE AT 31 DECEMBER	(1,568)	(169,362)	(3,325)	(174,255)
Measured at fair value through other comprehensive income				
BALANCE AT 1 JANUARY	(2,554)	(17,565)	0	(20,119)
Changes due to origination, acquisition and derecognition	149	0	0	149
Changes due to credit risk(1)	1,178	(298)	0	880
Transfer from stage 1 (12-month ECL) to stages 2 & 3	2	(2)	0	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(739)	739	0	0
BALANCE AT 31 DECEMBER	(1,964)	(17,126)	0	(19,090)
OFF-BALANCE SHEET EXPOSURE				
BALANCE AT 1 JANUARY	37,999	120,654	17,496	176,149
Changes due to origination, acquisition and derecognition	94,306	0	(9,624)	84,682
Changes due to credit risk(1)	(116,763)	9,219	8,356	(99,188)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	(5,046)	4,994	52	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	25,400	(26,550)	1,150	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	597	4,996	(5,593)	0
Foreign exchange and other movements	70	338	211	620
BALANCE AT 31 DECEMBER	36,562	113,652	12,049	162,263

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

A decrease in stage 1 and 2 impairment allowances can be noted following the macro-economic improvements in 2021. In particular, Belfius has updated the underlying macro-economic scenarios as well as reassessed the management overlays, resulting in reversals of part of the stage 1 and 2 impairments accounted for in 2020. As customary, impairments were also recognised on a limited number of defaulted (stage 3) exposures during 2021 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 +1 million in 2021, compared to EUR -453 million in 2020. The ex-ante provisioning of EUR 331 million per end 2020 decreased to EUR 216 million per end 2021, and is explained by the update of the macro-economic factors (decrease of EUR 68 million) and reversals on overlays for specific risk pockets and individual counterparts following the reassessment of the management overlays (decrease of EUR 47 million).

30/06/22 (in thousands of EUR)	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	4	6	0	10
Changes due to credit risk(1)	19	36	0	54
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(1)	1	0	0
Foreign exchange and other movements	(11)	0	0	(11)
BALANCE AT 30 JUNE	(202)	(67)	0	(269)
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	(73,826)	29,765	6,999	(37,063)
Changes due to credit risk(1)	141,116	(44,697)	(42,990)	53,430
Transfer from stage 1 (12-month ECL) to stages 2 & 3	21,615	(21,164)	(451)	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(101,169)	114,841	(13,672)	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	(657)	(22,654)	23,311	0
Decrease in allowance due to write off	0	0	19,926	19,926
Foreign exchange and other movements	(173)	(888)	(3,574)	(4,634)
BALANCE AT 30 JUNE	(141,215)	(367,294)	(1,225,344)	(1,733,853)

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

30/06/22 (in thousands of EUR)	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	(57)	0	0	(57)
Changes due to credit risk(1)	255	(1,102)	0	(847)
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(329)	329	0	0
Foreign exchange and other movements	0	3,307	0	3,306
BALANCE AT 30 JUNE	(1,699)	(166,828)	(3,325)	(171,853)
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	(95)	8	0	(87)
Changes due to credit risk(1)	205	541	0	747
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	(184)	184	0	0
BALANCE AT 30 JUNE	(2,037)	(16,393)	0	(18,430)
OFF-BALANCE SHEET EXPOSURE				
BALANCE AT 1 JANUARY	36,562	113,652	12,049	162,263
Changes due to origination, acquisition and derecognition	50,536	(27,645)	(4,186)	18,705
Changes due to credit risk(1)	(65,950)	39,409	7,191	(19,350)
Transfer from stage 1 (12-month ECL) to stages 2 & 3	(4,223)	4,208	16	0
Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3	25,233	(25,980)	747	0
Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2	103	1,928	(2,031)	0
Foreign exchange and other movements	75	407	67	549
BALANCE AT 30 JUNE	42,336	105,980	13,852	162,168

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

Stage 1 and 2 impairment allowances are impacted by the update of the macro-economic scenarios to take into account the increased macro-economic uncertainties (due amongst others to the second-round effects of the Covid-crisis, 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. As customary, impairments were also recognised on a limited number of defaulted (stage 3) exposures during 2022.

The impact on the statement of income (impairments on financial instruments and provisions for credit commitments) is EUR +13 million in 1H 2022, compared to EUR +31 million in 1H 2021. The ex-ante provisioning of EUR 216 million per end 2021 decreased to EUR 160 million per end June 2022, and is explained by reversals on overlays for specific risk pockets and individual counterparts following the reassessment of the management overlays (decrease of EUR 63 million), partially offset by the impact of the update of the macro-economic factors (increase of EUR 7 million).

We refer to the section “Fundamentals of credit risk 1H 2022” in the Risk Management chapter of the Management Report for further information.

9.3. Market risk and ALM

(refers to table 9.5. of the annual report 2021)
Refer to the Market Risk chapter of the Management Report for further information on this topic.

1. Financial markets

Within Belfius Bank, the Financial Markets Services 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' 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, foreign exchange, equity prices, credit spread and other risks (inflation, CO_2). 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 the investment portfolio 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 and foreign-exchange rate risk: this category of risk is monitored via a historical VaR based on an internal model approved by the National Bank of Belgium. 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.

Since the end of 2011, Belfius also computes a Stressed Value-at-Risk (S-VaR) on top of its regular VaR, which also enters into 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) (in thousands of EUR)	31/12/21				30/06/22			
	IR & FX[2][3]	Equity	Spread	Other risks[4]	IR & FX[2][3]	Equity	Spread	Other risks[4]
By activity								
Average	5,371	4,715	633	333	7,645	4,360	829	425
EOY	3,916	2,643	220	470	5,888	6,915	884	490
Maximum	14,360	9,700	1,518	570	14,538	11,960	1,614	490
Minimum	2,371	2,429	118	291	4,381	2,245	194	365
Global								
Average	11,052				13,258			
EOY	7,250				14,177			
Maximum	25,418				25,004			
Minimum	5,862				7,802			
Limit	23,300				23,300			

(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) Inflation and CO_2 risk.

Interest rate risk (IR) and forex risk (FX) are not measured separately. The forex risk is however not material.

2. Value adjustments

A separate sensitivity based monitoring is in place for three blocks of activities that are not part of the VaR scope. For each type separately and for all three combined, limits are in place for interest rate, FX, inflation and credit spread sensitivities

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 and bond-cds basis sensitivity is within limits.

Finally, the hedge inefficiency of the bond portfolio due to difference in discount curve for the bond and its related swap is managed on a daily basis as well, with hedges in place for the resulting inflation, basis risk and directional IR exposure.

Basis Point Sensitivity (in thousands of EUR)	31/12/21					30/06/22				
	IR	Spread[1]	Tenor Basis	Cross currency	Inflation risk	IR	Spread[1]	Tenor Basis	Cross currency	Inflation risk
By activity										
EOY	(54)	(153)	0	(107)	7	(18)	(47)	0	(83)	(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

Interest rate risk has two forms – economic value volatility and earnings volatility. The measurement of both is complementary in understanding the complete scope of interest rate risk in the balance sheet (excluding financial markets).

Economic value indicators capture the long-term effect of the interest rate changes on the economic value. Interest rate sensitivity of economic value measures the net change of the ALM economic value to an interest rate move by 10 basis points across the entire curve.

The Earnings at Risk indicators capture the more shorter-term effect of the interest rate changes on the earnings of the Bank. Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency impact. A 50 bps increase of interest rates has an estimated impact on net interest income (before tax) of EUR -19 million of the next book year and an estimated cumulative impact of EUR -55 million over a three year period, whereas a 50 bps decrease would lead to an estimated impact of EUR -9 million over the next book year and an estimated cumulative impact of EUR +12 million over a three year period (compared to EUR +31 million, resp. EUR +192 million for a similar rate shock of +50 bps and EUR -9 million, resp. EUR -103 million for a rate shock of -35 bps end of last year).

(in thousands of EUR)	31/12/21	30/06/22
Bank		
Economic value (+10 bps)	(54,950)	(68,652)
Earnings at risk (+50 bps)	31,335	(18,857)
Insurance		
Economic value (+10 bps)	8,332	21
Earnings at risk (+50 bps)	4,354	1,984

B. Real estate - direct property

	31/12/21	30/06/22
(in thousands of EUR)	Measured at amortised cost	Measured at amortised cost
Insurance		
Market value	763,202	762,482
Shock 15% (negative)	(114,480)	(114,372)

Sensitivities are only reported for the direct property investment portfolio of the insurer. 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

	31/12/21			30/06/22		
(in thousands of EUR)	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss[1]	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
Bank - bond portfolio (nominal value)	10,273,470		21,471	10,180,572		10,000
Insurance - bond portfolio (nominal value)	4,879,391	2,919,120	159,057	4,456,868	2,811,409	154,583
Insurance - investment funds (market value)			498,097			530,637

B. Interest-rate sensitivity

	31/12/21			30/06/22		
(in thousands of EUR)	Measured at amortised cost	Measured at fair value through other comprehensive income	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
Bond portfolio	(5,063)	(3,040)	(140)	(3,412)	(2,119)	(105)

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). The sensitivity to 1 bp interest rate increase of the value of the bond portfolio of the insurance companies amounted to EUR -5,6 million at the end of June 2022 and is 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.

	31/12/21			30/06/22		
(in thousands of EUR)	Measured at amortised cost	Measured at fair value through other comprehensive income	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
Bank	(17,120)		(5)	(11,133)		(4)
Insurance	(5,138)	(3,055)	(133)	(3,493)	(2,140)	(207)

D. Shock Equity risk 30% (negative)

Concerns equity shock on investment funds within Belfius Insurance.

	31/12/21	30/06/22
(in thousands of EUR)	Measured at fair value through other comprehensive income	Measured at fair value through other comprehensive income
Insurance	(58,177)	(64,519)

5. Listed equity & real estate

	31/12/21	30/06/22
(in thousands of EUR)	Measured at fair value through other comprehensive income	Measured at fair value through other comprehensive income
Insurance		
Market value – quoted shares & assimilated	407,602	350,944
Market value – quoted real estate	255,182	177,260
Shock 30% (negative)	(198,835)	(158,461)
VaR (99%, 10 days)	57,916	71,314

X. Notes on the significant changes in scope of consolidation

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 2021

Belfius acquired a 30% equity stake in Immovlan (alongside the Rossel Group (35%) and Roularta Group (35%)) with a view to create a reference real estate platform on the Belgian market. The aim is to combine digital expertise and diversify service offerings in residential real estate. The investment is consolidated using the equity method.

Belfius, together with BNP Paribas Fortis, ING and KBC, founded Batopin in March 2020. Batopin offers an independent neutral network of ATMs which will replace the existing ATMs. After a capital increase in September 2021, Belfius consolidates its stake of 25% in Batopin via the equity method. Belfius' total investment amounts to EUR 4.5 million.

In 2021, Belfius Insurance injected additional capital of EUR 2 million into Jaimy, as such increasing its shareholding to 92.07%. Furthermore, in 2021 Belfius Insurance injected additional capital of EUR 3 million into Jane, as such increasing its shareholding to 92.67%. These investments ensure that the entities can further develop and commercially expand in their respective markets.

Belfius Insurance acquired a 100% stake in the real estate company, Alysea, in February 2021, for a total amount of EUR 37 million.

Belfius Insurance acquired a dedicated fund, Belfius Euro Loans as of June 2021 for an amount of EUR 10 million. Belfius Euro Loans invests in European leveraged loans. Belfius holds 99.99% of the parts, the investment is fully consolidated since June 2021.

M80 Capital, a participation consolidated via the equity method, was deconsolidated in March 2021 as our shareholders' interest got diluted to 18.7%.

Team Cyclis changed its name to Cyclis Bike Lease on 25 February 2021.

2. As at 30 June 2022

Belfius Insurance acquired a 100% stake in the real estate company MC^2 (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 the services needed for implementation & optimization 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 30 June 2022.

10.2 Acquisitions and disposals of consolidated companies

1. Main acquisitions

A. Year 2021

Belfius Insurance acquired a 100% stake in the real estate company, Alysea, in February 2021, for a total amount of EUR 37 million.

Belfius acquired a 30% equity stake in Immovlan. The investment is consolidated using the equity method.

Belfius Insurance acquired a dedicated fund, Belfius Euro Loans, in which it holds 99.99% of the parts. The investment is fully consolidated since June 2021.

After a capital increase in September 2021, Belfius consolidates its stake of 25% in Batopin via the equity method. Belfius' total investment amounts to EUR 4.5 million (of which EUR 1.9 million uncalled capital).

The assets and liabilities acquired were as follows:

	2021			
(in thousands of EUR)	Alysea	Immovlan	Belfius Euro Loans	Batopin
Loans and advances due from credit institutions	305	0	10,001	0
Loans and advances	0	0	8,638	0
Debt securities & equity instruments	0	0	0	0
Investments in equity method companies	0	6,600	0	2,625
Tangible fixed assets	46,878	0	0	0
Tax assets	0	0	3	0
Other assets	13	0	0	0
Borrowings and deposits	(10,020)	0	0	0
Tax liabilities	(8)	0	0	0
Other liabilities	(28)	0	(8,641)	0
NET ASSETS	**37,139**	**6,600**	**10,001**	**2,625**
Group share	37,139	6,600	10,000	2,625
Already in possession of the Group	0	0	0	(2,000)
Purchase price (in cash)	37,139	6,600	10,000	625
Less: cost of the transaction	0	0	0	0
Less: cash and cash equivalents in the subsidiary acquired	(305)	0	(10,001)	0
NET CASH OUTFLOW THROUGH ACQUISITION	**36,834**	**6,600**	**(1)**	**625**

B. 30 June 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.

The assets and liabilities acquired were as follows:

	2022
(in thousands of EUR)	MC²
Loans and advances due from credit institutions	901
Tangible fixed assets	40,755
Tax assets	48
Other assets	661
Borrowings and deposits	(22,436)
Debt securities issued	(1,428)
Tax liabilities	(146)
Other liabilities	(554)
NET ASSETS	**17,800**
Group share	17,800
Already in possession of the Group	0
Purchase price (in cash)	17,760
Less: cost of the transaction	
Less: cash and cash equivalents in the subsidiary acquired	(1,105)
NET CASH OUTFLOW THROUGH ACQUISITION	**16,655**

2. Main disposals

A. Year 2021

The Company M80 was deconsolidated since March 2021.

The assets and liabilities were as follows:

	2021
(in thousands of EUR)	M80
Investments in equity method companies	15,883
Other assets	
Other liabilities	
NET ASSETS	15,833

B. 30 June 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
Other assets	0
Tax liabilities	(11)
Other liabilities	(8,045)
NET ASSETS	39,210
Group share	39,210
Proceeds from sale (in cash)	52,145
Less: cost of the transaction	
Less: Cash and cash equivalents in the subsidiary sold	(692)
NET CASH INFLOW ON SALE	51,453

3. Assets and liabilities included in disposal groups held for sale and discontinued operations

A. Year 2021

As at 31 December 2021 no subsidiaries were recorded as “Non current assets (disposal group) held for sale and discontinued operations”.

B. 30 June 2022

As at 30 June 2022 no subsidiaries were recorded as “Non current assets (disposal group) held for sale and discontinued operations”.

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

(in thousands of EUR)	Directors and key management personnel[1] 31/12/21	Directors and key management personnel[1] 30/06/22	Subsidiaries[2] 31/12/21	Subsidiaries[2] 30/06/22
Loans[3]	2,273	2,455	3,646	4,568
of which impaired loans stage 3	0	0	0	0
Interest income	27	18	248	64
Deposits and debt securities[3]	10,568	10,703	12,037	11,174
Interest expense	(3)	(3)	0	0
Net commission	0	0	235	12
Guarantees issued and commitments provided by the Group[4]	0	0	2,650	80
Guarantees and commitments received by the Group	5,041	4,775	28	973

(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.

Statutory auditor’s report to the board of directors of Belfius Bank NV/SA on the review of the condensed consolidated interim financial information as at 30 June 2022 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Belfius Bank NV/SA as at 30 June 2022, the condensed consolidated interim statements of income, comprehensive income, changes in equity and condensed consolidated interim cash flow statement for the six-month period then ended, and notes to the interim financial information (“the condensed consolidated interim financial information”). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2022 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union.

Zaventem, 4 August 2022

KPMG Bedrijfsrevisoren – Réviseurs d’Entreprises
Statutory auditor
represented by

Olivier Macq Réviseur d’Entreprises Bedrijfsrevisor	**Kenneth Vermeire** Réviseur d’Entreprises Bedrijfsrevisor

Abbreviations

Acronym	
ABS	Asset-Backed Securities
ALM	Asset-Liability Management
AUM	Assets Under Management
BRRD	Bank Recovery and Resolution Directive
B/S	Balance Sheet
bp	Basis Point
C/I	Cost-Income
CCF	Credit Conversion Factor
CET 1	Common Equity Tier 1
CoR	Cost of Risk
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Value Adjustment
DCM	Debt Capital Markets
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
ECM	Equity Capital Markets
EIF	European Investment Fund
EL	Expected Loss
FEAD	Full Exposure at Default
FHIC	Federal Holding and Investment Company
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
IRB	Internal Rate Based
LCM	Liquidity and Capital Management
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LRE	Leverage Risk Exposure
LT	Long Term
LTRO	Long-Term Refinancing Operations
MCRE	Maximum Credit Risk Exposure
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
P&L	Profit and Losses
PD	Probability of Default
PS	Preferred Senior Bonds
RAF	Risk Appetite Framework
RMBS	Residential Mortgage-Backed Securities
ROA	Return On Assets
ROE	Return On Equity
RoNRE	Return on Normative Regulatory Equity
SPPI	Solely Payments of Principal and Interest
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
TLOF	Total Liabilities and Own Funds
TREA	Total Risk Exposure Amount
TRIM	Targeted Review of Internal Models
T-LTRO	Targeted Longer-Term Refinancing Operations
VaR	Value at Risk

Additional information

General information about Belfius Bank

Company name and legal form
Belfius Bank SA/NV

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Company number
RLE 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 Negotiation department of Belfius Bank

Belfius Bank
Negotiation – Colis 7913
Place Charles Rogier 11 – 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
E-mail: ***info@ombudsman.as***

For further general info over Belfius Bank & Insurance, feel free to surf www.belfius.com.

Surf www.belfius.com.

Got a question about Belfius Bank's results or strategy?

Then please e-mail financialcommunication@belfius.be.

Any other queries?

Then call +32 2 222 12 01 (Mon-Fri: 8 am-10 pm/Sat: 9 am-5 pm).

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